

## News

## Communications company practises full disclosure and transparency when implementing ESOP

*All eligible staff members choose to become employee owners*

Friday, February 13, 2009 -- Camille Jensen

A process that has taken almost two years is culminating in pride of ownership and soon-to-be dividend pay cheques for the more than 20 employee owners at Tamm Communications.

The Toronto-based advertising and communications agency recently implemented an employee share ownership plan (ESOP), that has allotted 49 per cent of the company's shares to potential and existing staff members.

The move, initiated by founders husband and wife Iain Rankin and Viive Tamm, is both a showing of gratitude to dedicated staff members as well as transition plan for their eventual retirement.

"I have always said to (my partner) that I would love to find a way to have the employees own the company because they are the ones who built this to where we are," explains Tamm.

"And then we found out about ESOPs."

Intrigued by the concept of an ESOP, Tamm says they took the idea to the staff, who also had plenty of questions about the plan.

With the help of ESOP Builders, an ESOP consulting agency, the owners and staff held a series of meetings to better understand the undertaking.

"We had lots of questions but every time we went one step further we were more comfortable," says Tamm.

One reason the company seemed to be a natural fit for an ESOP is the company's democratic culture. According to Tamm, all staff members already participate in most decisions, including hiring new staff members, solving problems and pursuing new types of business.

To provide a balanced view on becoming an ESOP, the owners hired private lawyers and contractors to look over the plan and discuss potential risks and gains with the staff.

"We went complete disclosure and complete transparency," she says.

That process helped ease concerns for Dan Desantis, senior designer at Tamm, who says the decision to participate in an ESOP opened up a number of issues, including his own long-term plans.

"At the very beginning it was kind of daunting it raised a lot of questions about the future," says Desantis. "Once all the questions were answered it turned out to be a very positive thing."

So positive that all eligible staff members chose to participate in the ESOP, something Tamm says is not common with ESOP transitions.

The high participation could be explained in part by how the plan was brokered, allowing for easy entry and exit for employees.

Tamm says due to the high population of young staff members — most are under 35 — who may have obligations, such as student loan repayments or their first mortgages, they wanted to create a method for staff to be able to buy into the company without acquiring more debt.

The owners took out a loan to buy shares for the staff. Each staff member pays the interest on their portion of bought shares, with the annual dividends used to repay the loan.

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Tamm expects within three-to-five years, the loans will be repaid and staff will be able to begin to reap the rewards of ownership. She says she feels confident transitioning the company will ensure the success of Tamm Communications, adding with the announcement of the ESOP, "business took off exponentially."

Along with increased productivity, Tamm says there are many benefits to implementing an ESOP for owners. For instance, the plan is as a great way to recruit and retain staff members.

As a 26-year-old designer, Desantis couldn't agree more.

"We are all here and we are working towards something as a group and I wouldn't have that anywhere else."

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