

Leading & Managing Owners: Teamwork

Ask someone to describe their ideal vision of what employee ownership is and they are likely to describe it in terms of teamwork—sharing common goals, being listened to, mutual respect, and working together.

Teams are important building blocks of an ownership culture, but in reality teamwork can be difficult. How do leaders and managers in ESOPs encourage teamwork?

A 'one team culture' drives PT Tech

"We consider ourselves one team," says Keith Nichols, President of Power Transmission Technology, a 32-person, 52% employee-owned firm in Sharon Center. "Our work essentially involves cross-functional projects and so each employee realizes it is in his/her best interest to help the others solve their problems. Our entire company has a team culture so the ESOP is enmeshed in our business."

PT Tech designs and manufactures industrial clutches and brakes for heavy industry and is a technical leader in the power transmission market. "We really sell a service that offers our customers innovative solutions to their problems with their equipment," says Keith Nichols. Their products now set the standard in the mining industry.

PT Tech was founded in 1978 by Dave Heidenreich, the firm's chief design engineer, who left a larger firm in order to develop his own ideas backed by four other investors. The ESOP was established in 1990 as a replacement for an existing profit sharing retirement plan for the firm's 12 employees. The main reason for the ESOP is to create a long term transition method for the company stock. It helps reduce the likelihood of the original owners selling off the company and losing the unique culture through acquisition. The ESOP has been leveraged twice in the years since to buy shares from the original investors.

PT Tech's team culture is reflected in their corporate goal to promote cooperation and continuous improvement with customers and suppliers through the development of partnerships. Employee-owners work in partnership too, through a cross-functional structure of company meetings. First, strategic teams develop long term projects. Then, the Operations Group meets monthly to develop an action plan. Next, Engineering meets every two weeks for project oversight; their meetings are attended by representatives from the two other operational departments, sales and production, for a look ahead on projects.

"The ESOP is an HR challenge," says Nichols, who encourages informal interactions to help build the firm's team culture. Everybody eats lunch together twice each month with members of the company's three departments taking turns to organize a presentation to the group; the company buys the lunch. Nichols keeps a jar of snacks on his desk and invites everyone to stop in and help themselves, which encourages relaxed communication. "We laugh at ourselves here too," he adds, by giving rewards for humorous "mock" mistakes each year at the Annual Meeting.

Nichols believes that the open sharing of financial results promotes a "this is my company" attitude, so the company

tracks sales per employee, educates employees on the company's finances, and helps each employee link his/her own job to business goals through participation in the Excellence by Objectives program. With the EBO, each employee sits down four times a year with his/her manager to discuss ideas for how to improve his/her own job and better the company as a whole.

Two short term bonus plans reward teamwork as employee-owners: a yearly team bonus based on retained earnings and stock dividends. The company also contributes 8% to 15% of earnings into the ESOP on an annual basis.

PT Tech has a near zero rate of turnover, though Nichols states that the ESOP is not for everybody. "We had 3 or 4 employees who didn't fit the ESOP culture and left after we got the ESOP started."

"An ESOP is nothing more than culture," Nichols believes, "and the culture drives our business. Because every detail is aimed at our customers, employee owners' voices get heard here. Everybody's paying attention."

Team Successes at Republic Storage

"We are starting to think like an ESOP now," says Mark Waidman, the Team Facilitator at Republic Storage Systems Company in Canton. "This is the way we run our business. We have a very knowledgeable workforce and people are willing to give information and volunteer to help the company as a whole. Teams go through the process that management used to go through." Republic Storage Systems Co. is Ohio's largest 100% employee-owned firm with 550 employees. It is a manufacturer of lockers, shelving, and storage systems.

When they first started their joint participation committee or JPC process, there were lots of critics and no one had the time to help, but as Waidman explains, "Now because our CEO is 100% behind it, we have lots of supporters. We have managers, superintendents, supervisors, and shop employees who we can depend on to champion teams and lead them."

Republic Storage Systems Co. began its ESOP in 1986. "We were part of Republic Steel which merged with LTV in 1984, and we put in the winning bid to purchase our company from LTV so our competitors wouldn't buy us and close us down," explains Roger Elder, Republic's Human Resources Director and the former president of USWA Local 2345. "We took 15% wage concessions and in return we got our jobs, job security, ownership, and one of the best health plans in the United States."

"In terms of attitudes, we are worse off than smaller companies," says Waidman. "Our company is over 100 years old and ill feelings from a traditional management-steelworkers relationship are ingrained in us. All the suggestion systems we've tried have failed and all the reward systems too. Currently, we are on our third joint participation program. Though we have tried to go by the book, we have learned that we have to do what works at our shop."

Waidman knows what makes teams work in the shop, and cited 100 team projects completed and another 34 in process:

- “We have no boundaries, nothing is untouchable. We bring a top union official into the room when we discuss why we want to make a change.
- We tackle projects that make a positive impact because they either improve our morale or they improve our workflow, quality, or efficiency. When we put in bar coding to replace the system we had in place for the past 100 years, we got together as a team who would be affected and asked them to figure out how their jobs would change.
- We think like an ESOP and our teams are not wasting money. One team analyzed the pallets we were using and came up with changes which capture an annual savings of over \$40,000.
- We take on smaller projects and get them done. One team looks at ways to increase our warehouse capacity and has found 1400 new storage areas for small loads.
- Top management knows we will do the right thing. If we think it will work, then they tell us to go for it. We are building trust.”

In his role as the Team Facilitator Waidman assists teams to set up a process, offers direction, and helps teams experiencing difficulties. “I help the teams with problem solving and time frames. I am a watchdog. I don’t let projects die. I keep after teams and individuals to do their part in a timely fashion. I go to every staff meeting and production meeting so I know what’s going on and get information out to people. I report to our La-

bor Management Communication Group on the status of projects.”

“Selecting the right facilitator is important,” says Karen Thomas, of the OEOC. “Waidman has credibility out on the shopfloor and a track record as an effective communicator and supporter of joint team efforts.” He was selected by a panel of labor and management leaders through a joint process of evaluating the skills, knowledge, and experience among many interested candidates. He brings 28 years of service at RSSC including past experience as a Boilerhouse Operator/Plant Serviceman, former vice-president of the union local, former member of the ESOP Buyout Team, and former union-elected ESOP Administration Committee member.

“The two things that make teams work for us are support and follow-up,” adds Waidman, “I can’t see any partnership without total support from the CEO. We needed the right CEO to get everyone to bring forth this effort. Support is given also by the local union by becoming advisors to teams and by letting other employee-owners become leaders within the teams. Employee-owners are leading teams without an individual or team reward system except for the personal satisfaction and the goal to improve the company. The other item that is crucial is follow-up. The old programs died from lack of follow-up.”

“Other keys to success are simplifying projects one step at a time and starting with easily attainable projects without a lot of capital expenditure to create trust, respect, and credibility in the program.” **OAW**



PTTech engineers, managers, and information systems staff discuss software upgrades and multi-software integration of their PDM (Product Data Management) and how it will interface with their new Business System.