



## **Mini-Case Study: ComSonics, Inc.**

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*Abstract:* This mini-case study examines ComSonics, Inc., the Virginia-based employee-owned company that was established in 1968 to provide product and repair solutions to the emerging cable industry. The mini-case study introduces the company's history, describes how employee ownership intersects with other facets of company culture, and describes its unusual Employee Advisory Committee.

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The Virginia-based company, ComSonics, Inc., provides electronics design, manufacturing and repair solutions for telecommunications (primarily cable television), defense, medical, transportation and other industries. “If there’s something outside your house that makes your cable and TV work we’ve probably touched it,” says customer service representative Markita Madden-Puckett. Their customers include big telecom companies like Comcast, Cox, and Charter.

Founder Dr. Warren Braun, who passed away in 2014 at the age of 91, started the company in his home in the 1960s. The first employees--who worked out of the basement of his house--are still affectionately known today as the “boys in the basement.”

### **Early ESOP Adopter**

Braun took an interest in the ESOP model very early on; in fact, he personally knew Louis Kelso, the creator of the employee stock ownership plan (ESOP) and served as a founding member and President of the Employees Stock Ownership Council of America in the 1980s.

Braun turned ownership of his company over to the employees in 1975 by establishing an ESOP. Ten years later, in 1985, the company became 100% ESOP owned. For Braun, the ESOP was an exit strategy and also a means to preserve the company, reward his employees, and protect the special culture that they had built, which encouraged creativity.

Today the company employs 500 people, a larger payroll than at any time previously in the company’s history.

For a typical nonmanagerial employee employed for 10 years, ESOP account balances range from \$25,000 to \$50,000 depending upon position and commensurate pay. (Wages range from approximately \$35,000 to \$65,000.) At 20 years of service, the ESOP account balance for the same hypothetical nonmanagerial employee would be about twice that amount, according to CEO Brett Harrison. Those are estimates as the availability of stock for distribution, and company valuation year to year, are significant unpredictable variables affecting account balances.

### **Culture of Innovation**

“Our culture is a big part of what drives our success,” says Markita Madden-Puckett, “so we have to foster that culture and protect it.” As an extension of its ownership culture, the company takes financial information sharing seriously. At quarterly meetings, employees learn updates on where the company stands financially. Hourly employees get an annual bonus based on company performance; this, in addition to their ownership stake, encourages employees to pay attention to the financial numbers. Financials are reported as, “if the bonus were paid out today, this is where your bonus would be,” says Madden-Puckett. CEO Bret Harrison adds: “Bonuses and rewards are part of the ESOP culture” at ComSonics. “Every employee receives an annual bonus when budgets are met with dollars escalating to 150% performance.” Employees are also rewarded for identifying cost savings and productivity improvements in their job areas.

To Harrison, leading an ESOP company requires “a different leadership style that’s not suited for everyone. ComSonics’ employee owners will not hesitate to share their unvarnished opinions with me on a variety of topics; it comes with the territory.” Openness is a necessity. In a successful ESOP company “a level of transparency should and must be present across all areas of the business,” he argues, that is “unlike other workplaces.”

An ESOP can reinforce a culture of innovation and empowerment, he says. “The openness of a healthy ESOP culture encourages new ideas to be brought forth. Employees should feel empowered to share ideas and know that management will listen. Not all ideas surfaced are great, but an environment where all employees can contribute is more likely to hit on a winner.”

### **Employee Advisory Committee**

One thing that makes ComSonics unique is its “employee advisory committee,” which at some companies would be called an ESOP committee. This committee communicates all things ESOP, but it’s more than that. The chair of the committee also sits on the board of directors and is a full voting member. The committee selects who will be that chair. In effect, a group of employees are deciding on a representative of the board. That is highly democratic and unusual among ESOP companies nationwide, in that the other board members have no control over who that person is. Customer service representative Markita Madden-Pukkett knows that this unusually democratic approach can work. She chaired that committee, and served as a voting board member, for seven years.