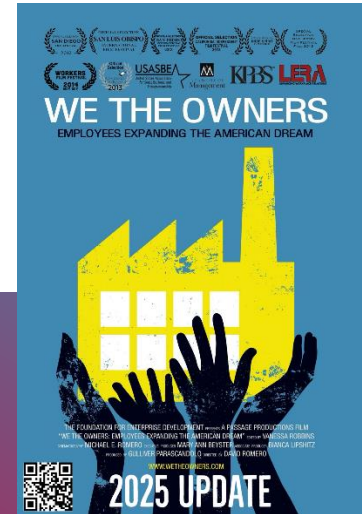


WE THE OWNERS

EMPLOYEES EXPANDING THE AMERICAN DREAM



We the Owners Case Study –

DPR Construction

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J A N U A R Y 2 0 2 5

DPR Construction is a self-performing commercial general contractor¹ headquartered in California's Silicon Valley. It primarily serves clients in advanced technology, healthcare, higher education, commerce, and the life sciences, and specializes in highly complex and technical projects of all sizes. Founded in 1990 by Doug Woods, Peter Nosler, and Ron Davidowski – whose first initials combined form the company's name – DPR now operates more than 30 offices across the United States and internationally, employing a global workforce of over 12,000.^{2,3}

From the very beginning, the firm has been committed to the idea of employee ownership, using a variety of different structures throughout its history to achieve that vision. Today, DPR's only shareholders are current employees who participate in its Shareholder Ownership Program, which was put in place shortly after DPR was founded. Current owners can nominate employees to become candidates for ownership, and each year the candidates who demonstrate the most initiative in leading the company are invited to officially become owners themselves by purchasing company stock. The company offers assistance with these purchases that can take the form of stock-backed loans, payroll deductions, or grants of options to buy shares within a prespecified period.

According to co-founder Ron Davidowski, there are no rigid criteria governing which workers can be selected as part of this process, and "eligibility is really driven to a large extent by the individual showing initiative and having a desire to advance in their career by taking on more responsibilities and helping to strategically grow the business." At the same time, there is no requirement or expectation for an employee to end up on an ownership track, and even those who are nominated are under no obligation to become candidates or owners if they do not wish.

To ensure that DPR continues to cultivate new generations of employee-owners, shareholders are required to begin selling back their shares at age 60 and to fully divest before age 65. (Those who depart the company can also request that their shares be bought back at the current price, which is determined annually by an independent auditor.) This unique system is in place to facilitate smooth succession, and it reinforces an important principle: the company should be owned by those who share in the responsibility of carrying out its work, rather than by outside investors or former employees who are no longer involved in its day-to-day operations.

¹ A *self-performing* contractor is one who completes all work in-house without reliance on third-party subcontractors.

² DPR Construction. "DPR History." Available at <https://www.dpr.com/company/culture/history>. Accessed 16 November 2024.

³ DPR Construction. "DPR Construction Announces Mark Whitson as President to Lead Alongside CEO George Pfeffer." Available at <https://www.dpr.com/media/press-releases/mark-whitson-president-leading-alongside-ceo-george-pfeffer>. Accessed 16 November 2024.

Evolving Approach to Employee Ownership

As DPR has grown – the company’s headcount has increased from around 2,000 in the early 2010s to more than 12,000 as of 2024 – its approach to employee ownership has continued to evolve as well. Initially structured as a partnership of multiple S corporations, DPR was reorganized as a C corporation in 2021.

George Pfeffer has served as CEO since around the time of this reorganization (though he emphasizes that DPR eschews formal titles and mostly uses them when communicating with those outside of the firm). He explains that, while the S corporation form did offer certain advantages such as pass-through tax status, it also imposed limitations that restricted DPR’s ability to distribute ownership among employees as broadly as leadership desired. For one, S corporations are statutorily limited to a maximum of 100 shareholders, regardless of how many employees they might have. Moreover, S corporation ownership is restricted to U.S. citizens or residents. Considering DPR’s expansion outside of the U.S. to include locations in Europe and Asia, this proved to be a major obstacle to sharing ownership with workers based abroad.

The shift to becoming a C corporation “has done everything we wanted,” Pfeffer says. Since 2021, DPR has doubled the number of employees who are owners and has brought in three to four times as many new owners annually as it did during an average year in the decade prior to reorganization. “It’s pretty exciting,” he says, and “it’s really what we needed to get us on the path to where we want to be as far as providing those opportunities.” Whitney Dorn, who has been with the firm for over 30 years and who currently works as a Builder Training Leader, agrees:

We realized that, as the company grew, there were more opportunities for leadership, and it just made sense to have a larger pool of owners. I think that was one of the greatest moves we made. It’s always a little painful at the time to make those kinds of changes, but this has been well worth it.

Another significant change has been the adoption of a broad-based profit-sharing plan, which replaced an earlier program that had granted non-owner employees shares of *synthetic equity*. Also known as *phantom stock*, synthetic equity consists of a promise by a company to make a cash payment at a future time, with the amount dependent on its equity valuation at that later date. As a form of deferred compensation that depends on the performance of the firm, it is designed to incentivize employees to take greater heed of how their efforts contribute to the overall success of the business.

Pfeffer recounts that while phantom stock was “very beneficial” for the company, it had a drawback: employees were taxed on the proceeds when they cashed out synthetic shares after a five-year vesting period. This made it suboptimal as a tool for building employees’ retirement wealth. As a result, DPR opted to move away from the use of synthetic equity in 2017.

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In its place, the company instituted the DPR Profit Sharing Program, through which a portion of the firm's annual profits are allocated to non-owner employees' 401(k) (defined contribution) accounts according to a formula that is based on both salary and years of service.⁴ (Those who take part in the DPR Shareholder Ownership program are not eligible to participate because they already receive a benefit from holding traditional equity shares.) The plan is structured to ensure that profit sharing represents a larger percentage of total compensation for lower-salaried employees and that every worker has the opportunity to accumulate a meaningful nest egg for their retirement.

Expanding the “DPR Family”

Carlos Crabtree, a DPR employee-owner who has worked at the company for more than 25 years, is featured as one of the interviewees in *We the Owners*, a 2012 documentary film that explores the concept of employee ownership. His current role is that of a Talent Leader focused on workforce development, employee coaching, and succession planning. Crabtree describes how DPR's growth since the early 2010s has been driven in part by a recognition that “to really provide predictable results for our clients and get to a point where we have more control over the outcomes of our projects, we have to invest in other areas adjacent to construction.” Through a series of acquisitions and spinoffs, DPR has forged a family of companies that each supplement and bolster its own core activities by providing services such as prefabrication or post-construction facilities support.

One of these partner companies, SurePods, specializes in assembling modular bathroom and kitchen units in a controlled environment for later deployment to construction sites. Another, called Digital Building Components (DBC), offers similar prefabrication of exterior wall assemblies and load-bearing structural systems. The former is an example of an existing company that DPR acquired and integrated into its own operations, while DBC is one that was launched in-house to meet a particular need.

DPR's affiliates also participate in the same employee ownership and profit-sharing programs as the parent company, extending DPR's work well beyond building construction alone. WND Ventures, its venture capital arm, seeks to incubate new technologies for the architecture, engineering, and construction sectors that can enhance productivity and quality, improve safety, strengthen supply chains, and promote environmental sustainability. VueOps, a software firm, creates platforms that help to manage facilities over their entire lifecycle by, for instance, simplifying the handover of data and documentation from construction teams to those charged with operating and maintaining a building once it is completed.⁵

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Our core values and culture haven't changed. We've been able to scale up a lot of what we do, but we're still the same company.

—Carlos Crabtree

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⁴ DPR Construction. “Benefits Program.” Available at <https://www.dpr.com/company/careers/benefits>. Accessed 16 December 2024.

⁵ DPR Construction. “The DPR Family of Companies.” Available at <https://www.dpr.com/company/family-of-companies>. Accessed 16 November 2024.

Crabtree acknowledges that DPR has undergone big transformations over the past 10 to 15 years but insists that “our core values and culture haven’t changed. We’ve been able to scale up a lot of what we do, but we’re still the same company.” Whitney Dorn likewise believes that “there hasn’t necessarily been a shift in focus for DPR, because our focus is always on building great things.” She emphasizes how innovation and adaptability are critical for the company to remain at the cutting edge:

We are using technology so much more than I would have expected years ago, because the construction industry has traditionally been slow to make changes. But we serve markets that are technically oriented, so we want to be using the latest tools and make sure we are on par or ahead of our own clients.

Ron Davidowski is particularly proud that this willingness to “challenge the norm” earned DPR a spot on *Fast Company*’s 2023 list of the Best Workplaces for Innovators, where it ranked #40 out of over 150 firms recognized (selected from a pool of around 1,000 submissions).⁶ He says that “it doesn’t matter whether you’re a carpenter out in the field or a professional estimator in the office or a project manager out at a job site. If you’ve got an idea, we encourage you to bring it forward – and help to move DPR forward.”

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Commitment to Social Impact

DPR has received numerous other honors and awards in recent years, not only for excellence in business but also for its commitment to good corporate citizenship and what it terms “global social responsibility.”⁷ In 2024, the company was featured on *Newsweek*’s first-ever list of “America’s Greatest Workplaces for Mental Wellbeing,” and it was rated as one of the “100 Best Companies to Work For” by *Fortune* for five years in a row between 2010 and 2015.^{8,9} George Pfeffer points out that the construction industry has historically been one in which workers are at a particularly high risk of suffering from poor mental health, and he is especially proud that DPR has been recognized for its efforts to change that unfortunate fact. “I don’t think that means we’ve done enough,” he says, “but it’s a little bit of validation that we’re on the right track.”

⁶ DPR Construction. “Fast Company Selects DPR Construction as a Best Workplace for Innovators.” Available at <https://www.dpr.com/media/press-releases/fast-company-selects-dpr-as-best-workplace-for-innovators>. Accessed 16 November 2024.

⁷ DPR Construction. “Global Social Responsibility.” Available at <https://www.dpr.com/company/social-responsibility>. Accessed 16 November 2024.

⁸ *Newsweek*. “America’s Greatest Workplaces for Mental Wellbeing 2024.” Available at <https://www.newsweek.com/rankings/americas-greatest-workplaces-mental-wellbeing-2024>. Accessed 16 November 2024.

⁹ DPR Construction. “Proud to Be #10 Best Company to Work For in America.” Available at <https://www.dpr.com/media/blog/fortune-ranked-10-best-companies-work-dpr-construction-top-ten>. Accessed 18 November 2024.

Moreover, the company has similarly sought to position itself as a leader in the realm of environmental sustainability. In 2022, DPR became the first general contractor to participate in the Just 2.0 Label program, a voluntary disclosure tool developed by the nonprofit International Living Future Institute to measure companies' progress toward becoming good environmental stewards and furthering other aspects of social justice. It has also aligned with the United Nations' Sustainable Development Goals, a set of measurable objectives for governments and other organizations to pursue in furtherance of delivering "peace and prosperity for people and the planet."^{10,11}

DPR strives to do good not only through its business activities, but also through the work of its charitable arm, a 501(c)(3) known as the DPR Foundation. Established in 2008, the Foundation provides support for a wide range of community organizations that serve socioeconomically disadvantaged youth, such as local Boys and Girls Clubs from across the country. To date, the Foundation has extended nearly \$15 million in grant funding to several dozen such partners. It also supplements its financial giving with various kinds of skills-based volunteering, whereby DPR employees lend their expertise to facilities construction and renovation projects or take part in other community-based initiatives.¹²

Conclusion

"At DPR, some of the most meaningful things we build aren't measured in square feet," reads a page on the company's website. "Respect for the individual, change the world—these have been our core beliefs since day one. They are our guiding principles in decision-making, and they push us to do better." As the company approaches its 35th anniversary, DPR Construction continues to offer a compelling example of what employee ownership can achieve – not only in terms of conventional metrics of success, but of broader social impacts as well. And in some ways, it seems that it's only just getting started.

¹⁰ DPR Construction. "2023 Global Social Responsibility Annual Report." Available at <https://www.dpr.com/company/social-responsibility/2023-global-social-responsibility-annual-report>. Accessed 16 November 2024.

¹¹ United Nations Department of Economic and Social Affairs. "Sustainable Development - The 17 Goals." Available at <https://sdgs.un.org/goals>. Accessed 16 November 2024.

¹² DPR Construction. "Philanthropy Pillar." Available at <https://www.dpr.com/view/gsr-annual-report-2023-philanthropy-pillar>. Accessed 16 November 2024.

The Institute for the Study of Employee Ownership and Profit Sharing would like to thank the employee-owners at DPR Construction who shared information about the company and/or who took part in interviews for their time and support of this project. This case study and accompanying discussion guide have been designed solely for educational purposes and should not be construed as providing management advice.