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10TH ANNUAL GUIDE TO Fabricated Glass and Metal

An ESOP Fable: Employee-Owned Companies Experience Improved Morale, Retention

Employees from Salem Fabrication Technologies Group gather for a group photo in 2022. The company has been employee-owned since 2000.

More than 6,000 U.S. companies have turned to employee stock ownership plans (ESOP), with more than 250 new ESOPs created each year, according to the National Center for Employee Ownership. This includes several glass companies.

An ESOP gives workers ownership interest in the company in the form of shares of stock. It's essentially a retirement plan that aligns the interests of employees with those of shareholders. A company can establish a retirement plan trust, much like a 401(k) plan, and contribute or allocate company stock to the plan annually. Shares are allocated based on pay or a similar distribution method.

Jeff Haber, a managing partner at W&W

Vetrotech North America Relocating to Minnesota

Vetrotech North America's relocation from Auburn, Wash., to Faribault, Minn., will allow it to invest in new manufacturing technology and leverage collaboration with other local Saint-Gobain businesses.

Saint-Gobain announced the Vetrotech North America headquarters are relocating from Auburn, Wash., to Faribault, Minn.

Kevin Norcross, general manager of Vetrotech Saint-Gobain North America, says the move will allow the company to invest in new manufacturing technology and leverage collaboration with other local Saint-Gobain businesses, notably Sage Electrochromics.

He adds the technology investments will enable Vetrotech to introduce its Contraflam-One fire-rated glass technology to the market in the U.S.

"Vetrotech North America's relocation to Faribault will provide us the tools and synergies we need as we continue our commitment to growing our presence in North America and serving our customers," he says. "We thank the Auburn community for their years of hospitality to our business and look forward to engaging with new neighbors in Faribault and building successful partnerships."

Officials state the relocation is expected to be completed by the end of 2023.

Glass, explains that ever since the New York-based contract glazing company became an ESOP in 2019, it has seen an improvement in recruitment and involvement.

"It also helps with morale because everybody has a stake in what they're doing," he says. "It has a direct financial benefit on their performance. The results of their work and the work of their coworkers are tangible every year when they get their statement and see their value."

Improved Morale

Nataline Lomedico, CEO and president of Giroux Glass Inc., a 100% employee-owned company since 2017, says that her company has seen lower turnover and many return employees following the move.

Haber's and Lomedico's experiences align with the majority of ESOP CEOs. A 2023 study by Verit Advisors and Greentarget polled 200 company founders and executives across various industries. The founders comprised 90 companies with a full or partial ESOP, 80 companies considering an ESOP and 30 companies not considering one.

Results from the survey indicated that nearly 90% of respondents agree that an ESOP structure delivered better employee incentives and improved the company's financial and operational performance.

"An ESOP is a great opportunity to maintain the company's culture and reward long-standing employees," says Haber. "It also allows the existing ownership team to stay on in a different capacity and transition their role to other team members over a long period of time without a shock to the system."

Haber adds that an ESOP is basically an exit strategy for original owners. He says that once a company becomes an ESOP, the owners or founders of the business no longer own the shares. Owners have several options when it comes to exiting, including selling the company, passing it down to the next generation, and having it acquired by a competitor, among others.

However, Haber says those alternative moves might not align with the seller's original business intention.

"It might not keep the company's original culture," he says. "It might not reward the key employees for their hard work over time. The ESOP is a great opportunity to maintain the company's culture."

Sweat Equity

Mike Willard, CEO of Salem Fabrication Technologies Group, says his company has been employee-owned since 2000. He explains that an ESOP allows employees to get back what they put in. He says the process typically involves a third party that values the company and decides the share value for the previous year. That money is then deposited into the employees' accounts based on their salary instead of the whole company's salary.

"We ask our employees to put in the sweat equity daily," he says. "That means working hard to make a difference for the company and the customers. In return, Salem makes a distribution in their ESOP account every year."

Lomedico says ESOP companies retire employees with an average of 35% more retirement savings than non-ESOP companies. That statistic is true at Giroux and is paired with the company's 25% match on 401k contributions.

"We want to ensure that our employees feel financially secure about their retirement and learn the importance of diversifying their investments," she says.

Eligibility Requirements

As with most employee incentive plans, there are often eligibility requirements. For example, depending on the company, an employee must work for a certain amount of time to become eligible. According to Pioneer Cladding and Glazing Systems controller Olivia Baumer, their employees are eligible after a year; however, if they leave the company before retiring, there's a waiting period to access the funds. Baumer adds that payouts begin immediately if an employee remains with the company until retirement. **USG**

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> **Jeff Haber, W&W Glass**