

Guest Commentary

The Value of Employee-Owned Companies

Dick Peterson, Operations Director, Rocky Mountain Employee Ownership Center

Editor's Note: This article was originally printed in the 11/14/2011 edition of the Denver Post

Across the nation, the numbers are growing. Thousands are marching in protest and in hope for a different way. The "99 percenters" are saying that Wall Street and other entities that Wall Street represents have left them in the dust.

Certainly it is hard to defend Wall Street and corporate America when the evidence seems to indicate that the rich are getting richer, the poor poorer and the middle class is in decline.

On the other hand, the intensity of the drama playing out on the streets often drowns out the voices of reason that say "we need business." Business not only hires people, but it also provides the goods and services that are necessary for living. In addition, the owners of many businesses are good people who care for their employees, work hard to serve their customers and contribute to their communities. The protesters will hopefully, at some point, be employed by a business.

Still, many of us are disturbed by the practice of some who pay as little as possible in wages and benefits while maintaining an extravagant lifestyle themselves.

It is often stated that a business owner is the primary risk taker and therefore deserves his or her reward for courage and entrepreneurial spirit. But is the worker not equally important? Without them, the owner has no business. Without working people, there is no reward for the owner.

And, should the enterprise fail, the lives of all are put in jeopardy.

There is an alternative model that sustains businesses and provides for the needs of working people: employee ownership, or what some call shared capitalism. I am not suggesting that public or privately held companies are of no value. As stated earlier, many are honorable in their dealings with employees and customers. However, employee ownership needs to be considered as a valuable alternative by all those who are concerned about the state of business in America.

Employee-owned companies can be large or small. CH2M Hill in Englewood is a large international company that is [100% ESOP] owned, as is Namasté Solar, a small [worker-cooperative] solar-installation company in Boulder. ...

There are many ways that employee-owned companies can be formed. Firms can be sold to their employees, with the owner receiving full appraised price for their company. The sale can be structured in such a way as to either delay or eliminate the capital gains tax, in addition to other possible tax advantages.

Employee-owned companies return the profits back to the employee-owners, and they grow two to eight times faster than privately owned enterprises. Employee-owned organizations are usually democratically run, and the profits are retained in the community. The business model is free enterprise and a form of capitalism.

Chambers of commerce should be promoting employee ownership as an option, and business schools could be offering courses in it. City and state economic development departments could be showing business owners how to sell to their employees should the need arise. And, finally, lawyers, CPA firms and banks that work with company owners need to be able to advise their clients on employee-ownership options and the accompanying tax advantages (and disadvantages).

Now is the time for advancing the employee-ownership option.

Dick Peterson is director of operations for the Rocky Mountain Employee Ownership Center in Denver. OAW

ESOP ADVISORS AND INVESTMENT BANKERS

MENKE & ASSOCIATES,

The nation's largest ESOP advisor, providing comprehensive ESOP services for over 30 years to our 2,000 ESOP clients in all 50 states

MENKE & ASSOCIATES, INC. specializes in designing and installing Employee Stock Ownership Plans (ESOPs). We are the nation's most active firm dedicated to designing and installing ESOPs and have been a leader in the ESOP industry since our inception in 1974. We are one of the few firms in the country providing comprehensive ESOP services, including financial consulting, legal, employee communication, investment banking, and business perpetuation planning.

ESOP Administration Services
We are a national firm with six regional offices, providing annual administration / recordkeeping services for approximately 1,000 ESOPs nationwide.

The Nation's Largest ESOP Advisor
Contact us at: (800) 347-8357

www.menke.com

