



# Basics of ESOP Communication

## Communication and Culture

Presented by:

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# Session Plan

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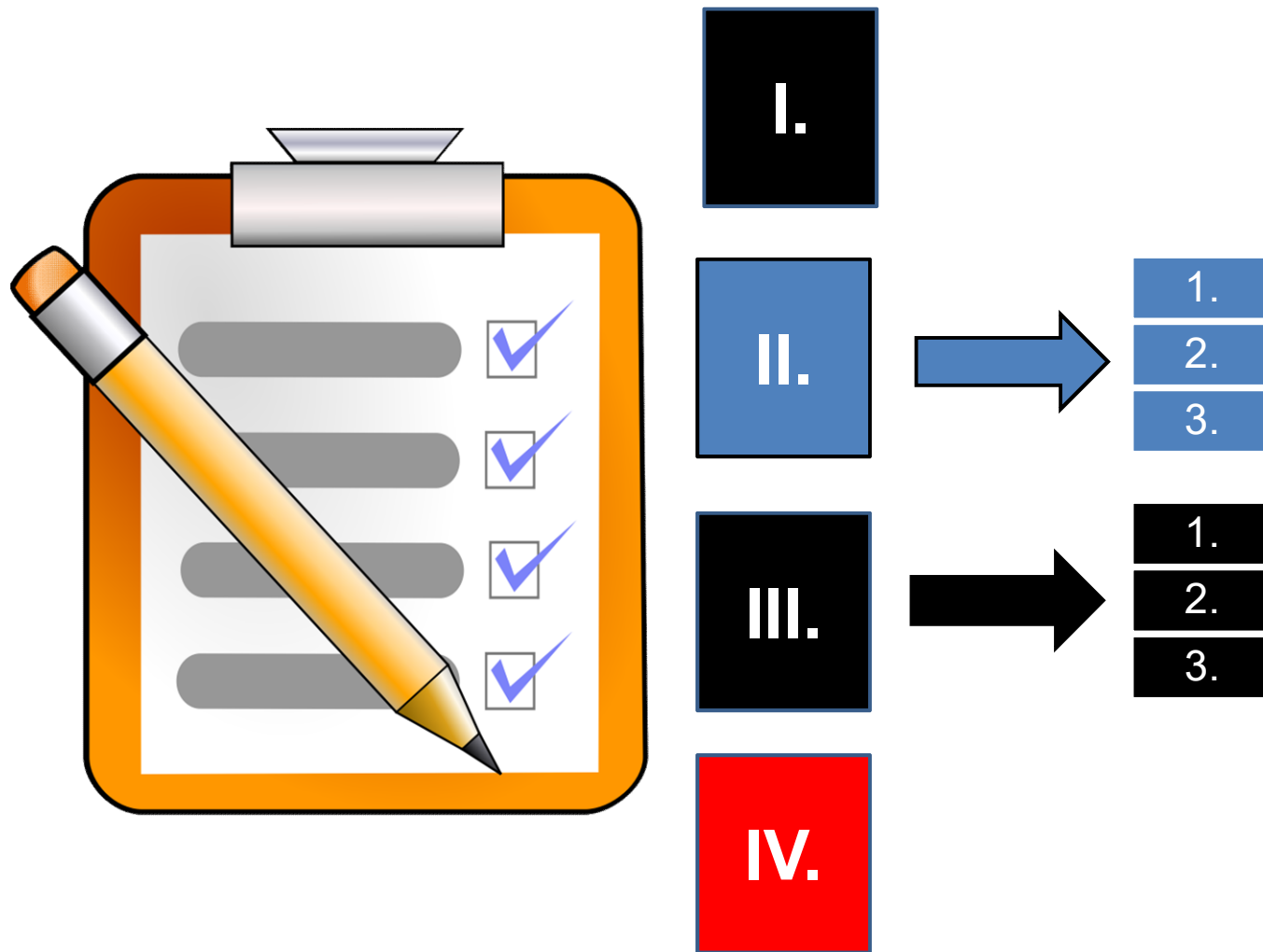
**1. Mackin – Communication Checklist: 4 Tests**

**2. Bannister – The Schreiber Story**

**3. Questions and Answers – Comments**

**4. Session Evaluation**

# Communication Checklist: 4 Tests



# COMMUNICATION CHECKLIST – 4 TESTS

## I. The “Reality” Test – Why was the ESOP done?

THE STORY

## II. The “Content” Test – What does ESOP Ownership Mean? – 3 Domains



1.

2.

3.

## III. The “Competence” Test – How do we “Do” ownership? – 3 Structures



1.

2.

3.

## IV. The “Evidence” Test – How do we know if it is working?



# I. The Reality Test

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Why was the ESOP Done?

## THE STORY



# I. The Reality Test

Why was the ESOP Done?

## The importance of Narrative

- ☐ Internal Message to Employee's
- ☐ External Message to Customers

### THE STORY

What is the Story to pass on?

- ☐ History - The Origins
- ☐ The Motives
- ☐ The Personalities
- ☐ The Reactions
- ☐ The Message to the Market
- ☐ The Message to the Future

# I. The Reality Test

Why did they do it?



Web Industries Video



Schreiber

OA

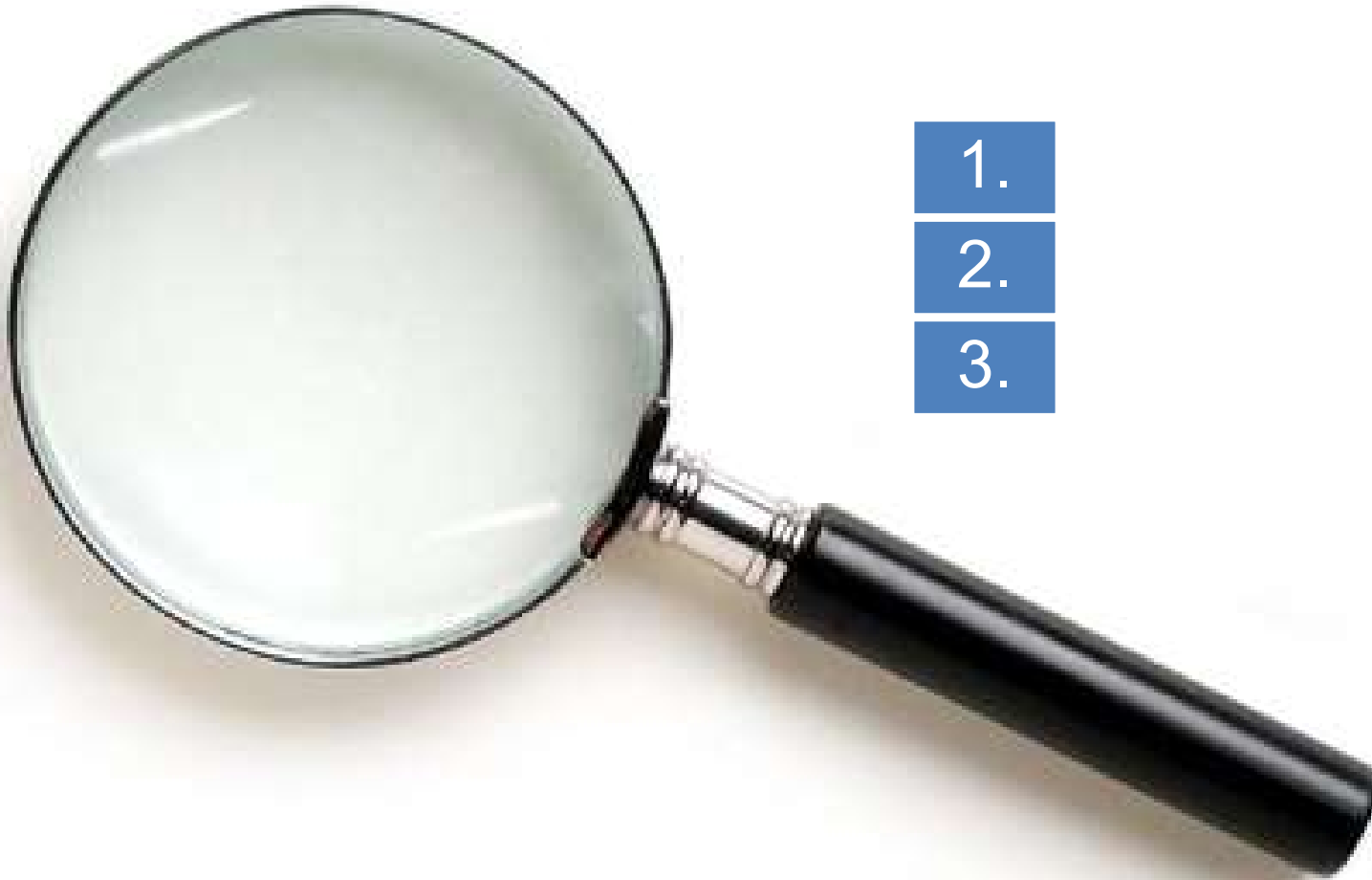
OWNERSHIP  
ASSOCIATES

EMPLOYEE  
OWNERSHIP  
CONFERENCE 2016

## II. The Content Test

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What Does ESOP Ownership Mean?



1.

2.

3.

## II. The Content Test

## What Does ESOP Ownership Mean?

# OWNERSHIP TRAINING CONTENT

## 3 DOMAINS

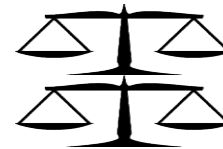
## 1. Ownership Facts



## 2. Ownership Skills



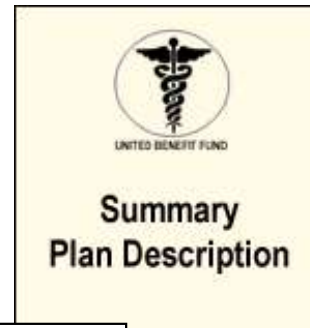
### 3. Ownership Values



## II. The Content Test

What Does ESOP Ownership Mean?

### 1. Ownership Facts

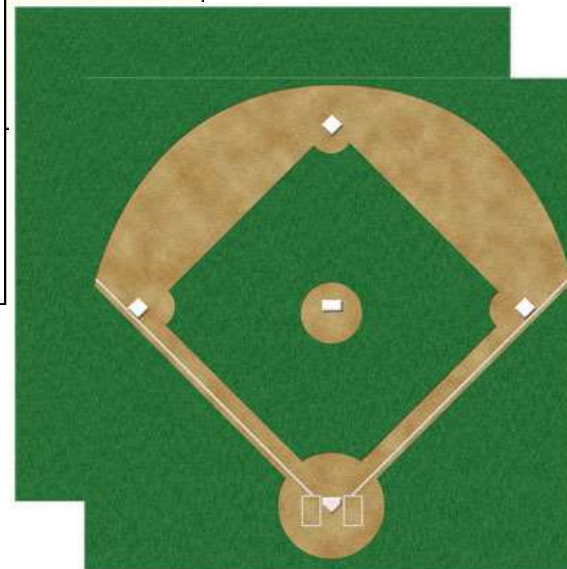


### The Rules of the Road

1. Participation
2. Allocation
3. Vesting
4. Distribution



History of ESOP Legislation  
Senator Russell Long



Schreiber

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OWNERSHIP  
ASSOCIATES

EMPLOYEE  
OWNERSHIP  
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## II. The Content Test

### What Does ESOP Ownership Mean?

#### 1. Ownership Skills



#### Strategic Planning Simplified

Where are we now?	Where do we want to be?	How will we get there?
<ul style="list-style-type: none"> <li>Compelling Need</li> <li>Review Mission</li> <li>What's happening in the Environment</li> </ul>	<ul style="list-style-type: none"> <li>Review Vision</li> <li>Review Programs</li> <li>Review Organizational Capacity</li> <li>Review Capital &amp; Revenue needs</li> </ul>	<ul style="list-style-type: none"> <li>Program Strategies</li> <li>Capacity Strategies</li> <li>Money Strategies</li> <li>Evaluation Strategies</li> </ul>



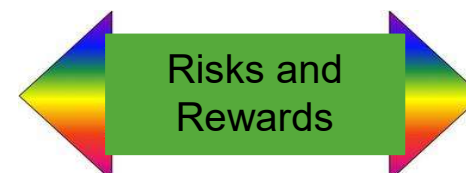
Total Cost of the Finished Product



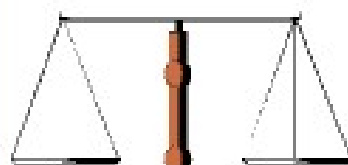
## II. The Content Test

What Does ESOP Ownership Mean?

### 3. Ownership Values



### Rights and Responsibilities



Rights

Responsibilities

Right  
to Fair Pay

Responsibility  
for Work Effort

Employee owners have the right to receive fair compensation for their work; they are rewarded for extraordinary efforts for the company.

Employee owners have the responsibility to work hard at their jobs, regardless of whether they are actively supervised or not.

DECISION MAKING

INFORMATION and LEARNING

ORGANIZATIONAL FAIRNESS

ACCOUNTABILITY

WORK and PAY

ENTREPRENEURSHIP

**RIGHTS AND RESPONSIBILITIES**

- You have the right to a safe environment.  
You have the responsibility to follow safety rules.
- You have the right to voice your opinion.  
You have the responsibility to respect the opinions of others.
- You have the right to use school books, materials, and equipment.  
You have the responsibility to take care of all school materials.
- You have the right to fair treatment.  
You have the responsibility to treat others fairly.
- You have the right to a good education.  
You have the responsibility to do your best.

R&R Groups  
Case Studies

Discussion





**EMPLOYEE  
OWNERSHIP  
CONFERENCE 2016**

A portrait of Dr. David A. Clark, a man with glasses and a beard, wearing a blue and white striped shirt and a red tie.

# What Makes Ownership “Real”?

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## Experience shows:

“Employee involvement happens not because you allow it ... but because you structure it.”

*Corey Rosen*

*Co-Founder, National Center for Employee Ownership*



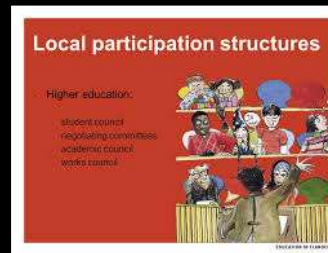
# III. The Competence Test

How do we “Do” ownership?

## OWNERSHIP STRUCTURES

### 3 DOMAINS

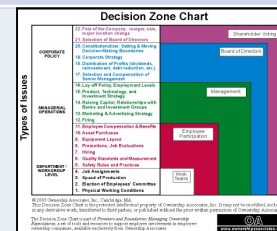
#### 1. Participation Structures



#### 2. Reward and Compensation Systems



#### 3. Organizational Architecture



# 1. Participation Structures

Structured Dialogue  
with  
Board of Directors and  
Trustees

Five Year Future Search

## Participation Structure Ideas

1. Suggestion systems
2. Task Forces
3. Standing Committees
4. Annual Shareholders Meeting

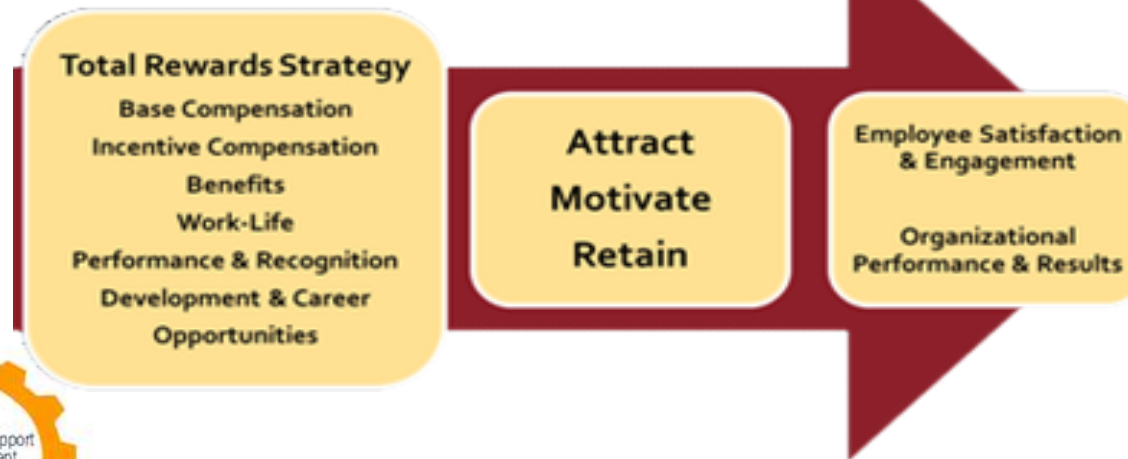


## Participation Skills Building

1. Process Skills  
e.g., Listening
2. Analysis –  
Cause-Effect
3. Social Media
4. Organizational  
Citizenship

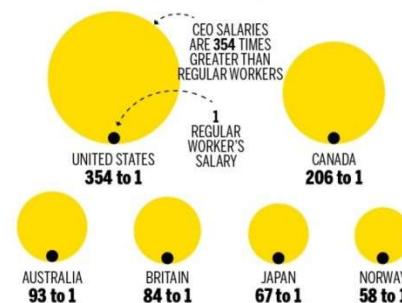


## 2. Reward and Compensation Systems



### GLOBAL CEO-TO-WORKER PAY RATIOS

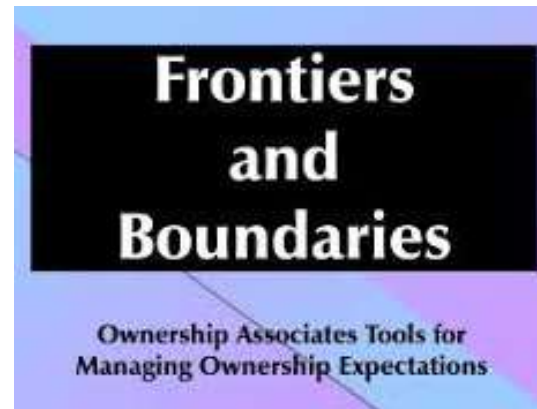
How many average workers' salaries would it take to pay an average CEO salary? Canada has one of the highest ratios in the world.



MACLEAN'S

SOURCES: AFL-CIO; U.S. BUREAU OF LABOR STATISTICS; OECD; NATIONAL STOCK MARKETS

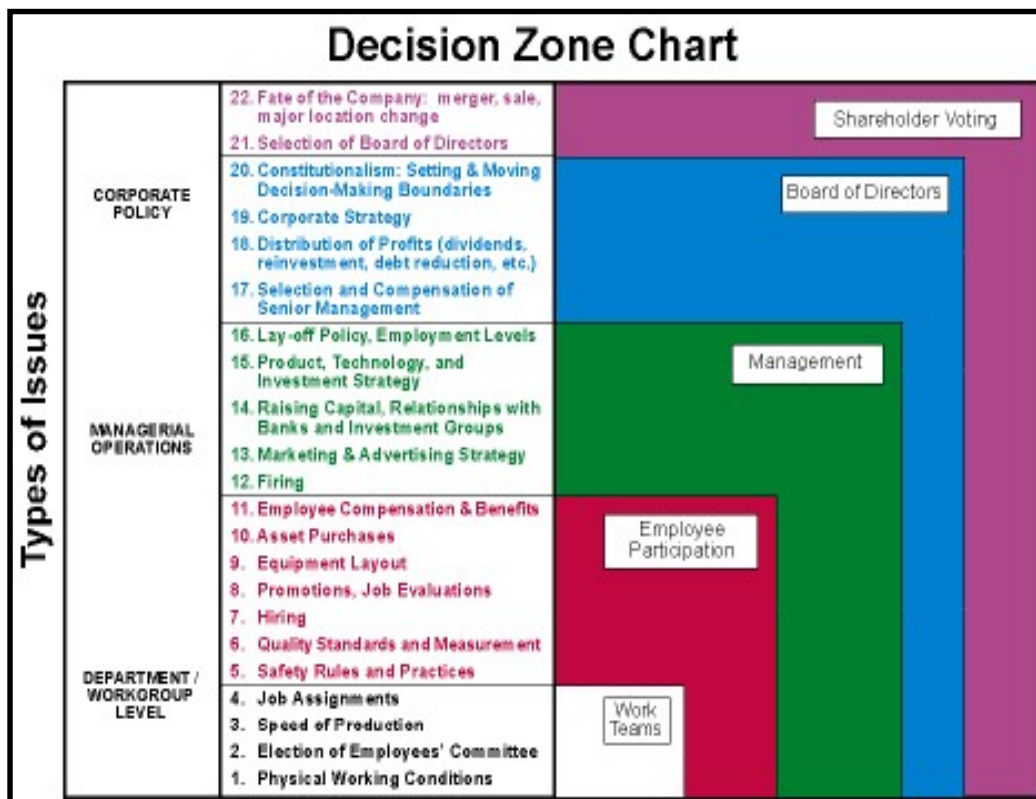
### 3. Organizational Architecture



Schreiber



OWNERSHIP  
ASSOCIATES



## Frontiers and Boundaries Handbook:

### Mapping Decision-Making Responsibility

*Using Decision Zone Charts to clarify who does what*

Part I – The Model

## IV. The Evidence Test

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How do we measure results?



## IV. The Evidence Test



### NCEO Ownership Culture Survey

- Includes comparison data from over 15,000 respondents at nearly 100 companies.
- Over 150 survey items to choose from.
- Includes an easy-to-understand report.

20

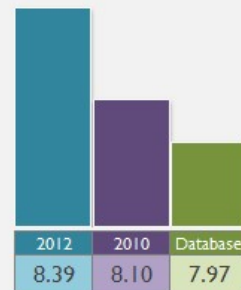
#### Item 2

**Ownership Identity:** How important is ownership to you?

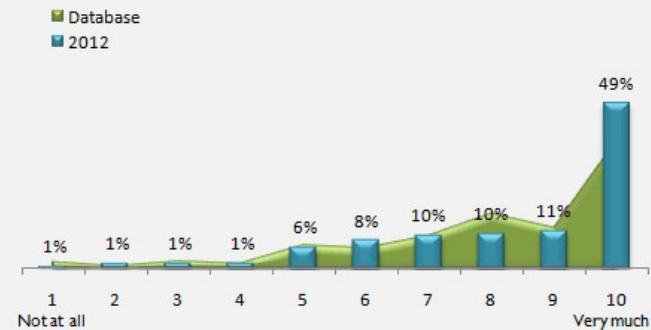
Strength Relative to NCEO Database

**Stronger:** OurCo is at least 0.30 points stronger than the database average.

Progression Chart



Distribution of Responses



Comparison Statistics

	% 1-3	% 8-10	25th Percentile	75th Percentile	Standard Deviation
OurCo	3%	70%	7.0	10.0	2.09
Database	6%	67%	7.0	9.9	2.13

\* indicates statistical significance ( $p < 0.1$ )

† indicates high statistical significance ( $p < 0.001$ )

### Measurement of Attitudes

Attitudes

Actions

Attitudes

Actions

Expectations

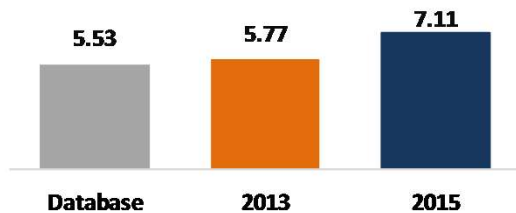
# OWNERSHIP IDENTITY

How much do you feel like an owner of this company?

No. 20

How much do you feel like an owner of this company?

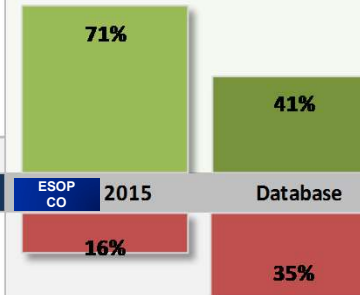
Averages\*



Summary

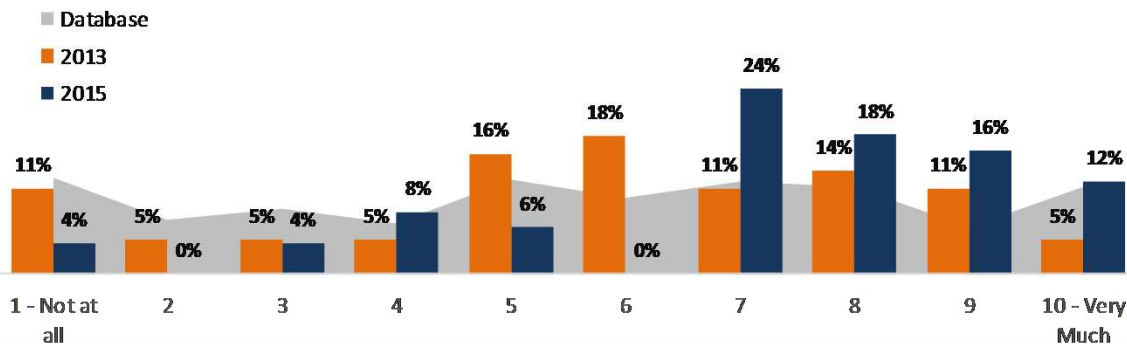
**ESOP CO** 2015 result is excellent compared to the database and has improved greatly since 2013.

Top/Bottom Chart



\*This question is on a special scale. See the 'Distribution of Responses' chart for the answer choices.

Distribution of Responses



Demographic Data

By Tenure		N	Subgroup Average	ESOP CO	Database	By Engagement		N	Subgroup Average	ESOP CO	Database
Up to 10 years		16	7.05	-0.06	1.52	No, never / Not in 6 months		18	6.08	-1.02	0.55
More than 10 years		28	7.29	0.18	1.75	Yes, in past 6-months		28	7.57	0.46	2.04

Additional Statistics

	25th%	50th%	75th%	Standard Deviation	%NA	# of Responses	# of Co's
Web - Boston	7	8	9	2.34	6%	46	94
Database	4	6	8	2.62	1%	14595	

## IV. Champions versus Cynics

How prevalent is cynicism at

ESOP CO

?



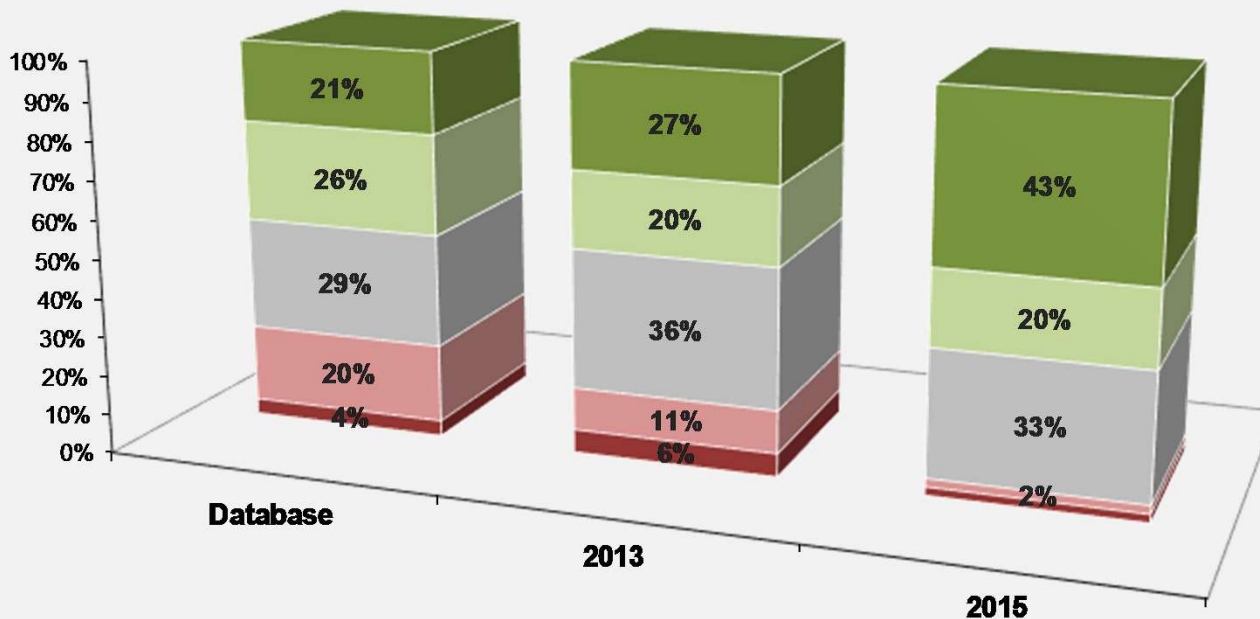
are engaged employee-owners who fully believe in the benefits of ownership.

are on the cusp of being champions, but think the company can still improve its ownership culture.

believe in employee ownership to a small degree, but think the company can improve its implementation.

do not feel like owners at all and think the company is implementing it poorly.

tend to disagree with employee ownership conceptually. "Employees are not owners."



# Summary Overview Communication Checklist

## 4 Tests



I.

THE STORY

II.



Ownership  
Training  
Content

1.

2.

3.

III.



Ownership  
Structures

1.

2.


3.

IV.



# The Schreiber Story - I. The Reality Test

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- Founders/shareholders looking to retire  
1945  1999
- Strong desire to keep the company privately held and headquartered in Green Bay
- Tax advantage for S corporations
- Give partners (employees) an opportunity to share in the growth of the company
- Great fit with company culture



## II. The Content Test

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- Ownership Facts
  - Allocations, vesting, diversification, distribution
  - Compare and contrast ESOP ownership with public company stockholder
    - Ownership of the stock
    - Accumulation
    - Qualified plan vs. financial investment
    - Voting rights
    - Beneficial ownership vs. direct ownership

## II. The Content Test

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- Ownership Skills
  - Decision making: hire more partners or invest in capital, lease vs. buy equipment, reduce raw material waste and spending
  - Education/training



## II. The Content Test

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- Ownership Values
  - Teamwork – raise and resolve issues
  - Personal responsibility and accountability
  - Caring
  - Partners and the Company linked with risks/rewards
  - Operational excellence



# III. The Competence Test

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- Participation Structures
  - Process improvement teams
  - Peer review
  - Town-hall meetings



# III. The Competence Test

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- Reward and Compensation Systems
  - Significant portion of Total Compensation
  - Performance Plan – operational and financial goals
  - At risk pay
  - Potential – what's in it for me?
  - Quantify lost opportunity

# III. The Competence Test

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- Organizational Architecture
  - Define roles and responsibilities
  - Individual locations and Home Office decisions
  - What can I do?



## IV. The Evidence Test

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- Partner engagement
- Tenure of workforce
- Stock performance CAGR vs. S&P 500
- Retirement readiness

