

## **Making Sure Consultants Work for You.**

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Installing and managing an employee-ownership plan can be costly, complicated and fraught with choices that will have critical implications down the road. Too often, companies end up with plans that either cost more than they should or result in plan designs that do not work well because they have managed their consultants poorly. These are, however very avoidable problems.

### **Choose Real Experts**

There would be several times more employee-ownership plans than there are if all the people who claim to have installed or managed them actually had. There is strong temptation for companies to choose lawyers, accountants, appraisers, and other plan advisers because they are local, work for a large reputable firm, already have a relationship with the company or claim they have expertise they don't. Resist that urge. Find people who really are experts. They should belong to the major employee-ownership organizations. If they have written for journals or spoken at professional meetings, even better. They should be willing to provide a list of clients for whom they have set up or managed plans (and you should call a few). And make sure when you do choose a provider to choose the individual not the firm. The firm may have very capable people, but you may not be assigned one, especially in larger firms.

### **Controlling Costs**

You can keep costs somewhat lower if you spend time beforehand getting educated about how the plans work. That way, you won't have to pay a lawyer or other consultant hundreds of dollars an hour for something you could have learned through reading a \$25 book or attending a Webinar. Similarly, make sure your professional advisors have the data they need presented in the format in which they need it. That will both help keep costs down and avoid errors. Ask for the issues to be bullet pointed so that you only explore those that are relevant to you, rather than receiving advice on everything.

### **Know Your Choices**

These days, if people have a significant medical issue, they often educate themselves through resources on the Web or elsewhere before making a final choice with their doctor. That way, the patient has more control over the choice that is made. Setting up an employee-ownership plan is a major step in your business as well.

Very often plan advisors (especially those with less experience) will say something like "this is how we typically structure an ESOP" or "with companies like yours, we normally recommend options." The motive may be benign—the consultant wants to make the decision easier (and cheaper) for you or genuinely believes this is the best way to go. It may also just be laziness (not asking you the right questions to see what you really need), lack of knowledge about alternatives, limited precedents, or strong personal preferences.

For instance, maybe your advisor told you that in an ESOP, you should delay distributions as long as possible. That's a good idea for many companies, but a bad idea for others. Or maybe your lawyer has told you that stock options are the way to go when, as a closely held company with no plans to sell or go public stock appreciation rights might do the trick just as well with fewer complications. It might seem that there is a dizzying array of choices and considerations, but, in fact, there are relatively few key discussion points, such as vesting, allocation formulas, timing of distributions liquidity for ownership interests, ownership rights, and financing. It will not take long to become reasonably educated about the pros and cons of each issue.