

# ESOPs: An AE Workforce Advantage

PRESENTED BY:

Brad Wilson    Kristi Weierbach

# Meet Your Presenters



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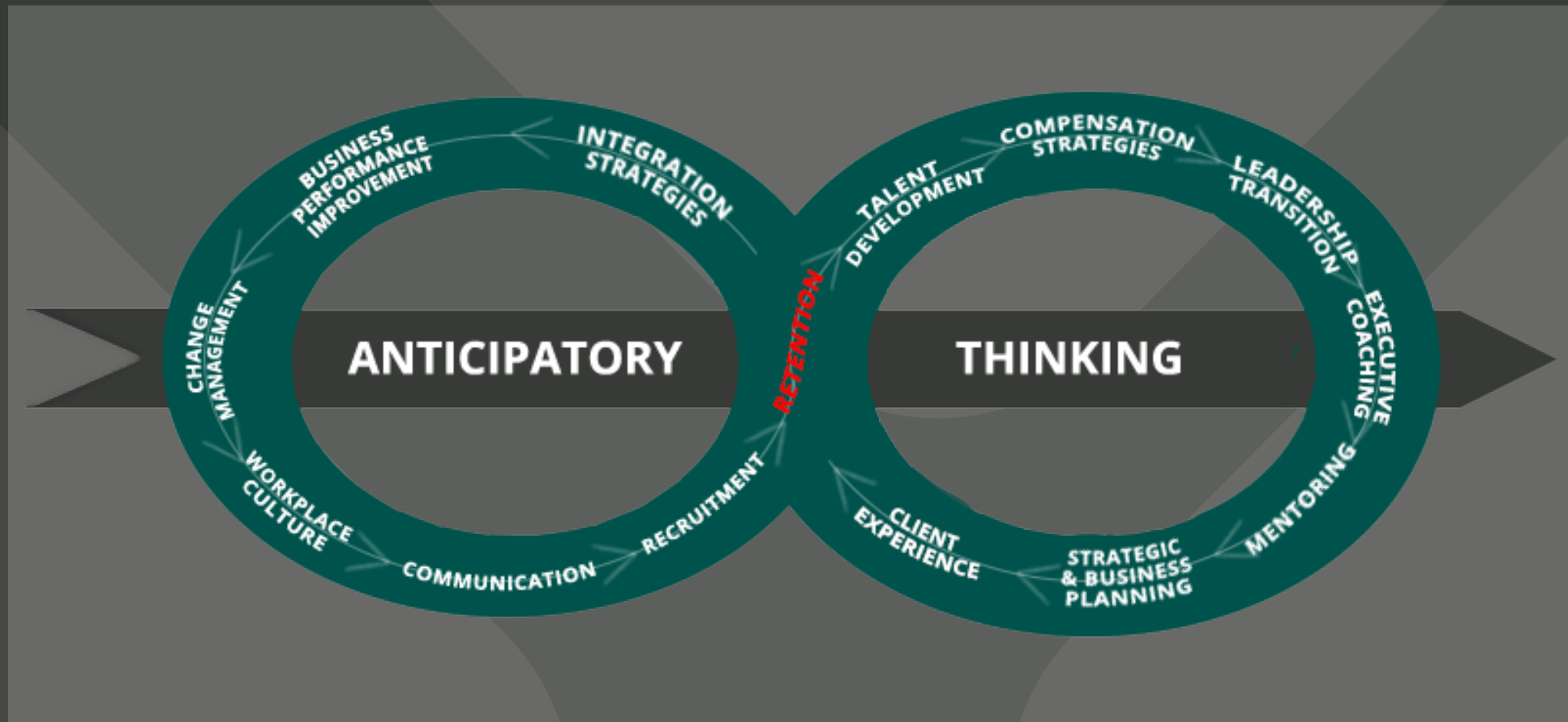


Brad Wilson,  
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Director, AE Advisory

# Learning Objectives

- Define what an ESOP is and how it works
- Understand the workforce benefits of an ESOP
- Learn how to determine if an ESOP is right for your firm

# Leading with People

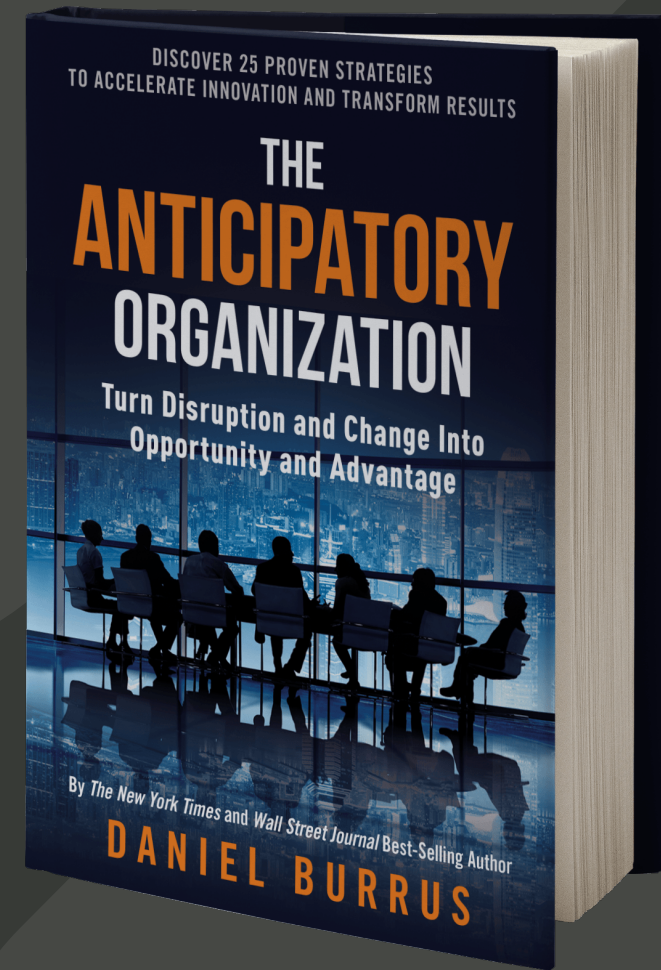


# Anticipatory Thinking

“the ability to prepare in time for challenges and opportunities, many of which may not be clearly understood until they are encountered”

**Hard Trends** = WILL happen

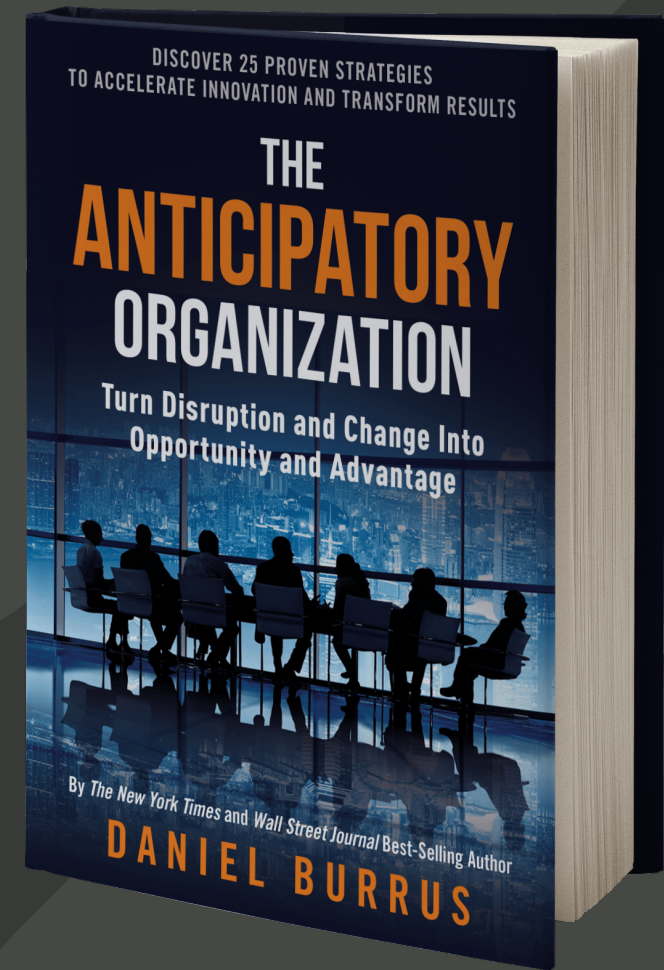
**Soft Trends** = MIGHT happen



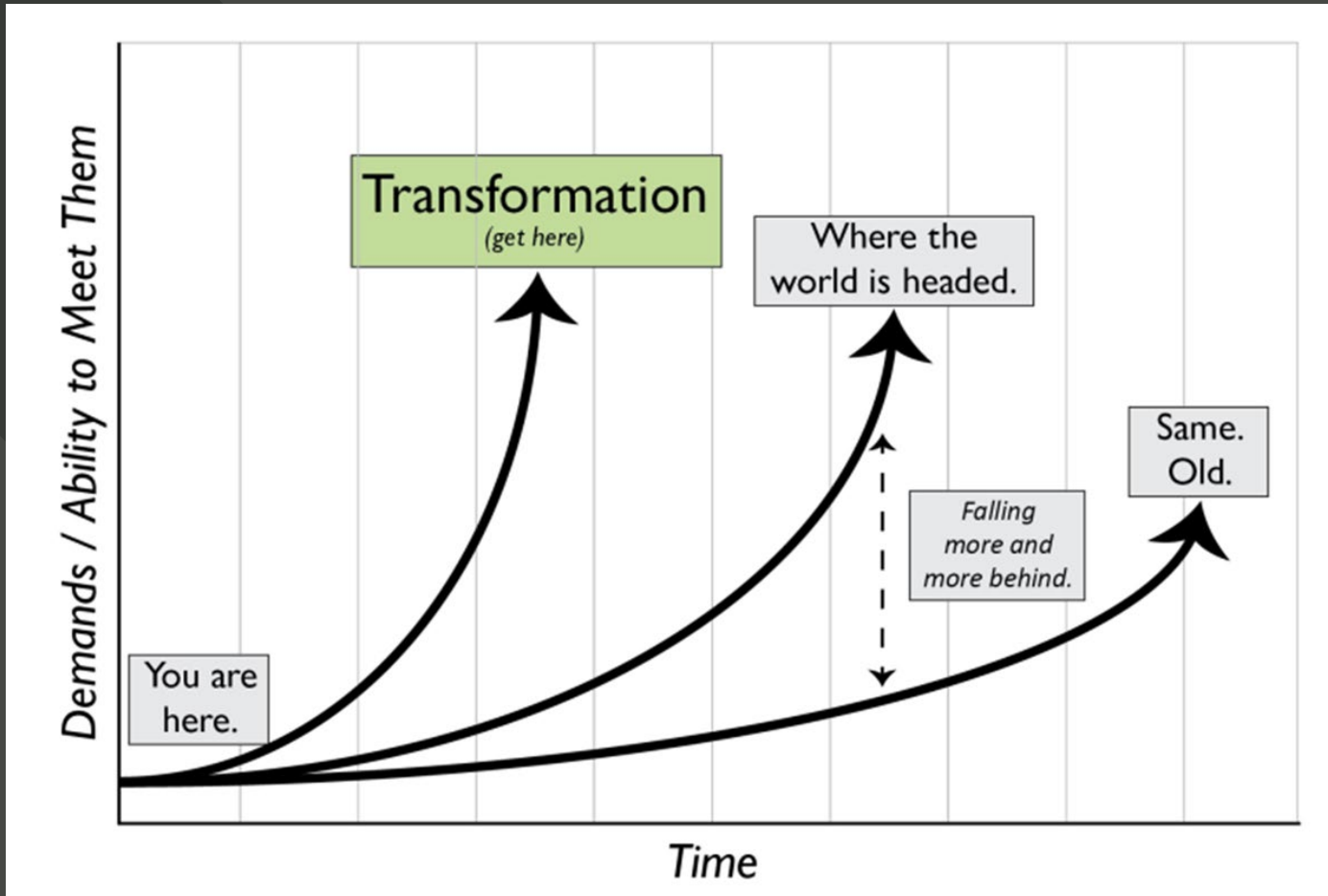
# Know What's Next

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- Demographics
- Technology
- Regulation



# Leading Through Change



# Why Consider an ESOP

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“incentivize people to stay around long enough to develop owner-like mindsets and behavior that will facilitate ownership transition”

*CEO quote from our recent interviews*

*But of course....the devil is in the details*



# Poll Question #1

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Our current interest in ESOP is?

- Evaluating if it is right for us
- Implemented an ESOP recently
- Generally happy with our ESOP
- Looking to get more from our ESOP
- Other...



# Trends Impacting the ESOP Decision:

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## Hard Trends:

- Current shareholders will retire

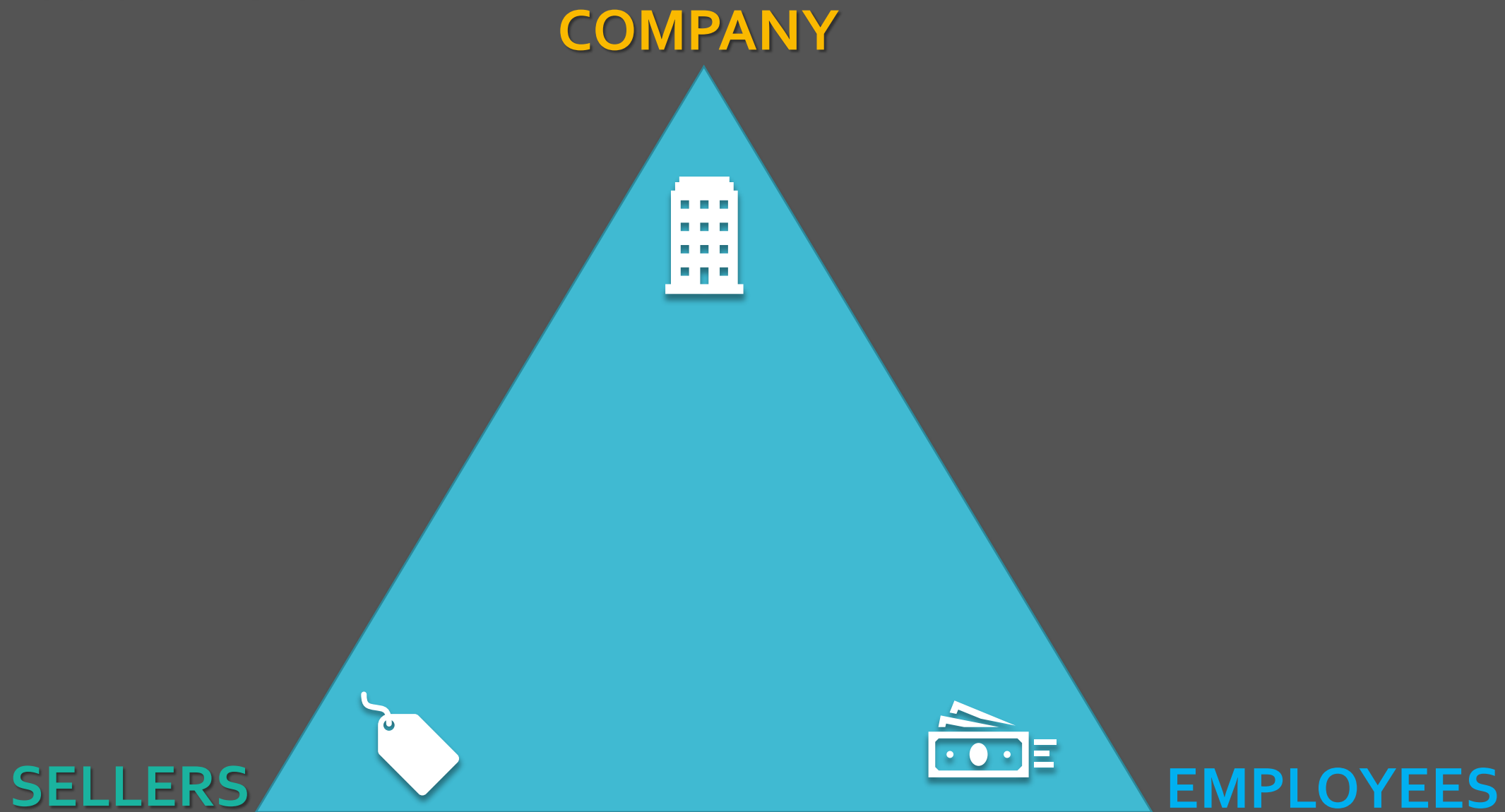
## Soft Trends:

- The A/E industry is consolidating
- Larger firms generally have better pay and benefits
- Smaller firms have more engaging cultures
- The war for talent continues to put pressure on organizations
- Employees want more from their jobs than a paycheck
- Taxes on higher income individuals are generally going up

# WORKPLACE CULTURE

**CULTURE** *consists of shared beliefs and values established by leaders and then communicated and reinforced through various methods, ultimately shaping employee perceptions, behaviors and understanding.*

# The "Model" ESOP



# Start with the end in mind

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## What are your goals?

- Liquidity event for existing shareholders?
- Retention of people through better engagement
- Increase firm performance
- Encourage behaviors that add value

# Start with the End in Mind

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*“In my opinion, the firms that have done best with their ESOPs were already doing a good job at leadership development and transition”*

*CEO quote from our recent interviews*

# Start with the End in Mind

Leadership Transition is different from Ownership Transition

How does an ESOP address both?

- Ownership → directly
- Leadership → indirectly

# The Impact of an ESOP on Firm Succession

## Ownership Considerations

- Current owners can be bought out
- Everyone becomes an owner
- Significant tax advantages
- Objective valuation benchmark

## Leadership Considerations

- Was that possible without the ESOP?
- Does ownership impact behavior?
- Individual vs. company tax benefits
- Transparency and understanding



## Poll Question #2

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Our attitude about financial information:

- Owners have full access
- Owners and leaders have full access
- Leaders have partial (summary) access
- All employees have full access
- All employees have access to summary reports

# Retention Strategies

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It's not just about the **money** – it's about **culture!**

# Engagement

Employee Engagement is a prerequisite for Leadership Development

- Only a few come with the ownership mentality
- Many leaders in A/E firms don't want direct ownership

*“Leadership can be taught and ownership behavior can be incentivized”* CEO quote from our recent interviews

# LEADERSHIP THEN AND NOW

## Leadership in 2000

World was more stable; change was slower

- Autocratic and task-oriented was the norm
- Managers made all decisions with little input from employees
- Leaders had full control – what, when and how
- Focus was on hard skills and getting tasks done
- It was easier to identify and develop future leaders, a linear career path was the norm and people stayed in jobs longer

## Leadership in 2020

The pace of change is faster and impacts HOW we lead

- Collaborative and people-oriented
- Work is no longer ordered from above but powered from within
- Shift from hard leadership to soft leadership skills
- Leaders are more people-oriented than task-oriented and must be adaptable
- Employees are empowered versus directed
- Developing high-potential employees/leaders early on is more important

# Enhanced Retention via an ESOP

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- Impossible to train leaders who leave
- Clear communication about ESOP benefits must be aligned and coordinated
- Share in “right size” pieces and repeatedly, this is new and a steep learning curve
- Recognize the relationship between empowerment, engagement and retention.

## Why should an employee be excited about an ESOP?

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- Greater opportunity to share ideas and feedback
- Increased access to financial data
- Return on investment

# Poll Question #3

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Our retention rate is:

- Great, based on data
- Great, assessed subjectively
- Pretty good – we're satisfied
- Not good, assessed subjectively
- Not good, based on data



# Up Next

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Thursday, Sept. 8 – 2:00 p.m. EST

- [Business in a Disruptive Era: A Town Hall Discussion - Stambaugh Ness](#)

Tuesday, Nov. 1 – 2:00 p.m. EST

- **ESOP: Financial and Tax Considerations** – *registration opening soon!*



# Questions?

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Where do I start?



# Contact

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Kristi focuses her extensive expertise on helping clients design a workforce that is not only prepared for the future, but one that leverages disruption to thrive and succeed. Weaving together a unique blend of anticipatory tools and insights with practical solutions, providing clients with an organizational architecture that empowers them for the NextGen.

Applying deep workforce knowledge, Kristi helps companies overcome challenges by providing strategic direction, implementing and improving policies and procedures, and skillfully turning human capital management into a competitive advantage.

## Professional Highlights

- National AE Industry Presenter
- PhD - Organizational Management
- MBA
- BS - Accounting
- Senior Certified HR Professional
- Non-profit Board President

# Contact

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## Brad Wilson

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Brad Wilson, CMA, CDA is a director and owner at Stambaugh Ness, a business advisory firm with over 70 years' experience serving A/E firms. He specializes in advising A/E firms on a broad array of financial and operational subjects with particular focus on succession planning. Brad's hands-on assistance with valuation and deal structuring has allowed many clients to achieve their strategic growth goals or their ownership transition through a merger or acquisition or internal sale. His broad-based knowledge of design firms' cultures and operations has also been invaluable in integration planning and execution resulting in the achievement of financial goals for both buyers and sellers.

Prior to becoming a consultant for architects and engineers Brad's real-world experience comes from over 10 years as one of four shareholders and Chief Financial Officer of a 70-person design-build architectural firm and five years as the corporate controller of a 250-person multi-office A/E firm that was acquired in the early 1990's. Brad also worked as a manager in public accounting with a large regional accounting firm providing management consulting and software implementation services to the A/E industry.

# Thank You!

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