Hallmarks of a Healthy Employee-Ownership Structure

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I am not an employee stock ownership plan expert (ESOP). I am not an employee-ownership expert. However, I am pretty good at understanding the employee-ownership formula and what works for The Davey Tree Expert Company.

Davey's employee ownership has really been more of an experience—a journey we’ve traveled over the past 35 years. I’m not promoting our style or our structure of employee ownership over another method. It’s one way to go. And we pretty much ran the gamut of employee-ownership structures in 35 years.

1 Davey owes all of its ongoing success to the thousands of employee owners at the company. They are truly where our success comes from. People are what make it happen, and you need to engage them and leverage the potential that they already possess.

Show your employees you value them. You must have a sincere commitment to the people you work with and who work for you, and that means committing to their individual growth and their career path.

People are going to be the game changer for you. This is what builds a strong ownership culture—who you hire, how you integrate them and engage them. You must give them something meaningful and let them feel like they bring value to the organization.

In return, at Davey we expect company loyalty. We expect our people to be dedicated and committed to Davey. We expect they will provide unequaled service and work collaboratively as one. We work as one, and we take whatever consequences come as one.

2 There’s a message you have to send on employee ownership, and that is that there is no compromise.

The company has to have an unwavering commitment to dedicated employees. You have to make that message clear to the employees. The company will support and commit to you if you are a dedicated employee. With that comes a pledge to sustainability. You must have a long-term vision for employee ownership.

If you’re considering the type of employee ownership Davey is involved in, you can’t look at three, five, maybe even 10 years. For us it’s a lifetime. It’s a career. It goes on indefinitely. The people you want to attract are the type of people who are looking for some stability in their life and long-term employment.

3 To make that happen, everyone has to be able to own stock.

It’s not just for the select few. In Davey’s employee-ownership structure, everybody can buy stock in the company. The employee shareholders are who we work for. We do not work for a faceless corporation or a family. We work for ourselves. We work for each other.

The stock is our final grade. It’s our final score card. It tells us how well we’ve done. It shows our skill level, business judgment, effectiveness and ability to execute. It will show whether we’ve been communicating effectively and if we are getting the most out of our employees.

Employees need flexibility when it comes to buying, selling and stock transactions in general. You have to give them flexibility. If you box them in and suddenly they’re unsure about stock acquisition, you’re going to lose some potential employee shareholders. You must offer confidence with each share. And stock must be affordable. You don’t want a field employee, who’s only able to set aside $25 or $50 a week, getting a quarter of a share each week.
through payroll deduction. Employees must get a significant return for their investment. Davey has conducted five splits over our 35-year employee ownership history: a three-for-one split, a four-for-one split and three two-for-one splits. We also offer education to our employees explaining ways to manage their stock.

One of the most common questions I get pertains to how we get shares into the hands of our employees.

Davey has multiple methods for getting stock to employees. The most popular method is payroll deduction, whereby stock is offered at a 15 percent discount to employees, who pay 85 percent of the value of the stock. All an employee has to do is come up with some cash and they’re already 15 percent ahead. Payroll deduction is very attractive, and it’s worked well for Davey. Stock subscription is another method, and Davey has offered six or seven over the last 35 years. Stock subscriptions are open to everyone in the company, and Davey will finance the purchase for the length of the stock subscription program at a very low rate. We also offer long-term incentive plans, including performance restricted stock units (PRSUs) and stock appreciation rights (SARs). Those are some of the vehicles Davey uses to get large chunks of stock out to the employees.

Profit is not a dirty word.

Of course, if you really want employees to buy in, then your earnings stream has got to be consistent. It must stay steady. If your profit stream is up and down, or it just follows the markets, that doesn’t build confidence. Davey's type of employee-ownership structure requires consistent, reasonable profits. Now we’re not a technology company or a medical firm. We don’t have high margins, but we expect consistent, reasonable profits. You can’t sustain employee ownership and offer the stock and equity ownership unless you have profit and continuous growth. It drives us.

I believe success can be realized in a number of employee-ownership structures. It’s a good thing whether you’re thinking about it or are involved in an ESOP at any level. If you want lasting rewards that come 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. Above all, I encourage you to stay the course. It can be one of the most fulfilling accomplishments in your entire life.