

IL ESOP Company of the Year Application

An ESOP brings the vision of a 100-percent employee-owned consultancy to life

To understand why we believe West Monroe Partners is a strong candidate for the Illinois ESOP Company of the Year award, it is helpful to understand a bit about our history and how we came to be an ESOP.

2002. As Arthur Andersen’s business dissolved under the weight of the Enron scandal, a small group of consultants gathered to ponder their own next steps and to consider the possibility of starting their own firm. On the backs of napkins at Miller’s Pub in Chicago, they sketched the key principles they felt should embody their firm. Central among these was people. Veterans of the consulting profession, they recognized that the “magic” of any consultancy is its people—their talent as well as their “engagement” in their work. It may sound like a cliché, but in this profession, the firm with the best people wins; attracting and retaining great people is essential. Every consultancy holds its clients in high esteem, but our founders wanted to design something that was special and unique and different when it came to the firm’s own people. Some of the concepts they noted on the napkins included “people first” and “100-percent employee ownership.” They believed these principles would produce a team of professionals personally invested in service quality and motivated to act in the best interests of each other, the firm, and clients.

With no office, no staff, and no clients—and in the midst of a difficult economic market—the group of consultants moved forward to found West Monroe Partners and to begin building that unique, people-first consultancy.

2012. Ten years later, our firm had successfully navigated through the Great Recession—which challenged consultancies of all sizes—and expanded to nearly 350 employees in seven cities. While growth at that pace can begin to erode a firm’s core values, we were steadfast in keeping our people-centric culture and desire for 100-percent employee ownership at the forefront of our strategy and operations. Nevertheless, our larger size did strain the feeling of inclusive employee “ownership.” We wanted West Monroe to be a place where people could build long-term careers and participate in the equity they help build through an ownership structure that rewards loyalty, professional growth, and company performance. On December 31, 2012, West Monroe Partners completed a transaction that transferred 100 percent ownership of the company to an ESOP trust in which all US employees are eligible to participate.

Our board believed this model was one that would elevate our people-first principles and concept of employee ownership to a new and all-inclusive level—making everyone a part of an ownership team whose actions and decisions impact our client service and in turn drive our company’s performance, success, and value. It also would provide an attractive retirement benefit for those who choose to build their careers with West Monroe Partners.

It is important to note that this is just one of a number of steps we took during this pivotal point in our history to refocus on people and career opportunities as a platform for future growth. During the same period, we also introduced a robust Career Equity program, formalized career models, and strengthened professional development, among other steps.

In introducing the ESOP and the concept of reward based on growth in the firm's value, we took great care to position the ESOP as part of a comprehensive and carefully designed total reward package. That "full" package includes exceptional professional experience based on type of work we do, learning and development opportunities, commitment to social responsibility, and rewards comprised of salary, bonus, 401k opportunities, and benefits as well as ESOP value.

Key principles of West Monroe Partners' ESOP

- All US employees are eligible to participate in the plan—entering the ESOP on the first day of the month following employment.
- Our ESOP is company funded; employees do not make contributions. Rather, they receive shares of the company that are held in a trust.
- Each year, our Board of Managers determines the amount to be contributed to the ESOP, which is then distributed to employees in the form of shares.
- There are some requirements for receiving a distribution; for example, a minimum number of hours worked during the year.
- Distributions are based on points system that considers years of service and annual compensation.
- Annual valuation determines the number of shares to be distributed. It is based on audited financial statements, as well as other factors including financial projections, market and industry trends, and size and growth relative to competitors.

Today. In the four years since establishing our ESOP, we have more than doubled our size to some **850 people in 11 offices**, producing double-digit annual revenue growth—including **26 percent in 2016**. Our uncommon blend of business consulting experience and deep technology expertise equips us to address our clients'—who include some of the biggest names in business—most pressing business issues. And our firm continues to earn recognition for both our position in the business community (e.g., Crain's "Fast Fifty" and "Chicago's Largest Privately Held Companies" lists) and for workplace practices that have established us among the "best places to work" in many of our markets.

Conversion to an ESOP is creating value for our people. At our most recent share valuation (in 2016), West Monroe Partners' share price had increased nearly **400 percent since inception**. This, in turn, is influencing key metrics such as engagement, recruiting, and retention. For example, despite working in an industry that traditionally experiences high employee turnover in a strong economy, our retention rate has been unusually strong and turnover has been about half that of the industry average. Our ESOP structure and performance also has been key in completing **several acquisitions**—which have added to our talent—over the past four years.

We communicate openly and regularly with our employees about company performance and its impact on ESOP share value. Every employee receives an annual total reward statement that reinforces key information about our ESOP and how it helps build long-term wealth—in combination with other elements of reward.

We also take steps to make sure everyone, from our junior to our most senior employees, understands how their day-to-day work affects share value and how it is their responsibility to act as owners every day by providing excellent client service, structuring profitable engagements, spending mindfully, committing to achieve our business strategy, and creating a fun and inclusive environment, among other ways. Our **ESOP “road shows”** take this message to our offices, and our **“How do you act like an owner?”** campaign reinforces it throughout the year via multiple internal channels.

Looking ahead. We look forward to building on our marketplace success—with the solid foundation of being the 100-percent employee-owned organization our founders envisioned. But more than that, we want to contribute to expanding and supporting the entire ESOP community by making sure our elected officials understand ESOP-related issues and protect the advantages this structure provides. For example, we have contacted members of the Illinois Congressional delegation related to ESOP concerns on tax reform; sent copies of the book, *The Citizen’s Share*, to members of the Illinois Congressional and Senate delegation to educate them on the historical context of employee ownership since the founding of the country; and hosted Representative Bill Foster (D-Naperville) at our Chicago office to discuss ESOP issues. We also have met with senior staff of several other Illinois ESOP companies to discuss pro-ESOP legislation—discussions that have secured five co-sponsors for a bill in the 114th United States Congress.

In summary, we are excited to share our story as a candidate for Illinois ESOP Company of the Year. The company we have become runs as our founders envisioned it: with a unique and special **people-centric environment** that retains great people and motivates them to deliver great service every day. Adopting an ESOP structure has played—and will continue to play—a key role in our growth and success and in helping us fulfill our mission to build the next generation of leaders.

