

With Success Comes Change

By Patty Putnam

As we look ahead to 2003, we are very excited about the recent changes and historic significance it brings to ESI. Our logo and professional documents have a new look as we begin our tenth year!

We hope you are as pleased with our new, updated “look” as we are! All of us at ESI embrace the philosophy that *success begets success*, and we are truly enjoying the journey.

Throughout the years, from a sole practitioner’s small home office to our beautiful corporate headquarters in Delafield, ESI has remained committed to bringing valuation expertise and professional financial consulting to a growing clientele of closely held business owners.

As we begin our tenth year, the commitment to our clients’ needs remains our focus. In addition, the future will undoubtedly hold many more exciting opportunities as we broaden our national exposure in ESOP valuation and strategic planning services to assist more clients, colleagues, fiduciaries, and industry professionals. We’ll keep you posted!

”Without continual growth and progress, such words as *improvement, achievement, and success have no meaning.*”

- Benjamin Franklin

Communicating a Decline in Stock Price

By Sandy Paavola

After two consecutive years of a sluggish economy, many companies are looking to 2003 for improved financial results. But with ongoing concerns of terrorism and the threat of war, a quick fix may not be in the cards. The result could be a drop in the value of your company’s stock. How can the benefits of an ESOP be communicated when the stock value declines? The answer: open and honest communication that compares and contrasts your company and the ESOP.

Compare

How does the value in the ESOP compare to the public markets? We all know that the stock market has taken a beating over the past two years, resulting in a large decline in 401(k) balances. How does the ESOP compare to the decline in the major indexes or mutual funds? Many employees have seen their investments drop 50% or more; it’s unlikely the value of the ESOP declined this drastically. Similarly, how does your company compare to the industry and your

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competitors? What are your strengths and weaknesses compared to your peers; are you doing better than the competition; if not, why not? Be honest as to why the value has decreased: the economy, the industry, your customers, competitors, etc. And, explain what the company is doing to improve profitability and what employees can do to help. Linking how their jobs affect the bottom line will assist employees in understanding how they can help the company succeed.

*”Success is the sum of all efforts,
repeated day in and day out.”*

- Robert Collier

Contrast

Communicating how an ESOP differs from the public markets and a 401(k) is also important. Unlike the public markets that are subject to the often daily volatility of knee-jerk reactions from investors, the ESOP has a long-term orientation. Wealth is built over

time through the work and determination of the company’s employees. Explain exactly how the ongoing effort of each employee affects the stock value. Also, point out that an ESOP is a benefit earned through employer contributions, rather than contributions made from the deferral of employee compensation. The fact that it wasn’t their cash that went into the ESOP could take the sting out of the news of a drop in value.

Overall, people and culture are the two ingredients that make each business unique. And, taking the time to nurture these assets is worth the effort. Educating employees about your company and the ESOP is one way to do this, in both good times and bad. When employees are treated openly and honestly, mutual trust and respect are born. This in turn builds loyalty and commitment, which adds value to your business while developing a true people-centric culture.

Welcome Kim!

By Sandy Paavola

Some of you may have already had the pleasure of speaking with our newest associate, Kim Parsons. Kim joined ESI in summer 2002 and has been working on both annual updates and new ESOP reports since.



Kim brings twenty years of business experience to ESI, including ten years with an international benefits consulting firm. Her

extensive experience includes technical and business writing, a thorough understanding of benefit administration systems, as well as project management skills. Kim’s accounting experience in the manufacturing and retail sectors also compliment her analytical and writing skills. Kim holds an undergraduate degree from UW-Milwaukee and an MBA from UW-Madison.

We are very excited to have Kim join our team and know that you will enjoy working with her as much as we do!

ESI—Beyond the Numbers
Editor: Sandy Paavola