The How, Why, and When it Makes Sense to Convert Your Company to an ESOP

Steve: Well guys, thank you very much for being on the show. We're happy to have you here. We've got a very important topic that we're going to talk about here with ESOPs, and where I'd like to start with is Adam, why don't you set the stage for us and tell us about the business that you're in. What is it that you do? And then what led up to you deciding that an ESOP would be an appropriate strategy for your firm to undertake?

Adam: Great, happy to. So, our company Eastridge Workforce Solutions is a technology-enabled global workforce solution provider and we specifically focus very broadly on either recruiting folks for our customers or managing these supply chain of recruiting companies and other vendors that support our customers in a non-full-time capacity.

For example, companies that might spend, let's say, $10 million to $100 million a year on non-full-time employees be it employees that they're sourcing through temporary staffing providers or perhaps it's independent contractors or statement of work vendors, we will help customers manage that supply chain and likewise, we also help to recruit people on a full-time and temporary basis for our customers.

Steve: And in terms of other options that you may have explored, so I'd love to talk about that, and then also what problem were you trying to solve? So if the business was doing well, and then you decide, okay, we're going to do an ESOP, so was there some problem you were trying to solve by the ESOP, and then what other options did you explore to try and solve that problem?

Adam: Yeah, absolutely. So, this answer is probably one that is more personal in nature than professional. As I mentioned our father founded the business in 1972, and in 2013 started experiencing some health challenges. January 2015 he was diagnosed with ALS and then he passed away January of 2017. In that moment there was a... It certainly became an inflection point for our family.

The only shareholders in the business historically were my mother and father, and my brother and I, and then at that moment it was just the three of us, my mother and my brother and I. We wanted to really be thoughtful and not continue on with status quo because this was really such a significant transitional moment.

In the months subsequent to our father's passing, we received a lot of inbound inquiries from various serious parties that had a well-reasoned and significant interest in acquiring our business. We're very lucky. We're blessed. We built an interesting asset in our space and we completely got the business rationale as to why these third parties were expressing an interest, and they were appropriate with their timing I will say.

Dad always taught Jason and I to always listen, no matter what. Even if you think you're not interested, somebody calls you, you listen. Worst case, you invested a little bit of time and probably learned something. Best case, maybe there's something there.

So, Jason and I listened carefully and some very serious offers were put forward. At the end of the day at a human level, we resolved that it was just not right for us. We wouldn't be living our values in selling to third parties despite the fact that it would have been an economic win for our family, it certainly would not have been a spiritual win.

Through that process we concluded that the only group we'd really ever want to sell to was our employees. We're blessed. We have team members that have been here for 10, 20, 30 years. We have multiple families that have multiple family members that are part of our team. Husbands and wives, brothers and sisters, parents and children.

We have a really terrific culture that has been built over decades and the best way to preserve it was by making our company a permanent home for itself. That's how we got to the conclusion that the only move that we would feel good about making was to transition to an employee-owned environment.

Steve: And as you got into that process, when your father passed away, was there a financial issue that was driving some type of recapitalization of the business, meaning was there an estate tax issue where you needed to have some kind of liquidity event, or was it just more that all of these third parties started coming out of the woodwork and flashing big dollars in front of you that you decided, okay, we're going to listen, and now we probably need to make a decision because we've got all these opportunities ahead of us.

So was it more just opportunistic that that happened and you decided to go the ESOP route, or was it just more hey, there was really something driving. We had to make some kind of financial decision here?

Adam: We're really fortunate. It was the latter, not the former. We had zero financial pressure. We were smart in advance about estate planning. While dad's illness was excruciatingly difficult, it was not an emergency. It was not as though he got hit by the bus and we were looking around and wondering what to do. And we're blessed because we had a terrific business and still have a terrific business, really healthy financials, great balance sheet.

Really, it was more as I mentioned the latter not the former, and the stars lined up. We had terrific momentum in our business. Lending environments were and are extremely favorable, and we've got the right kind of company for this sort of environment. I think the thought process was sparked by really two things.

One, kind of jeez, things are really different now. Dad just passed away. You just sort of go for a walk in the wilderness to try and think about life. You have that combined with very serious parties expressing very serious interest, and that just got Jason and I down a path.

Steve: This might be a little bit off topic, but when you mentioned you did the estate planning work, I'd love to hear is there one piece of advice that you have for business owners who are running privately held businesses to think about when it comes to estate planning so that when a situation like you folks had, your father passes away, and he started the business, what was one key thing that you did from an estate planning standpoint that you think was really helpful and put you folks really in the driver's seat when it came to what you were going to do with your business ownership going forward?

Adam: It's really just one thing, and it's having the willingness to sit through what is an inherently uncomfortable conversation and series of conversations. Listen, we optimize for our situation and I don't know that it would necessarily be optimal for anyone else's.

What I would say is broadly applicable is the willingness to sit through the discomfort, sit down with attorneys, accountants, et cetera, figure out something that makes the most sense for your situation, and as my brother's a fan of quoting, "You fix your roof when the sun is shining, not when it's raining."

Steve: That's right, and the best time to get a loan is when you don't need it.

Adam: You're absolutely right about that. Yeah.

Steve: Now something else you said that really struck me was you said as you were talking to some of these third parties that were probably flashing big dollars in front of you to buy your company, you said, "That would have been an economic win, but not a spiritual win." I'd love for you to dive into that a little deeper and how you thought about that, and how you struck a balance between yeah, we probably do want to have some kind of economic win, but we also want to try and do the right thing by the people who helped us build this company and keep this company around for a long time.

How did you think about that?

Adam: So, this really was a series of conversations that took place over an extended period of time, and I'm going to invite Jason to comment, because to his credit, he never lost sight of it. I was fielding a lot of the early stage dialogue with these third parties. Jason and I are really fortunate. We're good at different things. We're partners in this business. Equal voting rights, equal equity, all the rest of it. Because of all those factors, we're able to sort of divide things up and we're responsible for different parts of the store.

On the M&A front, I was front and center, not that my point of view mattered more than Jason's, it was just that was my part of the store. We were really lucky because I was lost in the details, lost in the weeds. Jason was the one that zoomed out and said, "Hey, we need to think about something here." Jason, I invite you to comment.

Jason: In Adam's defense, he wasn't nearly as lost as he says he was. He was absolutely not, and he was doing his absolute best to field many, many phone calls over many, many hours on complex matters. When it came to the realization that both of us had, it was fundamentally this. Assuming that we were to go with the private equity route or some type of third party route, the day after when we looked our team members in the face and told them what we did, how would we feel?

When we asked that question of ourselves, we felt a little sick inside. We knew that there was just fundamentally corrupt because the people of the Eastridge have an expectation that has been developed over decades on what our culture represents, about what the Svet family represents, about what our father represented to them. He was a mentor, a father figure, a leader to literally hundreds of people in the company, and to all of the sudden have lost dad and then lost the culture to a third party with no right and no say in it after decades of investment of their times and their lives, we just felt that we would be frauds.

So Adam and I tried our absolute best to be objective, and it was difficult sometimes because when we compared what the numbers would be with for example going with a strategic buyer or private equity buyer, both of which were interested, and we contrasted that with what would happen in an ESOP, the economic numbers were in some ways really stark, and there was a big contrast.

Then we looked at it boldly and right n the face, we just said to ourselves, "What is the value of sleeping at night? What is the value of standing up for something that isn't just about economics? What can you put a price on for that?" And the answer was you really couldn't. You really couldn't put a price on being able to sleep at night, being able to look our colleagues in the eye.

Fundamentally, we really mean this from the bottom of our hearts, America was very kind to our family. Both of our parents were refugees and they tried their best to give back to our country, and this was our opportunity to really open up the American dream for the hundreds of people at Eastridge who have given their lives to the company.

When we look at that in totality, and when we're really honest with ourselves, and we're really honest with our values, there really wasn't another option.

Steve: Well, Jason, that's just a wonderful legacy that you described there that your father has created here, and the values that he instilled in you and the culture that he instill in the organization, and with the ESOP, the way you guys have structured it, that's going to continue on for decades and decades, so thank you for sharing that.

Let's go into some of the details here in terms of what an ESOP is. I'm sure most people listening to this certainly have a little bit of an understanding, but let's just level the playing field here. How would you guys define an ESOP?

Adam: Sure, so the strict technical definition, well, it's an acronym, Employee Stock Ownership Plan. It's an ERISA-regulated benefit plan, not in that sense, not dissimilar from a 401K as an example. It is a mechanism through which employees by way of a trust are able to accrue ownership in the shares of the employer in a way that is tax advantaged, similar again to a 401K.

That is the strict sort of broad definition.

Steve: And let's say, this is not an example of your company, I'm just going to use your company as an example, and you too as an example for illustrative purposes. So let's say your company was worth $100 and you too are the owners. You each own 50% of it, and you decide to implement an ESOP. How do you get the $100 million "in your pocket," and that ownership ends up transferring? I think you mentioned something about, is there a loan that takes place so that you guys actually get paid? Do you get paid over time as these shares accrue? Do the employees... What are the mechanics of how that works?

Adam: Sure. So, I'm going to answer this in two parts. Number one, your question sort of teased out an interesting theme. ESOPs are terrific because of your ability to design them so that they are the best possible fit for your business. So, you can do either of the routes, or both, that you mentioned.

So either A, borrow from a third party, or B, get paid out of profits from the business, or if there's surplus cash on the balance sheet, theoretically you could just use that as well. So, what is common is to go out and raise debt from a third-party lender, and frankly there's a very healthy lending environment for ESOPs. A lot of major financial institutions, kind of the household names will have internal practice groups that focus on ESOPs. They're very familiar and very comfortable with lending to companies that are going through that process.

So the company borrows from a third-party lender and is effectively borrowing on behalf of the ESOP. The ESOP then uses those funds to purchase shares from the shareholders. So that is one way of going about it, and whatever you end up borrowing from that third party, let's stick with your math, Steve, of $100 million. Let's say that you could go out and buy, just for want of a number, you could raise 30 million of debt, company borrows that 30 million, which it then lends to the ESOP, and the ESOP buy 30 million worth of the company shares, so in this case 30%.

If ownership wanted to sell a larger number of shares, let's say wanted to sell half the business or even all of the business in that same transaction, you could do it by way of a seller note. So you essentially lend the ESOP the money by way of a seller note, and then you get paid over time. You can configure the note in a number of different ways.

Again, many different options. Many different permutations to get you across the finish line depending on what your desired outcomes are.

Steve: And when you do an ESOP, it sounds like if you only want to put 30% of the company in an ESOP you could do that, or you could put 10, or could you put 100%? So you can control what percentage of the company you want to put into the ESOP. Is that correct?

Adam: That's exactly correct.

Steve: Okay. And for the employees who are getting these shares, you mentioned this is set up like a benefit plan. Does that mean that the employees do not pay for these shares, that this is just a contribution that "the company" is making just similar to a 401K match?

Adam: That's exactly correct. And the longer employees are at the company, the larger the number of shares they'll accrue over time. It's a benefit that comes at no cost to the employee, and again, it's one that rewards longterm tenure because every year that you're here and eligible, you are accruing more shares.

Steve: And then how is the valuation figured? Where does the valuation come into play in terms of valuing these shares, like if someone rolls out of the company and they want to get their money out of the ESOP, how does that work?

Adam: Sure. So the valuation happens once a year by a independent third party, and that is selected by the trustee. So the trustee is a very important actor in this model, and one that if, given the audience for your podcast, I think this is important to note. So the trustee is really the shareholder representative for the employees, and is a fiduciary for the employees and in order to make sure that they're always acting in the best interest of the employee, there's just a number of steps that they need to take, both by regulation and from a best practices perspective, one of which is getting the third party appraisal of the company on an annual basis so that the shares can be valued accordingly.

Steve: And there are a lot of advantages to an ESOP as you've discussed here, yet the percentage of companies that go the ESOP route still seems to be relatively small. Do you have any take on the level of popularity of ESOPs? Any thoughts on that, and maybe tie it into that is when does it make sense for a company to do an ESOP? Are there certain types of industries or certain types of business models where an ESOP makes sense?

Adam: Sure. Really, really good question. So as to their popularity, there are in the zip code of about 6,500 employee-owned companies in the United States, so obviously very, very small as a percentage of the total businesses that exist in the U.S.

As to the why, I think it's because it's a question of fit. In my mind fit really has two critical components. One is financial and one is cultural. I'm going to answer it in that order. When I believe it's a financial fit, and when it's a cultural fit.

So financial fit, if it is, for example, a high growth, earlier stage company, I'm not sure that that is a good financial fit. I think the financial fit that seems to be the most prevalent at more mature businesses that have consistent cash flow as well as a consistent balance sheet, that makes the fact pattern a whole lot easier and really lends itself to the ESOP model, particularly if you're going to be leveraging your balance sheet and your valuation of your business is predicated on free cash flow, you just want those things to be consistent and healthy. You get that in a more mature business than in early, early stage high growth business. That's just a quick touch on when it makes sense as it relates to the financials of the company.

Now the culture's also extremely important. It was interesting when we were interviewing trustees to be ultimately the trustee for our business, neither Jason nor I participated in the interview process. We very specifically wanted to be arm's length, and we established a search committee internally here that consisted of a few folks from RC Suite, but again, Jason and I had no part of it because we felt it was important since we were going to be effectively negotiation with the trustee for the sale of the business, we didn't want to be selecting the party we were going to be negotiating with, so we weren't part of it.

Nonetheless when it was all said and done, and the team made their selection, one of the things they shared with us was a common theme among the trustees that they were venting. The trustees were, I think sincere in sharing this, but they said, "Hey, your company feels like an ESOP company." It's very interesting. Although it is intangible, I nonetheless believe that it's absolutely the case. There are businesses that just lend themselves to a workplace of we.

Businesses that are massively predicated on the culture that is present throughout the organization where team and sort of alignment of vision are just more important than others. Our company's one of them. Although we are, as I mentioned, a technology-enabled service provider, we're still a services-based company. Our secret sauce is our people. That's our number one differentiator. We have the people that do a phenomenal job day in and day out, and the notion of having a workplace of we automatically resonated, not only with my brother and I, but when we announced it to the broader company, it clicked immediately. There was no question in anybody's mind. It made immediate sense.

We had the right company financially for it, and we had the right company culturally for it.

Steve: And are you able to share what percentage of your company you're putting in the ESOP? The reason why I ask that is I'm wondering if it's a significant percentage do the ESOP participants have any say in management beyond their level of management within the company? For example, do any ESOP participants have some type of representation in the management structure of the company?

Adam: Sure. So, we chose to sell 43% of the outstanding shares to the ESOP, so the ESOP is now the largest shareholder, and then our family retained the remaining 57%. It is not any different than the way corporate governance would work anywhere else. The shareholders elect a board. The board holds the officers and the executives of the company accountable. In that sense it is no different.

Now, where it is different is that the trustee is acting on behalf of the employees by and large. There are some very nuanced elements and some differences, but frankly not worth getting into here. I'd rather just sort of keep it somewhat macro in scope and say that the trustee is representing the 43% block of shares that are owned by the ESOP, and to the extent that things need to be done at a shareholder level, it would require a majority vote. Otherwise it's left to the board.

Now when we did our transaction, it was very important that we have a real earnest third party approach to the governance of the business. It was important to frankly my brother and I, and it was important to the trustees. So we agreed that we would have independent directors on our board, and we think that's just a really great transition for us in the maturation of our business. I don't look at that as something that needs to be confrontational or contentious. We have selected board members that are massively accretive to our company and it was frankly something that felt right to us.

If this were a small minority sale, say a 10% sale, probably it would shake out differently. And likewise if it was 100% sale, well, then the trustee represents 100% of the vote and would have a much larger sway in the governance of the business. Again, comparable to any other third-party buyer.

Steve: Yeah, so it sounds like there's a lot of potential variables here in terms of how you actually implement the ESOP, what percentage of the company you place in it, the management structure, but by and large, it sounds like the management structure or the governance doesn't really change all that much as a result of the ESOP.

In your case, you guys were very thoughtful and had great foresight to be able to put some independent directors on the board, so you're getting some mix of some outside opinions and advice and guidance. You mentioned that they're really accretive to the company, so they're really adding to the organization and enable you to continue to grow and ideally last years for decades and decades.

Adam: You got it.

Steve: All right. So, I know the ESOP here is relatively new for you guys, but Jason, let me ask you this. What do you think you've learned putting this ESOP in place for your firm?

Jason: Sure. I would say the very first thing we learned was immediately after we announced the ESOP, we learned that we did the right thing. What I mean by that is in some senses it was a little bit of a risk and a gamble because it was irreversible. We knew that once we actually executed the transaction and announced it to the team, that was it. That was our one shot. So we took a little bit of a leap of faith. We were pretty sure we were heading in the right direction, but what we did was we had a company-wide conference and we announced it at the company-wide conference. We flew in every single person from the company.

What's so cool about it is we learned that people in our company would immediately start acting like owners. In fact, as soon as we announced the ESOP, at the conference, people were saying that they were actually going to take Spirit Airways back to the locations back home. We had people that when they came back on Monday were already renegotiation with vendors and refusing to accept price increases. We had ideas streaming in from the company about different ways that we could approach the business because all of the sudden people thought as owners.

It's also important to note that we learned that it had a massive impact on what we call the Employee Net Promoter Score. Much of our industries already do net promoter score activities, but what we want to do is implement an internal net promoter score among the employees. What we found is that the time after the ESOP was announced we had a dramatic increase in employee engagement and also what our employee net promoter score was.

Now, for us I would say that the greatest learning has yet to come, and specifically it will involve a new learning challenge for both myself and Adam, and also for the rest of our team, both management and just our standard staff members, because we all must learn to operate as owners of the company. For a long time it was privy to the Svet family, and of course we had a big time ownership culture, but now every single employee can earn ownership, and with that comes the responsibility of actually acting like owners. We have full faith that our company will be able to do it. It's just really interesting and a great challenge for Adam and I to have yet to learn how we're going to implement that throughout the company. We have a few ideas, but that's going to be a great challenge ahead for all of us.

Steve: Well, that's such an important point because so often you hear business owners saying that, "I want the employees, I want the team to think and act like owners." Well it's one thing to say you'd like them to do that, but it's a totally different thing in many cases when they actually are owners and they can see the bottom line impact of their decisions as an employee and now an owner and how that may effect their earnings that they get as a result of being an owner of the company. So big difference there between saying act like an owner and actually being an owner in many cases. Nice insight there.

How about anything that you would have done differently in the ESOP just looking back now on experience?

Adam: Yeah. I would have not done anything differently in an absolute sense. The process would have been a bit different in so far as the way we did timing and sequencing. With the benefit of hindsight, I would have approached our educational process a bit differently. What I mean by that is I would have started going to the national conferences much earlier. I would have started networking with owners and executives that have been through this transition much earlier.

I did that later in the process after I had done a decent amount of self study, and to do it again, I could have made life a lot easier for everyone, myself included, had I just gone out and started shaking hands and meeting people that were in it, and had been through the process that we were seeking to go through ourselves.

Again, very, very happy with the outcomes. Happy with how we got about it in the absolute sense, but could have made things a bit easier if I had just been out there shaking hands and meeting folks a little earlier.

Steve: So what would you in that case have done differently? Was it the communication process? Would you have communicated to the team that, "Hey, we're planning on doing an ESOP," and giving them a longer heads up? What might have changed as a result of getting earlier involved with the ESOP organization?

Adam: Sure, so I'll give you an example. Through YPO, Young Presidents Organization, I was able to connect with a CEO who had a similar familial background. He was second generation owner/operator like my brother and I. Funny enough we went to the same law school. We were just a few years apart.

Through that conversation, I got a hold of him, I said, "Hey, can I sit down and chat with you?" He had me sit down. He's now chairman of the business. He had me sit down not only with him, but also with the CEO of the business. It was in the course of maybe a 45-minute discussion where I lined up frankly some of the best service providers that we ended up using for the transaction, I got strategies on how best to approach it. Again, 45 minutes of face time with somebody who had been in the saddle and had gone through the process massively accelerated the learning curve for me.

Likewise, I went to the National ESOP Association's conference. They have an annual conference and I just signed up and went, and walking the halls, meeting with different service providers in the industry, meeting with executives who operate employee-owned companies, it was through those casual conversations that I learned far more than I did with my own self study, so that we could have a really intelligent approach to how we were going to do the transaction.

All of those things I would have done sooner versus trying to figure it out on my own through self study.

Steve: So let's say someone listening to this thinks okay, an ESOP, this sounds like something I need to explore. What advice would you have for them in terms of what they should do next, and maybe share a timeline where if you're thinking you want to do an ESOP and you start today, you might be able to actually roll it out six months from now, a year and a half from now? What kind of timeline would people be looking at and when should they start?

Adam: Sure. So in terms of the first thing to do, I would say reach out to your network and get together with other executives that have been through this process, other owners and executives that have done this. That's the very first thing I would do. If you were to call me, I would probably be able to save you a substantial amount of time because I'm going to be happy to share what I did right, and what I didn't do all that well. More than anything, just work your network. That would be the absolute first step.

Second step, the National Center for Employee Ownership, they put on an annual conference. Just go. It's the absorption that happens and the networking that happens is extremely helpful. In terms of how long it can take, I think a highly fact specific analysis. Our deal took a bit longer than most, and that's more a function of just the way my brother and I do things. We're really methodical, really deliberate, and we're very much a dot all Is, cross all Ts approach to these types of deals. I know I extended it, but my understanding is that very often they average about a six month timeline to do it without everyone pulling their hair out.

It can be faster if it's more on the simplistic side, and perhaps could take longer if it's going to be on the complex side, but my broad understanding is you need to budget about six months.

Steve: And how long did it take in your case?

Adam: A little over a year.

Steve: Okay. All right, well I want to wrap up with three things here. The first one is is there anything else that you guys want to share that we haven't talked about yet?

Adam: Plenty.

Steve: Maybe we'll save it for another episode. How about one thing that we haven't talked about yet? Anything there that you want to add?

Adam: Specifically as it relates to ESOP, I guess I would say this. The day that we announced that this is where we were going at our company-wide conference, my brother and I agreed that was the best day of our professional lives, and for me personally, it was one of the best days of my life.

I cannot think of a more rewarding moment. And like Jason said, far more rewarding than whatever big check we could have gotten by selling to Bitco or selling to a private equity group.

Steve: Yeah, well that's a super strong statement, so thank you for sharing that. Okay, second thing is I know you and your firm have been coached here, are being coached by CEO

Coaching International, so what are maybe two or three things that you guys have learned or results that you've achieved as a result of being with CEO Coaching? Maybe Jason, why don't we start with you?

Jason: Absolutely. So our CEO coach was Sheldon Harris. I would say there are a couple big takeaways that Sheldon taught us. Two in particular, one would be the importance of stating observations and not conclusions. There's a story that Sheldon shared with us that forever stuck with me.

When he was managing one of the Costco warehouses, there was an employee that was consistently showing up about seven minutes late. Every single time Sheldon would write in his management log that the person was late, and never bring it up to the person's attention. After the third time the person was pulled into Sheldon's office and he said, "Person you now are officially warned. You've been late three times. You're on notice." And then the person said, "Well, Sheldon would you like to know why I've been late for seven minutes?" And Sheldon was completely shocked and he said, "Well, I guess." And the person said, "Well I always see that when you come to the warehouse, you spend the first five minutes of your day cleaning up all of the carts in the parking lot, so I thought I would do the same," and Sheldon realized at this moment that instead of writing him up, he should be putting him on the path to promotion.

So the first lesson was how important it is to state an observation and not jump to a conclusion about why someone has acted a certain way or why they did something. It's just a great way to give someone feedback without triggering their emotional defenses.

The second big thing that Sheldon taught us I would say is the importance of communicating with integrity. That is to say that to never say something about someone unless you said it to that person. Equally important from a management perspective, to never listen to someone saying something about someone unless that person has already talked to that person.

So an example would be, if someone were to bring something to Adam and I's attention about a person, we would say, "And what did that person say when you brought this up to their attention?" And automatically, just by instilling that behavior a few times, we make clear as a cultural precedent we will not hear something negative about someone else unless that feedback has already been delivered. It just puts a clamp on kind of toxic behavior that we shouldn't have at any company, and it's just a great way to ensure that feedback is being delivered in the most thoughtful way possible.

Steve: Yeah, those are two great insights, so thank you for that. How about you, Adam? What have you learned?

Adam: Sheldon coached me through the biggest challenge of my professional life, and one of the biggest challenges in our company's history, and it was that of transitioning from an owner/founder/CEO environment to a second generation of leadership and a professional management team.

You have to note that we were doing this with my father going through a terminal illness and the struggle of having ALS all in the background. Sheldon had to coach me in a moment where in my career track was radically accelerated because the plan wasn't for dad to retire in 2015. That sort of got forced on us. Dad was a breast implant personality here at the business. Very typical owner/founder/CEO environment.

So here we were having to work through a profoundly difficult personal situation, not only just for my brother and I, but frankly for the entire management team. We were all close. Dad was close with all of us. Here we were having to transition the business from that classic owner/founder/CEO environment to that of a professional management team with second generation leadership and doing it while my brother and I were watching our dad fight one of the worst illnesses one can be stricken with.

We did it. I'm very proud to say we did a good job of it. I'll always be grateful to Sheldon for helping us get that done.

Steve: Yeah, well thank you for sharing that. Sounds like an extremely difficult time to be going through that and having someone like Sheldon to help you through that is priceless so to speak, so thank you.

Adam: On another note, another thing that Sheldon's been able to help me with is give me a total inspiration that I too can be totally ripped by the time I hit age 50. Sheldon is in perfect shape, and he's like in his mid-50s, so yup, that's helpful as well. Every time I see him I'm like, "Dammit. Got to hit the gym."

Steve: Well that's one thing about CEO coaching is there's a lot of focus on health and fitness and competition. It's quite a culture here at the organization for sure.

Adam: I've never seen him eat a carb.

Steve: All right.

Adam: I've known this guy for five years. I've never seen him eat a carb.

Steve: Yeah, yeah, he's a protein guy. All right, so let's finish here. We'll do some rapid fire questions. You guys have talked about core values, so I think that would be a good one here to start with. What would be one or two of your core values for each of you? Adam, why don't we go with you on this one to start with?

Adam: Yeah, so the first one is one that was in part bred into us and in part beaten into us as kids. My dad never allowed us to blame. At home growing up as children, at the office, we could never blame. If we get tempted to point a finger anywhere, he said, "No, no, no. Tell me what you could have done differently."

Fundamentally we just look at that as the right thing to do and the right way to live. So Jason and I share that as an absolute core value. We just don't place blame. Period. Full stop.

Steve: Okay.

Adam: Number two for me, be kind. Life is tough enough. Let's not make it any more difficult for each other. Be kind. It doesn't cost you anything, and I think it's massively rewarding and we can all kind of level up as a society if we're just a little kinder to each other.

And number three, leave things a little bit than you found them. Always do your best. You can do it in small ways and in big ways, but just try to leave things a little better than you found them.

Steve: And Jason, how about you?

Jason: Well, Adam and I are biologically 99.9% the same, and we're pretty much the same culturally too. My first core value is also to never blame. It was the most powerful thing that dad lived and through his example taught us.

The second core value is to speak the simple truth. What I mean by that is not to be emotionally charged about it, but also not to hide behind a façade or a lie, but to really just speak the truth as simply as possible in our professional and personal lives.

And the third one would be to make new mistakes. I think not making mistakes is very dangerous, but making the same mistakes is even more dangerous, so I truly believe that just making new mistakes and striving to constantly learn from what happened before is extremely powerful.

Steve: All right, and then I'm just going to ask each of you one more question here. So, Adam, what would be a favorite business book?

Adam: Extreme Ownership by Jocko Willink. It is the best management book I've ever read, and I think I've read all of them.

Steve: And what's one key insight that is top of mind with you from that book?

Adam: Not surprisingly the emphasis on not placing blame, on having the highest level of accountability in all things, and taking ownership of all things. Beyond that, there's just massive tactical, kind of superb stuff as it relates to the day-to-day operation of a business.

If you are an operator, this book is for you period.

Steve: And Jacko, I believe, was he like a Navy SEAL or...

Adam: He's a SEAL. He was responsible for a task unit bruiser during the Battle of Ramadi in Iraq. That was arguably one of the most special forces units we had during the Iraqi conflict. He now runs a consultancy called Echelon Front'. Has a very successful podcast of which I'm a big fan, and is an author.

Steve: Great. All right, Jason will wrap up with one for you here. I'm going to start the sentence, and I'd like you to finish it. So the sentence starts with, "The best way to accelerate personal growth is..."

Adam: I would say to replace personal goals with systems, and quite frankly, any goal with a system. A great example of that would be a lot of people say, "Oh, I'd like to lose 15 pounds." Well, that's a goal. But a system would be, "I'm just going to commit to not eating junk food that I already know is bad for me." So instead of having a goal out in front that you may or may not achieve, that's absolutely something that one can achieve every day as just a nice systematic routine to yield outside results.

Steve: That's a great example. I know I love M&Ms, and I've been known from time to time to buy M&Ms or my wife will buy them. I'll say, "Why did you buy those?" And she's like, "Because I know you like them," and I'm like, "But I know I shouldn't be eating them." The system is just don't buy the M&Ms and I'm not going to eat them, so having a system is so important. That's great.

Well, guys, thank you so much. This has really been an insightful episode, and I really appreciate you sharing some of the tough moments that you two have gone through with your father passing away from the illness, and just the major changes that you've made in the organization by implementing the ESOP. Then really staying true to your core values and really continuing that legacy that your father has instilled in you and is now being carried on with the employee ownership, so just a terrific story. Really appreciate you guys sharing that, and I wish you all the best for you and the company in the years ahead.

Adam: Thank you for having us.

Jason: Thank you so much.