Onboarding
New Employees

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Excerpted from *The ESOP Communications Sourcebook*, 7th ed.

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The first day at a new job can be both exciting and overwhelming. New employees not only need to learn their job responsibilities but also have to navigate new relationships and cultural norms. Employee ownership, with its impact on the company’s culture and its technical details, adds complexity to the onboarding process.¹

This chapter covers two key aspects of the onboarding process for an ESOP company: orienting new hires to the culture of the company and educating them about employee ownership. Many companies treat onboarding as a process that takes place within a limited time period—the person’s first month of employment—and mostly covers logistics such as policies, benefits, and an overview of what the company does. The rest of a new employee’s process of learning the firm’s identity, culture, appropriate behaviors, values, and any skills needed to be successful is left up to each individual to figure out. To maximize a new hire’s chance of success, and to ensure that new hires adapt to the company’s culture, companies need to plan a longer-term onboarding process taking place over 12–18 months.

Companies with exceptional onboarding processes carefully consider what employees need to know and at what point in time they really need and have the capacity to learn it. Mapping this on a 12- to 18-month calendar can be helpful. Companies may be tempted to think that new employees must know everything immediately, yet research on adult

¹. We have chosen to use the word “process” rather than “program” because the most effective onboarding is not solely an event or training taking place over one day or a few days. Rather, onboarding is viewed as a process that shapes an employee’s full first year at the company. To avoid the confusion with a one-time orientation program, we use the language “process.”
learning shows that people are more likely to retain information when it becomes important to them. For example, providing new employees with detailed specifics about the ESOP soon after they join is likely not a good use of time. ESOP account rules and mechanics are not immediately relevant to employees’ jobs and are too technical for employees to absorb while they are learning their jobs and company procedures.

Companies with solid onboarding processes also recognize other important aspects that contribute to a person feeling at home in a new company, such as connecting with employees of a similar age or in a similar life stage, or with common interests. They design a process where new employees can learn the culture of the company, which will influence the likelihood of their success at the company. Companies also think through who should have responsibility for managing the different elements of each employee’s integration. While the Human Resources department may design and facilitate major components of the onboarding process, the best processes require manager commitment and involvement, senior leaders’ participation, and a general cultural orientation to the company to welcome new employees and show appreciation for what they have to offer.

The Importance of Prioritizing Culture

James Heskett, a well-known Harvard Business School professor, wrote in the book *Culture Cycle* about the demonstrable impact of a company’s culture, asserting that up to half of a firm’s profitability can be attributed to its culture. This is further supported by decades of research confirming that when an ownership culture, characterized by high participation and engagement, is coupled with employee ownership, significant performance advantages can be achieved.

Many ESOP companies cultivate ownership cultures, where trust, teamwork, mutual accountability, responsibility, cooperation, respect, empowerment, and transparency are practiced and prioritized. These are companies where people are motivated to work well together and to enhance the company’s performance, thereby increasing the financial rewards from the ESOP as well as having a positive and engaging work environment. For many ESOP companies, their culture is foundational to their performance and success. Onboarding new employees so they
understand the culture and its connection to the ESOP will help sustain the company’s culture and drive the company’s business success.

When companies do not take the time to articulate the behaviors that comprise the culture and how those behaviors contribute to the company’s success, they are risking employees becoming frustrated or confused until they figure out the rationale for the culture on their own. Here’s an example: A new member of a senior team, hired externally, reported the following experience upon joining an ESOP company with a strong culture that maximized participation in decision-making. Company leaders were committed to the belief that more input would result in better decisions, which made the decision-making process slow. Input on strategic decisions was sought, and proposals were vetted by people from all levels. Though this new leader was committed to the company’s way of doing things, by self-report it took him more

So What Do You Say About the ESOP in the First Few Days of a New Hire?

Because employee ownership is an important part of the company’s identity, companies can provide brief messaging about the ESOP in the first days of a new hire, with an emphasis on what employee ownership means for the individual, and the company’s culture and values.

The initial ESOP message may be as simple as: “We’re employee-owned. Employee ownership works through something called an ESOP where, through a retirement plan, you benefit from growth in the company’s stock value. You’ll have a chance to learn more details about how the ESOP works later this year. In the meantime, what’s important to know now is that for us, being employee-owned means that we care a lot about fostering a positive team environment and hearing your ideas for how to make the company better. Because all of our employees are owners, we all are responsible for working together and improving the company. You’ll have a chance in your first year to learn the specifics of how you can be involved. In addition, you can expect to receive a lot of communication about our business goals, how we’re performing as a company, and what we are doing that is making us successful.”
than five years (during which time he was often frustrated with slow
decision-making) to understand why the company did things the way
it did. Coming from a very different company culture, he was used to
having a few senior people make decisions and everyone else falling into
line. Because the ESOP company did not provide a deep orientation to
its culture and values, this person struggled for five years to understand
the culture, even though the ownership culture had supported the com-
pany’s steady growth and success in a competitive market.

Integrating a new employee into the company’s culture and pro-
viding that person with clarity about expected behaviors and why they
matter should take priority during a new hire’s first months on the job.
New employees are usually eager to figure out how they fit in, making
the onboarding period one of the best opportunities to shape an em-
ployee’s appreciation of the culture and the behaviors that will make
the person and the company successful. This presumes, of course, that
the company has already articulated the behaviors believed to be an
important part of the culture and essential to the company’s success.

Thoughtful onboarding of new employees provides them with
insight, guidance, and support into how and why a company works a
particular way. This process enhances a person’s first-year experience,
and better enables a new employee to contribute positively in the first
year and embrace the company’s ownership culture.

Key Elements of an Onboarding Process

First Impressions

An employee’s first day can set the tone for the onboarding experience.
Companies can make an effort to make sure new employees feel wel-
comed and excited on their first day. Murray Securus, an ESOP-owned
insurance company, puts welcome signs with new employees’ names in
the main entry and at their office spaces. This helps new employees feel
welcome, and others in the company know to reach out and say hello
and offer assistance. On their first day, it is ideal for new employees to
spend time with their manager, meet their team members, and become
familiar with basic company polices and processes. New employees will
also want to know basic practicalities such as the location of their desks,
the location of bathrooms and kitchens, the dress code, when and how
they get paid, any regular administrative work they need to complete, when they are eligible for benefits, hours they are expected to be onsite or available, computer and internet access, and parking.

Within the first week, companies can make sure that employees learn key policies, connect with employees who they might work with regularly, and become familiar with basic tools and processes they need for their work. They can also begin to become more familiar with the company’s mission and its products, services, and markets. Once these basics are taken care of, a new employee can begin to work and will be ready to learn about the company culture. Through a positive first-week experience, new employees can begin to experience the ownership culture in action, through the care and attention given to their experience, and the efforts of other employees in reaching out and connecting.

**Formal Onboarding Training**

Formal orientation training, beyond the basics, can be a valuable milestone during the first year. Many companies bring new employees together once or twice a year. Each training can take place over a single day or several days. Formal orientation programs, designed well, can be a valuable means of connecting employees with the company’s mission, values, leaders and coworkers, and culture. It is a platform for discussing the opportunities and responsibilities of being an employee-owner. How is ownership reflected in a person’s everyday work experience? What can new employees expect of others, and what will others expect of them? Formal training programs can also be a way for employees to experience employee ownership and the values of the company “in action” if programs are designed with that in mind.

These are key components that ESOP companies have found useful to include in their formal orientation training.

- *An overview of the company history, including the role of the ESOP.* The CEO or other senior leader will share this history and provide context on the company’s strategy, financial status, hopes for the company’s future growth, and the role of employee ownership.

- *A general orientation to the business.* This could include learning more about company products and services and the work of various business units and/or departments, basic financial literacy education,
and/or an overview of the business’ competitive advantage. Adult learning principles suggest that a series of presentations by department leaders may not be the best approach. A more engaging and hands-on process could lead to greater learning. King Arthur Flour, a 100% ESOP-owned company selling flour and baking ingredients and equipment, provides a good example. They include a scavenger hunt in a one-day new employee orientation. New employees are divided into teams and sent to speak with people in different departments to answer specific questions. Many of the departments provide the teams with concrete examples of their work. King Arthur’s orientation day also includes a session with a baking educator that provides a hands-on focus on essential characteristics of the company’s most popular flours as well as a game that teaches new employees which of their nonperishable products are the most popular with their customers. In addition, new employees, regardless of their functional responsibilities, are expected to take a beginners’ bread baking class to personally understand the process of making this core product.

- A discussion of company core values. Companies that believe their culture is an important component of their success emphasize core values and culture in their orientation programs. This can mean educating employees on the rights and responsibilities of being an employee-owner, talking about how company values have guided important decisions, and specifying desirable behaviors. To make this meaningful, companies have made this practical and interactive.

  — North Highland Companies is a 100% ESOP-owned consulting firm headquartered in Atlanta. The founders built the firm on a set of values they believed would give them a competitive advantage. To begin orienting new hires to these values, the company assigns each new hire a topic from the book *True Professionalism* by David Maister. Each person then introduces their topic to roundtable groups for discussion. The topics chosen, such as honesty, integrity, and understanding client value, are all central to North Highland’s ownership culture.

  — Central States Manufacturing, a 100% ESOP-owned company that manufactures and distributes metal building products, requires new hires to attend values and mission statement
training. The company aims to do this within two weeks of the hire date. In that training, specific scenarios are covered and participants are asked how they would respond. Some of these scenarios involve conflicts over corporate values that require a person to prioritize one over another. For instance, to rank the importance of the values of integrity and financial success, new hires must discuss whether they would delay the departure of a delivery truck over safety weight limits, even if it would result in late delivery and a potential lost customer.

— Gardener’s Supply, a 100% ESOP-owned catalog company selling gardening supplies, home and garden décor, and gifts, has an employee tell a story about each of the company’s 10 values. Then new hires are divided into small groups to discuss their experience, so far, of how well the company is living each value by giving examples of where they have seen that value reflected in behavior or practices and/or where they think the company could do better. These discussions are communicated back to company leaders to keep them attuned to how well the values are being used and reinforced. Participants benefit from feeling heard and respected. BL Companies, a 100% ESOP-owned architecture, engineering, environmental, and land survey company, does a similar exercise in its new employee orientation program, and uses the feedback, along with their employee survey, to inform its annual planning.

• **Strengthening social connections.** Orientation programs can create stronger social connections among new employees. If, in multi-location companies, people are brought in to one location, there is an opportunity for people to connect to one another across geographic boundaries. And, when company leaders are present, employees at all levels have an opportunity to get to know them and to hear from them first-hand. Spending this dedicated time together with leaders helps new hires feel valued.

• **Basic culture-related skills and concepts.** Companies can use this time to teach new employees basic leadership and communication skills that will improve their ownership behaviors. These skills can also be taught in a separate program, as outlined below.
Basic Leadership and Communication Skills

In addition to understanding the culture conceptually, employees benefit from learning practical skills that equip them to work effectively within the company’s culture. New Belgium Brewing, a 100% ESOP-owned brewing company headquartered in Boulder, Colorado, ensures every new hire attends training on a set of skills the company leaders believe are essential to their culture. These skills include how to engage in challenging conversations and adapting leadership styles to different contexts. The training provides everybody in the company with a common language and skills to work together effectively.

In BL Companies’ Foundation program, attended by all new hires within their first year, senior leaders teach and facilitate training modules that cover listening, giving and receiving feedback, emotional intelligence, and implicit bias. Not only do they teach the skills, they also share personal stories about their experiences using, or not using, the skills. These personal stories humanize senior leaders, which contributes to building an atmosphere of trust with new employees, making it easier for new employees to talk candidly about their own challenges. BL Companies sustains the openness and learning from this basic training, by assigning participants to cohort groups of 8–10 employees, led by two senior leaders, that continue meeting on a monthly basis to discuss different leadership topics. Although the membership of each group is reconfigured every couple of years, these groups provide ongoing reinforcement for the company culture as well as building strong relationships among people from different locations and different disciplines.

Manager Relationship

The quality of employees’ relationships with their managers is a major factor supporting employee engagement. Companies can guide managers in building good relationships with their employees from the first day. At Gardener’s Supply, supervisors are charged with making sure new hires feel welcome by doing things such as taking them to lunch, introducing them to others, and having flowers delivered to their desk. BL Companies provides managers with a full one-year guide of how they should be engaging with new employees, including making sure they
have access to the project management tools and technology resources they need, meeting people in other departments, and regularly checking in with them to talk about their ongoing experience, not solely on the status of specific work-related projects. Many companies invest in developing managers with solid listening and feedback skills to ensure new hires feel heard by their manager, and so the manager can provide regular, ongoing performance feedback—both positive or corrective, if needed. This provides the basis for a new hire feeling valued and knowing how they are being successful as well as what corrections they may need to make before they have a problem.

Finally, managers need to be aware that every time a new person is brought into their group or team, the dynamics of the team will shift. Managers can spend focused time introducing new hires to other team members, discussing the roles and strengths each person brings to the team, and reviewing the team norms for interacting. This will help to shortcut any potential confusion about roles or expectations and more quickly integrate new hires onto the team.

**Peer Mentors**

Peer relationships facilitate on-the-job learning for employees. Many companies set up formal peer mentors for new hires so that employees have a go-to person for their questions. An employee may have questions about why the company has a particular policy or has made a certain decision. Or new employees may want to talk with someone about how to best suggest changes to a process or launch a new initiative, or who they should approach with a suggestion. Peer mentors can offer informal guidance to such questions. Peer mentors can also check in regularly with new employees on how they are integrating at the company, offering additional social connections.

Peer mentors may themselves need training so they are not passing on their own bad habits. A firm can determine a formal selection process or criteria for selecting peer mentors. It may also benefit from bringing the mentors together once or twice a year to learn if there are any common problems that new employees are experiencing that changes to the onboarding process could address.
Meaningful Contributions to the Company

While there is a lot to learn in the first year, new hires can contribute their ideas, perspectives, skills, and experiences to the company during that time. Feeling heard and knowing they have made solid contributions to the company will result in new people feeling engaged. Managers and peers can play an important role in making sure a new hire has opportunities to work on interesting projects or assignments, participate on committees, and/or contribute ideas for improvement. For many companies, suggesting ideas for improvement and being engaged are central tenets of their ownership culture. New hires should be invited to participate in this way as soon as possible.

ESOP Education

Companies often find that the best time to provide detailed ESOP education is when new hires are close to becoming eligible to join the ESOP, generally a year or two after they join the company. Even if a company regularly provides ESOP communication, dedicating time to educating newer employees about the ESOP can accelerate their understanding and appreciation of it. Human Resources staff or a communications committee member can deliver the training, but having a senior leader kick off the meeting by talking about employee ownership can emphasize its importance. Peer mentors also provide an informal way for an employee to ask questions. Some companies may also have their employee-owner committee members (see chapter 3) serve as an additional mentor or “ESOP buddy” for employee ownership-related questions.

Sample Overview of an ESOP Education Session

Typically, ESOP educational sessions are an hour to an hour and a half long and cover basic questions, such as: Why are we an ESOP company? What is an ESOP? How do I get company stock and what will it be worth? and How does employee ownership affect how we manage and govern the company?
Starting with the “Why” of employee ownership allows the opportunity to connect the ESOP to the culture of the company. The bigger picture of what employee ownership means for the company is a compelling frame for an education session that will get into technical detail.

To answer the question “What is an ESOP?,” an education session could compare and contrast ESOPs with more familiar types of retirement plans (e.g., 401(k) plans). Sharing general ESOP statistics (many are available through the NCEO’s website at www.nceo.org) and stories from other ESOP companies, especially ones that employees will recognize, can provide evidence that ESOPs are a well-established form of ownership.

Answering the question “How do I get company stock and what will it be worth?” involves going over the ESOP rules for eligibility, allocation, vesting, and distribution. People are most interested in applying the rules to their own situation—learning how and when they receive stock, when they will receive their distributions, and what their accounts could be worth. This may require a basic review of the ESOP transaction so that people understand the role of the suspense account, if applicable.

Companies can also explain the valuation process and the factors that drive share price, linking the behaviors that contribute to company performance with the growth of individual ESOP accounts. Many companies may share sample growth scenarios or an account projection tool so that employee-owners can see what their ESOP accounts might be worth in the future under different assumptions.

Finally, addressing the question “How does employee ownership affect how we manage and govern the company?” involves discussing the governance structure of the company and the role of the trustee. For companies with formal mechanisms for employee-owner input into governance, this is an excellent opportunity to showcase how the company values employee-driven decision-making. For other ESOP companies where this may not be the case, companies can emphasize how employee-owners’ opinions influence company decisions, and the ways that this can happen—through formal feedback channels and involvement opportunities, through committees, and through a high-empowerment culture.
Business Literacy Education

Once employees are fully settled into their jobs and have a solid understanding of the ESOP, the company’s culture, and what is expected from them, basic business literacy education can enhance their ability to think and act like owners. Employees benefit from learning the company’s business model and how to read and understand simple financial statements. This will equip employees with the knowledge about how to make decisions that can strengthen the company, with financial implications in mind. Business literacy programs might cover concepts such as:

- Fixed and variable expenses
- The difference between sales and profits
- Gross profit and net profit
- Key performance indicators (KPIs) for the company
- Factors that cost the company money (e.g., too much inventory on shelves, rework, unpaid change orders, utilization below targets, or investments with little or no return)
- Which KPIs each new hire can affect in terms of their everyday actions and decisions, with examples
- The contribution people in each department make to the company’s financial success
- How profits are used (e.g., investments that yield a return versus money going out of the company, or raises versus bonuses)
- How the company’s financial performance links to changes in the company’s financial value and to the value of individual ESOP accounts.

This training can be particularly effective when it is interactive and when it is taught by non-leaders. For example, members of a communications committee can be taught to be trainers for business literacy programs. This has multiple benefits. First, the communication committee members will ensure the material is taught in an accessible
manner because they will need to understand it before they can teach it. Often, leaders of finance departments have too much sophisticated knowledge to make concepts easy to understand by people new to finance. Second, employees are more likely to trust their peers and may be more comfortable asking questions. Finally, teaching business literacy is a development opportunity. These same people can be called on to communicate more regularly on the company’s performance.

Understanding the business and basic financial concepts that are important to the company ensures that new employee-owners have the knowledge to act like owners to drive the company’s ongoing success.

**Conclusion**

Hiring and bringing new people into our companies is exciting! It signals growth and brings in new perspectives and skills. Yet it will be important to ensure that these people understand the company’s values and culture and its connection to the ESOP, whether they are entry-level hires who can take initiative to improve the company, managers who need to invite feedback and suggestions, or senior leaders who need to model and create the conditions for the behavior they hope to see in the company. The combined impact of ESOP ownership and an ownership culture on a company’s performance is enormous, and the successful integration of new hires is critical to sustaining that advantage.