Principled Entrepreneurship and Shared Leadership: The Case of TEOCO (The Employee Owned Company)

by
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http://www.youtube.com/watch?v=KCnl-kISiqs&feature=player_embedded#t=9s
“It’s through conversations with our existing customers, generally, that the ideas for the next set of products come out.”

Dave, Software Architect
What’s New in the TEOCO Case?

Common Elements
- Shared Leadership
- High Performance Work Systems
  1. Shared Rewards
  2. Involvement/Entrepreneurship
  3. Obtaining Intellectual Capital
     a. Recruitment
     b. Selection
  4. Retaining Intellectual Capital
     a. Socialization
     b. Training & Development

Distinctive Elements
- Equity Capitalists
- Risk Profile
- Major Acquisition
- Potential Cultural Upheaval
The Foundations for Shared Entrepreneurship
Working Definition of Shared Entrepreneurship

An ethical and dynamic process where everyone is encouraged to step forward with new ideas, supported with encouragement and appropriate resources to develop them with minimal oversight, and allowed to share in the rewards generated by them.
Paths to Shared Entrepreneurship

Shared Equity
- Piece Rates
- Profit Sharing
- Pay for Performance
- ESOP’s

Shared Leadership
- Participation
- Employee Involvement
- Job Enrichment
- Autonomous Teams

Stand on the shoulders of giants.
Sir Isaac Newton
Shared Leadership

- **Formal Mechanisms**
  1. Consensual Decision Making
  2. Values Driven
     a. Treat others as you would like to be treated
     b. Create an environment in which people wish to excel
     c. Focus on your strengths; find others to address weaknesses
     d. Be honest with all stakeholders
  3. All Hands Meeting – 1st Thurs. each month
  4. The A-Team

- **Informal Mechanisms**
  1. Autonomy
  2. Encouragement
  3. Trust
  4. MBWA

Atul Jain
Chairman & CEO

Philip Ginutini
Vice Chairman & President

John Devolites, Vice President & GM
The Foundations for Shared Entrepreneurship

Shared Leadership

Shared Rewards
Shared Rewards at TEOCO

- **Short-Term**
  - **Annual Bonus**
    - 15% Pre Tax Profits
    - Varies by Level
      - 20–40% for Executive Leadership
      - 20% for Vice President
      - 16% for Senior Principle
      - 12% for Principle
      - 8% for all other employees

- **Long-Term**
  - **ESPP**
    - Can use up to 60% of annual bonus to purchase stock
    - Senior employees can sell back 10%/year
  - **Awarded Stock Options**
“Splash Vacation:” After completing five years of service (and on every subsequent fifth-year anniversary) employees are provided with an extra week of paid vacation. They are provided also with a reimbursement of up to $2,000 for expenses incurred.

ACE Award: ACE stands for Attitude, Commitment and Excellence. This is TEOCO’s version of an “Employee of the Year” award. The winner receives stock and a cash award.

MVP Award: The Most Versatile Player Award, similar in concept to the ACE Award, is given annually to an employee who may not rise to that level of excellence, but who contributes to the organization in multiple ways. The winner receives stock and a cash award.

TEOCO Star Award: This is a peer-to-peer award in which employees recognize fellow employees for doing something that exemplifies one of the core values. This award would be TEOCO’s version of a “spot bonus,” with the exception that it is peer-to-peer.

One-Year Service Award: All new employees, on their first anniversary of employment, are given a plant, a balloon and a card signed by other employees to acknowledge their first anniversary.
The Foundations for Shared Entrepreneurship

- Shared Rewards
- Shared Leadership
- Involvement
Involvement/Entrepreneurship

“All Hands Meeting” – At 11:00 a.m. on the first Thursday of every month
- One for US Employees
- One for Indian Employees
- Review of accomplishments, financials, and other issues
- Closes with “benefits and concerns”
- Questions begin with “I wish I knew….”

“A real game changer” Atul Jain

“The A-Team” – Meets each month
Comprised of 12 people: eight full-time members and four alternates. Any employee can bring any issue to the A-Team, and the A-Team can bring any issue to the leadership of the company. Similarly, the leadership can bring any issue to the A-Team. This is considered a mechanism to involve employees in the governance of the business; its chief function is to provide a voice to the employee-owners. The membership rotates each year, and outgoing members choose the incoming team. By design it is not intended to be composed of management.
The Foundations for Shared Entrepreneurship

Shared Rewards

Shared Leadership

Involved

R & S
Obtaining Intellectual Capital: Recruitment & Selection

- Atul gets so deeply involved in the hiring process that he says he is sometimes asked if he doesn’t have anything better to do, and he responds by saying that there is nothing more important because the hiring process is so vital to the company’s continued success.
- Internal promotion the norm
The Foundations for Shared Entrepreneurship

- Shared Rewards
- R & S
- Socialization
- Shared Leadership
- Involvement
Retaining Intellectual Capital: Socialization

- The socialization process at TEOCO begins at new employee orientation and is continuously reinforced through the HR policies and practices such as mentorship program.
- The principal mission of HR is to help shape employee perceptions, especially as it relates to employee ownership, and to impress upon every employee the core value of “driving for progress through ownership.” Carrie, Director of HR
- Company provided snacks, coffee and other beverages are made available throughout the day for all employees.
- CARE Award Winner for family friendly workforce policies and benefits
The Foundations for Shared Entrepreneurship

- Shared Leadership
- Shared Rewards
- Socialization
- T & D
- R & S
- Involvement
TEOCO University – TEOCO University is a structured internal training program, which offers approximately 35 courses on valuable technical and business topics. All courses are employee-led.

Tuition Reimbursement – TEOCO supplements the cost of profession-related degree and certification programs. Employees are reimbursed up to $3,000 annually (max $1,500 per semester).
Results

- Profitable from Day One
- Internally Financed Organic Growth
- Major Acquisition Financed with Debt

Recent Awards

Named to Inc. 500|5000 Fastest Growing Companies

2009 Winning Workplaces and The Wall Street Journal’s Top Small Workplaces Nominee

2010
Deloitte’s Technology Fast 500 is a ranking of 500 of the fastest growing technology, media, telecommunications, life sciences and clean technology companies in North America

2009
Fast 50 Asian American Businesses Finalist

2010 | 2009
Washington SmartCEO Future 50 Award
Interim Report on Case Studies

Salisbury University
## Case Studies Progress

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Cases in Journals


Cases in Textbooks

- *Strategic Management: An Integrated Approach (10 Ed.)*


Interest in Employee Ownership

KCI Technologies, Inc.
Engineering the Future, One Employee at a Time

Authors: Street, Vera L; Weer, Christy; Shipper, Frank
Product Type: Cases
Source: The Perdue School of Business at Salisbury University
Publication Year: 2010

KCI, a multi-disciplined engineering firm, has undergone a number of transformations over the last several decades. It started as a basement dream, was acquired and sold-off by a larger firm, and has emerged as a multi-million dollar employee-owned organization.

Employee Ownership and the Entrepreneurial Spirit: The Case of HCSS

Authors: Roche, Olivier; Shipper, Frank
Product Type: Case
Source: The Perdue School of Business at Salisbury University
Publication Year: 2010

Heavy Construction Systems Specialists, Inc. (HCSS) designs and sells hi-tech software to the heavy/highway construction industry. The case describes a unique corporate culture that has made HCSS a business success in a highly competitive industry.

W. L. Gore & Associates, Inc. in 1998

Authors: Manz, Charles C.; Shipper, Frank
Product Type: Cases
Source: Frank Shipper, Charles C. Manz
Publication Year: 1998

On July 26, 1976, bursting with resolve, Jack Dougherty, a newly minted MBA, from the College of William and Mary, reported for his first day at W. L. Gore & Associates.
International Interest in ESOP Work
Last 30 Days on Academia.edu

Languages
- English
- Spanish
- Chinese
- Portuguese
- Korean

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Two New Case Studies on Employee-Owned Companies Released

“We are thrilled to be part of the expansion of employee ownership study and research in academia,” noted Joseph Cabral, chair of the Employee Ownership Foundation. “It's a long-standing goal of the Foundation to increase knowledge of employee ownership among the world's academic centers.”
What Others are Saying:

“For smaller closely-held companies, the excellent cases by Professor Frank Shipper (and colleagues) are really very well done.”

JOSEPH R. BLASI
J. Robert Beyster Professor of Employee Ownership
School of Management and Labor Relations
Rutgers University
What Others Are Saying: On the HCSS Case

- “… this is a terrific teaching case for an HR course!”
  Jody Hoffer Gittell
  Associate Professor of Management.
  The Heller School, Brandeis University,
  Acting Faculty Director
  MIT Leadership Center
  Massachusetts Institute of Technology

- “… that is a superb case study with a compelling story.
  Richard Boyatzis
  H.R. Horvitz Professor of Family Business
  Professor, Organizational Behavior
  Case Western Reserve University
What Others Are Saying: On the W. L. Gore & Associates Case

- “... case is excellent and students could learn a lot.”
  Deborah Ancona,
  – Seley Distinguished Professor of Management
  MIT’s Sloan School of Management
  – Faculty Director of the MIT Leadership Center
Lincoln Electric
Nucor
Worthington Industries
Springfield Remanufacturing Company
W. L. Gore & Associates
Herman Miller
eBay
Semco S/A, Sao Paulo, Brazil
CH2M Hill, Englewood, CO

KCI – Hunt Valley, MD
HCSS – Sugar Land, TX
TEOCO – Fairfax, VA
EVAPCO – Taneytown, MD
Maryland Brush Company – Baltimore, MD
Equal Exchange – West Bridgewater, MA
Atlas Container – Severn, MD