

Leadership and communications

Adapted from Working Smart, National Institute of Business Management, Inc.

We are all leaders in some respect and being a leader can be challenging. The best leaders are supportive of their team members and inspire others to take action. How you react in certain circumstances helps determine what kind of leader you are. Take the following quiz to assess how well you lead in the following situations.

1. If you are angry or disappointed with an employee's actions, you are likely to:
 - a. Express your disappointment or displeasure.
 - b. Let the person discover the consequences of his or her actions.
 - c. Think about the message you want to convey then act accordingly.
 - d. Eat a bag of candy to bury your disappointment.
2. The most important trait for you to display when leading a team is:
 - a. The wisdom of Solomon.
 - b. The inspirational power of Dr. Martin Luther King.
 - c. The patience of Job.
 - d. The restraint of Adam Sandler in "Anger Management."
3. When you lead a department meeting, you:
 - a. Sum up the meeting's purpose (and warm up the crowd) with a quick, 15-minute monologue.
 - b. Ask open ended questions and lead discussions.
 - c. Place a staff member in charge and observe the group dynamic.
 - d. Fall asleep during 'old business.'
4. When one of your people admits a mistake, the first thing you do is:
 - a. Show support—"It's great that you can admit your mistake."
 - b. Downplay the mistake's impact—"Don't worry about it."
 - c. Gently chastise the person—"Let's make sure it doesn't happen again."
 - d. Ask follow-up questions—"What else have you screwed up?"

Answers:

1. c. Leaders think before they speak, particularly when negative emotions are involved. (D is tempting, though!)
2. b. All are valuable, but leaders who cannot inspire and motivate people are not leaders.
3. b. Leaders ask piercing questions and encourage free-flowing discussions. (At least while they are awake!)
4. a. Leaders support people who acknowledge their errors.

***“There are three types of leaders:
Those who make things happen;
those who watch things happen;
and those who wonder what
happened!”***

- Old American military saying

Repurchase obligation—all the buzz

By Sandy Paavola and Kim Parsons

Although not new, “repurchase obligation” is one of the terms abuzz in the ESOP community. With higher ESOP ownership percentages due to S-corporation tax advantages and maturing ESOPs, the obligation to repurchase shares from departing employees is at the forefront for more companies than ever before. Although members of the valuation industry differ in their opinion about how the repurchase obligation can impact company value, most would agree that there should be some consideration of this ongoing obligation. Why? Because the repurchase obligation represents a significant cash outflow for the company over time, and as such, directly impacts the company’s financial position. Some of the characteristics of this obligation that make its impact on value difficult to quantify include: the future nature of the obligation; the inability to accurately forecast

the timing of the events that trigger the obligation; and the difficulty in assessing the impact of the method used to repurchase the stock (i.e., redemption versus recirculation). Although the issues have been explored, no approach that can be consistently applied within the various valuation methodologies has been developed. However, as the number of mature ESOPs increases, these considerations will become increasingly important in ESOP valuations.

At ESI, we have always believed that a firm’s earnings are directly related to the overall value of an ESOP company. And, this is especially important when the repurchase obligation is considered. Rest assured that we are aware of the issues surrounding both the valuations and ESOP industries, and have your trustee’s best interest in mind as we prepare your valuation report.

ESI’s newest team member

By Sandy Paavola

We’d like to introduce you to our newest team member, Kris Cooper. Kris joined ESI in February 2004 to assist us with our database maintenance, client service, marketing, and sales support endeavors. With a strong background in marketing and technology, she has improved the management of our client materials to ensure we process your information quickly and efficiently. For example, our annual update packet now contains a computer generated



report derived from our records to expedite information sharing. In addition, Kris has helped us to update many of our company brochures and materials. She earned a BS in Communications from Carroll College and has extensive experience specializing in marketing and sales support. We are happy to have her on our team and know that you will benefit from her behind-the-scenes accomplishments.

ESI—Beyond the Numbers
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