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Employee ownership at Cal-Tex works

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Adolfo Pesquera
Express-News business writer

Workers at employee-owned Cal-Tex Protective Coatings Inc. will be heading to their stockholder meeting this Thursday feeling more optimistic about the automotive sealants factory than they have in years.

Barely a year old as an employee stock ownership plan, or ESOP, company, Cal-Tex recently won the National Center for Employee Ownership's grand prize for innovation out of a field of more than 1,000 companies.

"They do an amazing job of sharing information extensively with the workers," said Loren Rodgers, a project director with the Oakland, Calif.-based NCEO, a nonprofit employee ownership training organization. Judges included the NCEO and the Beyster Institute at the University of California-San Diego, Rodgers said.

The Cal-Tex factory in Schertz has been in business for almost 30 years. It sells about 50 sealant products primarily to new-auto dealerships. Its products protect paint coats, undercarriages and upholstery. The company also sells etching products for glass and solvents used in work areas.

Managers of companies that convert to ESOPs first tend to focus their attention on the buyout transaction itself and getting the deal done, Rodgers said.

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"They don't learn to act like ESOPs until years later," he said. "We were really impressed that a company this new to employee ownership was doing all the things it was doing."

Cal-Tex shares financial information with workers at all levels to an unusual degree, he said. The 87-percent-employee-owned firm will pay off the buyout loan in four years.

Cal-Tex also promotes self-structured performance goals, Rodgers said.

"That takes a lot of courage," he said. "You're really taking a leap of faith in letting employees set their own performance matrix."

Rich LaHaye, Cal-Tex president and chief operating officer, found all the motivation he needed to manage outside the box when he looked at Cal-Tex's falling market share.

"About four years ago, we were the industry leader," LaHaye said. "Now, we're hovering around third or fourth."

When LaHaye examined the company's culture, he found a somewhat insulated environment where departments at one end of the building didn't know what went on at the other end. With just 84 employees, the factory was no big campus operation.

"We had people that had never been upstairs before," LaHaye said. "It was freaking me out. I thought this contributed to our slipping."

Managers hung a suggestion board in the main lobby, and workers were invited to offer their thoughts. They also distributed educational surveys that emphasized workers' thinking about what employee ownership means. Teams formed with staff members from different departments so they could get familiar with each other's jobs and offer ideas to improve performance.

Lonnie Henderson, a regional sales manager with 22 years at the company, said the stronger emphasis on communication helped him.

"It was a real eye-opener," Henderson said. "You can sit in front of people every day and not know what they do. I got insight into their attitudes. I can see now why they react a certain way. It gives me an edge."

Anthony Garza, a production supervisor, set a goal for his crew to speed up bottling and packaging of wax. What formerly took four hours to package was cut to 90 minutes, he said.



(Photos by Tom Reel/Express-News)

Anthony Garza, production supervisor at Cal-Tex Protective Coatings, loads containers for a paint sealant material into a filling machine.



Jennifer Anderson, executive assistant to the CEO, checks out what employees wrote on the suggestion board that managers hung in the main lobby.

The number of man-hours spent on bottling and packaging products hadn't even been considered before, said Thomas Osborn, Cal-Tex's human resources director.

The overhaul got results. The company has reported three consecutive quarters of record sales, LaHaye said. A 16 percent jump in quarterly revenue — the largest year-over-year increase the company has recorded — came in the first quarter of this year.

"We did that with an automotive industry that is struggling," LaHaye said. "Our gross sales in 2005 were \$22 million. We're projecting sales this year of \$39 million."

But there's plenty of room for growth. Cal-Tex products are in about only 1,500 of the nation's 24,000 dealerships, Henderson said.

Rick Cavender, vice president of Cavender Auto Family, said he's done business with Cal-Tex since opening the Saturn of San Antonio dealership in the early 1990s. In addition to paint and fabric protection sealants, Cavender relies on Cal-Tex cleaning products for the wash bays, sinks and shop floors, he said.

What makes Cal-Tex stand out, Cavender said, is the firm's consistency in training and warranty service; the company makes sure his staff always knows how to use its products and it backs up the warranties.

"Anyone can do a one-time application," Cavender said. "The key is service."

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