



**Testimony before the Commerce Committee  
Todd Pihl, General Manager, Web Industries**

**March 19, 2014**

**In support of SB3 “An Act Establishing an Employee Ownership Program to  
Promote Business Retention and Growth”**

Good morning, Senator LeBeau, Representative Perone and distinguished members of the Commerce Committee. Thank you for the opportunity to submit testimony in support of Senate Bill 3 *An Act Establishing an Employee Ownership Program to Promote Business Retention and Growth*.

Web Industries is a thriving manufacturing company employing over 60 people in our Dayville, CT operations. We are transforming our business model from high volume manufacturing to high value-added manufacturing for the medical, aerospace, and emerging technologies markets.

We are creating new jobs for engineers, scientists, and high skill technicians. We pay above market wages and bonuses and provide platinum level insurance benefits. Last year, three quarters of our staff enrolled in professional development and training through local community colleges and universities.

Our customers are Fortune 500 market leaders who depend on Web to support their own growth through innovation in products and services. We accomplish this by creating a culture of deep employee engagement.

All of this is built upon a foundation of employee ownership. 100% of our employees are owners of Web. And our employees own 100% of the company. This essential fact enhances the impact of everything else we do to build a great company.

Robert (Bob) Fulton founded Web in 1969. Bob’s faith led him to the insight that “the essence of life is relationships” and he built his company on this principle. As Bob Fulton began planning for a way to sell his interest in the company, he had many options. But due to a chance attendance at a local seminar, he learned about ESOPs and recognized this as a way to obtain a fair price while at the same time reward the people who had helped him make Web a success.

In 1984, Bob established an ESOP at Web. Over the years the company gradually purchased his shares and placed them in the ESOP trust. Although the share price is set each year by an independent appraiser, Mr. Fulton quite generously pegged a maximum

price he would accept, with any excess accruing to the benefit of the employees. By 2001, Web had bought all the of the company's shares from Fulton.

Employees earn shares in their ESOP accounts every year in proportion to their total compensation. The company repurchases shares from employees who leave Web. This provides an on-going pool of company stock to distribute to employees each year. In this way, new employees gain a gradual ownership interest that builds larger and larger the longer they stay with the company. In recent years, the value of the contribution of new shares to employee ESOP accounts has approached 10% of pay. (This is like a 10% stock bonus every year!)

The National Center for Employee Ownership has published extensive research showing that ESOP companies beat their competitors on a wide variety of performance measures. This has certainly been the case for Web, where a strong culture that engages employees in their roles as owners has led to productivity gains, development of creative solutions, and high levels of customer service. As a result, we dominate several strategic market segments.

All of this has resulted in a share price that routinely beats the public markets. In just the last 10 years, our stock price has gone up an average of 16.4% per year compounded - almost three times the growth rate of the S&P 500 index in the same period.

Not surprisingly, Web's employee owners are accruing a significant financial benefit. Last year, the average employee who had been with Web 10 years had stock worth over \$50,000; employees with 15-20 years of service had stock worth \$185,000; and employees with over 20 years of service had ESOP accounts averaging over \$400,000. This is vastly more than typical manufacturing employees could reasonably hope to save on their own.

The benefits of employee ownership make its promotion a compelling public policy.

First, it provides a way for owners of closely held companies to cash out while retaining local ownership and control. (Consider a very likely alternative of selling to an out-of-state competitor.)

Second, these companies flourish after the torch of ownership is passed to the next generation of employee owners. These ESOP companies create jobs – jobs with good wages and benefits. ESOP companies grow and invest in plant and infrastructure. They support their communities.

Third, the employees do very well. Not just their salaries and benefits, and not just their capital accumulation, although that is, as we have noted, extraordinary. Most important, these employee owners have a new way of understanding meaning and purpose at work. They are no longer simply machine operators, engineers, accountants, and sales people. They are also owners – with a possibility (and a responsibility!) to build something of lasting value. They can act to make a difference in their lives and in the lives of their

families and their coworkers. They are responsible to pass something of value on to others.

Finally, employee ownership makes people better citizens. We see this in the Web employees who volunteer every week in the local soup kitchen, who out-raise other companies in the annual Turkey Dip to cure muscular dystrophy, who apply the team building skills they learn at work to coaching championship youth teams, and who find countless other creative ways to give back to the community. We see the absolute best in human nature when we recognize the blessings bestowed on us, and pay them forward.

We know that employee ownership at Web Industries is building a better Dayville. With your support it can build a better state and a better world. Please come visit us, and our enthusiastic employee owners will tell you this story in their own words. Please support SB3, and help create more companies like Web in Connecticut.

Thank you.



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Todd Pihl  
General Manager  
Web Industries  
20 Louisa Viens Drive, Dayville CT 06241  
Office: 860-779-5201  
Email: [tpihl@webindustries.com](mailto:tpihl@webindustries.com)