



ESOPs: The Best Employee Benefit You've Never Heard Of

By Trish Holder



Long before I knew JMP Equipment Company (JMP) was employee-owned, I knew something was different about this company. A well-respected sales rep for commercial HVAC equipment, JMP had been a client of mine for years. Not only do they have a stellar reputation among their clients, but vendors as well, including me. I used to wonder how JMP managed to hire such consistently loyal, helpful, and courteous employees. After all, the construction industry can be a bit.... *hardboiled*. Then one day, about ten years ago, JMP asked me to write an article about the fact that they are an “ESOP” company, and I thought: *What’s that?*

Employee stock ownership plans, better known as ESOPs, are like that. They tend to fly under the radar unless you happen to be employed by a company that offers one. I had worked with JMP as a freelance writer and marketing consultant for years and never knew it was an ESOP company or that employees owned 100% of the stock. But as I reflected on my interactions with the company and learned what an ESOP was, it started to make sense.

ESOPs are retirement plans that allow employees to accrue ownership (stock) in the company over time. The company makes contributions to each participant's stock annually. The amount is based on a percentage of the employee's salary times a multiplier that is based on the company's end-of-year stock value. ESOPs are often likened to 401(k) plans, but they differ in one very significant way. The company contributes to the employee's account; it isn't subtracted from the



employee's check. ESOPs also consistently outperform employee 401(k) plans—often dramatically so.

Like many ESOP companies, JMP transitioned into an employee-owned structure when the founder of the parent company, James M. Pleasants Company, decided to retire in the late 1980s. It was a way to ensure the continued livelihood of the employees and sustain the company's robust growth. Today, JMP is one of the largest commercial HVAC sales organizations in the southeast with over 190 employees and twelve sales offices scattered throughout Tennessee, Alabama, North Carolina, South Carolina, and Georgia. It has stocking warehouses in Greensboro, NC; Atlanta, GA; Birmingham, AL; and Nashville, TN and a corporate office in Greensboro, NC. Its parent company, James M. Pleasants Company, has a subsidiary manufacturing entity, HYFAB, that engineers and builds commercial hydronic and plumbing packages.

Here's the kicker: Amid all that growth, multiple recessions, and a worldwide pandemic, JMP's annual contributions to employee-owned ESOP shares have sustained a level that is *double* the industry average ever since it transitioned into an ESOP company. From

customer service to sales, these contributions have provided employees with handsome nest eggs for retirement and substantial savings for employees who are fully vested but may depart before retirement. Like all ESOPs, JMP buys back an employee's accumulated shares upon departure or retirement, as long as they have been with the company for six or more years. Contributions, however, begin from Day 1 of employment.

I may not have realized that JMP was an ESOP company for many years, but it was certainly clear to me that there was something different about the employees that worked there. They were, quite simply, great to work with. It didn't matter if I was talking to a receptionist or a VP. Everyone was always pleasant, and I knew they would try to help me with whatever it was I needed. No one was ever dead-end. *How did they find such great workers*, I'd wondered. I later realized that while people can be great, great *workers* are also a reflection of the environment in which they work. JMP employees have a true sense of ownership in the company, and thus a greater sense of control over their destiny. And whether it's always clear to them, I do believe this informs their customer and interoffice interactions.

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Brooks Robinson

I recently talked with several of the employees about how working for an ESOP impacts their workday and beyond. Over and over again, their responses seemed to reflect what I have learned about ESOP companies and their worker-owners.

Owning Your Future

"I don't feel like I'm working to make someone else rich," Brooks Robinson told me. "As a part owner in the company, my best efforts directly benefit *me*."

Robinson, an outside sales representative for JMP, was recruited by JMP directly out of Tennessee Tech with a degree in mechanical engineering. He has been with the company for over 10 years, starting in inside sales and then transitioning to outside sales within a few years.

As a very young man, Robinson admits that he didn't fully appreciate the financial benefits of the ESOP, but that has changed.

"At the end of the day, we all need to be saving for retirement, right? The company is basically paying me to save—and that money is going to be put into a fund that grows in value. And in JMP's case, the [ESOP] has beaten the market rate for years. That's a massive benefit."

Kristie Coble, another outside salesperson for JMP mirrors the same attitude toward JMP, but with a much different perspective. She climbed through the ranks, joining the company in her early twenties and working

in the customer service department before moving to inside sales, and finally outside sales.

Like the vast majority of twenty-somethings, she had never heard of an ESOP, at least not until she interviewed with JMP. But her mom clued her in on the fact that what JMP offered was extremely rare for companies, a fact that is even more true today, given the disappearance of pensions.

"I grew up in a poor household. My parents were farmers, but my mom did work at an insurance company. When I told her about the ESOP, she said, 'Kristie, you know, that's very important. You may not think it is now, but it will be down the road. I don't know any company that does that.'"

Nearly three decades later, with retirement looming larger on the horizon, she is thankful for her mom's advice, and the opportunities she has been afforded at JMP. As a mother with small children, she was getting on with her job in inside sales when the president of the company floated the idea of outside sales to her—a position that is typically reserved for those with engineering degrees. She promptly turned him down because she didn't want to travel with a growing family at home.

"I thought there was no hope for me to ever go outside after that."

She packed the idea away until twenty years later when Chris Norwood, the current Vice President of JMP Equipment Company, offered her an outside sales position calling on owners and wholesalers throughout

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all of North Carolina. This time she took him up on it. Now in her early fifties, she enjoys her job but also looks toward retirement with a sense of excitement and security because of the savings she has accrued thanks to the ESOP.

Her mother was right, of course. It is an extraordinary benefit, but one that comes with a baked-in sense of responsibility to do your best to serve your customers, even if it means occasionally stepping outside your assigned duties to help someone else.

"We own the company. Each one of us is responsible for being good stewards of everything, the resources, the customers, etc. And regardless of what you've been asked to do, you need to at least try to facilitate the request."

In the end, it might just catapult you into a career that you thought was outside the realm of possibility.

"Don't Throw Away My ESOP!"

There is a term for what spurs owner-workers to give a little extra without being asked. It's called "psychological ownership" and numerous studies have found that it leads to greater employee commitment,

including the willingness to help coworkers. Employees with greater psychological ownership are less likely to experience burnout and leave their jobs. And they are more likely to intervene when they feel a coworker isn't pulling their weight.¹

Alex Bissinger, a Business System Analyst for HYFAB, a manufacturing LLC subsidiary of James M. Pleasants Company, has seen “psychological ownership” in action. It has manifested into a phrase used among his HYFAB co-workers as a good-natured reminder to each other not to be wasteful.

"It could be something as simple as throwing away a reusable piece of scrap, and someone will say '*Hey—don't throw away my ESOP!*' And I love that they take that personal ownership. They don't want to waste their own money."

Bissinger also believes that the ESOP structure helps reinforce support for investments that help JMP maintain its profitability, including a substantial investment in cloud-based resource planning (ERP) software. The software implementation helps automate and manage business processes across finance, manufacturing, supply chain, and more. And because it's cloud-based, workers can access business applications from anywhere, so employees can remain productive while they are traveling for work or working from home. ERPs also evolved to include high-level security. It was a big bite for a company JMP's size, but

highly relevant given the company's growth trajectory, as well as the increasing number of data breaches worldwide.

According to Bissinger, it was more than worth it given the increased productivity and security. It especially helped the company ride out the Covid pandemic since it made it easy for employees to work from home.

It's not entirely surprising that JMP *would* ride out the pandemic well. Several studies have shown that most employee-owned companies with ESOPs have outperformed non-employee-owned companies during the pandemic. (See Sidebar).

Similarly, ESOP companies (JMP included) have fared better during other widespread financial crises, including the global financial crisis brought on by the collapse of the United States subprime mortgage crisis in 2007—equally well—without layoffs, salary cuts, or cuts to ESOP contribution.

Satisfying Work

Higher job satisfaction is probably one of the most well-documented outcomes of an employee-owned/ESOP business structure. Numerous studies indicate that employees of ESOP companies maintain a higher level of job satisfaction than other companies. This was

¹ https://employeeownershipfoundation.org/sites/eof-master/files/2020-08/Rutgers%20Survey_Full%20report.pdf

A study by [the Rutgers School of Management and Labor Relations](#) found the following differences in [COVID Response Effects](#):

- ESOP companies were between 3 and 4 times more likely to retain staff, at all levels
- Majority ESOP companies were significantly less likely to cut employee hours, and in instances where ESOPs did reduce employee hours, those reductions affected fewer numbers of employees.
- Majority ESOP companies were far less likely to cut employee pay, compared to other companies. Only about a quarter (26.9%) of ESOPs cut pay for any employee, compared to more than half (57.3%) of other firms.
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- ESOPs acted more quickly to protect employees than other companies. Measures included sending employees to work from home, providing employees with protective masks and gloves, and providing additional sanitizing/professional cleaning.

reflected in all of my conversations with JMP employees, regardless of their position or tenure.

Lucas Vaughn, a 33-year-old AutoCAD operator for HYFAB, likes to joke that it would take at least a six-figure salary for him to even consider leaving. Listening to him talk about how much he enjoys his job and how much he likes and respects his coworkers, I wondered if it might not be partially true.

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Martin Messick

"In my teenage years, I thought, 'Okay, one day I'll get a job and it's something I'm going to have to do.' But I consistently look forward to coming to work. And that's saying something."

Vaughn also appreciates the flexibility that HYFAB offers when it comes to working from home or shifting workday hours to accommodate doctors and other types of personal appointments. Again, studies have pointed to the fact that employees of ESOP companies value their employers' commitment to [work-life balance and flexible scheduling](#).

Martin Messick may have the best perspective of all, having worked at both small and large *non-ESOP* companies throughout his career, including Takata and Honda Jet. He joined the JMP team six years ago as an IT Manager and was later named Vice President of Business and Building Services.

"I wish more companies were structured like this. I feel like this is the best place I've ever worked. Not that there's no stress. It's still work, but generally, it's very

positive. I think everybody here is invested in what we're doing and doing it well. It's very different from working at a large company where bureaucracy often has you doing things that just don't make sense. Here, we can question things and the company is nimble and flexible enough to say, "You know, let's do this a little differently."

As the company grows, Messick acknowledges that a little bit more governance may be needed to minimize risks, but he believes the culture of the company will always be respected because a big part of that culture is derivative of the fact that JMP is employee-owned.

Messick admits that it's not always easy to translate that "culture" to a prospective employee. They may recognize JMP as family-friendly or equate the ESOP with a 401-K (which JMP also provides), but they may not necessarily understand the fact that the ESOP structure fosters a true "symbiotic relationship" between the company and the employees.

"A lot of people get it, but then I know there are still some that don't understand how amazingly different this is than other companies," he said.

It may be difficult to adequately relate the value of an ESOP to outsiders, but there's no shortage of research to prove it, research that spans decades. One key study published by the University of Chicago Press looked at approximately 40,000 employee surveys from a variety of employee-ownership arrangements. The study found that employee ownership when combined with a supportive culture, was linked to lower turnover and

greater loyalty and willingness to work hard. Rutgers University School of Management and Labor Relations has compiled a vast amount of research and resources to help employers and workers learn more about the economic and cultural impact of employee ownership across a wide range of industries throughout the world. There is even evidence that employee ownership helps to organically address the overriding issue of wealth imbalance.

Fueling the Conversation

Why *don't* more people know about ESOPs? It's not like there aren't well-known businesses that are employee-owned—Publix, Lifetouch, and Columbia Forest Products, just to name a few. But the fact remains that unless you work for an ESOP or other type of employee-owned firm, it's simply not going to cross your radar.

I put my question in an email to Corey Rosen, the founder and senior staff member of the National Center for Employee Ownership. Rosen has been a leading advocate for employee ownership since the 1970s. He is one of a handful of authorities on the subject. So, I was delighted (and a little surprised) when he promptly replied to my email. This is what he said:

"Advisors are often either unaware of ESOPs or decide they can make more money by persuading clients to sell to someone else. Pundits and politicians like the idea, but seem to think it is a niche issue, largely because it occurs in closely held companies, even though some of them are major players in the industry."

He also pointed to an article that he recently wrote for [CEOWorld Magazine](#), in which he says, “One barrier is simply that too few people know how employee ownership works; they don’t understand its benefits for business owners, workers, and communities. Another is that adequate financing isn’t always available for companies that want to transition to employee ownership.”

But Rosen believes that more employee-own businesses could be the antidote to a dysfunctional economy, and that now is the time for business and political leaders to begin “talking it up.”

I suppose that's just what we're doing here—talking it up. Because employee ownership is working for JMP. It’s working for JMP employees. And, for that matter, it’s working for its customers.

Let’s keep the conversation going.