

Suddenly, 230 Owners: Family Business Drake-Williams Steel Converted to Employee Ownership

by Cole Epley / World-Herald Staff Writer



There's a new chief executive officer at Drake-Williams Steel Inc., but newly anointed boss Jay Stewart isn't the only employee getting an updated title.

Stewart, 50, is one of a group of about 230 employees across three locations in Omaha and Aurora, Colorado, who are now owners of the 132-year-old, Omaha-based steel fabricator. Omaha landmarks like the First National Tower and TD Ameritrade Park were built around steel fabricated at Drake-Williams.

Previous owners John Williams and David Williams, brothers who represented the fourth generation of family ownership at Drake-Williams, closed Thursday on a transaction that converted 100 percent of the company to employee ownership.

Employees were told of the change late Monday.

"We knew regardless of what we did, the best thing for the future of Drake-Williams was to place focus on employees so they performed like owner," said 57-year-old John Williams.

He and David, 59, who were majority shareholders of Drake-Williams, will stay with the company in advisory capacities. Stewart was previously executive vice president and a minority shareholder in the company. The transition follows decades of employee development practices at the company that include a profit-sharing program instituted in 1966 and a bonus incentive program put in place after the recession of the early 1980s. Since the most recent recession, Drake-Williams officials have published the company's monthly financial reports for employees to review.

"It's part of creating that open and honest communication where you empower your employees to make decisions and try to show them that what they do on a day-to-day basis impacts those financials," Stewart said.

Under the new ownership structure, Drake-Williams Steel benefits from its existing Subchapter S corporation status, an arrangement in which a company's owners pay taxes on their proportionate share of company earnings. That means the company is exempt from income taxes.

"All the profits of the company end up in the hands of employees in one way or another, either in additional stock that's distributed to employees or through the enhancement of stock value," Stewart said.

According to research from the National Center for Employee Ownership, companies tend to see increases in productivity, sales and employment once they convert to employee ownership. That's good news for everyone at Drake-Williams, which has returned to pre-recession revenue of about \$100 million annually in the last two years. With the establishment of the employee stock ownership plan, company leaders hope for Drake-Williams' local legacy to get stronger yet.

The legacy has a rich history rumored to have begun thanks to a \$3,000 gift given to Hugh Williams - David and John's great-grandfather - by 19th century industrial tycoon Andrew Carnegie along with advice to buy the assets of a bankrupt blacksmith company. But Hugh Williams II, in his 2008 company history of Drake-Williams titled "Steel Resolve," acknowledged that Carnegie "probably never even heard of the company" - or his grandfather, for that matter - and that the company's founding "involves much more mundane happenings."

Founded in 1882 by John Morris Wilson as the Wilson Steam Boiler Co., the company originally designed and manufactured boilers, smokestacks and storage tanks. In 1889 or 1890, George Drake, the son of a boilermaker from Springfield, Illinois, joined Wilson's company. Hugh Williams came on board around 1893, when the company and its 30 employees were still at its original location at 19th and Pierce Streets. Williams had previously spent about seven years at Paxton & Vierling Steel Co., another longtime Omaha steel company. He eventually became a proprietor with Drake and Wilson and the company changed its name to Drake, Wilson and Williams in 1897.

In 1902, Williams then helped lead the organization of Drake-Williams-Mount Co. It became Drake-Williams Steel in 1958. While Hugh Williams' progeny have remained the company's owners and leaders since the early 1900s, its business has changed significantly. Shortly after it was established, Drake-Williams-Mount began making drag line buckets used to excavate rivers and build levees. Hugh Williams' sons, Walter Williams and Arthur Williams, took control of the company in 1931 and by the 1960s had changed its focus to structural steel fabrication. Hugh Williams II - father of the last generation of Williams leadership - and Mike Williams succeeded their father, Arthur Williams, in 1964, and led the company until their retirement in 1993.

Today, the company has a structural steel fabrication facility at 1602 N. 11th St. and a reinforcing bar facility at 2301 Hickory St. in Omaha. David Williams oversaw Omaha operations from the Hickory Street headquarters. John Williams led the company's Mountain Steel division in Aurora, Colorado. He said the history of Williams family involvement is too rich to have risked selling to another company.

"It took decades to build this team environment, and if you turn around and sell it, that could all be destroyed in a matter of months," he said.

Stewart and his former bosses have been working on a succession plan for almost as long as they've been leading the company. All the Williams brothers' children have pursued their own interests as they've grown up, and the steel business hasn't appealed to them like it did their fathers.

So instead of leaving the company's fate in the hands of disinterested buyers, David Williams sees the ESOP as a way to reward employees and the leadership team while preserving his family's legacy.

"My dad always said what he was proudest of from his whole tenure was the profit-sharing plan," he said. "I see the ESOP as a natural progression."

Both Williams brothers admitted that there have been some forgettable periods during their time with the company. David Williams joined in 1977 after graduating from the University of Nebraska-Lincoln. John Williams joined in 1979, abandoning the police academy in Tulsa to help his brother.

The economic downturn of the 1980s slowed or stopped many construction projects, and layoffs were among the brothers' first tasks. The brothers also found they weren't communicating as well as they needed to.

But a revived emphasis on employee accountability and open communication helped Drake-Williams persevere and thrive through volatile economic cycles.

Its work can be found in the structural steel of Omaha's Children's Hospital, Papillion's Werner Park, Lincoln's Pinnacle Bank Arena and "dozens" of local schools. It is projects like those that the Williams brothers will look to as they reflect on their years with the company.

"We'll miss sharing in our victories and accomplishments with our employees," said John Williams. "It's all theirs now, and whatever they accomplish is theirs, but I'll miss that."