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## Shared Equity growth fueled by equity sharing

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STAFF REPORTER

If things had been a little easier in the grocery business in the 1980s, Shared Equity Strategies, Inc. might never have gotten off the ground.

Two leaders of the nine-person legal and consulting firm met through a venture aimed at creating a string of cooperative employee-owned grocery stores, PACE of Philadelphia Inc.

James G. Steiker was the inside lawyer for the effort; Steven R. Fischer was outside counsel. Once the grocery co-op became "as non-profit in practice as it was in principle," they went separate ways. But the two held on to their shared interest in employee ownership, a post-1960s crackpot concept that a quarter-century later became a basic tenet of management economics, the kind of thing that evokes a "well, duh" in any MBA seminar: equity is motivation, is enhanced performance, is liquidity, is value in action.

By the mid-1990s Steiker and Fischer were teamed again, and drafting fellow travelers with legal and financial talents into the business of designing and executing employee stock ownership plans, a.k.a. ESOPs.

The result—in the past two years, anyway—has been a 196 percent increase in sales, from \$357,263 in 1996 to over \$1 million last year and double the work force. This earned Shared Equity the No. 37 slot on the Philadelphia 100 list of fast growing companies this year.

In the immediate aftermath of the grocery chain debacle, Steiker forged straight into a practice specializing in employee stock ownership plans. That practice later sprouted the consulting firm, Shared Equity, and its associated law firm, Steiker Fischer & Olson.

Fischer booked up with a Center City law firm for awhile, but by 1996, he was back partnering with Steiker and Detroit lawyer Deb Olson, as well as non-lawyer vice president Michael Golden.

ESOPs had taken off, fueled by tax advantages, by studies that showed that handing equity to employees boosted performance 3 percent to 7 percent, or more, and by the need of private companies to create an equity angle to draw top



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**Sharing equity (from left): James Steiker, Steven Fischer, Michael Golden**

talent.

"The idea that you can do well by doing good has proven itself," said Michael Golden, a longtime Steiker buddy, an idealist and, now a vice president at Shared Equity. Golden's career ran through the Action Alliance of Senior Citizens in Philadelphia, and later the South Shore Bank in Chicago, which became a community development banking model, before he linked up with the ESOP consultancy.

The recent glare of attention on technology startups that mint instant millionaires through stock options has fed Shared Equity's business, too. In November, Fischer will join representatives of E\*Trade Business Solutions and the American Electronics Association for a stock options workshop aimed at the high tech community here. But the backbone of Shared Equity's practice remains the ESOP, the pool of equity that allows workers to share in ownership and owners to leverage the accumulated value in their company in recruiting, whether that company's product is aerospace engineering or hoagies.

There were 5,000 ESOPs in 1987; 10 years later there were 10,000, so useful had the mechanism for tapping the stored wealth of a business become. Steiker either had to bring in colleagues to help carry and build his business or go to work for somebody else, an alternative that he says he considered "a particularly poor idea."

"For both sides," Fischer chipped in.

For all its financial sophistication, its agility in negotiating the trickier corners of tax law, its expertise in the esoterica of securities law, Shared Equity is very much about people retaining their dignity on the job, saying what they think, laughing when they want, in short, acting like they own the place.

Sometimes they do. ESOPs can serve as a mechanism for business owners to sell out to the company's managers and employees. At one of

Shared Equity's clients, employees bought the company for \$1.5 million, sold it for \$68 million and split the profits. It is a point of pride for Shared Equity's leaders that the Philadelphia side of the firm operates out of a house in the city's Mount Airy section. The widget-makers of this world, the firm's target clients, know exactly what it costs to operate out of Class A space in Center City.

At a recent reception for a large Philadelphia law firm, Fischer watched clients get off the elevator, eye the marbled reception hall, and start calculating. "I know what they were thinking: I paid for that," the lawyer said. His firm caters to the owner's-eye view of value. Technology is all it takes to make Shared Equity's lawyers and consultants the equal of a downtown firm, Steiker said. The firm bucks the modern marketing tide, too: "We don't come in pretending to be the clients' partner. We like to get paid."

It's a form of professional realism that business owners, apparently, appreciate. Shared Equity is rarely the cheapest bidder in a competition for work, and it rarely loses.

Steiker's explanation of the plans includes a standard disclaimer that ESOPs, like any equities, carry risk. "This is capitalism, and you're in the game," he tells workers.

Employee ownership itself does not make people rich, or even good at what they do, he warns. But it seems to improve the odds. With many of Shared Equity's clients, there has been more upside than down. Which is good, since ESOPs are by their nature a concentration of investments that would make any diversity-attuned financial consultant blanch.

Steiker paraphrases Andrew Carnegie to the effect that it's OK to put all your eggs in one basket, as long as you watch the basket. "Successful businesses don't necessarily go public. They don't necessarily get sold. They just go on being successful," Fischer said.

### THE SHORT OF IT

**Company:** Shared Equity Strategies, Inc.

**CEO:** James G. Steiker

**Rank:** 37

**1998 sales:** \$1.06 million

**Employees:** 9

**2-year growth rate:** 196 percent

**Start-up capital:** \$1,000

**Profit Range:** Over 15 percent