

## Quality Through Ownership

# The Signature Group

**The Story** | Michael Perdue, CEO of The Signature Group (TSG), would not hesitate to tell you that there is a clear link between his company's employee engagement strategy and their bottom line. In fact, he says that "every company in America should be employee owned."

TSG, founded in 1997, provides information technology consulting, project management and support services. It's the kind of company where the CEO wants all employees to act, think and feel like owners. Equity is broadly shared in the form of stock options; about 6% of the company's shares are distributed to the employees each year for their contribution to the growth and reputation of the company.

**Engagement Strategies** | The company's primary competitive advantage is its "Culture of Excellence" which results in high quality of service and solutions that are delivered on time, on budget, and with the ability to scale flexibly as the client's needs grow. The Culture of Excellence includes the core values of excellence, passion, integrity, teamwork, respect, accountability and innovation. According to the company's website, every clients' project is engaged with a "never quit, never die attitude" that ensures the highest level of quality. And Perdue stresses that employees are high-performing and held to account by their peers. "Performers fit right in and we hold onto them," he says. "Dead wood doesn't last long."

**Shared Ownership** | Perdue says TSG thrives on the link between employee ownership and the bottom line. The company was founded on the idea that no one person would have a controlling interest. In fact, the top executive's personal stake has gone from 39% originally to 22% today, with employees gaining the difference. "But my current 22% is worth much more than the original 39% since the company has grown," Perdue stresses. "And without broad ownership, we would not have weathered the economic downturn."

All of the company's 50 employees are full time and participate in the equity plan, which is based on a fixed and "well-defined matrix." Grants are distributed at hire, each quarter based on individual performance on business development and project execution goals, and on a discretionary basis according to achievement.

Each year, the Board approves an option distribution rate tied to goals set within the annual business plan. Depending on how the company is performing against this plan, a percentage of the predetermined rate is distributed (for example, meeting a goal by 80% means 80% of the overall company rate of 6% would be distributed; at 120% of target the company would distribute 120% of the 6% rate). Although the formula is fixed, there is some flexibility. For example, the distribution rate was increased when the company moved into an aggressive growth position and began significantly increasing staff. Employees are able to exercise options or sell their shares on a quarterly basis via a self-funded internal stock market, and employees participate in an orientation as well as ongoing education about the value of the ownership plan.

When done well, CEO Michael Perdue says employee ownership is "directly reflected in the company's financial performance." But he stresses that if incentives are not clearly linked to hitting milestones and communication is unclear, distributing stock options broadly merely dilutes existing owners.



## AT A GLANCE THE SIGNATURE GROUP

### **Business:**

IT consulting, project management and support services

### **Location:**

Vienna, VA

### **Revenues:**

\$10 million

### **Employees:**

50

### **Ownership:**

Broad-based stock options

### **Engagement:**

- extensive training
- strong benefits
- clear communication of core values

### **Business result:**

- low employee turnover
- high client retention and satisfaction,
- strong performance during the recent recession

**Business Results** | The company’s philosophy is shared internally and recognized externally. Quarterly reports have a section dedicated to describing the ways that employee ownership helps benefit their sector. And, for seven years in a row, TSG has been lauded by Microsoft and CISCO for customer satisfaction. Perdue says that recognition is directly attributable to the employee ownership program, since all clients are served by employee owners who are incentivized to focus on customer satisfaction.

Perdue grew up in Huntsville, AL, where employee-owned innovator SAIC had a major presence. He has worked both for employee owned companies and non-employee owned companies. Based on his experience, employee ownership is extremely valuable. “It’s amazing to see examples of the benefits of employee ownership manifest where [one] wouldn’t expect it,” says Perdue. He recalls a few years back when an all-hands-on-deck team, from senior staff to the receptionist, worked over the weekend to meet a tight deadline on time. The team didn’t burn the midnight oil to be nice. “They wanted to be part of the stock option distribution associated with getting the project done.”

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LESSONS LEARNED:

- **Tie incentives such as broad-based stock options and bonuses to employee and company performance for maximum benefit.**
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