

1 **How to Get Workers to Think and Act Like Owners; Employee-Owned Firm Van Meter**
2 **Industrial Prospered After Its Employees Were Persuaded to Take Their Company Stock**
3 **Seriously**

4 **Author:** Covell, Simona

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10 Mick Slinger thought his company's stock program was a great perk. Each year, Van Meter
11 Industrial Inc. automatically contributed the equivalent of several weeks' pay into employees'
12 company stock accounts.

13 But at a company meeting a few years ago, an employee stood up and said he didn't care at all
14 about the stock fund, asking, "Why don't you just give me a couple hundred bucks for beer and
cigarettes?"

15 It was a wake-up call for Mr. Slinger, the company's chief financial officer. The electrical-parts
16 distributor's stock value was inching up at around the same rate as inflation. Many employees at
17 the 100% employee-owned company, which is based in Cedar Rapids, Iowa, "didn't know what
18 stock was, didn't know what an [employee] owner was," he recalls. "I made the mistake of
thinking that everyone thinks like me."

19 Nearly five years later, many employees have come around to Mr. Slinger's way of thinking.
20 And in doing so, they have also come together to improve the company's performance -- and its
stock price.

21 What propelled the change? Instead of continuing to simply pass out stock statements once a
22 year, company executives set out to promote the program and educate workers about ownership.
23 An employee committee has rolled out a series of campaigns, with catchy slogans and
24 giveaways, to raise awareness of stock ownership and to get workers thinking about what each of
25 them as owners can do to raise the price of company stock -- and how it affects their own net
worth.

26 The number of employee stock-ownership plans at small companies has grown steadily over the
27 past several years, as businesses take advantage of the plans' tax benefits and buy into employee
28 ownership's culture of shared responsibility. For owners, the plans are a way to prepare for
succession, selling shares to employees when the time comes. There are an estimated 9,650

1 employee-owned companies in the U.S., most small and privately owned, according to the
2 National Center for Employee Ownership, an educational organization in Oakland, Calif.

3 But as Van Meter's experience shows, just establishing an ESOP often isn't enough to get
4 employees to think like owners. Companies that want to create an ownership culture need to
5 make an explicit effort to teach employees about their stake and keep them focused on increasing
6 stock value, says Corey Rosen, executive director of the National Center for Employee
7 Ownership. To that end, they should give workers the freedom to take initiatives to cut costs and
8 boost a company's bottom line. Companies should "push decision-making down," he says.

9 For Van Meter, that process started with the employee committee. Forty employees volunteered
10 for it; the staff then voted on 12 members. The group's first task was to make sure it understood
11 the ins-and-outs of the plan -- including how people were enrolled and the vesting schedule.
12 Committee members traveled to conferences and talked to people at other employee-owned
13 companies, looking for ideas.

14 Mr. Slinger took himself out of the education process early on, hoping the information would
15 resonate better if it was relayed by employees' peers. Rather than present information on the
16 stock's value from the podium at a companywide meeting as Mr. Slinger had done, committee
17 members sat down at Van Meter's various sites, meeting with groups of about a half-dozen
18 employees. "We put them in a safe environment where they could ask questions," Mr. Slinger
19 says.

20 The committee also changed how new employees are introduced to the ESOP. In the past,
21 employees who completed their sixth month on the job were automatically enrolled, with no
22 fanfare. They were expected to refer back to information packets handed out during employee
23 orientation. Today, after their six-month anniversary, employees are given a jacket emblazoned
24 with the words "I am in." Then they're schooled in what employee ownership is and how the
25 stock plan works.

26 One of the committee's biggest goals was getting employees to think like owners. So it sought to
27 show workers -- 340 in all, spread out over several Iowa facilities -- how even small changes
28 could affect both the bottom line and the value of their stock.

And it did it in terms the workers could relate to. For instance, employees are encouraged to do
what they can to cut expenses and speed up debt collection, just as any homeowner would do to
pay off a mortgage more quickly and reduce interest expenses.

To explain the stock accounts' appreciation, Mr. Slinger and the committee pored over historical
data on the share price, slicing and dicing it to come up with analogies for financial neophytes.
For example, the committee came up with the slogan: "Work 10, get five free." In other words,
an employee who earns \$30,000 annually -- or \$300,000 over 10 years -- may accumulate an
ESOP account worth \$150,000 during that same period, based on stock-price appreciation and
company contributions.

1 And, employees were told that in 2006 they received an ESOP contribution of about 9 1/2 weeks
2 of pay -- for some, that's more easily digestible than hearing their contribution is equivalent to
3 18% of annual salary.

4 One challenge for the committee, says Rod Reinertson, its president, is to avoid veering into
5 operational issues, like figuring out how to save money on freight costs. "We have leaders in our
6 company who are responsible for that," says Mr. Reinertson, a technical specialist. "Our goal is
7 to train and educate on the ESOP."

8 One employee the committee has reached is Greg Tigges, an account manager in Davenport,
9 Iowa. These days, Mr. Tigges sometimes ships goods directly to a customer, instead of shipping
10 them to Van Meter's warehouse first and then to the customer -- saving on freight and processing
11 costs.

12 The idea of taking initiative to save Van Meter money is easier to swallow, he says, from a group
13 of peers, rather than the company's CFO. "Instead of one guy" extolling the plan's virtues, "it's a
14 dozen," Mr. Tigges says.

15 Each month, employees in each location gather to talk about what they did recently to save the
16 company money. Mr. Reinertson posts the results on the company's internal Web site for
17 employees.

18 Mr. Tigges, 46, says he used to think of his employee-stock account balance as "just a statement"
19 -- a piece of paper handed out each year. Those annual meetings were nearly the only time
20 employees talked about their stock.

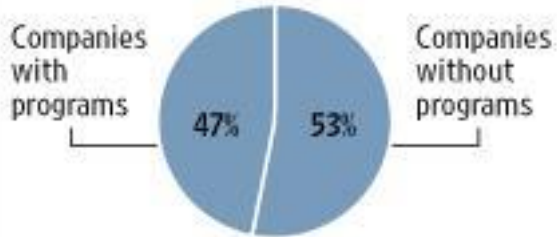
21 But recently, he says, more of his peers are discussing the program. He participates in an annual
22 guess-the-value contest, where employees predict how much the stock price has changed over
23 the previous year. The winner earns a cash prize based on the share price. Last year, it was more
24 than \$300.

25 Messrs. Reinertson and Slinger say they believe the efforts are directly responsible for a recent
26 jump in profit, reflected in its share price. The stock was up 78% for 2006, the latest data
27 available, due to sales growth, debt reduction and improved cash flow. Last year, employee
28 turnover fell to less than 8%, from an annual rate of about 18% a few years ago -- an
improvement executives believe is directly correlated to employees' engagement and
commitment.

Mr. Slinger says that one of the hardest parts of executing the ESOP education campaign was the
need for him to take a backseat to the committee. "I have to let go and let things flow," he says.
His job, he adds, "went from a one-man show to a lot more joy and satisfaction working with
others."

What's at Stake

The prevalence of company-stock educational programs at employee-owned firms



Note: Based on a 2007 survey of ESOP Association members with 414 respondents.
Source: Employee Ownership Foundation