FIVE MYTHS OF EMPLOYEE OWNERSHIP

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MYTH #1 – YOU HAVE TO PAY A LOT FOR YOUR ESOP

- THERE ARE GROUPS SUCH AS THE BEYSTER INSTITUTE THAT DO ALL OF WHAT PRIVATE SECTOR ADVISORS DO
- THESE ALTERNATIVES ARE AVAILABLE IN MOST STATES
- ON THE OTHER HAND, DON'T EVER PAY TOO LITTLE TO TRY A NEW ADVISOR WHO IS LOOKING TO SET UP OR FIX HIS OR HER FIRST ESOP

MYTH #2 – ESOP VALUATIONS SWING TOO MUCH YEAR TO YEAR

- IT IS LITTLE DISCUSSED, BUT MANY ESOP VALUATIONS ARE "SMOOTHED"
- SMOOTHING IS A PROCESS WHERE VALUATIONS DON'T RISE OR FALL AS MUCH AS THEY WOULD IN A TRUE MARKET ENVIRONMENT
- EDITORIAL NOTE: I THINK THIS IS A GOOD PRACTICE

MYTH #3 – THERE CAN NEVER BE TOO MUCH PARTICIPATIVE MANAGEMENT

- CONTRARY TO POPULAR OPINION, THERE ARE, AT TIMES, DIMINISHING RETURNS TO PARTICIPATIVE MANAGEMENT
- SIGNS OF OVER-PARTICIPATION ARE:
  - THE VAST MAJORITY FEEL THERE ARE TOO MANY MEETINGS
  - HIGH ACHIEVERS ARE BEING HELD BACK

MYTH #4 – ALL ESOPS HAVE THE SAME POTENTIAL TO BENEFIT EMPLOYEES

- A STATISTICAL ANALYSIS SHOWS THAT IT IS THE INDUSTRY AN EMPLOYEE WORKS IN THAT DETERMINES, MOST, THE SIZE OF AN ESOP PAYOUT
- IMPLICATIONS OF THIS ON ACQUISITION STRATEGY FOR ESOP COMPANIES ARE MONUMENTAL

MYTH #5 – AN ESOP TRUMPS A NON-ESOP WHICH HAS GOOD TECHNOLOGY

- ALL OTHER FACTORS EQUAL, AN ESOP WILL NOT OVERCOME A TECHNOLOGY ADVANTAGE POSSESSED BY A COMPETITOR
- OF COURSE, THIS IS DEPENDENT ON THE INDUSTRY. BUT, ESOPS ARE NOT ABLE TO CURE EVERY ILL OF A FIRM