# Ownership With a Purpose

## A Case Study of Clegg Auto's Employee Ownership Trust

**By Maxwell Johnson, April 2025**
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In recent decades, the principle of shareholder primacy – that the duty of a company is to maximize returns to its investors – has increasingly guided the behavior of corporate America. Payouts to shareholders often take precedence over investments in employees and in businesses themselves. Short-term decision-making seems all too common. And though the Business Roundtable revised its statement on the purpose of a corporation in 2019 to include a responsibility to workers and communities, the change in rhetoric has thus far made little difference in workers' lives, and the business models which drive corporate behavior still retain a principal focus on profit.

A more inclusive economic future is necessary, and the story of Clegg Auto shows the promise of employee ownership (EO) in aligning the interests of workers and businesses. Well-structured employed-owned companies, like Clegg Auto, bring workers into decision-making processes and give them their piece of the pie through profit-sharing or direct share ownership. EO can also ensure that small businesses – among the most trusted institutions in the country – stay rooted in their communities after the original owners move on.

Employee ownership at Clegg Auto, which employs 60 people at four locations in and around Provo, Utah, takes the form of an employee ownership trust (EOT). An EOT is a type of purpose trust that owns some or all the shares of a company and legally binds the company to operate in the interests of its employees. Like its better-known cousin, the employee stock ownership plan (ESOP), an EOT allows owners to transition their shares to a trust without putting employees at financial risk.

The trust model is suitable for businesses of all sizes, and especially beneficial in making employee ownership possible for small businesses, thanks to low transaction and administrative costs, as well as its capacity for customization. Moreover, a trust can insulate a company from takeover by requiring that it maintain its independence. Clegg Auto took things a step further by marrying an EOT with a holding company structure – an innovation that can facilitate conversions to employee ownership through acquisition by the EO holding company.

This case study reflects on Clegg Auto's experience transitioning to an EOT and its rationale for doing so. It includes a discussion of the unique strengths that trusts have in making employee ownership an exit option for small business owners and a presentation of employees' perspectives on the EOT transition. This case study is derived from interviews with Kevin Clegg, CEO and former owner of Clegg Auto; Daron Jones, vice president of Clegg Auto; Zoe Schlag, co-founder and managing partner of Common Trust; and six employees of Clegg Auto, in addition to a review of relevant secondary literature.

# The Clegg Auto Story

Founded in 1998 by Kevin Clegg and his brother, Steve, Clegg Auto is a full-service auto repair company with 60 workers across three auto shops and one body shop in Provo, Utah, and several growing, rural communities outside the city. After the company's founding, Kevin left Clegg Auto to serve in a human resources role at a large corporation. When later asked to come back to Clegg Auto to help grow the business, Kevin conditioned his return on a guarantee that the owners would eventually turn ownership of the company over to the employees.

### Why employee ownership?

Kevin had witnessed how buyouts too often put employees and customers last and wanted what he and his brother built to continue. Employees take on risk when they accept a job offer, he observed. "If we build something in the spirit of capitalism," he explained, "it is naïve to think that the only person who took risk is the person who provided capital." For Kevin, EO was more than an exit strategy to preserve the company: it was also an operational model that could enhance the strength of the business and help retain and attract high-quality employees in a tight labor market.

Kevin initially explored whether conversion to an ESOP might be feasible, partnering with Daron Jones, a seasoned entrepreneur, in the effort. They quickly learned, however, that while converting to an ESOP confers tax advantages for exiting owners and gives employees shares in the company, an ESOP could eventually be sold back into conventional ownership. That would run counter to the intention of keeping Clegg Auto employee-owned in perpetuity, so the ESOP model was crossed off the list. Luckily, the setback was short-lived. A Brigham Young University student research group, hired to explore various forms of employee ownership, alerted the owners to the EOT model and Common Trust, a business advisory specializing in EOTs.

### Becoming an Employee Ownership Trust

The simple, flexible, and perpetual nature of an employee ownership trust made it the best structure for Clegg Auto's transition. The owners believed EOTs offered a growth-oriented model for the long term that wouldn't require employees to put up their own money. Clegg Auto's EOT requires employees to be treated as co-owners and given the opportunities and support to do their best work and provide a high level of service to customers. In addition, the EOT allows for profit-sharing with employees and charitable giving to the community, including a guarantee that, should the company ever be dissolved, any remaining financial assets would go to charity.

Clegg Auto and Common Trust worked out a structure that wraps up the company's four locations as subsidiaries in a holding C corporation, whose shares are wholly owned by an EOT. Administrative services, like human resources support, accounting, and marketing, are consolidated in the holding corporation, so that the four subsidiaries can focus on their core operations. Clegg Auto retains a management structure for its day-to-day operations. A board of three trustees – initially Kevin, Daron, and a representative from outside the company – and a trust enforcer observes that the principles of the EOT are followed. Company leaders anticipate that an employee representative will also join the board.

"EOTs are uniquely suited to serve certain segments of the market due to their simplicity, lower cost, and customizability," Zoe Schlag, of Common Trust, has found. They have wide appeal, whether for owners of businesses counting a handful to a few dozen employees, rural businesses, or large enterprises looking to protect their mission while establishing employee ownership. "These business owners need an employee ownership option that's really affordable, both in terms of executing the buyout and ongoing administration and in terms of customization," said Zoe. "What works for a small shop in one industry is going to look very different for a large business in a different industry, so the flexibility of the incentive model of EOTs is a major benefit."

### Financing the EOT

Clegg Auto's transition to an EOT was structured to allow the immediate partial payout of one co-owner and the gradual payout of the rest, whose equity shares would be transferred to the trust over time. Common Trust helped Kevin and Daron with the transition and financed the transaction to buy the co-owner's equity. Crucially, seller financing minimized the debt obligations of Clegg Auto once the EOT assumed ownership and ensured that employees did not take on financial risk for the transition, since future profits would pay out the previous owners. Once the two-year transition was completed, Clegg Auto began profit-sharing with staff. Profits also are divided among working capital, capital improvements, and charitable causes. The distribution of profits is flexible and can be modified with the trust's approval.

## How is Clegg Auto establishing a culture of ownership?

Clegg Auto retains a traditional management structure but has implemented a collection of workplace policies and practices that provide greater opportunity for employee input, engage them in workplace decision-making, and connect their efforts to financial rewards.

**Clegg Auto practices profit-sharing.** The amount each employee receives in profit-sharing is determined based on one's share of total payroll. Half of the profit-sharing distribution is paid on a quarterly basis, and the other half is paid out at the end of the year. In 2023, the first full year after Clegg Auto's transition, $475,000 was distributed among 55 employees, boosting pay by about 15 percent.

**Comprehensive pay and benefits complement profit-sharing and underscore a commitment to job quality.** Clegg Auto distinguishes itself from its peers by paying shop floor employees on a salaried or hourly basis, rather than a flat rate per job, as is common in the industry. The salaried and hourly pay system reduces the conflict that employees experience at other auto shops when work is scarce. In addition, the company provides for a 401(k) retirement with a matching contribution, and a custom health benefits plan comprising a nondenominational health share, primary care, telehealth, and maternity leave. The thinking was, Kevin Clegg shared, that "As co-owners of this business, let's care for our health as something that matters, and let's design this and put our dollars to something that's actually valuable and worthwhile and starts to counteract the craziness of health costs."

**Clegg Auto opens its books to employees so they can understand how their work affects business performance and offer input in decision-making and on potential improvements.** "We really want to get to the point where individuals know how what they do contributes to the bottom line," explained Daron, since each employee "is an owner in the profits and in the fact that they have a voice in the organization." An internal website and a weekly one-hour shutdown period provide opportunities for managers and employees to solicit feedback and discuss new ideas for work processes, issues concerning employee ownership, training, and other matters.

Kevin has found that most employees want the chance to comment on proposals and voice ideas, but there is still hesitation among employees when it comes to taking the lead. It is a "balance," he said, "of helping people to be more autonomous and then providing the direction that is needed if nobody is stepping forward to lead."

**Clegg Auto emphasizes an ethic of stewardship through an employee training program.** The company is rolling out a three-part workshop series: "Own My Life," "Own My Career," and "Own My Company." The workshops recognize the interconnection between the quality of one's personal life and its effect on one's work life, aiding employees in identifying and progressing toward their goals. Kevin underscored that owning one's life means that "instead of having a company tell you what matters and what's important, we are asking each employee to identify what matters most to them and to take action to focus more on that in their lives. This is foundational ownership."

**The EOT appends a charitable commitment to Clegg Auto's mission.** Written into the EOT is a commitment to giving 10 percent of profits to charity. Half of that amount is turned over to Clegg Auto's four locations, whose employees determine the causes they wish to donate to. The other half of the money is obligated to charities that help disadvantaged children.

Daron emphasized that stewardship for the community goes beyond a line item. "We hope…that [with] this profit-sharing, we're giving right back to the employees — and hopefully they're putting a lot of that in retirement." But, he continued, "They're also spending in the local communities, so we hope that that has some community impact in the areas that we work in."

## How does ownership in EOTs differ from ownership in ESOPs?

The Clegg Auto EOT holds the company's shares in stewardship for employees present and future. It is a form of ownership that is different from ESOPs. EOTs generally fall under and are governed by states' trust laws, while ESOPs are a creature of the Employee Retirement Income Security Act of 1974, with employees directly owning shares of the ESOP company, which they cash in upon leaving it. Under federal law, an ESOP's trustees have a fiduciary responsibility to prioritize the financial interests of the's ESOP participants. This means that an ESOP company could be sold to an outside bidder. Were such a sale to happen, current employees vested in the ESOP would receive a lump payout. However, future generations of employees wouldn't benefit from employee ownership, and reverting to conventional ownership could increase the likelihood of the business leaving the community.

# How has becoming an EOT affected Clegg Auto's employees?

**Profit-sharing allows employees to reap the fruits of their labor and provides additional economic security.** "It really does make you feel like you are an owner and contribute to the business," said one automotive technician. "[You] put the work in, and now you get to see that return," echoed another. Clegg Auto employees use the extra money to save for retirement, cover unexpected expenses, and finance a more comfortable quality of life, like covering the down payment for a new car. In the case of one employee, profit-sharing helped compensate for a spouse's job loss. Many Americans don't have much in the way of savings, observed a front office worker, but profit-sharing allows employees to "save and then renew almost their entire financial situation."

**A culture of ownership encourages input on company-wide decisions and promotes horizontal accountability among employees.** Clegg Auto practices open book management, and staff collectively review the numbers on a regular basis. Employees offer feedback to management on ideas for improving the efficiency and effectiveness of the business and raise ideas of their own. Feedback can range from one employee's observation that the company seemed to be overspending on cleaning supplies, to staff weighing in on whether it was the right time to purchase an expensive piece of equipment, given that another expensive item hadn't yet been paid off.

Financial transparency and employee ownership have brought about an understanding of how individuals contribute to the bottom line, creating a sense of responsibility to one's peers. "We're all accountable to each other for doing our work and putting forth our best effort," stated an employee. "The motivation is there for me to make sure those numbers are being hit and that we're profitable," related another. "Nothing is a secret anymore."

**Practices that support employee ownership make employees feel valued as people and foster a sense of community.** Job quality and quality of life are inseparable, and accountability also means understanding that "work lives, whether we want it to or not, carry over into our personal lives and vice versa," as one front office employee put it. The "Own My Life" workshop and mental wellness initiatives help employees learn, grow, and make improvements. "The numbers will speak for themselves," summarized an employee. "What the company cares about most is your morale."

Clegg Auto extends its ethic of care to the communities where it operates, a value that, as an automotive technician emphasized, can be sustained by the company's continued independence under the EOT. "It prevents bigger companies from coming in and buying it — and then from just doing whatever they want and messing up everything that we built here." And under employee ownership, Clegg Auto's practice of donating car repair services has been formalized, through a percentage of profits being allotted to charitable causes.

# Concluding Thoughts

By transitioning the company they founded to an EOT, the owners of Clegg Auto reaffirmed a commitment to the company's employees and community. Indeed, employee ownership may be a vital antidote against the encroachment of a form of capitalism that often prioritizes the profits of distant investors above all else. Employee ownership recognizes that workers — people — drive profits, and it returns to them a fair share of the pie. The adoption and growth of this version of stakeholder capitalism can help ensure that the nation's prosperity is shared more broadly, responding to a sentiment felt by too many that the US economy isn't working for them.

Maximizing the potential of employee ownership requires good design, as Clegg Auto has shown. Investments in employee education and training are crucial for creating a culture of ownership — and those investments should start before transitioning to employee ownership. Working with employees on understanding what it means to be an owner and what will and will not change once the company transitions reduces uncertainty and equips employees to better engage the mechanisms of ownership. Ownership must also be tangible for employees, and profit-sharing is fundamental to that. Finally, workplace policies, like open book management, should be instituted to allow employees to participate in decision-making processes.

Expanding the employee ownership movement requires a range of models that meet the varied needs of businesses, workers, and communities. The EOT model is relatively new in the US, and observers and practitioners are still evaluating its impacts, outcomes, and best practices. EOTs can play a significant role in expanding employee ownership among businesses of all sizes, and small businesses in particular. They may also benefit companies seeking to combine employee ownership with a defined mission, as well as businesses that wish to preserve their independence and support worker well-being in perpetuity. EOTs can help contribute to a fairer economy, and all of us — policymakers, investors, philanthropists, and researchers — can play our part in nurturing the model as practitioners continue to experiment with promising innovations.

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