

Sustainable Growth and a Strong Culture

ATA Engineering

The Story | Advanced Test and Analysis, organized as an Employee Stock Ownership Plan (ESOP) company with 91 employees, has a number of innovative employee engagement strategies which General Manager Jeff Young believes have kept its mechanical engineering services at the head of the pack.

Formerly a division of Structural Dynamics Research, the firm had a friendly spin off from its parent in 2000. Twenty eight employees, including senior technical staff and clerical employees, bought out the division's stake and created ATA Engineering.

Engagement Strategies | ATA has very high recruitment standards; often, up to 12 current employees will interview with a new candidate. Once a new employee is on board, "you have respect for these great people you've attracted and want to get them involved in decision making," he says. The National Center for Employee Ownership, in a review of the firm, said that "more than any particular management practice this high-involvement hiring process is the key element in ATA's ownership culture," as it creates a very high level of trust.

The firm practices open book management to ensure that all employees understand what the numbers mean. Big decisions are made on a consensus basis. Although it might be faster to use a "benevolent dictator" decision making process, Young said, it would not result in the same broad level of buy-in. In short, while getting people involved in decision making takes longer, implementation is faster.

The consensus structure has stayed in place even as the company has grown by utilizing committees and teams. Internet tools also make it easier to gather feedback from all employees. The firm considers it even more important, now that it is larger and has multiple locations, to get feedback from everyone.

Shared Ownership | From the beginning, ATA shared ownership broadly via stock options. (In fact, the original 28-member team had successfully lobbied for broader ownership when it was still part of the parent company.) In 2005, with the help of the Beyster Institute, ATA became an ESOP.

The firm hires many new engineers right out of college – employees that tend not to think about their retirement plans immediately. So ATA makes ownership more tangible to the younger staff by continuing to issue stock options. Employees are fully vested after four years and options retire after ten. Administrative staff (including the receptionist, technical editor, and HR manager) and engineers all receive options and participate in the ESOP.

Stock options and bonuses are distributed in proportion to employee’s salaries (with performance reviews taken into account). The structure reflects Young’s belief that very vocal employees should not receive more than equally strong, but quieter, performers. There is no separate bonus plan for senior leaders.

Business Results | The firm has been profitable every year but strives for 15% annual growth, which is considered modest. At the pace it sets for itself the firm can meet goals sustainably. “If you grow too fast, you can risk your culture and values,” Young says. Due to their numerous delighted customers,



AT A GLANCE ATA ENGINEERING

Business:

Engineering consulting

Location:

San Diego, CA

Revenues:

\$18 million in 2009

Employees:

91

Ownership:

- ESOP
- broad based stock options

Engagement:

- open book management
- consensus decision making
- high-involvement hiring
- bonuses

Business result:

- low employee turnover
- high customer satisfaction and retention

the firm has many repeat client companies in the aerospace, biomedical, automotive, amusement park, and consumer product industries.

One strong benefit to employee engagement is happier customers. Young said that surveys done after each of the company's projects have been strong. Customer delight (ATA's term) is the standard – customer satisfaction is not good enough.

All engineers are paid on an engineering scale based on educational degrees, years of experience, and whether the employee takes on a supervisory role – but these criteria are just a guideline. The philosophy is to pay people fairly and competitively. Employee turnover is extremely low, about 1% -2% per year. Young says the employees “like what they do and they like the ownership culture.”

LESSONS LEARNED:

- **Carefully manage growth to ensure company culture and values persist.**
 - **High recruitment standards and high involvement hiring lead to low employee turnover.**
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