

# OWNERS @ WORK

the ONLINE magazine of the  
Ohio Employee Ownership Center

Volume XXVI No. 2 Summer 2014



## Employee Ownership Thrives in Ohio

Davey Tree Grows Employee Owners

Columbia Chemical's Healthy Workplace

Perry proTECH Wins Awards

The State of Employee Ownership in Ohio

Highlights from the 28th Annual Ohio Employee Ownership  
Conference

Also in this Issue:

Book Review: The SAIC Solution, 2nd Edition

## OWNERS AT WORK

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The OHIO EMPLOYEE OWNERSHIP CENTER (OEOC) is a university-based program which provides information and technical assistance to retiring owners, buyout committees, labor unions, managers and community-development organizations interested in exploring employee ownership. Center staff can help locate competent and appropriate legal and financial advisors, and perform initial assessments to determine whether employee ownership is a viable option. The OEOC develops resource materials on employee ownership and participation systems, sponsors workshops and conferences for the general public, develops and delivers training programs for employee owners, facilitates cooperation among employee-owned firms, coordinates a comprehensive succession planning program, and assists international efforts to privatize businesses through employee ownership.

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## Editor's Note

*Thank you for joining for this issue of Owners At Work. In this issue, we celebrate, again, the good things happening in Ohio around employee ownership. As always, we recap the magic that was the 2014 Ohio Employee Ownership Conference and with the winners of the 2014 "Longevity" Awards, we highlight 14 companies that have been employee-owned for 10 or more years, including 4 celebrating 30-plus years of being employee owned. Two other highlights from the conference are celebrated as well; we have transcriptions of our two keynote speeches - Davey Tree Expert Company CEO Karl Warnke and New Belgium Brewing's Director of LOVE (Living Our Values Everyday) and Calendar's Jordana Barrack. Full video of the speeches are available on our website, [www.oeockent.org](http://www.oeockent.org).*

*Our news sections highlight a number of Ohio companies (and others too!) with "breaking" news since the conference. There is an interview with Columbia Chemical's Rebecca Harding and their award-winning employee health program. Former OAW Editor Jacquelyn Yates highlights the "State of Employee Ownership in Ohio."*

*Ohio supporters of employee ownership have a lot to be proud of; we at the OEOC are proud to be able to play a part in the movement, and we welcome you to join us in helping to make every employee an owner!*

*Don't forget to mark your calendars and join us for the 29th Annual Ohio Employee Ownership Conference on April 29th, 2015!*

# Ohio Employee Ownership News

## Sen. Sherrod Brown and the Power of American Worker and Products

In April, Senator Sherrod Brown, (D-OH), visited employee owned company, Lifetouch Church Directories, and toured the company's production facilities.

"We are proud and excited to have Sen. Brown here. He is a champion of the middle-class families in Ohio," said Don Lane, plant manager.

Since 1980, Lifetouch has been an employee-owned company with more than 17,000 ESOP participants. In 2012, Brown cosponsored two pieces of legislation focused on expanding the use of ESOP business models in the United States. By increasing employee participation in the company, ESOPs can be an effective tool to help businesses grow.

"Lifetouch Church Directories is an innovative company that not only produces high quality portraits and directories, but also places a heavy emphasis on the importance of its employee-owners," Brown said. "I appreciate watching some of the work here. Ohio makes lots of things, pictures, yogurt, cars, chemicals,

airplane engines and potato chips all are made here."

After a plant tour with management, Brown told the assembled workers that employee ownership makes a difference. "ESOPs do better; the work is better; the retirement is better." Brown wants working families to prosper, as in previous generations.

"As we continue our economic recovery, business models like Lifetouch should be considered as a way for businesses to boost productivity, sales, wages, and help improve working conditions over all," said Senator Brown. **oaw**

## Ohio State University Extension: 100 Years and Still Going Strong

The Ohio State University Extension, the outreach arm of the College of Food, Agricultural, and Environmental Sciences at the Ohio State University, celebrated its 100th anniversary on Thursday, May 8.

On May 8, 1914, the signing of the Smith-Lever Act established the Cooperative Extension Service. This was a milestone that brought Agriculture to where it is now. This service is a unique

educational partnership between the U.S. Department of Agriculture and land-grant universities.

What we know as Ohio State University was established in 1870, before that it was known as the Ohio Agricultural and Mechanical College. OSU extension is an educational entity that partners with individuals, families, communities, business and industry, and organizations to better the lives of Ohioans. **oaw**

## Community Blend Co-op opens in Cincinnati—the first worker-owned coffee shop in Cincinnati

A new worker-owned business opened in Cincinnati in May. Community Blend Coffee House is a collaboratively built eco-friendly cafe with shared ownership in the Evanston neighborhood of Cincinnati serving fair-trade coffee, tea and chocolate, as well as delicious sandwiches and locally-made baked goods. The business is the first worker-owned coffee shop in Cincinnati.

Every employee owner has one share of the business worth about a thousand dollars and the program that helps

## 2013-2014 Friends of the Center Honor Roll

### Platinum

Falcon Industries, Inc.  
Davin & Jo Ann Gustafson

### Gold

George Cheney and Sally Planalp  
Mary Giganti  
Martindale Electric Company  
McDonald Hopkins LLC  
Jim Steiker  
Robert Taylor

### Silver

Margaret Bau  
Carl Draucker  
Kraft Fluid Systems  
NCEO  
Tom & Judy Maish  
Van Olson Law Firm LLC  
Vistula Management Company  
Workplace Development, Inc.

### Bronze

Balestra, Harr & Scherer CPA's, Inc.  
Joyce Baugh  
David P. Ellerman  
Patricia Kelso, Kelso Institute  
Thomas E. Leary  
W. Riley Lochridge  
Larry Mack  
Joseph Marx  
Kenneth May  
Leslie Mead  
Gerry Meyer  
Bill McIntyre and Tatyana Bystrova-McIntyre  
Elizabeth Sholes  
Stephen Smela  
South Mountain Company Foundation  
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Jaroslav Vanek

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# Employee Ownership News

facilitate this was created by the Interfaith Business Builders. **oaw**

## EBO Group, Inc. Named One of the 2014 Best Employers in Ohio

The state-wide survey and awards program was created to identify, recognize and honor the best places to work in Ohio. This year EBO Group is added to the list of 40 businesses in Ohio that meet the criteria:

- Be a for-profit, not-for-profit business or government entity.
- Be a publicly or privately held business.
- Have a facility in the state of Ohio.
- Have at least 15 employees working in Ohio.

- Must be in business a minimum of 1 year.

EBO Group, or Excellence By Owners, is a 100% employee-owned company committed to the idea of employee-owners working for a common goal of continuous success through excellence in all levels of service. Presently with 105 employees, EBO Group, Inc. is an umbrella that is home to four subsidiaries, which include PT Tech, PT Tech International, AeroTorque, and TransMotion Medical; who are guided by a set of shared values. Their uncommon ownership experience

brings forth collaboration, innovation, and evolution of ideas, products, and processes. With every opportunity these employee owners devote time, talent, vitality, and initiative towards becoming entrepreneurs and venture capitalists.

**oaw**

## Pro-ESOP Legislation Taking Root

On June 2, 2014 Senator Bernie Sanders (I-VT) was joined by representatives of worker-owned businesses and an employee-ownership expert at a news conference to announce two new bills to help those who want to form their own businesses or worker-owned cooperatives.

"Simply put, when employees have an ownership stake in their company, they will not ship their own jobs to China to increase their profits," said Sanders. "They will be more productive. And, they will earn a better living."

Under one bill in the package, the U.S. Department of Labor would provide funding to states to establish and expand employee ownership centers that provide training and technical support for programs promoting worker ownership and participation, like the Vermont Employee Ownership Center. The center

serves as the model of the bill, and has done an excellent job in educating workers, retiring business owners, and others in the benefits of worker ownership.

The second bill would create a U.S. Employee Ownership Bank to provide loans to help workers purchase businesses through an employee stock ownership plan or a worker-owned cooperative.

"At a time when corporate America is outsourcing millions of decent-paying jobs overseas and with the economy continuing to struggle to create jobs that pay a livable wage, we need to expand economic models that help the middle-class," Sanders said during the press conference in Burlington. "I strongly believe that employee ownership is one of those models."

Recently the ESOP Association expressed strong support for H.R. 4837, the Promotion and Expansion of Private Employee Ownership Act. Introduced to congress on June 11, 2014. H.R. 4837 would amend the Internal Revenue Code of 1986 and the Small Business Act to expand the availability of ESOPs in S corporations.

"We need policies to encourage employee stock ownership, and the proposed policies in H.R. 4837, though modest in approach, should address core social issues such as adequate

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# Employee Ownership News

retirement security and making sure working Americans have an ownership stake in our capitalistic system,” said J. Michael Keeling, President of the ESOP Association. Research has proven ESOPs to be more profitable, productive, and provide sustainable jobs.

The Vermont initiative and H.R. 4837 are some of the latest pushes for an economic model.

“By expanding employee ownership and participation, we can create stronger companies in Vermont and throughout this country, prevent job loss, and improve working conditions for struggling employees,” said Senator Sanders. **oaw**

## 2014 ESOP Association AACE Awards

There were many deserving companies recognized at the 2014 ESOP Association AACE Awards during The ESOP Association’s 37th Annual Conference in Washington D.C., a number of which had Ohio roots.

## Brian Bornino receives the Member Recruitment Award

Brian Bornino of GBQ is a Professional Member of the OEOC and has been involved in the work of the Ohio/Kentucky Chapter of the ESOP Association. He is active in educating companies about employee ownership and works to recruit new members to the association.

## Tracy Woolsey receives Outstanding ESOP Association Chapter Officer Award

Tracy Woolsey is the Senior Vice President at Horizon Trust & Investment Management and is a Professional Member of the OEOC. She specializes in providing fiduciary services to ESOP companies and works with benefit plans providing trustee and investment services.

## PERRY proTECH receives Total Communications Program, 250 or Fewer Employees Award

PERRY proTECH is a leading provider of business technology solutions and

products headquartered in Lima, Ohio and is a member of Ohio’s Employee Owned Network. The company was originally established in 1965 and today its 200+ employee owners have taken the ownership ethic to a high level; from their Core Values to their Certified Employee Ownership (CEO) Program. PERRY proTECH was also the runner up for the Printed Materials, 250 or Fewer Employees Award.

## Dakota Supply Group receives ESOP Company of the Year Award

Dakota Supply Group is a full-line distributor of electrical, plumbing, HVAC, refrigeration, communications, utility, automation, waterworks, filtration and metering technology products and systems. The company is headquartered in Fargo, North Dakota and encourages their employee owners to participate in training sessions and seminars

Congratulations to all of the companies where were honored at the 2014 AACE Awards! **oaw**

## Exploring the Employee Ownership Impact on Rural Communities

Roy Messing

The OEOC is undertaking a study of the “Employee Ownership Impact on Rural Communities” as part of its current USDA Rural Cooperatives Development Grant. It is well known that employee ownership can have a significant impact on the employees and the companies they “own” through ESOPs, employee-owned cooperatives, or direct employee stock ownership. Studies show that the employees in employee-owned companies have better retirement packages, higher wage rates, more satisfaction on the job, and they help their business become more profitable. All this information is developed based on employee ownership on a broad scale. In our study, we are looking to bring this down to a “local” level. The study will focus on rural employee-owned businesses for a couple of reasons. First, USDA serves rural America and supports projects that center in rural communities. Second, it is easier to ascertain the real impact of a 50-employee business in a town of 1000, than a 500-employee business in a metropolitan community of 2.5 million.

Most ESOPs are formed when a “retiring” selling owner transitions the business to employee ownership. There is an increasing trend in the much smaller employee-owned cooperative where this type of ownership structure is developed through a conversion of an existing business. Many rural communities have languished when their “anchor” businesses were rolled up into some conglomerate

that “shuttered” the facility and eliminated most of the local jobs. When businesses complete a conversion to employee ownership, the company remains local, jobs are retained, and the normal activities (both business and personal) continue in the community.

We have started (and will continue) interviewing rural employee-owned businesses to get their feedback on what employee ownership means to their business, employees, and the community. Employee-owned companies tend to be very “engaged” in the local community. Many of the rural employee-owned businesses that we have already met were formed as a result of the retiring owner’s motivation to keep the business in the local community. Without a family member or partner to transition the business to, the employees became the next likely candidate to own the business.

We have many rural employee-owned companies in Ohio and will be reaching out to these businesses to learn more about their own employee ownership story.

Ultimately, we hope to publish a collection of short stories on as many rural employee-owned businesses as possible. Each of these companies has a unique story that could resonate with someone; a trusted advisor, local public official, a friend or relative, or perhaps even the rural business owner who never realized that selling the business to the employees was a real option. This project will be completed by the end of 2014. **oaw**

# An Interview with George Cheney: Transitions & New Opportunities

George Cheney (PhD, Purdue University 1985), an associate of the OEOC and a professor of communication, is transitioning out of full-time academic employment after 30 years at a variety of institutions. Recently, he was a professor of communication studies and the coordinator of doctoral education and interdisciplinary research in the College of Communication and Information at Kent State. Previously, he taught at the universities of Illinois, Colorado, Montana, Utah, and Texas. He retains positions as an adjunct professor at Utah as well as at the University of Waikato, Hamilton, NZ, where he has visited many times. Cheney will now pursue a mix of part-time teaching, research, lecturing, writing, and consulting. He and his wife Sally Planalp, also a professor, are in the process of moving back to Utah, and they will spend significant amounts of time in the Denver area (where they have also lived) and in Northeast Ohio, where George was born and raised and returned to care for his parents in 2011.

Cheney's primary area of specialization is organizational communication, and he has created courses and pursued research on topics that include employee participation, quality of worklife, professional ethics, corporate social responsibility, organizational identity, and globalization. Working solo or collaboratively, Cheney has published 10 books and over 100 articles, chapters, and reviews. Recognized for teaching, research and service, he has been committed to service learning and community-based research. Through several administrative appointments, Cheney has also had the opportunity to apply certain principles of democratic management and shared leadership: for example, in helping to develop an innovative quality-of-worklife program for staff at the University of Montana and in connecting faculty and students from a variety of disciplines in collaborative ventures at the University of Utah. He has consulted with a variety of organizations, including non-profits and universities as well as private businesses.

Cheney first came in contact with OEOC in 1992 when he began studying the Mondragon cooperatives in the Basque Country, Spain, and was in contact with John Logue, the founder and late Director of the OEOC. Cheney recognized then the important role that the OEOC played in terms of fostering employee ownership and helping to bring together different forms of employee ownership, ESOPs and cooperatives, in a regional and national network.

Cheney has been able to collaborate extensively with the OEOC during his several years in northeast Ohio. "The OEOC is an organization that practices what it preaches in terms of transparency, collaboration, and democracy," Cheney notes, "The unit offers a shining example of sound management and a strong workplace culture to the university and to other organizations in the area."

Cheney has been involved in a variety of projects with the OEOC and has been a regular contributor to Center publications. Cheney has been one of the OEOC's regular contacts with the Mondragon Cooperatives, and has reported regularly on new developments from Spain. He continues to collaborate with several colleagues in the cooperatives themselves and in Mondragon University. One of the most interesting things about that university, as Cheney observes, is how much the research

in the cooperative institute there is directed towards analyzing, constructively criticizing, and improving the cooperatives. Even with the challenges brought by the Great Recession, the Mondragon Cooperatives remain the largest worker-owned-and-governed business in the world and one of the ten largest private firms in Spain.

Together with colleagues there, Cheney is studying some of the effects of the recent closing of the founding cooperative, Fagor Electrodomésticos, a home appliance manufacturer. This event is of historic importance for the cooperatives, has attracted international media attention, and has caused a great deal of confusion and misunderstanding. Some commentators have unfortunately used the event to herald the decline of cooperatives and employee ownership worldwide, even though the empirical evidence in recent years speaks otherwise. One common misunderstanding about the Fagor case is that the displaced workers were not being protected. In fact, by six months after the announcement of the effective "bankruptcy" in October 2013, approximately 1,000 of the 1,500 laid-off workers had been placed in new jobs elsewhere in the cooperative system. Strife has been very real, however, and this has included a series of public protests about the corporate decision, even in light of the lack of competitiveness of the company for more than five years.

The Fagor case is very important, not only for the people affected but also because of how it implicates internal policies, such as "intercooperation," by which cooperatives in a group, through a complex formula, share losses and profits. Also, the case raises important questions about communication practices (for example, in terms of the handling of the crisis in various forums), major strategic decisions (for example, how adaptive to be with product and service lines), and governance (in terms of which bodies should ultimately be involved in decisions of this magnitude). Healthy debates are taking place within the cooperatives now, Cheney adds, and this kind of self-reflection has been a hallmark of the democratic businesses since their founding in 1956.

Cheney's ongoing research at Mondragon has dealt with a variety of topics, including how to maintain and revitalize systems of participation, how responses to globalization are played out in the work and culture of the co-ops, and how key values are interpreted and conflicts between them managed. In his fieldwork in the 1990s, published in the book *Values at Work* (Cornell University Press, 199, 2002) Cheney found seven meanings or levels of "solidarity" at work in the cooperatives, ranging from workplace camaraderie to their connection with the international cooperative movement. Wage solidarity, by which the distance between the highest and lowest paid employees is kept comparatively narrow, and solidarity between cooperatives (as demonstrated with the practice of "intercooperation") are two of the most important types. Cheney's research at Mondragon led to his being a principal consultant for the documentary *Shift Change* (by Moving Images of Seattle) in 2012 and being interviewed by the Wall Street Journal in 2013.

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Cheney emphasizes the fact that the Mondragon cooperatives are a major source of examples of best practices in terms of value-driven business, participative management, and dynamic governance. At the same time, Cheney adds that in such a larger corporation as this, with 85,000 worker-members (or “socios”) there are inevitably sub-cultures, inconsistencies in terms of adherence to values, and at times tensions and contradictions. For example, during his extensive time there in the 1990s, Cheney was concerned about the drift of management and marketing away from an emphasis on the worker-owned dimension of the corporation. In fact, this important feature was being soft-pedaled in many ads about the cooperatives. The rationale often given was that Mondragon needed to “look” more like standard multinationals. This strategy not only neglected a core, defining characteristic of the cooperatives but also, as has been appreciated more recently, prevented the cooperatives from capitalizing on their own distinctive experience and culture. Fortunately, the newer leadership of many of the cooperatives is renewing commitments to the core values and principles of the cooperatives and dedicated to bring employee participation together with innovation in production and other areas.

Mondragon is of course just one source of examples of best practices in employee ownership. Since 2012, with the support of a Kelso Fellowship from Rutgers University and through a USDA Rural Cooperative Development Grant, Cheney and his collaborator, Ashley Hernandez, a consultant in Houston and a former OEOC staff member, have been conducting numerous interviews in worker co-ops, ESOPs, and other organizations about key lessons in the development and maintenance of ownership culture. Among the many businesses contacted, three are featured in the documentary *We the Owners* by the Foundation for Enterprise Development. New Belgium Brewing, Namasté Solar, and DPR Construction. Cheney and Hernandez are also interviewing co-op developers, attorneys, accountants, consultants, and other service providers, and will include some public officials in the final phase of the project in 2015.

The best practices study was created in direct response to the call to bring together our knowledge of what makes cooperatives and ESOPs successful on the “culture side.” For example, many people in the world of employee ownership have noted the lack of collected insights about leadership in co-ops and ESOPs—there is no single book that treats this topic in depth and with practical recommendations. The interviews for this project are still being conducted, but results so far reveal important insights about leadership, participation, conflict resolution, human resource policies, networking, and other topics.

For instance, one of the important points to come out of several of these conversations is the need to clarify decision-making structures and processes. Unfortunately, very few cooperators or managers are trained in different types and processes of decision making. Also, stereotypes abound with respect to democratic as well as consensus decision making. But a key overall decision is to “locate” decisions at the places in the organization where they can best be handled by the people most knowledgeable about them and where the type of authority used is linked to the scope of the decision. In practice, this means being conscious of which decisions really need to involve the whole body of employee-owners, which are appropriately part of committee deliberations, and which can be treated by individuals. This kind of approach to clarifying the decision-making structure may sound simple, Cheney explains, but it is more the exception than the rule, even in businesses that

strive to be democratic. But, even this kind of general decision about decisions can be modified over time, for example, when it is learned that a wide segment of employee-owners consider themselves to have a stake in something previously discussed only by a particular committee or council.

The best practices study will be published in 2015, in the form of a practical report and perhaps also in a longer academic article. The results will also be presented at one of the upcoming Beyster symposia on employee ownership, held semi-annually.

The best practices study will also feed into a larger project, the creation of a practical and adaptive manual on employee ownership. The idea for this project grew out of consultation and collaboration with Northern Arizona University in 2012. As part of his continuing collaboration with OEOC, Cheney will coordinate the drafting of this manual. The project is being co-sponsored by the Rocky Mountain Employee Ownership Center of Denver, where Cheney has become an associate.

The manual will include compact chapters on a wide range of topics, from how to promote and talk about employee ownership, to types of capitalization and legal structures, to making decisions about the best model for employee ownership for your company, to policies and practices to support ownership culture. The manual will deal with rural as well as urban issues, will include numerous mini-cases, and will offer extensive resources. The manual will become an online resource where updates can be made and further contributions can be added. A “modular” design will allow the manual to be reconfigured for different audiences. A core team will manage the project, and there will be a much wider circle of contributors.

Cheney is excited about all these projects, and the OEOC staff is happy that he will continue to work with the center and visit regularly. **oaw**

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## A Wealth of Opportunity: Employee Ownership Fuels Growth

**M**ore than 300 registered for the 28th Annual Ohio Employee Ownership Conference April 24th at the Hilton in Fairlawn, Ohio. After words of welcome from **Ohio State Representative Kathleen Clyde** and introductory remarks by **Roy Messing, OEOC Director**, the Conference attendees heard from morning keynote speaker, **Karl Warnke, Chairman, President and CEO of The Davey Tree Expert Company**. You can read his edited remarks elsewhere in this newsletter or you can view the speech on the OEOC's website at <http://oeockent.org/>

Following the general session, the morning round of concurrent workshops gave folks a choice of seven panels to attend featuring employee owners as well as professional service providers. The panel on *ESOP Legal Q&A* featured **Carl Grassi, McDonald Hopkins Co., LPA**; **Rob Brown, ESOP Plus: Schatz Brown Glassman Kossow LLP**; and **Scott Stitt, James E. Arnold & Associates, LPA**. Folks attending the panel on *Managing ESOP Repurchase Obligations before they Become Unmanageable* heard from **Tina DiCrocce, ESOP Economics, Inc.**; **Tina Fisher, SES Advisors, Inc.**; and **Ann Caresani, Porter Wright**

**Morris & Arthur LLP**. **Mariann Dance, Columbia Chemical Corporation** and **Mary Harrison, EBO Group, Inc.** discussed *Tools for Increasing ESOP Performance* along with moderator **Alex Freytag, ProfitWorks, LLC**. Folks attending the session on *ESOP Administration from the company's Perspective* got some good advice from panelists **Pete Shuler, Crowe Horwath LLP**; **David Johanson, Jackson Lewis P.C.**; and **Deb Webb, Buckeye Corrugated, Inc.**

The panel *Employee Ownership Basics for Retiring Owners: Options in Employee Ownership* was moderated by **Lori Stuart, Crowe Horwath LLP** and featured **Dave Gustafson, Apple Growth Partners**; **Mary Giganti, Waldheger Coyne Co., LPA**; and **Laura Gordos, The Equity Engineering Group**. *Navigating the Sharing Economy: How big is your "we"?* was discussed by **Deborah Groban Olson, Attorney at Law**; **Mary Landry, MBC Ventures, Inc.**; and **Jordana Barrack, New Belgium Brewing Company**. The panel was moderated by **George Cheney, Kent State University**. The nuts and bolts of

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ESOPs were covered by the panel *ABC's of ESOPs for Existing Employee Owners*. The panel included **Brian Bornino**, GBQ Consulting LLC; **Mark Mills**, Mills Potoczak & Company; and **Van Olson**, Van Olson Law Firm, LLC.

Lunch featured an afternoon keynote address by **Jordana Barrack**, Director of Love and Calendars at New Belgium Brewing Company

Lunchtime also featured the presentation of the 2014 Ohio Employee Ownership Awards. The award for *Getting Your ESOP Off to a Good Start* went to **Yoder Industries, Inc.**, and the award for *Getting Your Co-op Off to a Good Start* went to **Pattycake Bakery**. *Recognition Awards* were given to **Burke Inc.**; **Prentke Romich Company**; **Valicor Environmental, LLC.**; **ACRT, Inc.**; **Buckeye Corrugated, Inc.**; **Delta Systems, Inc.**; **Paul J. Ford & Company**; **Mantaine Corporation**; **OE Meyer Company**; **Jones-Hamilton Company**; **Menke & Associates, Inc.**; **The Davey Tree Expert Company**; **Alloy Engineering Co.**; and **Penn United Technologies, Inc.** Our highest honor, *The John Logue Employee Ownership Excellence Award* was presented to **PERRY proTech**. More information on award recipients can be found on page 14 of this issue.

The rest of the day featured panel discussions ranging from ESOP technical issues to issues of ownership culture to worker cooperatives.

**Barbara Clough**, Blue Ridge ESOP Associates; **Kjersti Cory**, BTC ESOP Services/Bankers Trust Company; and **Kristy Britsch**, Dinsmore & Shohl LLP led a session titled *You Want to Do What with Your ESOP?* The session *ESOP Legal & Fiduciary Update* featured **Ken Swerwinski**, Prairie Capital Advisors, Inc.; **Tim Jochim**, ESOP Plus; **Schatz Brown Glassman Kossow**; and **Tracy E. Woolsey**, Horizon Trust & Investment Management. Moderating the panel discussion was **Jim Steiker**, SES Advisors, Inc. The panel on the *"Tools of Engagement" for ESOP Companies* was moderated by **Cathy Ivancic**, Workplace Development and was comprised of **Mary Bing**, Prentke Romich Company; **Martha Kimura**, ACRT, Inc.; and **Adam West**, PERRY proTech. Professional service providers serving on the panel *The Path to 100% S Corp ESOP* included **Ben Wells**, Dinsmore & Shohl LLP; **Julia Williams**, Chase; and **Ted Lape**, Lazear Capital Partners.

Folks attending the session on *Selling Your Company to a Worker-Owned Cooperative* got helpful information from **Jennie Scheinbach**, Pattycake Bakery and **Eric Britton**, Shumacker Loop & Kendrick. The discussion was moderated by **Patrick Sawyer**, University of North Carolina at Greensboro. The panel *Selling Owner ESOP Q&A* included **Brian Hector**, Morgan Lewis & Bockius LLP; **Pete Chudyk**, Maloney & Novotny LLC; and **Rob Ruszkowski**, Verit Advisors LLC. The panel was moderated by **Tim Stewart**, Yoder Industries, Inc. A panel on *Q&A for ESOP Participants* featured **Tyler Krzewina**, Principal Financial Group; **Mark Fournier**,

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Stout Risius Ross, Inc.; Adrienne Knauer, Integrated Retirement Plan Solutions, LLC; and Jim Merklin, Bober Markey Fedorovich & Company.

Following an afternoon coffee break sponsored by Menke & Associates, Inc., the last round of concurrent panels began.

The session on *How Can I Impact the Bottom Line?* was led by Brad Hams, Ownership Thinking, LLC, and was moderated by Bill Leonard, The Oswald Companies. Folks interested in learning more about *Hearth Care: Code, Coverage, Compliance* heard from Paul Catania, The Oswald Companies; David Whaley, Dinsmore & Shohl LLP; and Jesse Thomas, InHealth Mutual. A panel on *USW/Mondragon Partnership: 1worker1vote.org* featured Kristen Barker, Cincinnati Union Cooperative Initiative (CUCI) and William Generett, Urban Innovation 21.

The panel was moderated by Michael Peck, Mondragon Cooperative Corporation/1worker1vote.org. Those who missed the pre-conference reception and showing of *We The Owners*, had a second chance to view the film and ask Executive Producer, Mary Ann Beyster, about it. This panel was moderated by Chris Cooper, OEOC.

Following the formal program, at the closing reception, the discussion continued in a relaxed atmosphere. At the end of the day, our position as the best one-day ESOP conference in the country was maintained! We thank everyone who helped make the conference the largest employee ownership event in the region and we look forward to seeing even more folks next year as we celebrate the 29th Annual Ohio Employee Ownership Conference to be held Wednesday, April 29, 2013. Mark your calendar! oaw





# *“We work for ourselves. We work for each other.”*

Karl Warnke

2014 OEOC Conference Morning Address, April 24, 2014

Karl J. Warnke has been associated with Davey Tree Expert Company since 1980, serving as President since 1999, CEO since 2007, and Chairman of the Board since 2009. Under his leadership, Davey has made numerous mergers and acquisitions, growing to be the seventh largest 100% employee-owned company in the U.S., with more than 8,000 employees. He also serves on the Board of Directors of Casey Trees, a non-profit organization based in Washington D.C. and Wikoff Color Corporation, an employee-owned firm based in Fort Mill, S.C. He is also a member of The Conference Board's Executive Council for Mid-Cap Companies, the Greater Akron Chamber Board of Directors, and the Board of Trustees of the Ohio Chapter of The Nature Conservancy.

*Editor's Note: Conference Speeches have been excerpted and edited. View the video in its entirety on our website [www.oecokent.org](http://www.oecokent.org).*

**I** feel honored to be asked to come and share the Davey Tree Expert Company's employee ownership experience and the journey that we have been taking for 35 years. It's been a privilege to be a part of that journey and to be a part of the company. Davey Tree is a successful organization that owes all of its success to the thousands of employee owners that we have at the company. The employees are really where the success comes from and I will focus my comments in this presentation on just that. I am not an ESOP expert. I am not an employee ownership expert. But what I am pretty good at is understanding the employee ownership formula and what works for the Davey Tree Expert Company. I'm not promoting our style or structure of employee ownership, I'm only telling you it is one way to go.

I want to focus on the people because the people are what makes it happen. How you engage them; how you leverage that potential that the people you have working for you right now possess. So with that, let's take another look at why we're here.

We have shared interests and we all have the desire to lead and build a successful company, correct? We all have the belief that employee ownership has a real place in the business environment today. But one thing I want to focus on a little bit, and this is more of a question, and this is the differentiator: do we all have a sincere commitment to the people that we work with and the people that work for us? Do we have a sincere commitment to their individual growth and career path? Do we have a sincere commitment to their desire to make a difference in our company, to contribute value and something significant? Do we have a sincere commitment to their future, their family, their quality of life? This is the differentiator, and we have to really think about this. I'm not going to try and persuade you one way or another. I'm just going to try to help you think about this throughout the presentation. This is what builds a strong ownership culture.

Let me give you a quick overview of the culture and the capabilities of the Davey Tree Expert Company.

In order to have employee ownership, you need to do one

of three things. You either start employee ownership, you migrate into employee ownership, or you buy a company, and that's exactly what the Davey Tree Company did. This all began back in 1977. The family announced the intention to sell the company. Immediately thereafter, proposals were in from an employee ownership group, outside entities, and competitors. One of the Directors on our Board wanted to buy the company; we even had a regional manager who wanted to buy his division.

In 1978, after analyzing everything, the company and the board determined that the employees' offer was valid; I didn't say it was the best, but it was a valid offer, and they

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wanted to work with that. So we proceeded, financing was secured, and in 1979, the Securities and Exchange Commission approved the prospectus for the Employee Stock Ownership Plan and the ownership of the company was transferred to the employees. The family owned about 72% of the shares. The employees owned about 11% of the shares. Now some of you here, I know, are doing the math and you're saying, huh, something's not working out. 72% and 11%; what happened to 17% of the shares?

I have a little story about that. Some of these shares were [owned by] former employees no longer with the company, the family did give them some shares. Some of these shares had slipped out to friends of the family and a number of these shares, it is not documented how many, were lost at the poker table on Friday nights! There was also another group of shares that were used for bartering purposes. We sort of used those to buy things, services and what-not.

I'd like to share with you one little story of one of the last family members that was involved with the company—the CEO of the company, sometime back in the early '60s—decided he wanted to buy a car. He went to the owner of a local car dealer and he said, "Look, here's what I want to do. I'd like to buy that car and I'll trade you dollar for dollar Davey shares, Davey stock, for that new car." Well we figured that car cost about \$3,500. So the Davey family member swapped them the shares that was the equivalent of \$3,500. Well about 9, 10, maybe 11 years ago, we got a call from the estate of the deceased owner of the auto dealer. The estate had the Davey shares and wanted to cash them in. To make a long story short, we paid out \$2.3 million. And we now laughingly say that was the most expensive Ford that was ever purchased. This is a true tribute to the success of the company and what the employees have done.

Davey secured a loan. We had to have that for operating expenses to pay down our revolver [loan] and a few other things, like capital expenditures. Some of that loan was used to repurchase stock. The Trust was then established and had to be funded; this was used to buy stock back from the family. That's the way this works is, you buy the stock back from the family and it goes into the Trust. The Davey Company secured the loan for the Trust, and as Davey paid off the loan, the Trust would release the shares back to the employees. This was established and then the prospectus for the plan was established and developed.

In order for this whole deal to work, because we just simply couldn't get the financing, it was mandatory that the employees buy 60,000 shares back from the family. That was part of the deal. We couldn't work it out without doing that and the employees had to leverage this. The wives went to work, the husbands went to work, they leveraged their houses and did whatever they had to do. We sent out 1,800 letters to field employees and management which said, "Here's the deal, we're going to buy this company, and you need to step up." They allocated 120,000 shares. The banks

*"[T]he game changer is people; the people that you have out there. It's who you hire. It's how you integrate them and engage them. Give them something that's meaningful."*

wouldn't agree to go one step further unless we hit the minimum of 60,000 shares sold. Out of the 1,800 letters that went out, 119 people stepped up to the plate at various degrees and at various levels. They actually sold 64,000 shares; they snuck in just over the minimal requirement and

the deal was able to go forward.

We couldn't have done this deal unless M.L. Davey, Jr. had left his shares in the company. He had 65,000 shares, which he needed to leave in there. The company had set up a side agreement that they would pay him back and buy his shares at a later date. The company was able to buy [his] shares two years earlier than anticipated; in other words, in four years. Within that time, he realized an appreciation on his stock value of about 45%. M.L. Davey, Jr. was well rewarded for leaving his shares in, and it really goes to show where employee ownership and the care and concern for employees came from. They came right from the top at the very beginning.

Incidentally, this is the guy riding around in a \$2.3 million Ford.

I believe there's a message that you have to send with employee ownership, and there is no compromise in this message. You cannot waffle when you're trying to push and sell and create an employee ownership culture. The message has to be an unwavering commitment to your dedicated employees. You have to make the message clear: "The company will support you and commit to you if you are a dedicated employee." The company must have a long-term vision if you're getting into the type of employee ownership that we are involved with. You can't look at a 3-year, 5-year, maybe not even a 10-year vision. For us, it's a lifetime commitment. It's a career. It goes indefinitely. That's the way we feel about it still, 35 years after being in the program. It's long term. The kind of people you want to attract are the type of people that are looking for stability in their life in long-term employment. Everyone could own stock—you have to get that message out. It's not just for the select few. In our structure, everybody can own stock.

And finally, employee shareholders are who we work for. We do not work for a faceless corporation. We do not work for a family. We work for ourselves. We work for each other. It's a totally different approach. What we expect for that, and there are no holds barred here, is company loyalty. We expect our people to be dedicated and committed to the Davey Company. We expect them to provide unequalled service, everything they've got, and we expect them to work collaboratively as one. If we all work as one, we will win as one and we will take whatever consequences as one. That's important. That's what we expect. Not a cloak and dagger type organization; very open.

And finally, and last but not least, and this is not a dirty word - profit. Our type of employee structure requires consistent, reasonable profits. We're not a high-tech

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company. We're not a medical company. We don't have those high margins, but we expect consistent, reasonable profit. You can't have this type of an organization, you can't sustain employee ownership and offer stock and have equity ownership unless you have that type of profit and continuous growth. This is what drives us.

So the game changer is people; the people that you have working at your company. It's who you hire. It's how you integrate them and engage them. Give them something that's meaningful. Let them know, let them feel like they bring value to the organization.

What type of culture do you create? Is it an open, family-type culture? This is very important. People are going to be the game changer for you. We frequently go out and ask the employees' perspectives, to keep our finger on the pulse of our employees who are scattered all over North America.

I want to emphasize that we are not perfect. Employee ownership is not perfect. All of Davey's 8,000 employees are not all the ideal employees. We all have problems. But we think by really focusing on the employees, we're ahead of the game.

Here's a little bit of what the employee shareholders have done over the last 35 years. Revenues are up, obviously a lot—we have gained about \$700 million over the last 35 years in revenues.

We have been doing a lot of acquisitions lately. We have an appetite for cash. Our shareholder activity is up significantly, assets are up significantly, long term debt is actually a little bit lower as a percent of sales, not always the best indicator, but it's relevant and relative to 1979. Our employee count is up to 8,000.

So, that's what employee ownership has done for the Davey Tree Company. Those are the results, and I attribute so much of that to the business model that we have for employee ownership. Now with employee ownership, it's all about stock. The stock is our final grade. It's our final scorecard. It tells us how well we've done as far as our skill level. It tells us about our judgment, our effectiveness, and our execution. Have we been doing these things? Have we been communicating? Are we treating our people well, are we getting the most out of the employees in the company? That's what the stock price represents.

Here's a little bit about our stock and some things that we have learned that are very important. Employees need flexibility when it comes to buying, selling stock transactions. You have to give them flexibility. If you box them in and suddenly, they're unsure, they're uncomfortable, then you're going to lose some of your potential employee shareholders. There's a couple of ways to give them the latitude, but I think the important thing is to keep the restrictions to an absolute minimum as much as you possibly can. As far as confidence, whether you're in public markets or it's just your internal stock, the stock needs to be kept affordable. If you've got a guy out there in the field, and we have payroll deduction plans, and he wants to buy stock, and all he can afford is \$25, \$35 a week, that's okay. We don't want him getting a quarter of a

share every week. We want to keep it so that it's significant. When he or she takes money out, they can get something significant. This is why we've had five splits over the last 35 years. We had a 3 for 1, a 4 for 1 and three 2 for 1 splits over those years. We usually split at between \$35 and \$40 per share to keep it down.

The other thing that is as absolutely important, if you want people to buy into your stock program, is you've got to produce. You've got to have stock that's appreciating at or above the markets. We use the S&P 500 as our benchmark. You can't expect employees to buy in if your earning stream is up and down, if it's stagnant or at the same level as the market. It can't happen. Just from experience we see this.

The other thing that is absolutely important is that you must be willing to invest the time in communication and education for your employees regarding their stock, how to manage their stock, personal finance and so forth. Without this, you're not going to get the total engagement that you want.

I'm often asked, "How do you get stock out into the hands of the employees?" We have at least 8 to 10 different ways of doing this. One of the most attractive and the one that gets a lot of attention is that we allow people to have a payroll deduction. We offer the stock at a 15% discount, 85% of the value of the stock. It's a very attractive offer and one that has worked very well for us. The other one is the Stock Subscription Program, which we have done 6 or 7 times over the last 35 years. The opportunity is that you can purchase shares -- up to 30,000, the maximum that you could buy -- there's no discount and it's open to everybody in the company, and we'll finance this for a period of 7 years at a very low rate. The last one we did was five or so years ago, and I think the rate was down around 3%. This is just another way we get large chunks of stock out to anybody that wants them. We also have long term incentive programs which include stocks like the Performance Restricted Stock Units - PRSUs and we have SARS (stock appreciation rights) and a number of other things. These are some of the vehicles by which we get the stock out.

In conclusion, I want to leave you with a couple of thoughts. I believe that success can be realized in a number of different employee ownership structures. I don't know what you're doing at your companies, but whatever you're doing, I applaud your efforts because I think you're on the right track. Whether you're thinking about it or whether you're involved with employee ownership at any level, I believe it's a good thing. If you want lasting rewards; if you want a lasting reward that comes only from working with very dedicated and loyal and committed people, take your organization to the next level of employee ownership, and after that, go to the next level of employee ownership. Stay the course. I really encourage you to stay the course. It

can be one of the most fulfilling accomplishments in your entire life. I want to thank you for inviting me here. And I hope you can glean some helpful suggestions, some actionable items out of this and I wish you the best. Thank you. **oaw**

***"You cannot waffle when  
you're trying to push and  
sell and create an employee  
ownership culture.."***

# Ohio Employee Ownership Center Awards

## The John Logue Award PERRY proTech



**PERRY proTech** serves thousands of companies of all sizes in a variety of industries including financial services, health care, manufacturing, education, telecommunications and utilities. The company offers a wide-range of services including multifunction printers and office products, document storage and retrieval, networked systems and managed print services. The company's mission is to help their clients achieve a competitive advantage by maximizing integration of technology with business needs.

PERRY proTech and its 200+ employee owners have taken the ownership ethic to a high level; from their Core Values to their Certified Employee Ownership (CEO) Program. The

CEO program requires completion of study guides that cover ESOP summary plan Description, valuation, operations and mechanics and the company history and core values. An essay is required from each participant and each is awarded a CEO medallion at the annual shareholders meeting.

PERRY proTech received the 2013 Company of the year award from the Ohio Kentucky Chapter of the ESOP Association, and the OEOC is proud to award them the 2014 John Logue Memorial Award for Employee Ownership Excellence. **oaw**

## Getting Your ESOP off to a Good Start Yoder Industries



**Yoder Industries, Inc.** began as a privately owned and operated manufacturer of aluminum and zinc die castings. The company was incorporated in 1956 under the sole ownership of J.B. Yoder.

Yoder Industries, Inc., was first located in downtown Dayton, Ohio. In 1956, J.B. Yoder designed and built the first die cast machine used by Yoder Industries and produced inflator bodies for navy life preservers (a product Yoder still manufactures today). In 1960, J.B. Yoder built the headquarters facility at 2520 Needmore Road. Today, Yoder has emerged into a complete full-service die casting company with 2 facilities in Dayton, OH, and has progressed through 3 generations of ownership. In May, 2012, the company announced the change to a 100% employee-owned company with 100 employees. **oaw**

## Getting Your Co-op off to a Good Start Pattycake Bakery



**Pattycake Bakery** is a vegan dessert bakery cooperative. They serve handcrafted sweets made from scratch, using the finest primarily organic, all-vegan, and 100% natural ingredients. The bakery focuses on the ethical and eco-friendly aspects of business; they make their deliveries by bicycle and won the Green Packaging of The Year Award. All of their containers are entirely compostable and locally produced.

Pattycake Bakery was successfully converted to a worker cooperative effective May 1, 2013. Jennie Scheinbach, the company's founder, sold shares of the business to the newly formed P-Cake Allstars Cooperative, making the company "worker-owned".

The Clintonville, Ohio business successfully operated as a retail and wholesale vegan

bakery for nearly ten years prior to that. **oaw**



# Ohio Employee Ownership Center Awards

## 10 Years of Employee Ownership

**Burke Inc.** is one of the premier international research and consulting firms in the world. For over 80 years, Burke has helped manufacturing and service companies understand and accurately predict marketplace behavior. Burke's employee owners add value to research and consulting assignments by applying superior thinking to help clients solve business problems. In 2004, Burke formed an ESOP ensuring that all employees are able to participate in stock ownership and have a personal stake in helping to contribute to the company's success. The ESOP, representing broad based employee ownership across all positions of the company, has owned 100% of the shares of Burke since January 2008. **oaw**

**The Prentke Romich Company (PRC)** family of companies are the worldwide leader in the development and support of augmentative communication solutions, computer access products, and other assistive technology products and services for people with severe disabilities. Located in Wooster, Ohio, PRC was founded in 1966 and has representatives throughout the United States, the United Kingdom, Germany and Australia. PRC products and services enable communication and empower independence. PRC has about 110 employee owners in the United States. **oaw**

**Valicor Environmental, LLC** is an industrial and fluid services organization uniquely positioned to focus on its core mission of delivering sustainability solutions to its customers. Since 1996, Valicor has been providing on-site fluid purification services, equipment and onsite management services to industrial manufacturers throughout North America. The company's serviced based approach combines expertise in industrial fluids applications, fluid purification equipment and fluid management services to offer the most cost effective option. The company established its ESOP in 2004 and currently has 80 employee owners. **oaw**

## 15 Years of Employee Ownership

**ACRT, Inc.** is a 100% employee-owned, employee-friendly, client-focused Utility Vegetation Management consulting firm headquartered in Akron, Ohio. ACRT is the only independent national utility vegetation management consulting firm and the first and largest national vocational commercial urban forestry training organization. ACRT's ESOP was established in 1999 and became 100% employee-owned in 2004. By developing strong customer relationships combined with total UVM solutions, ACRT provides utilities with long-term success in power outage prevention. **oaw**

## 20 Years of Employee Ownership

**Buckeye Corrugated, Inc.** is a designer and manufacturer of exceptional quality corrugated packaging and displays. They own and operate 9 manufacturing facilities, a specialty packaging supplies business and a sales and design center, employing more than 500 people in 11 states. Headquartered in Akron, Ohio, they continue to be recognized by customers and peers alike as an industry leading supplier for specialty corrugated products. In business for over 55 years, their ESOP was established in 1994 and is celebrating 20 years as an employee-owned company. **oaw**

**Delta Systems, Inc.,** located in Streetsboro, Ohio, is a designer and manufacturer of switches, displays and electronic controls to provide innovative solutions to the Outdoor Power Equipment industry for more than 40 years. Today you will find Delta products on equipment in lawn and garden, golf and turf, marine, school buses, construction, power sports, and agriculture. The firm's ESOP, currently at 25%, was created in 1994 and currently employs 200 employee-owners. **oaw**



# Ohio Employee Ownership Center Awards

**Paul J. Ford and Company (PJF)** is known for its structural design and analysis services for architects, building owners, contractors, and the telecommunications industry. PJF's structural engineers are committed to providing superior services to our clients from the programming phase through the construction phase for a variety of building types and structures. The company became employee-owned in 1994 and currently has offices in Columbus, Ohio; Orlando, Florida; and Atlanta, Georgia. **oaw**

## 25 Years of Employee Ownership

**Manteline Corporation** headquartered in Mantua, Ohio is now in its 50th year of operation and 25th year of employee ownership. Their 160 employee-owners work hand-in-hand with their North American customers to design, validate, and manufacture customized elastomeric extrusions and seals. Manteline brings automotive technology to non-OEM automotive, transportation and industrial customers. **oaw**

**The O.E. Meyer Co.**, founded in 1918 and located in Sandusky, Ohio, is a 100% employee-owned company employing 150. On January 1, 1989 a change of ownership occurred when Omar Meyer Jr. sold O.E. Meyer & Sons to his employees. Today, The O.E. Meyer Co. is a premier supplier in the fields of welding, health care and environmental services. **oaw**

## 30 Years of Employee Ownership

Founded in 1951, **Jones-Hamilton Company** produces, packages, and markets specialty chemicals for use to industrial, agricultural and consumer markets. The Toledo, Ohio based company is the world's largest producer of sodium bisulfate and a major supplier of muriatic acid to the North American market. The company is dedicated to providing its customers with high-quality chemicals, reliable applications and dependable customer service. Founders, J. Kern Hamilton and James H. Black, were committed to building a company dedicated to long-term customer relationships, employee ownership and investing in the long-term success of the business. The company established its ESOP in 1984 and is 99.8% employee-owned. **oaw**

**Menke & Associates, Inc.** was founded in 1974 by John Menke who co-authored the landmark ESOP legislation which subsequently spawned the industry. Today, Menke & Associates is one of the leading Nationwide firms in the United States with 50 dedicated ESOP specialists who structure and maintain Employee Stock Ownership Plans. Menke & Associates is celebrating 40 years as a firm and 30 years as an employee-owned company. **oaw**

## 35 Years of Employee Ownership

**The Davey Tree Expert Company** was founded by John Davey in Kent, Ohio in 1880 and is one of North America's oldest and largest tree and horticultural services companies. Employees purchased the company in 1979. Since then the company has flourished under employee ownership, with the number of employees growing from 2,800 to 7,300 in 47 states and 5 Canadian provinces. Today, Davey is the 5th largest 100% employee-owned company in the United States. Davey provides a variety of tree care, grounds maintenance and consulting services for the residential, utility, commercial, and government markets. **oaw**



Owners At Work Summer 2014



# Ohio Employee Ownership Center Awards

## 40 Years of Employee Ownership

Since 1943 the **Alloy Engineering Company** has been an innovative leader in the design and manufacture of high-quality alloy equipment for high-temperature and corrosive industrial applications in installations around the world. Alloy Engineering works as a full partner with customers in a quest to enhance their long-term success, their products and support capabilities. The company was founded by Dale A. Vonderau who had the insight of having his company become one of the first ESOPs back in 1974. Today Alloy Engineering is celebrating 40 years as an employee-owned company. **oaw**

**Penn United Technologies** began in 1971 when machinists Carl Jones, Robert Becker, and Charles Barton, followed their entrepreneurial spirits and opened a small tool-and-die shop on the Jones family farm near Saxonburg, PA. Driving their vision was a “why not us” attitude. The seed of that attitude took hold in their imagination and vision. They laid the foundation that would support Penn United Technologies, Inc. throughout the years—a foundation of hard work, perseverance, imagination and integrity. The company has been Employee Owned since 1974 and currently employs more than 550 employees. **oaw**



*Congratulations to all of our  
2014 Award Recipients!*





# *“It takes having that trusting culture and that open culture.”*

Jordana Barrack

2014 OEOC Conference Afternoon Address, April 24, 2014

*Jordana Barrack is Coordinator of LOVE (Live Our Values Every day) and Calendars for the New Belgium Brewing Company in Fort Collins, Colorado, which established employee ownership in 1992.*

*Editor's Note: Conference Speeches have been excerpted and edited. View the original in its entirety on our website [www.oecokent.org](http://www.oecokent.org).*

“I’m here today to tell you the New Belgium Brewing Company history and story. I was actually just having a conversation regarding the lost art of storytelling and that is what I am for the brewery. I’m a storyteller. I started with New Belgium as a storyteller and a beer romancer, which really means I was a bartender. Today I’m the Coordinator of LOVE and Calendars. LOVE stands for Living Our Values Every day. I help curate that culture along with support from our Co-workers and Culture Department and help kindle this passion within the company.

Hopefully many of you have heard of the New Belgium Brewing Company; we actually just rolled into the Ohio market last year, so I’m pretty excited to be here.

The craft brewing industry got its start back in 1979 when Jimmy Carter was President. He put a law in place that legalized home brewing. All of a sudden, all these home brewers started coming out of the closet and opening up what were then called microbreweries, which today is what

we call the craft brewing industry. My story today begins in 1988, with a man by the name of Jeff Lebesch, and Jeff was a home brewer. Jeff wanted to learn more about how to brew Belgian-style beer so he decided, “What better way to learn about Belgian-style beer than to just take a trip over to Belgium and drink the beer?” Not a bad strategy. Jeff planned his trip and took a bicycle with him. He rode that bicycle around the country, going to abbeys and beer bars and breweries. Jeff also had a book with him called *The Pocket Guide to Belgium Beers* by a guy named Michael Jackson. Well, you know there’s more than one Michael Jackson out there, right? As Jeff was traveling around Belgium he just absolutely fell in love with Belgium’s beer culture, and he stumbled into a few experiences that taught him how to brew Belgian-style beer.

After his trip to Belgium, Jeff came home to Colorado and he met a girl; because you know every good story has to have a girl in it, right? This girl was Kim Jordan, a motivated, organized woman who was a social worker at the time. After Kim and Jeff got together they were brewing beer in the basement of their house and Kim started to notice that the more beer Jeff brewed, the more social functions they got invited to around town. At this time, Kim said “Alright Jeff, let’s talk about this business idea of yours.” So they took a little retreat.

They went up to Rocky Mountain National Park and they went for a hike and they discussed this idea of Jeff’s. “Alright, if we’re going to start a business around beer, what are the main values we want to stick to? What’s really important to us here?” They decided right then that brewing world-class beer would be #1, that being sustainable would be #2, and that having fun would be #3. So they came home that afternoon and Jeff went in to work the very next day as an electrical engineer and quit his job. He came home and they started remodeling their basement to turn it into a little microbrewery and on June 29, 1991, sold the very first Fat Tire Amber Ale at the Great American Beer Fest in Denver.

From that first moment they discussed the important values that we still stick to as a business today, you have to absolutely admire that 23 years later, we have stuck to those values and we’ve actually added a few more to them.

So, where did employee ownership come from with New Belgium? It all started back in 1992 with our very first employee-owner, his name was Brian Callahan. Brian was a rock climber and as he was traveling around the western U.S.,



going from rock climbing spot to climbing spot and living out of his car. Even though Brian was a bit of a climbing bum at the time, he still had big aspirations for himself. He wanted to own his own brewery someday. He wanted to open a brew pub on the east coast, even though he had no brewing experience.

While Brian was up in Wyoming at a climbing area he caught wind of what Kim and Jeff were doing down in Fort Collins in the basement of their house and he said, "I think I need to meet those guys." So he came down, and he knocked on their door, and he said, "Hey guys, my name is Brian, and I've got a proposition for you. How about if I sleep on your couch and in exchange, I'll work for free?" Kim and Jeff weren't making any money in the beer business yet, so they couldn't afford to pay employees but they did need the help. So they said, "Alright Brian, I guess that works for us."

For the next year the entire operation was in Kim and Jeff's house, the living room was actually the dry goods storage and also Brian's bedroom, and Brian learned every aspect of the brewing process. After about a year, Brian came to Kim and Jeff and he said, "Guys, thank you so much for this experience. I've learned an immense amount about the entire brewing process. I think I'm ready. I'm going to head back to the east coast now and start my own brewery." And Kim and Jeff said, "Oh wait a minute, Brian. You've become way too valuable to us. We don't want you to go. What's it going to take? What do you want to stay?" And Brian said, "Well, I had my heart set on owning my own brewery someday."

So they had to think about it that, but, they came back to Brian and they offered him part ownership of New Belgium Brewing Company. That way, as they grew and began to profit, he would too. But Brian wasn't sure if he was going to take it, because he actually had a girlfriend on the east coast that he just told he was going to move home to.

So Brian called up his girlfriend, and he was like, "Hey honey. So anyway, I know I told you I was moving home soon, but they just offered me part ownership and I don't know what to do." And she said, "Brian, are you crazy? That's what you've always wanted for yourself in life; a chance to own your own brewery. And you just worked your butt off for the last year. You deserve this. You should do it." And he said, "You're right, Stacy." Her name was Stacy. He said, "You're right, Stacy. I'll do it but what about you? Will you move out to Colorado to be with me?" And she said, "Well, I'm sorry Brian, but I'm just not going to move across the country for a boyfriend. ... Of course, you know, I would for a fiancé." And so in that same phone call, Brian got engaged and he accepted ownership. And they're still married and a big part of our family 22 years later.

That's how the tradition started. From that point forward, when you reached your one year anniversary of employment with New Belgium, you had an opportunity to become vested as an owner. And we still carry on that tradition today. We now have 520 employees, and when you reach your one-year of employment, you become vested as an owner.

A big part of New Belgium's culture is rituals. We like tradition and we like ritual. One of our employee ownership rituals is that we have a bi-annual pow-wow—we call it a pow-wow—where all of our employees come back to the mother ship—we call our home brewery the mother ship—and the employees celebrating their one-year anniversaries have to give a speech in front of all of their co-workers about what ownership means to them. It's amazing, we're going on 23 years, and everybody in the audience, all these fellow co-owners, are in tears. This event always reminds us of how unique what we're doing is. We have these brand new owners standing up in front of us and they are reminding us of how special it is to be a part of what we do. New Belgium really helps provide a strong culture of ownership.

What are some of the values that come along with a culture of ownership? A lot of that has to do with trust. Remember back, can you think of a moment when you felt like you really took ownership of your own life? Like, you were in control of you. When I was thinking about this, it was the moment when my parents gave me the keys to my own car, right? I finally had control of where I was going to be and what I was going to do. At New Belgium, it very much has that same feeling. On the very first day when you become an owner they give you a key to the whole place. You're even allowed to take a 12-pack of beer home with you every week, but nobody really pays attention to that. There's very much a culture of trust and because we give so much trust right off the bat, people tend to rise to the occasion and live up to it.

We've also created the slogan "Think like an owner." When people are trying to make decisions and maybe they can't reach their manager or get other input, they have to think like an owner. We're all owners. We're all in this together. We're all asking, what's the best thing for the company? We've got everybody thinking this way and asking this question, down to the point where on our production floor, people can submit ideas on how to innovate or how to improve our systems.

We had a production worker on our bottling line, who was watching — because we're always thinking about our resource use and our water use — our bottles get rinsed and filled and he said, "You know what? The outsides of those bottles — they don't have to be quite as clean as the insides do, right?" So we set up a gutter system to capture that internal rinse water and use it to wash the outsides of the bottles. And when we made that switch, we started saving 1,100 gallons of water an hour. That's a huge difference. All that came from an employee's suggestion on the floor. It takes having that trusting culture and that open culture. So we're very supportive of exploring new ideas, but we're also very willing to make mistakes.

Part of our ownership culture is open book management, which I believe is a term that we got from Jack Stack's book, Great Game of Business. It is what Kim Jordan read and what helped her shape the ownership culture that she wanted to have at New Belgium. Part of open book management means that everything is open to employees. We have an internal

next page ▢



share point site where information is posted. All of our financials, all of our business decisions and strategies, everything down to the department level, is available for people to read, to learn, and to educate themselves on.

A big part of being an employee owner, along with the open book management, is also what we call high involvement culture. We put the information out there, but still, if people don't take the time to learn how to read a financial statement or to learn how to follow along with the decision process, then they're not able to contribute. We want people to educate themselves, to take the time to study, to take initiative and we try to provide as many platforms as we can for them to do these things.

We started with the first three core values—make world-class beer, to be sustainable and to have fun, but we've been adding to them quite a bit since then. One of our values now is to be a business role model. We strive to make the right decisions and stick to our values, no matter what, so we can be a good role model and show that people can still do business and still take care of their people and still take care of their resources. We get a lot of requests from other companies that want to come in and learn from us and from research groups that want to study us. People come from all over the world to take our brewery tours and learn about us. We had a group there called AxizWorkGroup, and they're a hardware [as well as software and IT services] distributor in South Africa. They spent a day shadowing folks at the brewery, shadowing leadership in our HR Department, and learning. At the end of the day, our HR Director, Jenny Briggs, sat down with them and said, "Okay, so you just spent the day with us. What's your biggest takeaway?" And they said "You guys don't have a dress code." Part of our culture at New Belgium is we encourage individuality and for people to be themselves. What the company from South Africa said is that they, in

*[U]ntil people could learn to own themselves, whether that's by their dress or their personality or just being themselves, they wouldn't understand what it meant to own together in a company.*

their country, in their town, with their culture, everybody wears uniforms because the uniforms helped unify the group, and that made them one. They realized that until people could learn to own themselves, whether that's by their dress or their personality or just being themselves, they wouldn't understand what it meant to own together in a company.

It was really interesting to see that perspective on things. It goes back to owning your own job title. When you are given the freedom to pick something like a storyteller or a beer romancer, it makes you really want to live up to that. It's neat to have that environment, that open environment in New Belgium, to be able to create these opportunities for yourself.

The last thing I want to touch on is the beer industry in general. The craft brewing industry is fairly young, a little more than 30 years old, and it's been growing a lot lately. I don't know if you have noticed how many craft breweries are probably popping up in your neighborhoods. There's all these little craft beer bars that are popping up that specialize in unique, local, distinctive beers. I know that New Belgium's beer is new in Ohio, but Fat Tire in some of our markets is kind of getting to be old news. Our challenge going forward is how to stay unique and distinctive in a lot of these markets? I won't stand up here and tell you to only drink our beer. For one, because we like to try a lot of other beers, too, and two, I don't think it's the beer that we make that is going to make us successful going into the future. I think it's the values that we live. That's what people have started to identify with; the fact that we take care of our people, the fact that we respect the resources that we're drawing from for our products. I think those are the reasons that we'll be successful going into the future. It also helps that we do make tasty beer. **oaw**





# Is Employee Ownership Better For your Health?

*Columbia Chemical, 100% employee-owned and located in Brunswick, OH, was founded in 1975 and specializes in developing high quality zinc plating processes and additives. Today, Columbia Chemical offers a complete line of proprietary products from pre-plate to post-plate, from cleaners & acid inhibitors to brighteners to chromates, topcoats and finishing aids. In May of this year, Columbia Chemical was recognized by Crain's Cleveland Business as one of NE Ohio's Healthiest Workplaces. OAW caught up with Columbia's Rebecca Harding to discuss the program and the award.*

## Interview of Rebecca Harding by Chris Cooper

**Q: Rebecca, thank you for agreeing to talk with us, and congratulations for winning the award!**

A: Thank you Chris.

**Q: Tell us a bit about you and your role at Columbia Chemical.**

A: I've been with Columbia for 10 years, serving as Marketing Coordinator before a promotion to Marketing Manager. Primarily, I am responsible for global marketing functions including marketing strategy, brand development, and marketing communications in support of the company's strategic initiatives for continued growth and development.

In addition to this, I also serve as the chairperson to the company's Health & Wellness Committee.

**Q: What was the genesis of Columbia Chemical's Healthiest Workplace Initiative?**

A: Columbia Chemical has had an established Health & Wellness Committee in place since 2008, which is made up of employees with a passion to encourage and promote a healthy workplace. The committee is supported by the President of Columbia Chemical, Brett Larick. The Committee's philosophy is that employees are most productive when supported in all aspects of their lives. Our wellness committee provides many different tools to support our employees. The committee promotes monthly events throughout the year encouraging health & wellness on various levels including disease prevention, stress management, work/life balance, exercise and nutrition; communicated through newsletters, emails and strategically placed posters.

Through the contributions of earlier Health & Wellness Committee members, Columbia Chemical had previously been recognized at the Wellness@Work Awards, sponsored by the Cleveland Museum of Natural History. From an employee perspective, we were extremely proud to receive this award, since many of our employees, along with their committees (Charitable, Safety, Environmental, Health & Wellness Committees), were directly involved in the application process. Additionally, we recognized the value of receiving this award as an effective marketing and HR promotional tool.



Our insurance broker, Oswald Co., brought the Crane's Healthiest Employer Awards to our attention. We thought it was another great opportunity to showcase our company's corporate wellness program.

**Q: What was your role in getting the initiative off the ground?**

A: As Chairperson to the Health & Wellness Committee, it was my responsibility to spearhead and coordinate the application process. Our committee establishes an

annual plan and budget which supports the company's corporate wellness initiatives. Our committee welcomes "opportunities for formal recognition/awards", which is outlined in the plan as well.

**Q: How was the Crain's Healthiest Workplace award process? Did it take a lot of work?**

A: The application process was actually quite simple. To apply, I completed an online survey and later submitted an essay describing Columbia's wellness program. The essay was a reflection upon all of the hard work the past committee members had contributed up until that point, as well as our employees' accomplishments in obtaining their wellness goals, along with the corporate wellness initiatives that have been implemented over the past few years.

**Q: In your view, is there something about being an employee-owned company that influenced both the initiative and the award for Columbia Chemical?**

A: With top-down support, Employee Wellness has become part of the overall business strategy. As an employee-owned company, we believe that enhancing the health and well-being of each and every employee directly impacts successful employee ownership. We recognize the underlying positive influence this can have in the continuation to drive innovation, growth and profitability for Columbia Chemical.

**Q: Rebecca, thanks again for your time.**

A: My pleasure! oaw

# The State of Employee Ownership in Ohio

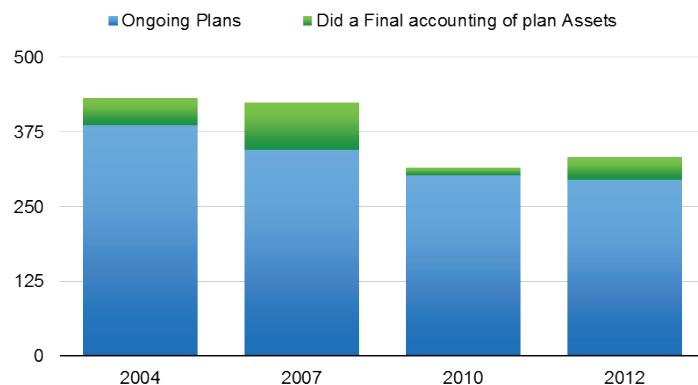
Jacquelyn Yates

*A long-term time series of data drawn from the IRS Form 5500 provides a context for seeing how Ohio's employee-owned companies weathered the Great Recession and how they were getting along a year or so ago. The Recession hit Ohio earlier and harder than many other areas of the country, because manufacturing was already in a long-term decline due to offshoring, with the consequence of mortgage defaults that left entire neighborhoods devastated.*

Data from 2004, 2007, 2010 and 2012 (the latest available from the Department of Labor) frame the impact of the Great Recession on Employee Stock Ownership Plans (ESOPs), which are the main vehicle for employee ownership in the US. In 2004, the national economy was humming along, although the offshoring of manufacturing was already having an impact in Ohio and other older industrialized areas.

	2004	2007	2010	2012
ESOPs & Stock Bonus plans	432	425	316	333
N of companies	384	395	297	308
Median date ESOP was established	10/1/1990	12/31/1991	6/24/1993	1/1/1994
Filed to terminate	49	15	32	47
Ongoing Plans	387	346	303	295
Did a Final accounting of plan Assets	45	79	13	38
Active Participants	530,245	665,360	692,774	671,636
Median of companies average value per participant	23,649	32,757	34,854	45,485
Total Net Value of Assets in ESOP/SB Plan, in billions	52.3	52.3	52.3	52.3
Paid to participants, billions	2.8	3.9	3.9	3.7
Median Filing Date	12/31/2004	12/31/2007	12/31/2010	12/31/2012
Terminated Plans-Median Year Established	1988	1989	1994	1997

In 2007, the country sat on the edge of the Great Recession, a collapse in investment caused by a loss of confidence in the financial sector. Banks folded almost overnight, big-name investment firms were acquired by their rivals, many jobs were lost, and companies throughout the nation came under enormous pressure. By 2010, it seemed just possible that the country was going to get back on an even keel, although many people had lost their homes, and many more were still looking for work. The 2012 data provide an early picture of the Great Recession's aftermath.



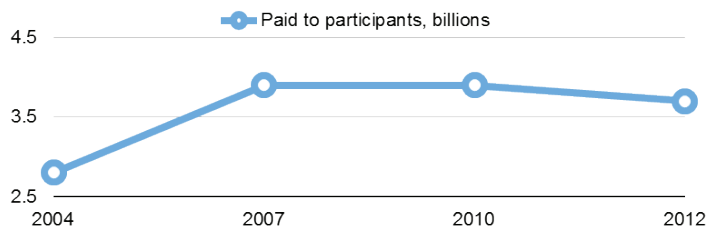
The Great Recession apparently took a toll on employee ownership plans, resulting in a decline in the number of plans by about 100 from 2004 to 2012.

It is understandable that older plans might choose to sell the company and distribute the ESOP among participants, but one quarter of terminated plans in 2007 and 2012 were less than 10 years old. And a third of terminated plans in 2004 were less than 10 years old.

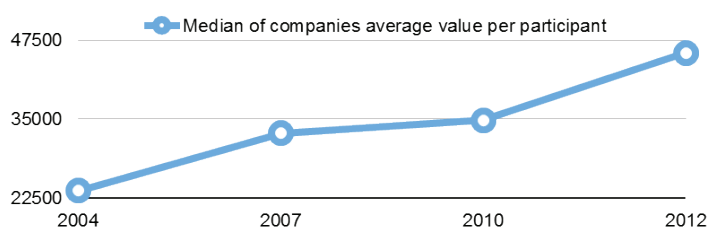
There is always high turnover in the companies that establish ESOP plans. As the termination data show, anywhere from 10 to 15% of ESOPs are likely to be terminated in a given year. It isn't very hard for a company to convert a retirement plan from one form to another, as long as the employees' assets are distributed or conserved by a rollover to another retirement plan. In most cases, the rollover of assets from an ESOP to another retirement plan such as a 401(k) can be done without the explicit consent of the employees.

Interestingly, the number of active participants in the ESOP has not declined. In fact, it has grown, from just over 500,000 in 2004 to almost 675,000 in 2012. An active participant is a current employee who is receiving stock and building ownership in the company. Or a retiree who is still receiving stock distributions. Ohio's ESOPs paid out \$3.7 billion, mostly to retired participants in 2012, almost 1.5 times what they paid out in 2004.

Over the same period, the median value of participant accounts have grown from almost \$24,000 in 2004 to over \$45,000 in 2012. Inflation would have increased the amount to \$29,000 over the same period.



The growth in average plan assets is reflected in the growth of net assets in plans. Net Assets in ESOP plans grew from 42.3 billion to 52.3 billion between 2004 and 2012. **oaw**



## Acquisition of Group Benefits Specialists by Oswald Companies

On May 19, 2014, Oswald Companies, one of the largest independently owned insurance brokerages in the U.S. — announced the acquisition of Group Benefits Specialists. The acquisition marks the first expansion of Oswald's Columbus office.

Group Benefits Specialists, Inc. was founded by Anthony Raphael in 2002 and upon Raphael's passing in December 2013, GBS began searching for an opportunity to merge with a like-minded firm.

"Our goal through this acquisition is to perpetuate the legacy of Anthony Raphael and the level of service he and his team brought to their clients and partners," says Todd Miller, Senior Vice President, Oswald Columbus. "With both organizations' dedication to charitable endeavors, we also intend to continue the programs and involvement that GBS offers to our community."

Oswald Companies offers a full range

of risk management and insurance services including: employee benefits, property, casualty, retirement plan services, life insurance, and personal risk management, is partially employee-owned through an ESOP, and is an active member of Ohio's Employee Owned Network. **oaw**

## PERRY proTECH—What a Year So Far!

PERRY proTECH is one of seven businesses to receive the 2014 Perfect Image Award for outstanding achievement in the channel, making them imageSource Magazine's Dealer of the Year. The awards were given to the business representatives during a breakfast reception at the ITEX National Conference and Expo, held in Vegas.

In a world where computer power is important, users are barraged with options. CNR, a leading media out for vendors and solution providers, selected its top Managed Service Providers (MSP). CNR's MSP500 is broken down into three groups the MSP Hosting Service

Provider 100, MSP Elite 150, and MSP Pioneer 250. PERRY proTECH was named to the MSP Elite 150 for their managed IT services help clients for leverage technology to run their businesses. "We're very proud to have our efforts acknowledged on a national level. We have been working diligently for many years to put a managed solution set into place that is appropriate from businesses of all markets and sizes in our region and our technical engineers and support staff make this happen." Says Jeff Boate, President, PERRY proTECH.

PERRY proTECH has also received the 2014 Pro-Tech award for the ninth consecutive year. The award is a mark of distinction that symbolized the commitment a company has for its products and customers.

PERRY proTECH provides a unique combination of business technology solutions, offering imaging and multifunction products, document and content management, managed print and managed IT services, Core infrastructure including IP telephony and video, mobile



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connectivity and disaster recovery, and complete physical security solutions. The company is managed by a team of 100% employee owners in a secure and growing business founded in 1965. **oaw**

## And the Award for Supplier Sustainability Goes to American Roll Form Products

The Cleveland-based full-service metal fabricator American Roll Form Products has been honored for its measures in sustainability. The award recognizes suppliers for efforts that accompany or directly contribute to the five areas of the customer's environmental policy: continual improvement, pollution prevention, suppliers, communication, and training.

ARF has maintained a long history of sustainability and a proven track record of continuous improvement. This is including endeavors in green operations, responsible energy and resource management, innovative waste disposal and pollution prevention, and running

an 80 percent recyclable process since its founding in 1960. ARF offers a turnkey, custom product development solution from incubation and product design, to prototyping, production, and assembly.

"American Roll Form is proud to be recognized from our commitment to sustainability," said Phil Misch, President of ARF. "Partnering with like-minded organizations to produce superior products with less waste and cost is at the heart of ARF's mission." ARF serves customers across the United States out of its Painesville, OH and North Las Vegas, NV facilities. **oaw**

## Cleveland: we'll keep the lights on for you.

Evergreen Energy solutions are installing what is said to be the largest urban solar field in the country. Set to be turned on this July, the field is located on six acres on the border of Cleveland and East Cleveland.

A once condemned building turned into a vacant lot a little over a year ago,

will now be transformed into a producer of clean renewable energy. This unique project, costing \$2.5 million, consists of four thousand panels that can produce enough energy for a small neighborhood. This energy will be pumped into the public power grid to the benefit of the University Circle Facilities. This will help the organization spend less with Cleveland Public Power.

The project was recognized by President Barack Obama as a model for inner city solar projects. CEO John McMicken and co-owner Orlando Santaella were personally thanked by the President himself. **oaw**

## ACRT develops New Tool for Coops

Recently, ACRT, the industry's only independent vegetation management consultant has introduced Arborcision, a proactive vegetation management tool specifically designed for cooperatives.

"Arbor Intelligence and ACRT have collaborated for many years with a shared

## *Beyster Symposium Offers Research from Varied Disciplines and Perspectives*

Jacquelyn Yates

In late June, a group of young and old scholars whose research includes a focus on employee ownership of enterprises participated in the semi-annual Beyster Symposium, presenting papers on their shared interests across a wide range of disciplines, from accounting to philosophy. Leavening the group of academics were a smaller group of professionals who work with owners who want to sell, service providers for existing ESOPs, owners and managers of employee-owned firms, and benefits managers in international firms.

A mapping project by John Guzek located ESOPs across the US and estimated the impact on their communities, revealing that although there are more ESOPs on the coasts and in the MidAtlantic, ESOPs are proportionally more important in smaller communities in the Midwest. Guzek's intriguing county-level maps of the U.S. highlighted the importance of state and local law and governmental practice that can facilitate or obstruct the formation of ESOPs.

A presentation by Joan Bloom of Fidelity Investments revealed that employee ownership is gradually spreading through the human resources policies of multinational companies that want stock options and stock ownership plans for their employees worldwide. This means that the HR policies and practices must address complex issues of taxation, stock ownership law, and fluctuating currency values in multiple country locations. Outsourcing to in-country benefits management firms seems the most practical solution right now. At present, most of the benefits of options and ownership programs are passing to management.

The National Center for Employee Ownership reported a substantial reduction in the estimated number of ESOPs in US, from more than 10,000 to a little less than 7000. An NCEO newsletter explains. See the article at <http://www.nceo.org/articles/statistical-profile-employee-ownership>.

The formation of employee-owned firms is a recurrent theme in the Symposia, as for example, a paper by Frank Mullins on what persuades owners to give or sell shares when that conflicts with their desire to retain control of their firm. Mullins argued that being able to retain control through shares with special voting rights, as is the case at Google, makes it easier for owners to share with their employees.

The Symposium is supported by The Foundation for Enterprise Development, the Employee Ownership Foundation, the Beyster Endowment at Rutgers and Linda B. McKean, and organized by Dr. Joseph Blasi of the School of Management and Labor Relations at Rutgers University. All the papers will soon appear on the Foundation for Enterprise Development website at <http://www.fed.org/advancing-research-beyster-symposium> **oaw**

goal of advancing the field of utility vegetation management,” said Richard Jackson, CEO and Founder of Arbor Intelligence. “Arborcision is the product of exceptional teamwork and a dedication to providing cooperatives unbiased, actionable data to make informed decisions about their programs.”

The tool was conceptualized and developed by Jackson. It is exclusively offered through ACRT to help cooperatives identify and prioritize workloads, costs, enhance system management, improve reliability, manage risks, and make more informed decisions.

Using his knowledge, based on his twenty-five years of experience in big data analytics and ten years specializing in the utility vegetation management market, Jackson says Arborcision is a secure, Software as a Service management tool that combines real-life circuit samplings and proven algorithms giving cooperatives insights into their vegetation management programs.

The system gets regular updates and has been thoroughly tested in real-life scenarios to ensure prime functionality and usability.

Since its founding in 1985, ACRT has been committed to helping improve cooperative systems across the country through assessments, consulting, representation, and training. ACRT is 100% employee owned through an ESOP and is an active member of Ohio’s Employee Owned Network. **oaw**

## The Opportunity for Positive Growth

Founded in 2001, CEO Gail Kahl is no stranger to company growth as she watched the business expand from one employee to about 200. The mission of Opportunities for Positive Growth is to provide support services focused on skill development to help improve the quality of life for individuals with developmental disabilities.

Employees provide support living

services, staff music-therapy programs and work one-on-one to help individuals with disabilities, like autism, develop skills to improve their quality of life. “The mission is really to assist these individuals in reaching their dreams and their goals. We’ve had folks that learned how to drive...For some folks it’s just ‘Hey, I can do laundry myself,’” says Michelle Steltz, director of business operations.

The drive of the company is not only one the individuals they help, but also its employees. In 2010, the added a new level of team play, offering an employee stock-ownership plan. “The shift was so natural for us when we transferred ownership” says Kahl. When discussing what she is most proud of as her company grows, Kahl takes pride in the longevity of her employees’ work tenure and the company’s low turnover rather in a field where burnout is common.

“My very first employee is still with us, and that just speaks volumes to me,” she says. **oaw**

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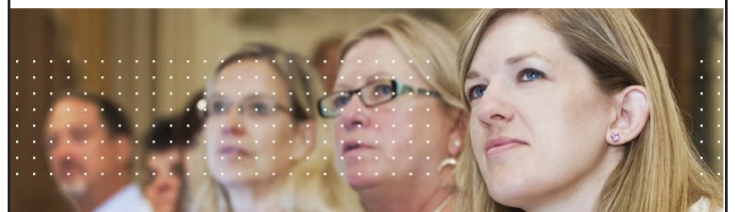
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**Robert Beyster with Peter Economy, *The SAIC Solution: Built by Employee Owners*, 2nd Edition. (La Jolla, CA: FED Productions, 2014), 266 pp. ISBN 978-1494930417**

How is long-term success defined in an employee owned company? Is it generating wealth for a given set of employees? Or is it setting up a system for sustainable employee ownership over a number of years, and generations of owners?

This is the question that Robert Beyster tries to answer in the updated edition of his book, *The SAIC Solution*.

Bob Beyster founded Science Applications International Corporation (SAIC) in 1969 with an investment of \$20,000, one government contract, and 3 employees. The book tells the story of how he grew this unusual company into an \$8 billion corporation with 43,000 employee-owners by the time he left the company. The company became a model of using employee ownership to fund growth and productivity in a business.

Since Dr. Beyster retired from SAIC (not necessarily voluntarily) in 2004, SAIC rid itself of employee ownership by going public, and split the company into two separate units (SAIC and Leidos).

So, what happened?

In the 2nd edition of his book, Dr. Beyster has some definite opinions. High on his list is the makeup of the board at the time of his retirement:

I believe that for most of my time at the helm of SAIC, we had the right board of directors in place. The board was instrumental in helping us build our business and develop strategies for growth. I now realize, however, that we had the wrong board in place by the time I retired in 2004. It was not committed to our unique culture of employee ownership, and ultimately in my opinion it failed the company. The proof that this was the case can clearly be seen in retrospect today...

...While support for our corporate values, including employee ownership, was a key requirement for membership on the board, some board members were not committed to...preserving our [employee ownership] culture. And unfortunately, I didn't figure this out until it was too late.

It is not uncommon for successful employee owned businesses, once the initial generation of leadership has left the company, to look to industry talent to fill the gap. Unfortunately, it is also not uncommon for this new generation of leaders to undervalue, or just ignore, the benefit that employee ownership brought to corporate performance.

Dr. Beyster also suggests that insufficient attention to management/leadership succession planning was also a significant issue for the company. In

other words, had timely planning been done, a candidate (or candidates) with the ideal mix of business and industry savvy, combined with proper regard for the culture of SAIC, could have been found. This too is (unfortunately) all too common in privately-held businesses of all sizes.

Dr. Beyster also provides additional thoughts on things done well, and things done not so well, at SAIC over the years, specifically on corporate governance. It is a testament to the career of Dr. Beyster, and SAIC's employee owners, that the positives (still) outnumber the negative.

One of the more appealing aspects of the book is the down to earth and frank assessments of the successes and failures that are sprinkled copiously throughout the book. And, for those who have read the 1st edition of the book, there is enough new stuff of high quality in the book to interest those who have read the book; for those who have yet to experience the SAIC story, there is no better introduction. Regardless of the state of SAIC now, the story provides lessons for those of us in the field and can still provide a beacon to a prosperous employee-owned future.

- Chris Cooper

*Owners At Work reviewed the first edition of The SAIC Solution; that review can be found at <http://www.oeoackent.org/download/oaw/oawwinter08.pdf>*  
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**Frank Shipper, et al., *Shared Entrepreneurship* (Palgrave, New York, 2014) 978-1-137-33221-9 \***

New across our desks this summer is a compendium of case studies of employee owned companies that provide interesting insights into best practices for employee owned companies.

The first part of the book is essentially an outline of what is meant by shared entrepreneurship ("Shared entrepreneurship organizations do not give up control, they just do it differently.") and a literature review of the research into their effect on corporate performance and productivity. The second part outlines case

studies, many of well known companies including SRC Holdings, Equal Exchange and W.L. Gore. The book builds on the research of a number of academic leaders in the field, and includes contributions from a number of them.

Like previous studies, the case studies in this volume show that not only do strategies of shared ownership, leadership, and entrepreneurship sound like "the right thing to do," but can also result in fundamental financial and performance differences in the companies and the communities in which these companies live.

It is striking that so many of these companies not only succeed in the basics

of business and wealth creation for the employee owners, but they often end up on lists of "best places to work for." It is clear that these strategies can work in companies of all shapes, sizes and industries. It is high time that a single resource has been able to collect these important case studies in one volume; this book fills an admirable need for those new to strategies of shared entrepreneurship, academic researchers, and those "real world" practitioners within companies looking to find what works.

*\*This article was based on upon a pre-press review copy of the book; actual specifics may have changed at publication time. oaw*