

## National Center for Employee Ownership (NCEO) 2003 Conference

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The annual NCEO conference was held March 26-28, 2003, in San Francisco, California. For the first time, the conference represented a joint venture between the NCEO and the Beyster Institute, two employee-ownership organizations. Based in Oakland, California, the NCEO is a private, nonprofit membership and research organization that provides information on employee stock-ownership plans, broadly granted stock options and related programs, and ownership culture. The Beyster Institute, with offices in La Jolla, California, and in Washington, DC, is a nonprofit organization that provides consulting services on equity compensation.

This year's conference theme was "Employee Ownership and Employee Involvement: The Entrepreneurial Edge." The 600 registered attendees participated in conference sessions with topics ranging from traditional equity compensation to alternative methods in lieu of stock options. Discussants and presenters represented various accounting, legal, and consulting firms specializing in equity compensation.

The session "Taking Stock of Stock Options: Where do we go from here?" covered recent stock-option developments, including the perceived use and abuse of options in corporate America, option expensing, the future of broad-based equity programs, and how companies are beginning to respond to these issues. This session--presented by Andrew Goldstein of Watson Wyatt, Michael Benkowitz of Buck Consultants, and Matt Ward of Westward Pay Strategies--differed from other sessions in that the presenters discouraged the use of restricted stock options, especially performance-restricted options. In the opinion of these presenters, stock option accounting and expensing on financial statements will become a problem in the future and should be avoided.

In establishing equity objectives, companies are challenged with the dichotomy of broad-based or executive equity plans. If the decision is to continue with executive-only plans, companies may never return to using broad-based plans. While designing equity compensation plans, companies should remember that the use of broad-based equity plans did not fail.

In his closing remarks at the adjournment of the conference, Corey Rosen, Executive Director of NCEO, encouraged the continued use of equity compensation to foster employee ownership.