

Another best practice guide from



# The **8** BIG mistakes

business owners make when setting up an  
EMPLOYEE SHARE SCHEME

**THE SECRETS REVEALED!**

# TOO complicated

## Keep it simple.

As a business owner, you want the financial interests of your employees as closely aligned with yours as possible.

Give an employee shares (or an option) so that they do well if the business does well. That's often complicated enough. A confused employee is not a well motivated employee.

## Your employees will become business owners. Treat them that way.

The motivation from owning shares or options is the prospect of financial success.

Unless your employees feel engaged (for example by reporting to them on strategic decisions or finances) then a share is just another bit of paper.

# NO follow -up

# FOCUS ON individuals NOT THE TEAM

## Star performers don't work in a vacuum.

It's common to identify a star performer (whether a key exec or passionate sales team member) and give them a significant slug of equity – say 5%. But can it divide a team?

In our experience, numbers can be less important than the principle. 4% to the star and 1% spread between the rest of their team can bind that team together.

## Big numbers can demotivate if not delivered

Particularly when building your team from scratch, your focus is always on the next recruit, and getting them to sign on the dotted line.

It's common to see owners make promises in offer letters, and then realise they have an entire team to motivate, and so try to row back on their promises. Hold back on specifics until you're certain.

# OVER promise

**GIVE**  
with one hand  
**TAKE**  
with the other

You can be generous in the headlines, mean in the small print. Don't be.

There are lots of tricks to achieve this: diluting employees, attaching near impossible conditions or providing excessive wiggle room.

Has the employee not noticed if they don't mention it? They may be looking for another role. Use shares to build trust, not destroy it.

Typical choices are your trusted accountant or the big city law firm, but there's a third way.

Your accountant may know your business inside and out but are they experts in employee share schemes? The big city law firm no doubt has the legal knowledge, but are you paying them to reinvent the wheel?

We're used to working with your trusted advisors, to achieve a balance of knowledge of your business with employee share scheme expertise.

**THE  
WRONG  
advisor**

**TOO  
TRUSTING**

If they don't perform, they shouldn't get the rewards.

It's a beautiful moment when a founder gives an employee a huge chunk of shares free of any restrictions. "I trust they will never let me down" we often hear.

Things get ugly when (often innocently) that employee is unable to perform, but they're sitting on shares that could motivate the employees actually creating growth.

We can help you strike the right balance, so shares go to those who deserve them.

Give shares early.

The point of giving shares is to motivate people to perform and grow the business. There's little point giving away shares when the business has already grown.

Employees won't value a promise of shares until contracts are signed.

**NEVER  
had the  
TIME**



hello@emi-online.co.uk  
020 8949 5522

EMI Online  
A trading name of The RM2 Partnership  
Limited  
Registered office: Sycamore House, 86-88  
Coombe Rd, New Malden KT3 4QS  
Company number: 04613097