

MGT 429: EMPLOYEE OWNERSHIP AND EQUITY COMPENSATION

Summer 2019

COURSE DESCRIPTION

This course is a skills-based 2 unit elective course designed to provide students with a comprehensive understanding of employee stock ownership as a compensation vehicle and values-based ownership structure. After completing the course, students will have the capacity to understand and evaluate the various tools and techniques available under current law and practice for applying corporate equity as a compensation and motivation vehicle for employees as well as an effective vehicle for assisting in business succession and capital expansion. The course content will include a review of frameworks currently available under law for creating equity participation plans; hands-on exploration of equity sharing techniques as they are applied in the real world, and insights into “best practices” to maximize results. All assignments, term projects and exams are individual. Group study is encouraged, but not required.

COURSE OBJECTIVES

The objective of the course is to equip students with a comprehensive, practical understanding of the rationale for and implementation of vehicles available under current law and practice for implementing employee ownership and equity compensation and incentive plans. The course considers these questions from both the perspective of the participating employees and the management/ownership of the business.

COURSE MATERIALS

Course materials will include two basic texts:

1. [Entrepreneur’s Guide to Equity Compensation](#) (Beyster Institute);
2. [An Introduction to ESOPs](#) (National Center for Employee Ownership).

Supplemental materials are available in the Reader

COURSE SCHEDULE

Session 1: Introduction to Employee Ownership

Topics:

- Introduction to equity as a motivation and retention tool
- Overview of corporate topics
- Introduction to case study learning
- Preliminary/informal term project case study selection

Assignments:

- Entrepreneur’s Guide to Equity Compensation, Chapters 2, 3 and 4
- J. Robert Beyster and Peter Economy, “The Glue: Employee Ownership,” *The SAIC Solution*, John Wiley & Sons, Inc., 2007, pp. 53-75.
- Equity Compensation Cheat Sheet (Triton Ed)

Suggested reading:

- Louis O. Kelso and Mortimer J. Adler, “Economic Freedom: Property and Leisure,” *The Capitalist Manifesto*, Random House, 1958, pp. 13-29.
- Louis O. Kelso and Mortimer J. Adler, “Some Problems to Be Solved,” *The Capitalist Manifesto*, Random House, 1958, pp. 30-32.

Session 2: Individual Equity Sharing Vehicles

Topics:

- Overview of Techniques
- Non-qualified plans
- Performance based incentives
- Synthetic equity

Assignments:

- Corey Rosen, "Basic Issues in Plan Design," *Beyond Stock Options*, 13th ed., The National Center for Employee Ownership, 2015, pp. 5-43.
- Corey Rosen, "Deciding on Executive Equity," *The Decision-Maker's Guide to Equity Compensation*, 13th ed., The National Center for Employee Ownership, 2015, pp. 205-216
- Entrepreneur's Guide to Equity Compensation, chapter 1
- An Introduction to ESOPs, chapters 1 through 6

Session 3: Qualified Equity Sharing Vehicles

Topics:

- Legal implications of equity sharing with a qualified plan
- Securities and accounting concerns

Assignments:

- Entrepreneur's Guide to Equity Compensation, Chapter 5, 6, and 7
- Douglas L. Kruse, Joseph R. Blasi, and Rhokeun Park, "Shared Capitalism in the U.S. Economy," *Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-Based Stock Options*, University of Chicago Press, 2010, pp. 41-75.
- Joseph R. Blasi, Douglas Kruse, and Aaron Bernstein, "The Soul of a New Corporation," *In the Company of Owners*, Basic Books, 2003, pp. 31-61.
- Begin draft of term project

Suggested Reading:

- Joseph R. Blasi, Douglas Kruse, and Aaron Bernstein, "It All Began with Shockley," *In the Company of Owners*, Basic Books, 2003, pp. 3-17.

Session 4: Use of Equity Sharing Vehicles

August 28, 2019

Topics:

- Current and future trends in equity compensation
- Employee ownership in business succession planning
- Corporate finance

Assignments:

- (Optional) Submit draft term project for review by August 28
- Entrepreneur's Guide to Equity Compensation, Chapter 11 and 12
- Corey Rosen, John Case, and Martin Staubus, "Part One: A Different Kind of Company," *Equity: Why Employee Ownership Is Good for Business*, Harvard Business School Press, 2005.
- Jack Stack and Bo Burlingham, "A Culture of Ownership," *A Stake in the Outcome*, Doubleday, 2002, pp. 1-17.

Session 5: Use of Equity Sharing Vehicles

Topics:

- Shareholder Concerns in Equity Compensation
- Business for a purpose
- Ownership culture

Assignment:

- Sarah Stranahan, and Marjorie Kelly, "Mission-led Employee-Owned Firms: The Best of the Best," The Democracy Collaborative, 2019.

COURSE ASSIGNMENTS

Course assignments will include weekly readings and worksheet on each topic covered. Worksheets will not be graded. The course will also include a design project to be completed and submitted in the last week of the program (prior to the Final Exam). There will also be a Final Exam reviewing the course including multiple choice and short essay questions. Class participation will count toward the final grade.

GRADING CRITERIA

The course is a skills based course that will focus on students developing an executive's understanding of the myriad vehicles available under current law and in current practice to employ equity and employee ownership to create a successful business. Therefore, the grading criteria will be as follows:

Class Participation	30%
Term Project	40%
Final Exam	30%

STUDENTS WITH DISABILITIES

A student who has a disability or special need and requires an accommodation in order to have equal access to the classroom must register with the Office for Students with Disabilities (OSD). The OSD will determine what accommodations may be made and provide the necessary documentation to present to the faculty member.