

# HARPOON

March 2016

## Harpoon: Tapping Into Employee Ownership

By Rocky Fiore

In the summer of 2014, Boston-based Harpoon Brewery became an employee owned company. Harpoon chose an employee ownership model, specifically an Employee Stock Ownership Plan (“ESOP”), since it fit their ownership transition goals and objectives. ESOPs are unique ownership vehicles, particularly for companies that have historically been owned by its founders. Specifically to Harpoon and many other craft brewers, the use of an ESOP model for ownership transition results in the freestanding continuation of the existing business, rather than the merger of it into another, larger company. Because of this, an ESOP strategy supports the frequently-observed passion of craft brewers to be independent, a theme that interestingly spills over to the craft brewing retail customer base. Following the completion of an ESOP transaction, the breadth of a company’s ownership migrates from *few* to *many*.

As one of the few outsiders that had the

privilege of addressing the employees in Harpoon’s Boston Beer Hall on the evening in 2014 when the formation of the ESOP was announced to all fellow Harpooners, I thought it might be interesting to look back from today’s perspective and share some thoughts and observations. However, this isn’t a retrospective look at the transaction; the details of that are the Company’s to share. This article will



focus on what can really make an ESOP work over the long term and, in particular, how Harpoon has taken steps to make that happen.

A lot has been written about successful ESOP companies. The central theme comes down to viewing the ESOP as something more than a tax-advantaged ownership transition and financial tool. To distill it into a single phrase, it comes down to enabling an ownership culture. From there, a number of good things can happen as the employee-owners begin to think like owners and, in turn, contribute to the success of the Company. The existence of an ownership culture isn't automatic nor does it simply appear once the ESOP switch is flipped. If it isn't there, it has to be built. Building an ownership culture takes the same skills and diligence that are the hallmark of all great companies; the ability to effectively plan and execute, and it relies heavily on a solid communication strategy. For Harpoon, the cultural shift is less daunting than others due to a pre-existing internal openness and a shared culture of striving to be the best. The cultural groundwork was already in place when the ESOP was implemented. As Harpoon co-founder Dan Kenary aptly put it on the night of the employee announcement in 2014: "Everything is different, but nothing really has changed."

### Harpoon's First Steps

The two key elements; the internal cultural "inertia" and the desire for independence, created a solid basis for Harpoon to succeed as an ESOP company. But these favorable tailwinds didn't (and still don't) necessarily make it easy for Harpoon. As all successful ESOP companies find out, it takes hard work and sustained effort on the employee communication and education front.



In Harpoon's case, it started with that first public announcement in the summer of 2014. Immediately following the introduction, the process of internal communications began, starting with management meetings and "train the trainer" sessions. These initiatives were geared towards (1) being informative and (2) being absent of hype. It was very important to the company to steer clear of setting unrealistic expectations. To the contrary, the focal point of the initial internal communication was on the *opportunity to create value*, rather than the *promise of delivering value*.

Among the best ESOP companies, this sort of well-planned and executed internal communication strategy typically represents the entirety of the initial rollout of the new ESOP. For most, there isn't a significant external element. As a highly visible consumer product company, such was not the case with Harpoon. They opted to take on the additional dimension of an external introduction and rollout on the same immediate timeline as was employed

for the internal communication strategy. This included direct market contact, social media and a wide variety of other news outlets, with creative content and messaging tailored specifically for each avenue. As a result, both the craft brewing industry and the ESOP community were made aware of Harpoon's news literally hours after its employees first heard about it.

### What's Happened Since?

The short answer is: a lot! Here are some of the communication strategies that Harpoon has utilized since becoming an ESOP in 2014.

- Broadened the understanding of the Harpoon ESOP among the employee-owners.
- Incorporated their employee ownership status

into Harpoon's online and social media channels.

- Featured the move to employee ownership in their branding and select "employee-owned" back labeling used randomly on select beers distributed in each of their markets.
- Established an "Ideas Wall" after being inspired from a visit to fellow ESOP company, Web Industries. Web Industries has a similar program which engages, excites and motivates employees to improve company performance. Harpoon's Ideas Wall recognizes employee's contributions for improvements that enhance how the company operates.
- Launched the Harpoon Employee-Owner Spotlight Blog featuring employee profiles of those who have proposed more efficient processes as a result of the Ideas Wall.
- Received support from other employee-owned craft brewers including a collaboration with Deschutes Brewery to develop "EHOP" – beers brewed by employee-owners in celebration of brewing independence. EHOP was released as part of Harpoon's 100 Barrel Series, which is a limited batch, one-of-a-kind beers.
- Actively participating in the ESOP Community through attendance and presentations at conferences. By the end of 2016, over three dozen employee owners will have attended over 14 ESOP conferences.
- Implemented a Wellness Program; a healthy mind needs a healthy body to be productive. Also the wellness program promotes organized



fitness events which is a great opportunity to socialize with fellow co-workers both during and after the event.

- Monthly "Owners Clubs" which are social gatherings led by a different department head each month with the intent to engage employees by getting to know each other better outside of work.

## How Has It Gone So Far?

By any objective standard, Harpoon has become a very accomplished employee-owned company since 2014. The communication initiatives on the employee ownership front have been quite effective and should position Harpoon as a sustainable ESOP company for a long time.

*"The first 18 months of our journey as an employee-owned company have been exciting and very promising. We have been well-counseled by our friends in the ESOP community that it takes time and effort to fully develop an engaged ownership culture. We are very encouraged by what we have accomplished together and energized for the on-going challenges. After all, the rewards are many and shared by all."* - Dan Kenary, CEO of Harpoon Brewery

Harpoon Brewery has done a remarkable job implementing their ESOP culture into their company and their branding efforts.

It will be interesting to continue following their progress and innovative communication strategies to see what they come up with next.

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