

# ESOP Case Study - Sundt Construction Company

By Jessica Thomas

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Originally founded in 1890, Sundt Construction Company was family run until 1972, when it began the transition to an employee-owned company by replacing an existing profit-sharing program with a stock bonus trust. Sundt had its share of ups and downs, but in 1992 when J. Doug Pruitt took over as the company's COO, the company was headed toward bankruptcy. "We [Sundt] did all the things you would expect of a great company. We took care of our employees; we treated our subcontractors well; we gave back to our community. Unfortunately, that didn't keep us out of trouble," recalls Pruitt, the recently retired CEO. Substantial losses on key projects, extensive litigation, a lack of focus, and a lack of innovation all contributed to the company's crisis.

To address these issues and reinvigorate the company, Pruitt overhauled corporate policies to remove inefficiencies, establish corporate consistency, and promote innovation. Key among these was the development of an extensive training department, a commitment to corporate-wide succession planning, and the creation of The Sundt Foundation to honor a history of community commitment. Today, the 100 percent ESOP-owned company operates out of eight offices located in Arizona, California, Texas, and North Carolina, and works on large construction projects in both the public and private sectors. In addition to becoming one of the leading innovators in their field, the employee owners at Sundt have seen an over 900 percent increase in the value of the company's stock since its low in 1998.

## **Broad-Based Training**

"We hadn't been investing in developing our people for the future. People may have been great engineers or project managers, but they lacked the skills to be effective [at higher levels]," said Richard Condit, senior vice president and chief administrative officer. Sundt developed a broad-based training department to work with employees throughout their tenure with the company. Training focuses on various topics such as company policies, the ESOP and employee

ownership, job-related skills, and leadership and includes such resources as a learning and performance department, internship and apprenticeship programs, and Sundt Academies, a program that brings together employees from across the company to develop job-related skills. Sundt also funds a college tuition reimbursement program, designed to encourage employees to obtain advanced degrees in engineering and construction management.

Sundt also developed two intensive leadership training programs: Leadership Excellence Accelerates Performance (LEAP) and Sundt Talent and Recognition Training (START). The LEAP program consists of seven three-day training sessions focusing on leadership skills development. What sets this program apart from other leadership programs is its use of team problem-solving projects. Between class sessions, participants break into groups to find solutions and create reports on problems facing the company. Team chairs meet to review all proposals and make suggestions on the best course of action. The company often implements these recommendations with great success. The START program was created later to work with employees in the early stages of their careers. The 18-month program brings together employee owners from across the company and serves to prepare them for participation in the LEAP program.

### **The Lottery Test: Succession Planning**

To avoid future problems associated with leadership succession, Sundt asked, "What happens if you win the lottery?" According to Pruitt, "the 'bus test' was too morbid for us." Initially the plan focused on only executive-level and critical positions, but, unlike what happens in most companies, has since been expanded to include many other vital positions in the company. Each person is required to identify up to five possible successor candidates, assess their skills, identify weaknesses/skill deficiencies, create benchmarks for training, and estimate a timeline for readiness. The plan both eases succession issues and shows the company's commitment to its workforce.

### **"Getting Our Heart Back"**

Sundt has a long history of giving back to the local community. The Sundt Foundation helps the company and its employee owners invest in their community. To increase the impact of each employee-donated dollar, Sundt covers all the costs associated with running the foundation, so 100 percent of donations can go to service-oriented secular charities. The company matches employee payroll deductions and sponsors community building projects, such as building homes with Habitat for Humanity. In addition to employee volunteer hours, Sundt also works with local subcontractors and materials suppliers to build larger projects, such as Chris Nursery.

In the 12 years since its creation, the Sundt Foundation has donated more than \$5 million to local charities and countless volunteer hours to organizations that work to improve the surrounding community. According to Pruitt, one of the key things the foundation has accomplished is having "our heart back as an organization," and the foundation has a program in place to sustain a strong connection to the community into the future. In the process of bringing the company back from the brink of bankruptcy, Condit says Sundt's "culture of employee ownership [has] seen the simple truth: if we all work together, we can do some amazing things." Pruitt and Condit

chronicle Sundt's turnaround in their book *Level Headed: Inside the Walls of one of the Greatest Turnaround Stories of the 21st Century*.

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*Jessica Thomas, project manager, NCEO*

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