



FROM STEADY FOUNDATIONS TO RAPID EXPANSION

Employee ownership at WESTPAK solidifies its spot as the world's most trusted test laboratory

AT A GLANCE

WESTPAK, Inc.

- WHAT:** A leading provider of comprehensive product testing and validation services, specializing in package testing, shock and vibration testing, and environmental testing.
- WHERE:** Based in San Jose and San Diego, California, United States, with a growing national footprint.
- WEBSITE:** www.westpak.com

While many companies struggle to navigate the package and product testing industry and associated regulatory frameworks while maintaining rigorous quality assurance standards, WESTPAK, Inc. is one company that has risen to the challenge and consistently set the bar as the golden standard of testing laboratories.

Founded in 1986 by Herb Schueneman, WESTPAK has grown into a privately held business with a unique philosophy centered on employee ownership.

WESTPAK

Schueneman's altruistic approach to business, driven by his belief that those who build a company should also have a stake in its success, laid the foundation for WESTPAK's transition to the Employee Stock Ownership Plan (ESOP) model, which proved to be a transformative structure for the company, offering a unique path to growth, expansion, and long-term success.

At the top, its executive leadership cultivates a culture of transparency and open communication through sharing the company's financial and strategic goals with employee-owners, fostering a sense of involvement and accountability.

A key strategy has been to ensure that employees have opportunities to contribute to decision-making processes, reinforcing the idea that they are not just workers but stakeholders with a vested interest in the company's success.

Through regular training and education, WESTPAK has managed to gradually integrate this sentiment into its everyday practices. It has built a strong sense of community and teamwork by encouraging employee participation and recognizing individual contributions.

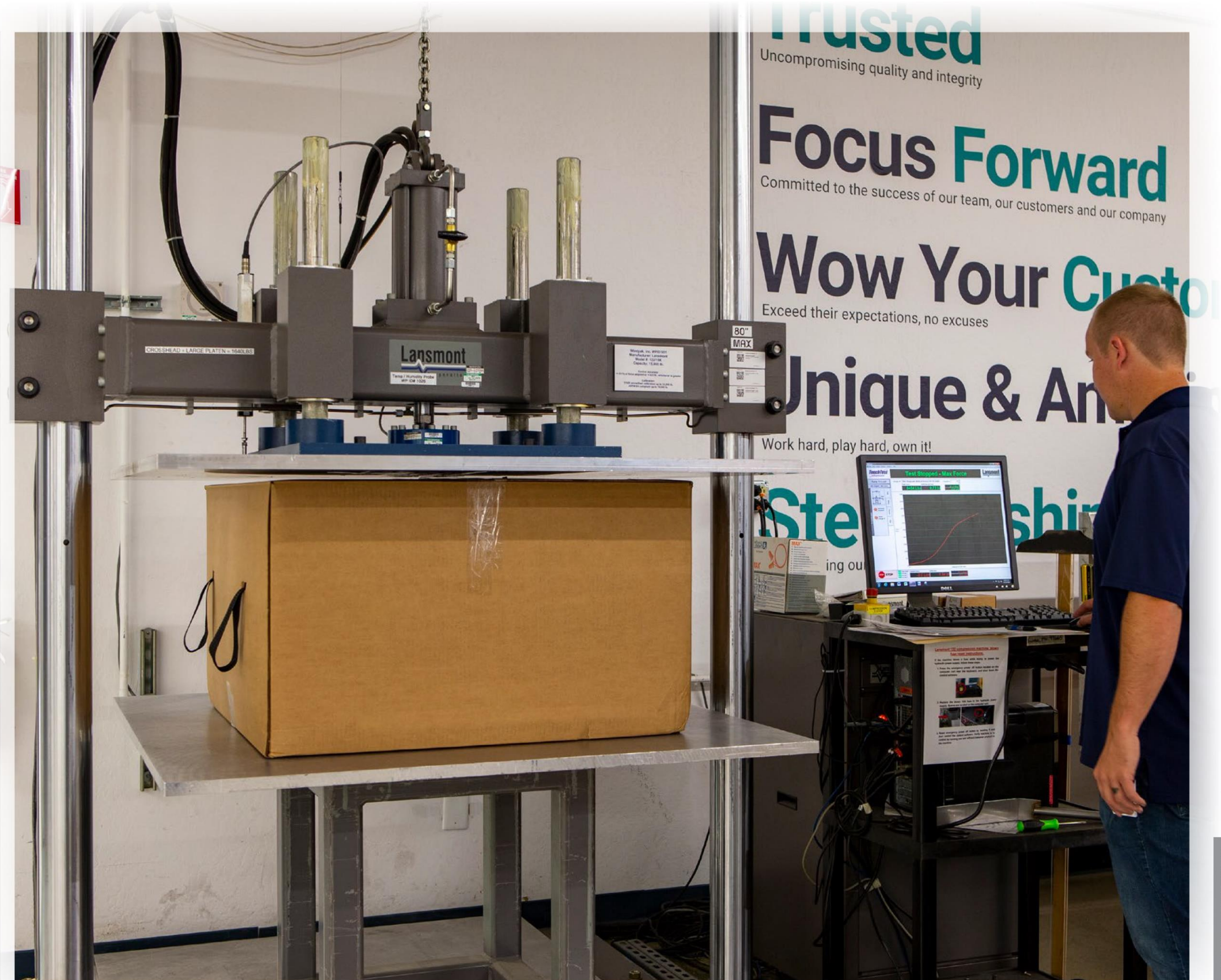
By leveraging the collective expertise and motivation of its employee-owners, the company offers innovative solutions and exceptional service, distinguishing itself in a competitive industry.

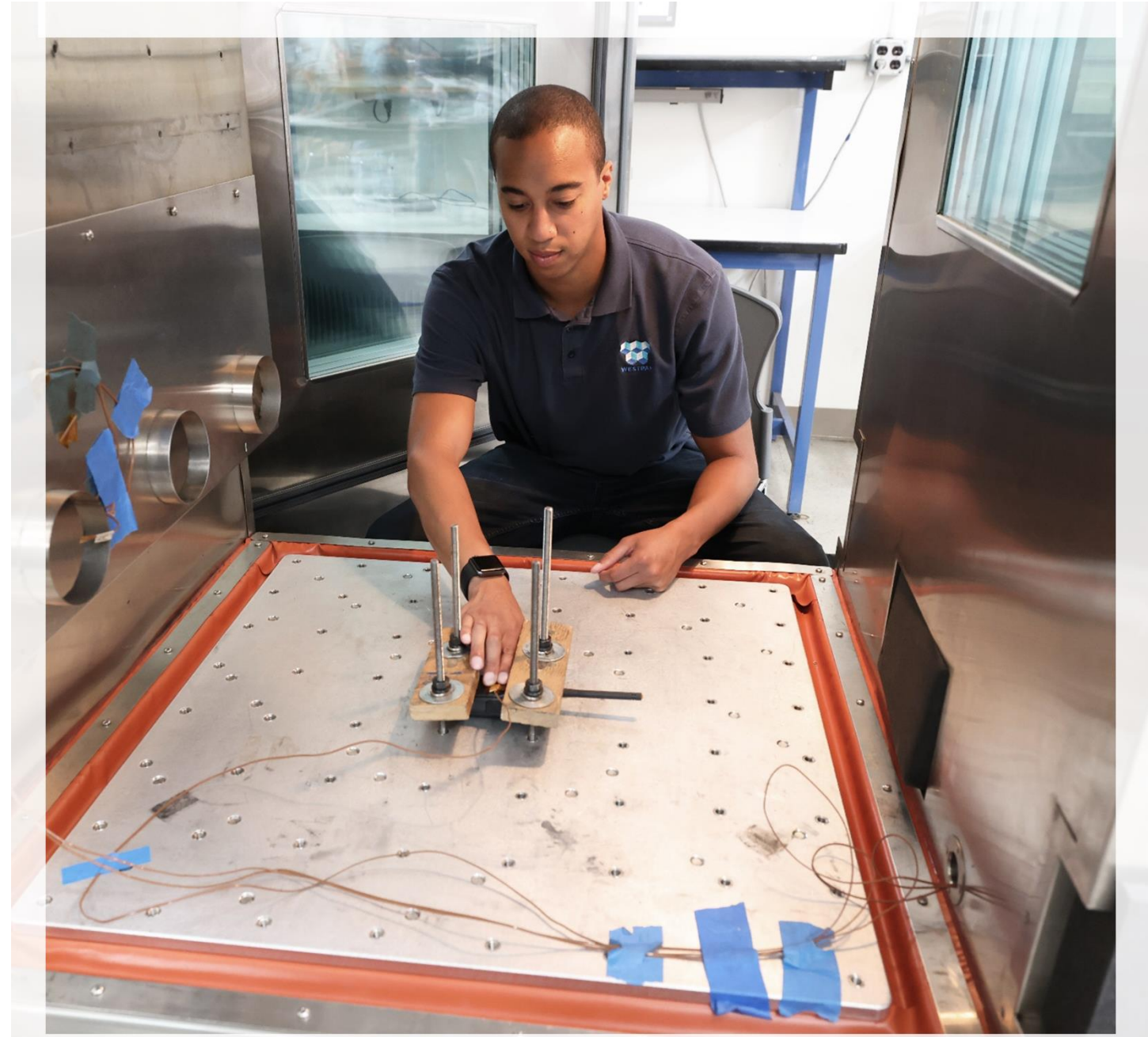
A PATH ALIGNED WITH CORE VALUES

Herb Schueneman's vision for WESTPAK was always centered on integrity and a sense of ownership for employees. As he approached retirement, his decision to transition the company to an ESOP was a natural extension of his beliefs.

This transition, completed in stages, allowed WESTPAK to become 100% employee-owned in 2017, providing significant tax benefits as an S-Corp and fostering a culture of ownership among employees.

This move secured the company's future while still honoring the founding ethos that work should be meaningful and rewarding for all involved. The ESOP model has granted WESTPAK many advantages, but





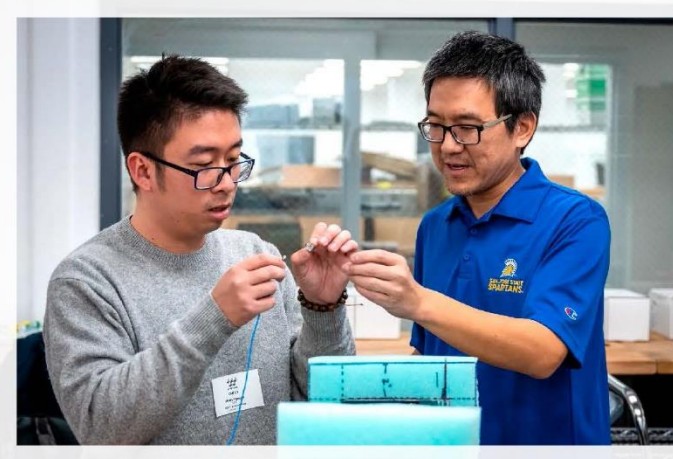
the company's biggest advantage has to be its ability to differentiate itself by leveraging this ESOP model, which is significant considering the way the testing industry has developed.

"In the testing, inspection, and certification space... there's been a significant shift in ownership structure over the past 10 years. Where there used to be a large network of small, privately owned labs, a significant infusion of investment and roll ups has changed that dynamic. Ownership structures have been changing

frequently... customers don't always know who's in charge anymore," says CEO Nora Crivello.

Crivello clarifies this sentiment, explaining that with so much outside investment entering the industry, most companies spend a lot of time adjusting their operations to the standards of their investors.

However, this rapidly changing environment is exactly what has allowed WESTPAK to stand out amongst its competitors. Since its ownership



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structure has been employee-based for years, they can avoid these disruptions, focusing instead on the customer receiving undivided attention and service.

WESTPAK's approach to integrating the ESOP structure into its culture involves consistent communication and a variety of educational tools. Leaders like Crivello understand that employee ownership benefits resonate differently with various groups.

For newer employees, it might be challenging to appreciate the long-term benefits of an ESOP, especially in expensive cities like San Jose and San Diego, where the company is based.

However, the longer the tenure of the employee, the more apparent and tangible those benefits become, as the company's investments into the ESOP have had more time to compound in value.

"Some of our more tenured employees have substantial ESOP accounts, allowing them to retire with a significantly larger nest egg than just a 401(k) has provided. Incidentally, we also offer a 401(k) and matching program." Crivello says, explaining how this has also stoked intense loyalty to the company's founder and his altruistic philosophies.

As a result, the average WESTPAK employee is willing to go above and beyond if it means providing a customer with top-quality service.

A CONTINUOUS PROCESS OF COMMUNICATION

As a company, WESTPAK did not achieve this level of collective employee engagement overnight, rather it did so via the consistent and gradual communication of the ESOP's value to the employees themselves.

When educating its employees about the advantages





of the ESOP, WESTPAK employs a “drip irrigation” approach, offering information in manageable doses.

“It has to be a consistent message,” Crivello begins, “a little bit of information consistently over time. You can give everybody all the information at once, but they’ll become saturated.”

So, to avoid confusion and overwhelm, WESTPAK deploys several clever and subtle initiatives to help communicate the ESOP’s value.

The company has a committee that kick-starts initiatives like employee-owner of the month, employee ownership awareness month in October, and the stock release that usually follows 6 months later.

Additionally, the company hosts quarterly owner summits, practices open book management, and consistently shares its financials with the team. Crivello says “New members to our team are astounded that we share the financial results

with the team because it isn’t a ‘normal’ business operation, but it’s become second nature for us to do so. Employee ownership can be thought of as a three-legged stool with the three legs being 1) teaching financial literacy 2) sharing the financials and 3) giving a stake in the outcome. These are the foundations of employee ownership.”

According to Crivello, one of the most beneficial things the company has done for itself is to invest in a company called Certified EO. This organization provides training materials, infographics, PowerPoint presentations, games, a wealth calculator, etc. to employee-owned companies.

To stay aligned with the “drip irrigation” approach, WESTPAK has leveraged Certified EO the most for resources like posters and infographics to provide employees with a consistent visual reminder of the ESOP’s value to them as owners with a vested interest.

This method acknowledges how iterative a process

educating employees about the ESOP needs to be while doing so in a way that makes the vast amount of info on the subject easy to digest.

While educating employees has proven to be effective at communicating ESOP value, nothing conveys ownership more than directly engaging in the decision-making process.

So, WESTPAK’s leadership, while they are the key decision-makers internally, still makes sure to seek the opinions of the employees. This is accomplished through ad hoc and formal committee work, one on one conversations and open door philosophies. A recent example is the inclusion of ‘boots on the floor’ stakeholders in potential expansion activities, as well as a small ad hoc group focused on re-stating WESTPAK’s value proposition.

SHIFTING FROM SLOW GROWTH TO RAPID EXPANSION

For the longest time, WESTPAK’s strategy has been a conservative and steady growth model that rests

on a rock-solid foundation of employee ownership, engagement, and quality service.

However, the company is now looking to leverage those positive traits a bit more ambitiously moving forward.

WESTPAK’s future involves expanding its reach and accelerating its growth trajectory. With a 5-year strategic plan in place, the company aims to increase its national presence, acquire new businesses, and continue providing exceptional customer service to support their customers’ go-to-market strategies.

To remain competitive, the company has brought in new executives with extensive experience in the testing space, aiming to transform WESTPAK’s operations and culture.

“Our job is to shift the culture, shift the operations, and shift the results... we’re looking at expansion, moving from regional to national footprint,” Crivello says.





This shift requires changing the mindset of a company with almost 40 years of history, but it opens the door to new opportunities. Despite the shift in growth strategy, WESTPAK remains committed to Herb's founding principles of integrity and customer service.

"We just focus more on giving back to our community and customers because that's more aligned with our core values... that's just more aligned with who we are," Crivello explains. These values have stood the test of time, allowing WESTPAK to navigate changing industry landscapes and maintain customer trust.

The company's long-term vision aligns with its ESOP structure, ensuring that employee-owners benefit from the company's success. The team is ready to embrace the challenges and opportunities ahead, driven by a shared sense of ownership and commitment to the company's success as well as their customers' success.

WESTPAK's evolution from a slow-growth model to a



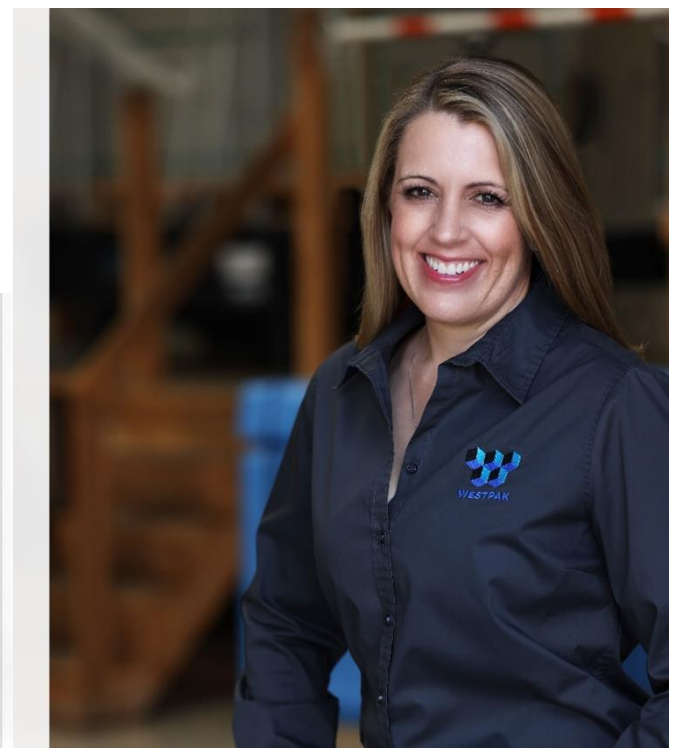


rapid expansion strategy demonstrates the power of ESOPs in fostering a sense of ownership and driving long-term success.

It is truly the engine that has fueled this company's steady and soon-to-be rapid climb within its industry.

With a dedicated team, responsible leadership, and a clear vision, WESTPAK is poised to continue its journey as the world's most trusted testing laboratory.

Our job is to shift the culture, shift the operations, and shift the results... We're looking at expansion, moving from regional to national footprint., Crivello says.





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