Ohio’s Employee-Owned Top 50
Producers Service is No.4

Emilia-Romagna: Model for Ohio Manufacturing?

Alloy Engineering: Ohio’s Oldest ESOP
NewPage Becomes Glatfelter

In the last issue of Owners At Work, we reported on the effort by employees of Chillicothe’s New Page paper mill to save their plant. The mill has been producing paper for more than a hundred years, virtually all those of Mead Paper. But in 2002, Mead merged with Westvaco to form MeadWestvaco Corporation. Then in May 2005 MeadWestvaco sold its paper mill operations, including Chillicothe, to Cerberus Capital Management, a private equity firm that created a new company to run the mills—New Page Corporation.

The ink had barely dried on the deal when New Page announced in June that it was considering three options for its Chillicothe acquisition—1) to sell a strategic buyer; 2) to sell to the employees and local management; and 3) restructuring (probably the least attractive of the three).

The employees decided to explore buying the mill through an Employee Ownership Plan, a private plan that is a variation of a private employee buyout. The Ohio Employee Ownership Plan (EOEP) is a university-based program which publishes an annual guidebook on employee ownership, assists in forming and managing employee-owned businesses, and provides information and technical assistance to retiring owners, buyout committees, labor unions, and community-development organizations interested in exploring employee ownership.

The EOEP is affiliated with the Employee Ownership Center of Kent State University. The program is based in part on the Ohio Department of Development (ODOD)’s Office of Employee Owned Enterprise (OEEO) and the Employee Ownership Center of Kent State University. The program assists in forming and managing employee-owned businesses, provides information and technical assistance to retiring owners, buyout committees, labor unions, and community-development organizations interested in exploring employee ownership.

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paying jobs for our employees. That’s the purpose of the ESOP, to keep it going and retirees will have to find other health care coverage. Unfortunately, our company’s operation and staff were not affected, but we must now do all we can to continue to preserve jobs and supply our customers.”

The bankruptcy of the company in 1986 after it was put up for sale by LTV Corporation. Concluded that if the ESOP had been in place, 700 employees would have been saved and $2,500 in wages and benefits. For the next 20 years, the firm operated as a successful employee-owned company. Anderson noted that, “Faced with the loss of jobs back in 1986, the ESOP served us well as a bridge for two decades.”

The company was a founding member of Ohio’s Employee Owned Network, and employee owners from Republic Storage have served on the OEOC’s Advisory Board since the late 1980’s. Jim Anderson, current President of the OEOC from 1999 until the bankruptcy and was a member of the Executive Committee of the Employee Owned Public Storage employees were a fixture at the annual Ohio Employee Ownership Conference. Anderson was a vocal advocate and spoke out to spark a “table or two or three” in the back of the room. The company regularly participated in other showcase and representative functions and from management to labor were frequently represented by a Showcase and representatives from both management and labor were frequently on Conference calls with other ESOP companies to discuss the issues of labor-management relations in an employee-owned company.

The bankruptcy of Republic took place on Monday, July 28, 2003 when the company was put up for sale by LTV Corporation as a result of the bankruptcy and was a member of the Executive Committee of the Employee Owned Public Storage companies. Anderson noted that their “rags to riches” story continued on unstinting resolve to get Republic working again.”

Unfortunately, the floods were not the only problem the company encountered in recent years. The doubling of steel prices in 2004 created problems that could not be paused on for customers who shipped the product of 2004. Some faced increasing pensions and retiree health care costs. These factors had a cumulative negative impact on performance, leading to the decision to file for Chapter 11 on March 14, 2006.

Chrysalis Capital Partners, the new owner of Republic Storage, is a private equity firm based in Philadelphia, PA, with a $300 million fund that focuses on special situations, investing in troubled businesses, buyouts, turnarounds, financial restructurings, reorganizations, and re-capitalizations at middle market companies with typical sales of $50-$500 million. Institutions, including the Pennsylvania Public School Employees’ Retirement System and the Colorado Public Employees’ Retirement Association, provide about 80% of its $300 million fund to Republic in exchange for an equity stake. Republic is expected to continue to be a leader in the design and manufacturing of high quality storage products in the Northeast, including school lockers, shelving, storage racks, and shop equipment.

Vermont Acts for Employee Ownership

On May 22, 2006 the governor of Vermont signed into law a directive to the state treasurer, ordering a System study on investing a portion of state pension funds into employee ownership, and allowing a private equity fund to invest dollars with current and former AllB employees to show support for the newspaper. The federal government, through the Small Business Administration, forgave the remaining $5.9 million. The floodwaters receded down the creek over the next seven weeks, causing it to miss its peak season. In spite of the setbacks, the company got back up and running in June 2006 and retained the Canton Regional Chamber of Commerce Business of the Year for 2004 for its recovery. The D&B also recognized Chrysalis Capital Partners for giving the company the 2005 Small Business Administration’s Phoenix Award for Small Business Enterprise Recovery.

According to Anderson, “It was the tenacity and commitment of our employees that made our recovery possible. From the time the floodwaters receded, the machine began running again and every employee involved in the manufacture showed unstinting resolve to get Republic working again.”

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Vermon...
Ohio ESOP News

Ohio’s Oldest ESOP

Alloy Engineering’s Success Story

Extending ownership to all employees, reinvigorating all in managing the business and tying compensation to profits, has brought a renaissance to Alloy Engineering twenty years ago. Since then, Ohio’s oldest ESOP has maintained a spirit of universal participation while constantly evolving the details of its management. Headquartered in Berea, the company was founded in 1943 by Paul Menough at the age of 65 in the attic of his home in Rocky River, Ohio. A mechanical engineer and foundry expert who had a successful career in engineering sales, he started the enterprise because he was interested in using new alloys to improve high temperature metal casting processes. Menough’s ideas are recognized today as important innovations in the annealing industry.

Lois Petonovich, Alloy’s President, explained, “As a custom job shop, we continue to develop innovative uses of alloys for the design and manufacture of one-of-a-kind exotic products and high precision fabrications.” The firm has 75 employees at its Berea location.

Succession Planning with an ESOP

Menough believed that a business needed well-paid, capable people who were given the opportunity to use their creativity. “Alloy’s philosophy hasn’t changed much in 63 years,” explained Petonovich, “though today we have a work culture based on what an ESOP can do.”

Following Menough’s death in 1960, his son-in-law Dale Vonderau took over leadership of the business, and by 1974, he was looking for a creative way to pass the reins of leadership to involve every employee in managing the company successfully. The variable compensation plan is self-motivating,” explained Paul Rush, who started at Alloy as a fabricator in 1991 and now coordinates the 15-person prep crew. “Employees see that they have a future here, so don’t have to stand over people. We are all concerned with hours and beating the job. Rush also serves as the ESOP representative for shop employees and attends the annual ESOP valuation meeting of Alloy’s board of directors. “I didn’t understand the ESOP when I volunteered for this role, but now I try to answer employees’ questions.”

Alloy offers wages comparable to other firms and better benefits. Still, as Alloy’s controller, Pat Henneberry, explained, “It’s hard to find good people with the skill level we need.” Shopfloor employees screen and test recruits. “We look for people with good attitudes and train them to fit into our system,” explained Gomes. “We have a two year learning curve, but you won’t be here long if you don’t care. We do a good job of bringing people from the ground floor up.”

Alloy’s top salesman for the past five years is an employee who started as a welder-fitter in 1985. “The ESOP is one factor in our success among a variety of profit sharing mechanisms that help us keep our engineering talent here,” explained Rick Turiczek, a mechanical engineer at Alloy since 1988. “Alloy’s culture is unique in the engineering field because we are profit-aware and commercially oriented.”

Leadership Development

To promote employee development, departmental teams were set up to bid on jobs, bring employees closer to customers and provide team members with training for promotions. Though phased out after about a year, the team concept successfully evolved into several interdisciplinary committees. Composed of four or five employees, the committees make recommendations to the board on capital expenditures, safety, human resources and technology, and technology. Turiczek explained, “Employees recognize their decisions are important for our short term and long term success, so we have lots of participation in our committees.”

The manufacturing committee, for example, includes representatives from both shifts and meets monthly to lower costs and improve productivity. Employees give their suggestions to committee members and read committee agendas and action items posted on the bulletin board.

Does an ESOP make sense in today’s small business workplace?

“Employee involvement is not an easy way to manage,” explained Petonovich. “Employees must be educated, cross-trained and able to make necessary changes almost daily. Managers have to be willing to respond to difficult questions. We have not given raises in 15 years, but if profits are out there, we share it.”

Alloy has grown dramatically. “Our focus is diversification, finding other industries that use our competencies,” explained Turiczek. Alloy purchased additional product lines in 1998 and 1999, acquired two competitors in 2002 and 2003, and just opened a new facility in Wellington whose employees are not included in the ESOP.

“When the longer we live with our ESOP, the more we like it,” says Vonderau, who still works most mornings at Alloy. “We wouldn’t have survived without the ESOP. Small companies face a capital shortage. We have to work as a team and create our own capital. Small business can’t survive today without employees having a stake and working together.”
Growing Wealth through Employee Ownership

A quick glance at the Ohio Top 50 lists shows giant Procter and Gamble overshadowing all the rest of employee-owned companies in Ohio. It holds assets of over $14 billion, serves nearly 45,000 participants, and reports a value per participant of nearly $288,000. Procter and Gamble is one of the oldest employee-owned companies in the nation, tracing its commitment to employee stock ownership back to 1900.

However, there are other stories in the Top 50 lists as well. It’s not only big companies that have created impressive benefits for their employee-owners. Among the five wealthiest plans are four small companies: RE Kramig has just 13 participants; Beverage Distributors, 12; Producers Service, 21 and JP Sand, 15.

Another big story is the growth of employee wealth. The value of assets in employee ownership plans grew from an inflation-adjusted just $5.6 billion in 1994 to over $37 billion by 2004. What is more, closely-held businesses are creating the largest account values for employee owners. Thirty-eight of the top 50 companies with the highest assets per participant are closely-held, even though only twelve of the companies with the most participants are closely-held. In what may be a record performance, closely-held Producers Service was to be closed in 1994, with its equipment moved to China. Now it is #4 in net assets per participant.

The number of firms, however, grew only about 14%. Employee-owned firms in Ohio grew from 297 in 1993 to about 340 (after removing duplicate entries) about 280 firms existed throughout the decade of 1993-1994 to 2004, and about 85 have been ongoing since the mid-90s.

Data for the Ohio Employee Ownership Top 50 were drawn from IRS Form 5500 filings, as compiled by Larkspur Data Resources. The filing dates covered years 2002-2004. Employee-owned firms were identified as those that reported either an ESOP or a stock bonus plan with four or more participants. The data revealed 341 plans holding employer stock in 322 companies. The total value of assets in the plans was over $37 billion, with 487,000 total participants. The average plan owned almost $110 million in assets, and the number of participants ranged from four to 45,000, with a mean of 1,426.

Other companies with significant employee-ownership exist in Ohio, but do not identify themselves as ESOPs or stock bonus plans. The growing popularity and use of ownership has been accompanied by an increase in the forms that ownership may take. For example award-winning Pretzch Remick of Wooster reported only one general 401k profit-sharing plan with assets of over $3 million and 96 participants, but after the filing dates covered by this report has begun a transition to an ESOP (see the Winter 04/05 issue of Owners At Work, available at www.kent.edu/oec/oelibrary/index.htm, for the story). Other forms include direct stock ownership, stock options and employee stock ownership as part of a general 401k plan. Some firms with employee ownership call their plans savings plans, and the plans may be tied among their assets. In addition, it is likely that there will be more employee-owned cooperatives in the future, now that Ohio law facilitates their use. For a previous incarnation of Ohio’s Top 50 see Owners At Work Summer 2004, also available online at the address above. **
That sort of sounds like Socialism to me.

Corey Rosen
Keynote Address
OEC 20th Annual Employee Ownership Conference
April 21, 2006

I want to trace how employee ownership developed over the past thirty years or so and some of the things we’ve seen change over the years.

In the 1970’s when ESOPs were first created, I remember going to my boss, Senator Gaylord Nelson, a very liberal senator. “Senator Nelson, I would like you to co-sponsor this legislation that would let people who sell to their employees get a deferral of their capital gains tax.” He said, “That sort of sounds like socialism to me.” There was a lot of difficulty in those days convincing the liberals that employee ownership was a good idea. The conservatives looked at it and thought we were capitalists, and we know what capitalists do. They vote for Republicans. The liberals looked at it and said it would undermine pension plans, and unions might not be happy with this. Well, they got over that and very quickly employee ownership became something that everybody supported.

Even though there was consensus that if you did employee ownership well it might actually be a good idea, it was a hard sell for a long time.

In the 1970’s, companies did it primarily for the tax breaks.

There were maybe 5,000 ESOPs by 1981, a lot of them in public companies. Very few owned more than half their company’s stock. Typically, they owned less than 20%. Very few were creating an ownership culture. It was just a tool of corporate finance. When we started studying this, we wanted to find out what would make these plans work better, what would make them come to embody the vision of creating a different kind of company – one that treated employees with dignity and respect and solicited ideas and information, one that would generate more growth, more jobs, and more wealth to be shared among everybody. What we found was that you need to do more than just give employees ownership.

In 1981, Phelps County Bank in Missouri set up an ESOP. It provided a good financial benefit, but little else was happening. I talked to the chairman who had sold to the ESOP. He said, “Our President is actually trying to get employees to work for them and not just the ideas they created yesterday but the ideas they will create tomorrow. If those people leave, the companies are gone. So how did they engage their people? They made them owners. Most technology companies, then and now, give some kind of ownership to most or all of their employees and that has spread into a number of other sectors as well.

Another way employee ownership started to grow was through 401(k) plans. Companies were saying that they like the idea of employees being owners. Rather than matching their deferrals into the 401(k) plan with cash, public companies could match it with their own stock, which will dilute the shareholders some, but it is cheaper than using cash. It reached the point a couple of years ago where 19% of 401(k) assets were held in company stock. That, of course, has been a distinctly missed blessing.

The ESOP community looked at the issue of 401(k) plans and said, the ESOP is a great benefit but we need something diversified too; so something like 90% of ESOP companies have diversified 401(k) plans as well. It is much higher than other companies. In fact, ESOP companies are much more likely to have other retirement plans than comparable companies are to have any retirement plans.

Employee ownership didn’t grow just in the United States. England and Ireland have laws parallel to those in the United States. France is about to pass legislation that would look something like U.S. ESOP legislation, but with more tax benefits. South Africa is starting to encourage broad-based employee ownership. China too, there’s employee ownership in some provinces, and China’s largest multi-national corporation is entirely owned by its employees. Employee ownership can be found in other countries as well.

A lot of good things have been happening with employee ownership, but needless to say some bad things, too.

Companies that set up employee ownership plans grow 2 - 3% per year faster than you would expect if they didn’t. Companies that share stock options with most of their employees show a 17% increase in productivity after they setup their plans. These are good things for their companies. What about employees? Have employees fared well? They sure didn’t at Enron and WorldCom and United and other places, but you can also find a lot of examples on the other side. Researchers found that employees have about three times the total retirement assets if they work for an ESOP company and 5 - 12% higher wages than would be the case if they worked for a comparable non-ESOP company. We found that employees who work for 100% ESOP's corporations had a median account balance of close to $200,000 when they reached age 55 - 64 compared to the national average of $45,000; they all had 401(k) plans, except one, and the companies’ contribution to those plans was just as large as most non-ESOP companies is to their 401(k) plans. So a lot of great things have happened.

Today there are 25 - 30 million employee owners in the United States. It is no longer a weird idea. It is growing all over the place and I think we can be very proud of what has been accomplished. Some years ago, I heard Cecil Ursprung, CEO of Reflexite Corporation, speak at one of our conferences. His friend asked how the ESOP was going and he said, “I think we are about half way there.” Ten years later, the owners, who had initially sold 50% to the ESOP, sold their last 8% for more than they had sold the 50%. This is clearly a very successful company, and his friend asked again how he was doing with the Employee ownership. Cecil said, “We’re about half way there.” The friend noted that is what he told him ten years ago. And Cecil said, “Yeah, but ‘there’ moved.”

As we have seen employee ownership grow, both within our own companies, as well as nationally and internationally, all of us feel like “there” keeps moving. It is nice to look back and see all the distance you’ve traveled, but there is still a long way to go because new horizons have opened. Ultimately employee ownership grows because it is good for the business enterprise, but the real reward at the end of the day is that it is also good for the human enterprise.

Today there are 25 - 30 million employee owners in the United States. It is no longer a weird idea. It is growing all over the place and I think we can be very proud of what has been accomplished.”
Roughly 320 people commemorated the 20th Annual Ohio Employee Ownership Conference, held Friday, April 21st at the Hilton in Fairlawn, Ohio. After welcoming remarks from Daryl Revoldt, Governor’s Region 9 Economic Development Representative, and John Logue, OEOC Director, keynote speakers Corey Rosen, Executive Director of the National Center for Employee Ownership (NCEO), and Steve Sheppard, former CEO of Foldcraft Company, addressed the crowd. With statistics and stories, Rosen traced developments in the ESOP movement over more than 30 years and stressed the need for clear communication to maximize the strength of employee ownership and “companies worth keeping,” Rosen’s speech can be found in this newsletter and Sheppard’s will appear in the next issue.

Following one plenary meeting, the morning round of discussions offered a choice of seven panels featuring employee owners from Ohio companies as well as professional service providers. People wanting to continue the theme of the conference with one keynote speaker attended the panel on Creating Companies Worth Keeping. The panel on the ABCs of ESOPs for Employee Owners featured Dave Gustafson, Moore Stephens Apple, and Jim Steiker, SEF Advisors. The panel was moderated by Randy Leffler, Ohio Manufacturers’ Association. The panel on ESOP Communications Using Creativity, Not Cash showed how regular folks without expensive equipment or a lot of expertise can make a movie about their company. The panelists were Nancy Young and Heidi Schaad of Prentke Romich Company and Ron Stansbury, Calfee Halter Griswold, and Rosanne Aumiller, Peoples Insurance, serving as the moderator.

The invocation by Sister Mary Eileen Boyle, Ursuline Sisters, the presentation of the First in the Nation Award for setting up their ESOP and enjoying the Fruits of My ESOP Account by Ron Gilbert, OEOC Services, Riesbeck Food Markets, The Ruhlin Company, Sims-Lohnman, Voto Manufacturers Sales, The Will-Burt Company and Xcel.

The rest of the day featured discussions ranging from ESOP technical issues to issues of ownership culture. Lights, Camera, Action: Telling Your ESOP Story with Electronic Media showed how regular folks without expensive equipment or a lot of expertise can make a movie about their company. The panelists were Mike Boydstun, Andrea Capunao, Eileen Cowagar, Syl Fracastri, Carolynn Payerle and Joyce Swords of ComDoc on the panel Great Employee-Owned Workplaces – Sharing 20 Years of Success. The panel on Repurchase Obligation & Its Impact on Valuation, Cash Flow & Strategic Planning, moderated by Jeff Rosen, Star Leasing, featured panelists Radd Reibe, Stout Risius Ross; John Wirtshafter, McDonald Hopkins, and Judy Kornfeld, ESOP Economies, focusing on how to properly manage the re-purchase obligation.

Conference participants attending the panel on Employee-Driven Buyouts. Using ESOPs were able to listen to the stories and experiences of two recent employee buyout efforts, one in Chillicothe at the NewPage paper mill and the other involving the Hoover vacuum cleaner plant in North Canton. Panelists were Mark Dixon, USW Local 731; Stephen Brown, Glattfelder Company; Jim Repace, IBEW Local 1985; Eric Bowles, City of North Canton; and Mark Dyer, Hoover, moderated by Deborah Grobon Olson, Attorney. Also of interest to prospective ESOP companies was the session Step-by-Step Process for Selling Your Business to Your Employees. Moderated by Stephen Baumgartner, Morgan Stanley, this informative panel featured Kurt Nichols, Lafalke Bank; John O’Brian, Dub & Phelps; Ron Stansbury, Calfee Halter Griswold, and Rosanne Aumiller, Peoples Insurance. Another panel of special interest to small companies contemplating a sale to their employees was the panel on Employee Buyouts of Small Companies: How to Get the 1042 Rollover While Using an Employee Copperative. Examining the recent precedent-setting sale of Select Machine were Doug Beavers and Dave Baird, Select Machine; and Mark Stewart, Schumacher Loop & Kendrick. Bob Stewart, Ohio Farm Bureau and Nationwide, served as the moderator.

Leaders at three ESOP companies discussed methods they use to incorporate new and emerging concepts into their communications. The discussion began with Dan Bell, OEOC, and Al Shuler, Comstock Valuation Advisors, who took a look at how employees make “withdrawals” from their ESOP account and what their company does to prepare for this. Ron Gilbert, ESOP Services, with Dan Bell, OEOC, and Al Shuler, Comstock Valuation Advisors, who took a look at how employees make “withdrawals” from their ESOP account and what their company does to prepare for this.

The conference concluded with a closing reception which everyone who helped make the conference the largest employee ownership conference in the country was safe once again! We thank everyone who helped make the conference the largest employee ownership conference in the country was safe once again! We thank everyone who helped make the conference the largest employee ownership conference in the country was safe once again!

20th Annual Ohio Employee Ownership Conference Highlights
Employee Ownership: Creating Companies Worth Keeping

The invocarion by Sister Mary Eileen Boyle, Ursaline Sisters of Cleveland, and lunch were followed by the 2006 Ohio Employee Ownership Awards, presented to companies that demonstrate exceptional leadership in contributing to employee ownership. Select Machine was given a First in the Nation Award for pioneering the use of the 1042 rollover in a cooperative. At this 20th Annual Ohio Employee Ownership Conference, 18 companies were honored for the Achievement of 20 or More Years of Success with Employee Ownership. The companies were: Alley Engineering, Cedar Bar Construction, Chikalo, ComDoc, Dino-Gra, Fastener Industries, Goldsmith & Eggleton, Great Lakes Construction, The Mosser Company, Great Valley Utility Supply, Oswald Companies, Peoples Services, Riesbeck Food Markets, The Ruhlin Company, Sims-Lohnman, Voto Manufacturers Sales, The Will-Burt Company and Xcel.

The rest of the day featured discussions ranging from ESOP technical issues to issues of ownership culture. Lights, Camera, Action: Telling Your ESOP Story with Electronic Media showed how regular folks without expensive equipment or a lot of expertise can make a movie about their company. The panelists were Nancy Young and Heidi Schaad of Prentke Romich Company and Ron Stansbury, Calfee Halter Griswold, and Rosanne Aumiller, Peoples Insurance, serving as the moderator.

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The last issue of Owners at Work published an extended article on the employer-owned sector in the Emilia Romagna region around Bologna in Northern Italy. In this interview, we ask Emilia Romagna expert Matt Hancock to place the employer-owned sector—about 4000 firms in this region with 4 million people—in the context of the region’s successful economic development policy which focuses on small businesses, particularly small manufacturing businesses. Our question: what can be replicated in Northeast Ohio?

**OAW: **Emilia Romagna is characterized by very small businesses, yet is highly competitive in GDP, exports, and patents within the European Union. How is this possible?

**Matt Hancock:** There are 300,000 firms in this region with only 4 million people, one of the largest concentrations of small firms in the industrial world. Of those firms, 99% of them have less than 250 employees. The average manufacturing firm in Emilia Romagna has only 10 employees. Only 1% of firms have 250 or more employees. The big firms use a flexible manufacturing network model to produce the majority of their product. Ducati is a good example. Ducati makes motorcycles. But 90% of the motorcycle is made outside of Ducati by its network of suppliers. So there is a lot of value being produced before the motorcycle gets assembled by Ducati. This model developed as a response to the market for the development of an economy that was based on micro and small enterprises. None of these small enterprises would be able to compete alone, but they could when groups of firms work together.

The development of flexible manufacturing networks was aided by regional policy, which tended to concentrate businesses in a particular area and to provide a lot of support to business development services, which encourage groups of firms to get together and meet business associations, in cooperation with the regional government. The service centers were born out of the dialogue between these businesses and the regional government. The service centers responded to what small businesses in the sector said they needed: quality control, quality certification, management, automation and R&D. Today the service centers put small businesses in a position to be able to deal with the universities and foreign markets more effectively. Do the service centers provide support for exports?

Not generally. That’s provided by the business associations instead.

**And the business associations are based on an industrial sector?**

No, they are based on business size, not sector. There are two small business associations in Emilia Romagna. The largest one is associated with the left wing political party. The second largest one is associated with the Christian Democrats. They work with a group of firms in a particular industrial cluster. They will use public money, for example, to take the textile producers to Eastern Europe or China to develop relationships with suppliers or clients there. Or they take a group of fashion designers from Emilia Romagna to important fashion shows around the world.

**Small businesses generally have trouble with raising capital. What is the story on this issue?**

Small firms can be essentially started with sweat equity. That’s no longer feasible because buying a CNC machine is a lot more expensive than buying an old manual lathe. So more and more banks are stepping in to provide small business loans. The business associations, in cooperation with the regional government, create loan guarantee consortiums to reduce the interest rates that small businesses are paying. A member of the CNA, which is the small business association, for example, gets a preferred interest rate with banks that are in the Network. And that is because the business association is providing the loan guarantee.

Exactly. Your collateral is the faith and credit of the regional government and the business association you belong to. The regional government also has a range of other policy tools. For example, if the regional government, in cooperation with labor and business associations, identified a certain priority area for automation, you can apply for a grant to purchase a new piece of equipment because it is a collective competition good; it is not proprietary. There are also more general financing mechanisms that help small firms upgrade their equipment. Some of these are outright grants. Sometimes it is just reducing interest rates for loans on equipment.

So what you are describing here is a kind of regional industrial policy. Absolutely. The regional industrial policy is usually done on a 3-year plan. There is an annual conference on the economy. It’s convened by the regional government which researches and develops a plan that is sought from the dialogue with the “social partners”: labor unions, business associations, agricultural co-ops.

Let’s talk about transferrability. Northeast Ohio has a population the same size as Emilia Romagna. If our new Fund for Our Economic Future wanted to introduce some of Emilia Romagna’s characteristics here, what do you see as most transferrable?

Focusing economic development on a 3-year plan—local or regional—level can be very effective. What’s striking about Emilia Romagna is that while they have done some amazing things in terms of industrial policy and, now, around innovation and linking high-tech advanced research with manufacturing, they have always had very limited resources. American state, city and county governments all have greater ability to raise revenue. They have much larger budgets, and they have control over the money that they are raising. In terms of culture, it is pretty similar.

The Emilia Romagna regional government doesn’t pick winners. They don’t say “This year we want to start the ceramic industry or a bio-tech industry in Emilia Romagna.” Instead, research identified existing industrial clusters and they look at the needs of those clusters. How could policy increase the competitiveness of the cluster as a whole? There’s regional cooperation with the business associations and nothing was imposed on the cluster. It’s a dialogue. It’s also important to look at the underlying structure that makes this successful. It is the same as what you guys are doing.

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**OAW Interview**

**Emilia Romagna’s Success: A Model for Ohio Manufacturing?**

**Matt Hancock,** Project Director at the Center for Labor and Community Research

“Getting these different social partners to sit around a table is fundamental, but then you need to build a common vision.”

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Owners At Work Summer 2006
Items in Brief

Succession Planning Program Grows

After more than 10 successful years in the Cleveland area, the OEOC, in partnership with the Greater Akron Chamber, rolled out the Akron-area Business Owner Succession Planning Program this past spring. The program attracted 22 small business owners and managers from 19 area companies. Twenty-three participants from 17 companies attended the Cleveland program, which is co-sponsored by the Greater Cleveland Partnerships Council on Smaller Enterprises as part of its “Small Business Activities." This is a vision that is shared by all the social partners.

The program is designed to provide owners and managers of small-to-medium sized closely-held businesses with the information they need to start planning for succession, with the goal of anchoring businesses and jobs in their communities. Each session is taught by a recognized local and national professional in the field.

Too many otherwise healthy small businesses don't make it to the second and third generations due to incomplete or nonexistent succession planning," says program coordinator Chris Cooper. "We want to do what we can to change that, and we think these programs are a good place for business owners to start." More information on both the Cleveland and Akron Business Succession Planning programs, including schedules of seminars for fall 2006, can be found at www.kent.edu/oeco spp or by calling Chris Cooper at 330-672-3028. 

Ohio's Prefeasibility Study Grant Program

Is a plant in your area in danger of shutting down? Can anything be done to keep it open? If employee ownership offers an opportunity to keep the plant open, the Federal Workforce Investment Act provides funds for preliminary feasibility studies. The Ohio Department of Job & Family Services, which administers the Workforce Investment Act in Ohio, has contracted with the Ohio Employee Ownership Center at Kent State University to administer the Ohio prefeasibility study grants program.

Grants are available to buyout committees that are exploring employee ownership. The purpose of the study is to determine whether further feasibility studies and a business plan are warranted. To be eligible for a grant, there must be a clear threat of job loss or shutdown. There also needs to be a buyout committee to act on behalf of the employees as buyers, and the committee needs to raise some matching funds.

The size of the feasibility study grant is typically in the $10,000-$20,000 range, but larger grants are possible when there is particular justification. The application process is streamlined. For more information, contact the OECO at 330-672-3028.

The ESOP Association’s 2006-2007 Employee Owner Retreats

Chicago, IL Phoenix, AZ St. Petersburg FL
August 10-12, 2006 February 1-3 2007 February 2007

The Employee Owner Retreat is a three-day, off-site training seminar where non-managerial employee owners learn from and interact with peers from other ESOP companies. In small groups, structured exercises, and informal discussions, employee owners develop new skills and a new perspective on employee ownership in their respective companies. The programs include beginner classes on ESOPs and financial statements, a slightly more advanced financial class for those already familiar with basic financial vocabulary, and small team problem-solving.

Spanish Track Available

Recognizing that many ESOP participants speak Spanish as a first language, several parts of this program can be run in Spanish by our bilingual staff. Minimum of 10 participants per retreat required.

Retreats staffed by the Ohio Employee Ownership Center at Kent State University For questions or more information, contact the OECO at 330-672-3028 or Rosemary Clements, The ESOP Association, at 202-293-2971.

Hancock. Continued from page 15
ComDoc Creates a Company-Wide Learning Culture

ComDoc employee-owners presented their vision, “A Great Place to Work and a Great Place to be a Customer,” during a panel discussion at the April 21st conference. Incorporated in 1955, ComDoc provides copy, fax and printer solutions and employs 540 partners in 5 states. The firm is 42% employee-owned, and recently celebrated the 20th anniversary of their ESOP. They believe that their culture of ownership, core values and beliefs drive their ongoing success and the results are clear – revenues have increased from $18 million in 1984 to $101.5 million in 2005, and company stock value has grown from $8 per share in 1985 to $262 per share in 2005.

A Passionate Commitment to Customers, Partners and Communities

ComDoc asks each partner to be A-D-E-F—Accountable, Decisive, Ethical, Passionate, and Trustworthy—and these core values inspire them to focus outwardly. As Andrea Capuano, ComDoc’s Director of Human Resources, explained, “We have a culture of community service here at ComDoc, and it benefits us in many ways. Our partners feel good about giving back to our communities, and our customers see us as an organization that invests in our communities.” In 2005, ComDoc celebrated their 50th anniversary in business with the “50 Ways ComDoc Cares” program. ComDoc partners at all 10 of their locations were encouraged to organize community projects throughout the year to meet that goal. “We definitely surpassed that goal,” states Capuano. “I think we ended the year with over 60 projects—I’m still hearing about ones that didn’t make our list!”

A Commitment to Personal Growth is Critical to Employee Retention

Akein McAdoo, Akren Children’s Hospital’s vice president of Health Media, said “Employee-owners at ComDoc are immediately encouraged to participate in a variety of educational opportunities offered within the company, and we support employees as they seek to further develop and improve their skills.”

Governance in ESOPs

What’s different about governance in an employee-owned company? What are effective structures and processes for the board of directors of an employee-owned firm? In what ways are directors accountable to ESOP participants? These questions and more prompt intense discussion among Network members because many ESOP firms’ boards operate quite differently from boards in conventional companies.

One example is the selection process for directors of The Rublin Company, an 82% ESOP-owned construction and construction management firm headquartered in Sharon Center. Rublin’s 5-member Employee Advisory Team members recruit, interview and recommend the candidates for the outside director positions and two inside director positions. Rublin’s ESOP participants then vote on the slate of candidates on a one-share-one-vote basis. The two inside employees then serve as liaisons between the Employee Advisory Team and the board. This process provides ESOP participants with a voice in governance. Currently chaired by the company’s IT Manager, Fred Beaver, the overall mission of Rublin’s EAT is to foster input and ESOP employee participation in the company’s financial well-being through employee training, education, and recommendations pertaining to corporate governance.

The first Network-sponsored forum on ESOP governance was held on Wednesday, September 20 in the Akron area. Topics will include:

• What’s different about governance in an ESOP company?
• Legal responsibilities of Directors in an ESOP
• Relationship of the Board with the ESOP Administration Committee and ESOP Trustees
• Breakout sessions on Basics of ESOPs for Directors, Strategic Planning for the ESOP; and A Closer Look at Board Committees

The event will be held the day after the CEO/CFO Networking Dinner on Tuesday, September 19 at Firestone Country Club, hosted by ComDoc, Inc. Watch for details.

Select Magazine Features the First ESOP-created Co-op created by a 1042 rollover, was the feature story in the Spring 2006 issue of BW SmallBiz, Business Week’s magazine for small business. For more information on Network events and membership, contact Karen Thomas at the OEOC, 330-672-3028.

Net News Network Member South Texas Drugstore’s ESOP trustees, Brent Allen, Jeff Evins, and Dave Ogden. With both are shown with their 100% ESOP-owned business. Located in Columbus, the firm works with 60-200 union-affiliated employees in Central Ohio’s construction market.
Our thanks go out the people who, through their generosity, have made our work possible.

If you would like to make a tax-deductible donation to the Friends of the Center campaign, send a check or money order payable to:

Development’s Labor-Management Cooperation Program,
400 Superior Avenue, Suite 307D, Akron, OH 44333
Or mail to: OEOC, 113 McGilvrey Hall, Kent State University, Kent, OH 44242;

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Ohio’s Employee-Owned Network
Fall 2006 Events

**ABCs of ESOPs for New and Senior ESOP Participants**
**September 14, Toledo/September 28, Kent**
Special sessions to meet the educational needs of new, newly vested, and senior ESOP participants who are approaching age 55 diversification and retirement. Featured topics include:

**ABCs for New Employees:** an overview of ESOPs; history and mission of employee ownership; roles and responsibilities within employee-owned firms

**ABCs for Newly Vested ESOP Participants:** an overview of vesting, allocation, valuation, and how to grow the value of your business, including how to read the annual participant ESOP account statements.

**ABCs for Senior ESOP Participants:** an overview of age 55 diversification, distribution eligibility and election, procedures for receiving benefits, principles for investment growth, valuation, and ESOP repurchase obligation.

**The ESOP Game:** introduces the dynamics of business; the risks and rewards of ownership; the roles of employees, shareholders, managers, and directors; and the factors which affect stock value.

**CEO and CFO Networking Dinner**
**September 19, Firestone Country Club, Akron**
Hosted by ComDoc, Inc.

**ESOP Board of Directors Forum**
**September 20, Cuyahoga Falls, Ohio**
- What’s different about governance in an ESOP company?
- Legal responsibilities of Directors in an ESOP
- Relationships with the ESOP Administration Committee and ESOP Trustees
- Breakouts on the Basics of ESOPs for Directors; Strategic Planning; and Board Committees

**Great Places to Work: Sharing Our Successes**
**October 19, Columbus**

**November dates TBA, NE Ohio and Cincinnati**
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**ESOP Fiduciary and Administration Forums**
**November 15, Cincinnati/Dayton**
**December 6 and 7, Kent**

For more information on Network events and membership, contact Karen Thomas at the OEOC at 330-672-3028 or kthomas@kent.edu

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**Other Events of Interest**

**September 26-27, 2006**
National Center for Employee Ownership - Challenges and Solutions for Mature ESOP Companies Conference
Philadelphia, PA
Call 510-208-1300 for details

**October 11, 2006**
The ESOP Association OH/KY Chapter - Fall Conference
Columbus, OH
Call 440-989-1552 for details

**November 9-10, 2006**
The ESOP Association - ESOP Technical Conference
Las Vegas, NV
Call 202-293-2971 for details

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