

gap has become a chasm, with a 300 per cent differential between the top 10 per cent and the bottom 10 per cent of income earners in Canada. Some people can afford to purchase shares in a company, but even a small investment, given the tax advantages and the growth of the capital value over years, would help each individual towards increasing his or her wealth.

Many owners believe that they owe a large part of their success to the hard work of their employees over the years and want to acknowledge this fact through a program of employee ownership. Employees also believe that the success of the owner had been through their hard efforts over the years. An ESOP is neither a paternal gift nor a right. It is in fact a great challenge that the owner is offering the employee—a challenge to take on a share of responsibility for the company's success and thereby enjoy the benefits of the rewards. With this inevitably comes the possibility of loss. It is critical that the owner not promise blue-sky results but be honest about the risks and rewards and treat the employee-owner with respect. Having said this, there is no question that the rewards generally far exceed the risks. In many cases employees have been able to leave companies with tremendous built-up wealth.

Before getting into the nuts and bolts of how to design and implement an effective ESOP program, let's examine what makes a good candidate for an ESOP program. The process itself is the key to a successful design and implementation. I will now outline that process and how it is central to the design issues that we will be discussing in Chapter 3.

CHECKLIST FOR ESOP CANDIDATES

Experience shows that there are key attributes that suggest a company is a good candidate for an ESOP. Review the following checklist:

- The ownership group is willing to share information and to share ownership.
- The company is in a fairly good financial position and is not in a turnaround situation looking for the employees to bail it out.
- The company has a history of maintaining its profitability and is likely to continue to grow.

