



Cornerstone Systems' senior staff includes, back row from left: CFO/COO Pat Nieman, President/CEO Tim Clay and Senior VP of Sales Guy Wallace. On the front row are Senior VP of Marketing Ron MacDonald, left, and founder and Chairman Rick Rodell. PHOTOS COURTESY OF CORNERSTONE SYSTEMS

Power to the people

This Memphis company is now 100% employee-owned

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A Memphis logistics provider is now 100% employee-owned, completing a transition that first saw some "too good to be true" skepticism in 2013.

Cornerstone Systems provides various logistics services, including truck brokerage, domestic transportation of U.S. imports and exports, and warehousing. It also offers insulated rail car transport popular among Napa Valley wine industry players.

"Those niches fit us extremely well," President and CEO Tim Clay said.

What sets Cornerstone apart from its competition, at least for employee recruitment, is its employee stock ownership plan (ESOP), said Chief Financial Officer and Chief Operating Officer Pat Nieman.

The ESOP gives Cornerstone's employees ownership interest in the company. They gain shares throughout their employment and receive the benefits after departing, giving them financial security in retirement, Clay said.

The plan helps Cornerstone by motivating employees and giving them more reason to stay on with the company, Clay said. Since the ESOP is tied into the company's stock value, employees benefit more the better the company performs.

"We looked at it and said, 'You know, this seems like a win-win,'" said Clay, who had been exposed to the ESOP idea at a previous career stop. "It will benefit the company, it will benefit employees into retirement and create more alignment."

Cornerstone's ESOP plan is one of 6,600 in the country covering more than 14 million employees, according to the National Center for Employee Ownership. ESOPs are generally used to establish a market for a departing owner's shares, create a supplemental employee benefit plan or "borrow money in a tax-favored manner," the center says.

Cornerstone has 190 employees, 100 of whom work in Memphis. Nieman



Mike Murphy watches Sam Hong work in Cornerstone Systems' Intermodal Operations Department in Memphis. Both are intermodal account coordinators for the third-party logistics provider.

said. Its employees service customers who have specific needs and want a high level of care, as opposed to those who want low price tags and are fine with a wide delivery time frame, Clay said.

"We're after customers reliant on us to pick up a product on time, monitor it while in transit, expect us to solve problems and except us to deliver it within a certain window," he said.

Cornerstone became an ESOP in 2013, when founder and Chairman Rick Rodell sold 49% of his shares to the new plan. A feasibility study by Memphis firm Executive Financial Services at the time found Cornerstone was "a great candidate" to become an ESOP company, Clay said.

Among employees, there was initially both a buzz and speculation the ESOP was "too good to be true," according to Clay. Each year, more employees warmed up to the ESOP as they began to fully understand the plan, he said.

At the end of 2019, Rodell sold his last 51% to the ESOP, making Cornerstone a 100% employee-owned company. Rodell said in a statement the ESOP allowed him to reward employees, in-

cluding those who have worked with him for decades.

"Let's face it, our employees are the ones our customers deal with," Rodell said. "I and Senior Staff may get interviewed, have our pictures taken and make a splash in the local papers, but our employees are the reason we get the press."

Every year, Cornerstone contributes to the ESOP and a certain number of company shares are released. These shares are allocated to employees based on compensation, Nieman said.

Clay said an ESOP is best suited for a company with "servant leader" executives that can get the best out of their employees.

"My desire is, once we're gone, to pass (the ESOP) off to a new generation of leaders so the company continues on," he said.

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