

Best Practices in Employee Stock Ownership Plans (ESOPs)

If you really want to get employees involved in the success of your business, consider an employee stock ownership plan (ESOP). Current and past winners of *The Principal 10 Best* who offer ESOPs say the plans help them control costs, boost morale and increase revenues.

Winners also say that communication is crucial to the success of ESOPs. Use these best practices in communication for your company's ESOP:

- **Create a communication plan.** This will help ensure consistent, timely communication.
- **Offer training classes.** Torch Technologies offers periodic ESOP informational sessions and is adding more in-depth training in 2009. "The training has been very important for people who know ESOP means employee ownership but don't know how it works," says Bill Roark, CEO, Torch Technologies.
- **Share information.** "We use a pretty open-book management approach," explains Roark. The company uses much of the information from its quarterly board of directors' meetings to brief employees. This helps create a highly educated and business savvy-workforce, according to Roark.
- **Start early.** Employees start learning about the Torch Technologies ESOP in the interview process—before they even start working for the company. "We go through a great deal of detail on what the ESOP is and how it works," says Roark.
- **Encourage questions.** In group meetings, everyone learns when one employee asks a question.
- **Be thorough.** Effective communication means quality, quantity *and* frequency of information. "We give out a great deal of detail and have routine communication meetings about the ESOP, all the way from the very beginning when we rolled it out, what it is, how it works, how it compares to other forms of equity," Roark says.
- **Keep it going.** ESOP education is a process, not an event. Continue to educate employees on a regular basis year-round.