



“ We are a Christ-centered, employee owned business operating in beautiful Holland, Michigan. But there’s not a customer in the world that’s going to continue to buy from us for any of those reasons. Our primary goal is to remain the customer’s best value in an increasingly competitive global market. And the absolute most important element in that is a great team of people. At the end of the day this is what gives us a sustainable competitive advantage that is incredibly valuable. ”

– Doug Ruch, CEO

# Fleetwood Group

## Sustaining a Culture of Shared Risks & Rewards

Founded in 1955 in Holland, Michigan, The Fleetwood Group, is a manufacturer of wireless electronics and furniture for educational environments. Established in the heart of the religious Dutch Reformed region of western Michigan, the company was founded to take a "Christ-centered" approach to business. Its founder launched the business to build sturdy, mobile wooden cabinets for storing materials in educational settings and to provide funding for missionaries around the world, struggling to acquire financial assistance. After decades of successfully manufacturing the cabinets, Fleetwood has expanded beyond their signature line and today also designs wireless electronic systems used in educational environments.

Fleetwood has grown to be a \$30 million business, has had an average annual revenue growth of 10% since

### Fleetwood Group Holland, MI

- Founded 1955
- Manufactures wireless electronics & furniture for educational environments
- Privately-held
- 2009 Revenue: \$30 million
- 160 employees
- Average turnover for last 3 years: 5%
- Average tenure: 11 years
- 2009 Top Small Workplace Finalist as awarded by *Winning Workplaces* and *The Wall Street Journal*

[www.FleetwoodGroup.com](http://www.FleetwoodGroup.com)

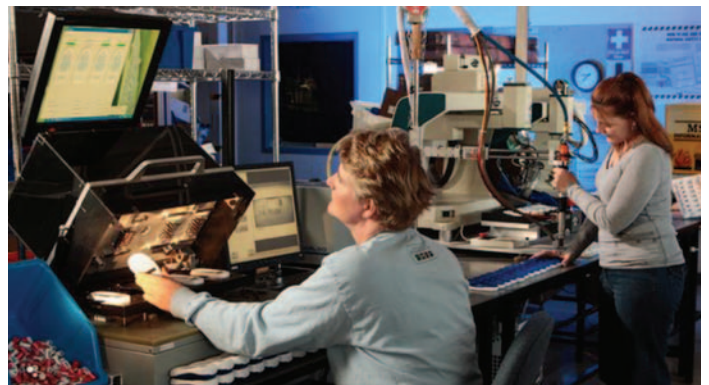
2006 and a net income averaging nearly 8%. The firm has no debt, has maintained substantial cash reserves and its net worth and stock price has risen 30% over the last three years. Fleetwood's leadership believes their success is due in no small part to being both a Christ-centered company and an employee-owned business, one of the first of such firms in the country.

Fleetwood exemplifies a firm that "does well by doing good." It is a values-based, high-performing company that takes the long-term view of its business, is very generous in its philanthropy efforts and shares company profits with the employees. Its leaders possess a deep commitment to its workforce and have worked hard to build a culture where there is a strong sense of employee ownership, responsibility and accountability.

## The Workforce

Fleetwood's Leadership believes its success in attracting, retaining and developing its workforce has been critical to the company's health and longevity. The tenure of the 160-person staff averages around 11 years and voluntary turnover usually hovers around 5%. About 20% of Fleetwood's employees are women, close to 10% minorities. The summers – their busy season – demand a significant

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## **The Workforce** *continued from page 2*

increase in temporary workers that form Fleetwood's primary pool for new full-time entry-level hires.

Fleetwood is organized around two very diverse divisions: 1) the furniture division designs, manufactures, and markets a broad line of educational furniture, and 2) the electronics division designs wireless interactive systems for learning markets

around the world. The production employees, the focus of this report, make up nearly 40% of the workforce, their jobs range from woodworking, metal fabrication, assembly to shipping/receiving.

The production staff's starting wages average around \$9-\$10 an hour, with the majority earning between \$25,000 and \$40,000 annually. While high school diplomas and GEDs are preferred, they are not required.

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## **Employee - Owners Sharing in the Risks & Rewards**

**"Being 100% employee owned, if you invest in your career here, you actually invest in your retirement as well. It's more than just about a 401(k) and ESOP contribution, you become invested morally. You have ownership, so you really do care about what you do for the company."**

*– Jerry Kortman, Sales staff, former Production employee*

To understand how the company develops its production employees, it is important to understand Fleetwood's compensation structure – specifically its ESOP and variable pay system – and how it motivates and drives the behavior of the workforce at all levels. As a result of the incentive structure, most employees at Fleetwood tend to take the long view of the business, remain focused on its organizational targets, and share a strong sense of responsibility toward their co-workers.

### ***"We Sink or Swim Here Together"***

In 1975, The Fleetwood Group became one of the first firms in the U.S. to form an Employee Stock Ownership Plan. The founder believed it was the best way to structure the organization because it could provide a more substantial employee retirement benefit and help to foster more of an owner-

ship culture giving everyone added incentives to help the company prosper. Over time its leadership has found that, as a result of the ESOP, employees tend to think longer term and invest in building their careers (rather than just focus on salary) in order to earn ownership in company stock. Since the ESOP was formed in 1975, Fleetwood has contributed over \$8 million to individual retirement accounts of its employees.

Today, the firm is owned 100% by the employees and all participate, regardless of their role. For the last 10 years, Fleetwood's ESOP contribution has averaged 8% of their compensation. Even in today's economy, where many companies' retirement contributions have been cut or eliminated, Fleetwood's remains around 8%.

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## Employee - Owners Sharing...

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To help employees understand how the program works, the firm offers two onsite educational sessions led by the Chief Financial Officer: ESOP 101 and 201.

- **ESOP 101:** provides an introduction to ESOPs for all new employees.
- **ESOP 201:** provides advanced ESOP training targeting all employees approaching or who have recently become fully vested after their sixth year of employment.

The ESOP program is overseen by an employee Board of Trustees. Each quarter Fleetwood holds a mini-shareholder session where leadership shares details of the company's performance and strategies. The annual shareholders' meeting provides all employee-owners with a detailed update on the performance of Fleetwood's ESOP. After six years of offering these educational activities, the literacy level of the workforce has increased markedly, based on employee feedback surveys.

### Variable Pay Plan

In addition to its ESOP, all employees participate in a Variable Pay Plan where they have a portion of their pay at risk depending upon their position. For production

**"We flat-out don't lose good people which is a huge competitive advantage for us."**

– Doug Ruch, CEO

employees, the average is around 10%; for management it is closer to 65%. Variable pay is paid out on a quarterly basis and is dependant upon the company's YTD performance in achieving annual financial targets.

The Variable Pay Plan is unique in that employees benefit from increased job protection in lean times and gain additional income during prosperous times. As is commonly heard at Fleetwood, "we sink or swim together here." The Plan's advantages include:

- It keeps all employees focused on financial performance and continuous improvement.
- It allows the company to navigate through challenging financial periods by lowering compensation costs via lower variable pay.
- In good times – when the company can afford to pay more - the Plan provides a meaningful bonus. Over the last 11 years the Plan has paid on average 124% (e.g. 12.4% for production employees).

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## Success Story



Heather Waller started out at Fleetwood 14 years ago as a temporary employee assembling electronic circuitry boards. She was eventually hired full time and has worked in various positions throughout the company from production, to purchasing to her present position as a sales manager in the electronics division.

*"Before Fleetwood, I worked in production at another large furniture manufacturer. I always knew I wanted to do more in sales and marketing but at this*

*company, there was a stigma associated with Production. They would not promote from Production instead everyone in Sales was brought in from the outside. I knew I wasn't going to move anywhere if I kept working there. It is very different here."*

While at Fleetwood, Heather has finished three degrees – an associates, bachelors and MBA with 100% tuition support from Fleetwood – and more than doubled her salary.

## Variable Pay Plan *continued from page 4*

In addition to giving the company a competitive edge in the marketplace, its leaders believe that when all staff have “skin in the game,” and that the wealth of the company is shared amongst its employee - owners, it provides for effective recruitment, retention and motivational tools.

Fleetwood makes it a point to celebrate the fact that they continue to shatter sales records and are able to plan for and adjust accordingly to slow periods in their business. This allows for greater overall workplace stability – something the production employees take very seriously.



*“When we’re doing really well, because we’re employee - owned, we get paid more,” says Heather Weller who started out in production and is now in sales. “When we’re doing not so well, we get paid less, and that allows us to not have big lay-offs when we have a slow six months. Employee ownership has been huge for us because it gives us so much more stability.”*

***“Give me a team of talented, committed people and our probabilities of success are very good. Give me a mediocre team with all the great strategies and business infrastructure in the world, and we’ll fail.”***

***– Doug Ruch, CEO***



## Success Story



Howard Clements started as a sheet metal worker 20 years ago, moved up to Team Leader in that department, made a parallel move into their wood division, then became a Machine Programmer and *Team Leader*. *“I’m now sort of a jack of all trades in the factory. If it needs to get done, I can do it.”*

Over the course of his 20-year journey, Clements has taken advantage of a wide array of learning opportunities and significantly increased his salary. He has received extensive training in business

finance, computers, total quality management, and LEAN manufacturing to name a few. In addition, he has earned two degrees in business (associate and bachelor), and is now seeking a masters.

*“I have many friends that have worked in the same sheet metal shop for 30 years and don’t have any other skills than hitting a foot pedal,”* Clements says, *“Here we really do want to empower each other everyday to be a collaborative team. That’s how our company works.”*

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# Employee Learning & Development

While Fleetwood's compensation structure goes a long way in keeping employees focused on the firm's performance and continuous improvement, it would be inadequate if there wasn't a strong employee development component.

The company invests in employee development through a mix of activities including: comprehensive orientations, assisted career planning, onsite learning sessions, cross-training and external education.

Education starts on day one at Fleetwood with a thorough orientation by Human Resources staff. The CEO gives another orientation session to all new employees covering the history of the company, its purpose, behavioral expectations, and the business's future direction.

All production employees participate on at least one team and each year they have the opportunity to fill out a career planning document with their Team Leader discussing their aspirations and future goals. If there are specific skills which might require outside training, and which are viewed as a benefit for both the employee and the company, Fleetwood covers the entire cost.

## Cross Training – An Imperative to Compete

To survive in today's competitive environment, Fleetwood must maintain an agile cross-trained workforce. "The nature of our business is not repetitive manufacturing, our products are built to order, highly customized. We have to have a well-trained, flexible workforce or we can't compete," say CEO Ruch. Each department knows the benefits of job rotation and developing multi-skilled employees. Supervisors manage their team in a way that develops the necessary skills so they can meet production demands.

Production employees are able to move across different functions, for example from metalworking to woodworking, to assembly to shipping. Consequently, absentee employees and short orders are less of a problem, as all production staff have the ability to move around and adapt quickly to new tasks. For those employees that have a real aptitude for this flexibility, it is reflected in increased wages.

Moving employees into a variety of functions requiring different skills and knowledge is also better and safer for employees as there are fewer routine tasks, less monotony, more stimulation thus fewer accidents occurring overall.

All production teams meet regularly to discuss their performance, to enhance their communication and to promote continuous improvement and high quality. Employees are evaluated on their



team behavior and the company's bonus plan is based on corporate performance not individual performance.

In addition, production employees participate in periodic onsite trainings on Lean manufacturing, safety, and CPR. When supervisors identify those employees that have the potential for greater responsibilities, they provide informal mentoring, are given new tasks, projects or short-term duties to help develop their skills and provide them with an opportunity to see if more responsibility is something they desire and are ready for.

## External Education

To enhance their current performance and prepare for the future, employees are sent to conferences and other outside development opportunities. Employees - at all levels - can access up to \$4000 annually to pay for outside education.

If employees leave within 2 years after completing outside classes, degree programs or certificates, they must reimburse Fleetwood for 50% of the education amount. However, its CEO could not recall one instance in 13 years when this had happened.

During the annual performance review with their supervisor, every employee has the opportunity to share any desire they may have to work in a different area, perform different tasks or try on new responsibilities. This often leads to a discussion on what educational requirements are necessary in order to make their desire a reality.

**"There is a direct payback on employee learning. I like to think we do these things because they're the right thing to do. But I admit it's easier to do it when we can see the payback to us as an organization."**

**– Doug Ruch, CEO**

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## Benefits At A Glance

Employees, at all levels, access the same benefit plan. Executive perks are non-existent at Fleetwood as management believes they send the wrong message to employees.

- **Medical Insurance:** 80% employee premium paid by employer
- **Medical Insurance:** 80% dependent premium paid by employer
- **Dental Insurance**
- **Vision Insurance**
- **Employee Assistance Program**
- **Life Insurance**
- **Short & Long Term Disability**
- **401K ESOP**
- **Pre-tax spending benefits**
- **Paid Time Off:** 6 vacation days, 1 personal day, 10 holidays
- **Tuition reimbursement:** \$4,000 per employee annually
- **10 paid days off** every 24 months for national or international mission work
- **Fitness club membership:** \$540 reimbursement
- **Matches employee donation to charity up to \$1500**
- **Offers up to \$3000 towards cost of adoption**

Along with its more traditional benefits, the company offers other non-traditional ones that are very much aligned with its Christ-centered mission including time off to do missionary work, attending Christian camps and conferences, and employing an onsite chaplain to help employees with a variety of situations.

When the chaplaincy program was initiated seven years ago, many employees were skeptical and saw it as a veiled evangelical tool used to convert the entire company to Christianity. Over time, employees have become much more comfortable with it, as they can see that the chaplaincy is really all about just caring and advocating for employees as they work through tough situations that may arise in their lives. One example is when the chaplain successfully intervened to help a temporary worker whose electricity had been shut off at his home.

In addition, the chaplain may request a loan for the employee

from Fleetwood to bridge a personal financial gap until the employee has the chance to repay the loan. *"Think about trying to work with some of these distractions on your mind - a loss of electricity, a troubled child,"* Ruch says. *"It's important to have someone in the workplace to help employees deal with life's challenges."* Leadership believes that not only is this the right thing to do but also very smart as they have experienced a real payback in terms of increased employee productivity, and dedication and decreased absenteeism and distractions.

Most recently, the company has expanded its mission-work program to compensate for reduced work time for its production staff. Last year when business was down, the company placed its staff to work in community projects such as Habitat for Humanity, homeless shelters and soup kitchens in order to avoid lay-offs and diversify their skills while the slow period passes. *"Being a small business,"* observes Jerry Kortman of sales, *"even in slow times we take care of our employees."*

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## Looking to the Future

Despite the declining economy in the State of Michigan, especially for manufacturing, The Fleetwood Group continues to grow and maintain profitability. *“Because of how we manage our business, we entered the economic downturn in a strong position in our markets, as an organization and financially”* says CEO Ruch. This allowed the company to aggressively pursue market share gains during the down cycle and add key human resources to the firm.

Its leaders believe the keys to their present – and future success – are their pay structure and values-based, vibrant corporate culture that instills – among all employees – a strong sense of shared responsibility and accountability, something they do not believe is commonplace among many businesses.

*“If tough times are ahead, we will approach them with the leadership philosophies we have long held, we will communicate often, openly, decisively, we will share the pain and focus on job security, and sacrifices will always start at the top,”* says CEO Doug Ruch.

***“It’s not a company where everyone remains in fear of losing their job, holding tight to some esoteric knowledge and not wanting to help out others.”***

***Everyone works together.”***  
– Howard Clements, Machine Operator







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