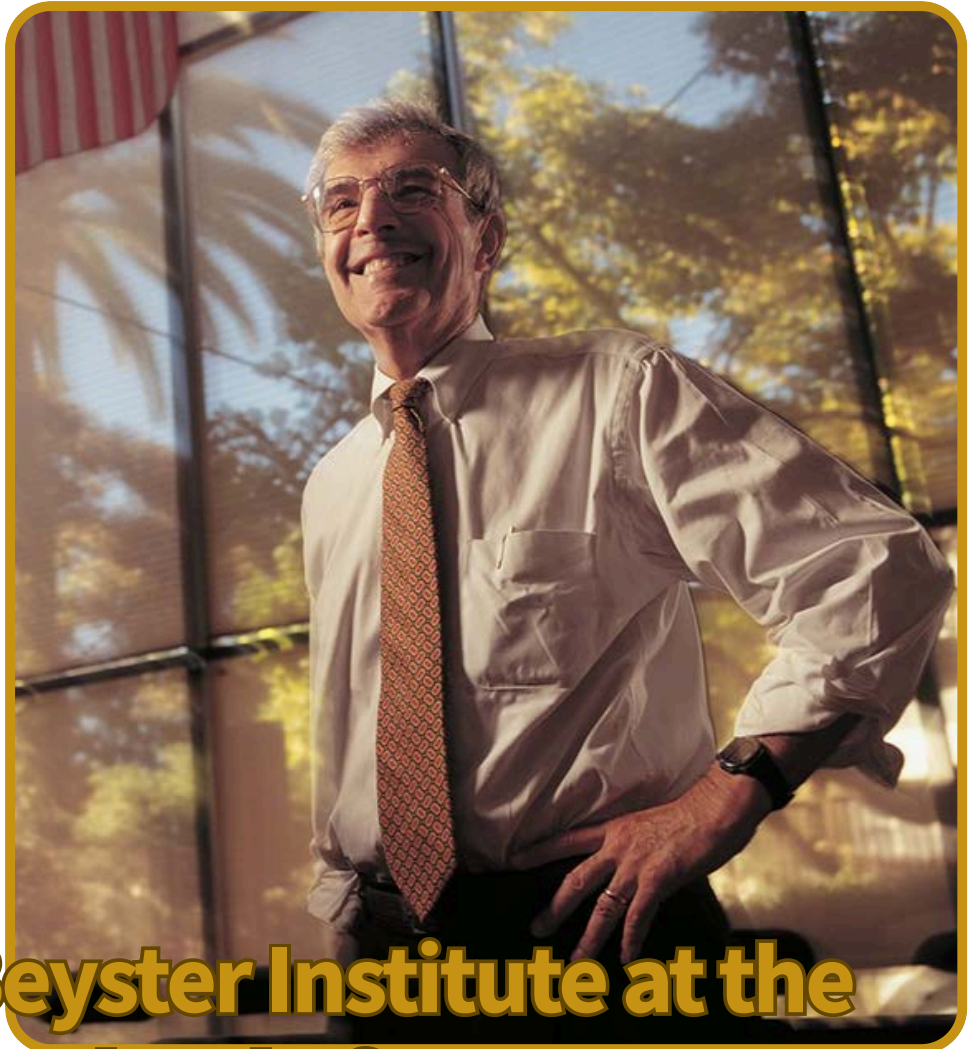


The Beyster Institute

UC San Diego

RADY SCHOOL OF MANAGEMENT
Beyster Institute



The Beyster Institute at the Rady School of Management

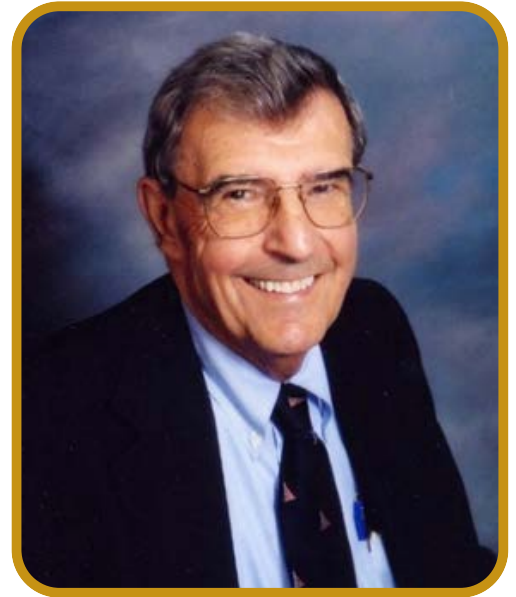
**Entrepreneurial Employee Ownership & Innovation:
Historical Perspectives and Future Vision from
Institute to Catalytic Fund**

Report Sponsored by:



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In 2004, a 20-year journey of embedding employee ownership expertise into an entrepreneurial business school at one of the top-ranked institutions in the U.S. for higher education and research began. The Beyster Institute found a new home in the newly founded Rady School of Management (Rady School) at the University of California, San Diego (UC San Diego). Rooted in Dr. J. Robert Beyster's radical yet pragmatic conviction that "those who contribute to the company should own it, and ownership should be commensurate with a person's contribution and performance", the decision to re-launch the Beyster Institute, with its decades of prior accomplishments as an independent non-profit, within the newly established Rady School, was strategic and visionary.



Dr. J. Robert Beyster (1998)

Dr. Robert S. Sullivan, founding dean of the Rady School, remarked at the time that the Beyster Institute's "focus on ownership and innovation complements our commitment to preparing leaders who understand not just how to build companies, but how to build cultures of shared success." The partnership was not merely administrative – it was philosophical - embedding ownership education into the DNA of a business school designed for the 21st century.

This historical reflection highlights the many accomplishments of the Beyster Institute, especially since joining the Rady School. It also outlines plans for a next phase to close the Beyster Institute as currently structured, and to catalyze change through initiatives launched via the **J. Robert Beyster Endowed Fund for Employee Ownership Education**. The goal of the fund is to catalyze entrepreneurial programs that bridge industry and academia in support of education, outreach, and the advanced practice of innovation-driven, broad-based employee ownership.

Rooted Beginnings

Seeking to build on the remarkable success of **Science Applications International Corporation (SAIC)**, which became the largest employee-owned science and technology company in the world, SAIC's founder, Dr. Beyster, established the non-profit **Foundation for Enterprise Development (FED)** in 1986. Over its first two decades, the FED played a leading catalytic role in promoting the growth of entrepreneurial employee ownership as an effective means of accelerating economic growth and productivity in the U.S. and internationally. The FED, which re-structured to focus on small business innovation and piloting ownership programs, transitioned its staff and programs as the re-branded Beyster Institute into the Rady School in 2004.

Highlights of their early pioneering work included providing consulting services to directly assist hundreds of entrepreneurial growth companies with the design and implementation of effective equity-based incentive programs. They reached thousands of other company owners and managers through a wide range of conferences and by publishing groundbreaking work on the practical uses of equity compensation strategies. Led by Executive Director, Michael Higgins, a multi-year collaboration with the Aspen Institute convened thought leaders for discussions on the theme of "The Future of the Corporation" and the evolving role of employee-ownership strategies in helping companies grow.

Founding FED Mission Statement

To advance entrepreneurship, science and technology innovation through broad-based ownership, by providing research, education, and services that promote innovation, entrepreneurship, and shared ownership in U.S. science and technology companies.



"Serving on the Board of Directors of the Foundation for Enterprise Development during the 1980s and 90s proved to be a pivotal experience in my life [that] contributed significantly to my ability to work with and support social service and arts organizations that can deliberately design their business models to be thriving Enterprises, which benefit all their employees as well as the larger public serving missions they pursue."

Dr. Mary Walshok, UCSD Associate Vice Chancellor Public Programs (retired) and former FED trustee

The FED's global reach included managing multiple foundation and U.S. government-funded programs to help spark market-based approaches for economic development in emerging market countries through entrepreneurship development and privatization initiatives. "While the focus initially remained squarely on the U.S., the collapse of the Soviet Union and Eastern Bloc in 1991 brought with it opportunities to foster employee ownership via the privatization process in Russia and the other former Eastern Bloc countries. And later—as the winds of change blew through the Middle East—opportunities to foster employee ownership arose there as well. In each case—and in many others to come—the FED stepped in to fill the void by initiating programs that would have far-reaching impact.”[1]

Re-Launch and Evolution within the Rady School

Working closely with Dean Sullivan and Dr. Beyster, the Beyster Institute's Executive Director, Dr. Ray Smilor, spearheaded efforts to establish from the beginning, in 2004, a Rady School/Beyster Institute collaboration to coordinate engagement with faculty to explore questions at the forefront of incorporating entrepreneurial employee ownership strategies into companies at the cutting edge of technology and innovation. An important aspect of those early integration efforts was to facilitate Rady School's faculty engagement with the Beyster Institute's programs to coordinate class offerings, get on academic schedules, and support globally significant programs that integrate ownership principles within entrepreneurial initiatives. The newly formed Rady School's emphasis on generating meaningful research and educating innovative leaders aligned well with the Beyster Institute's direction toward supporting a more equitable, knowledgeable, and prosperous society.

Bob Sullivan, founding Dean of the Rady School,
and Bob Beyster, founder of SAIC and the Beyster Institute



[1] Economy, Peter. The Foundation for Enterprise Development Retrospective: 30 Years of Transforming Organizations—and the World—through Entrepreneurial Employee-Owned Enterprise, March 2017.

Consistent with Dr. Beyster's expectation that the Beyster Institute would engage in entrepreneurial initiatives over time to generate sufficient revenue from market-based offerings to supplement his initial seed and annual funding, the Beyster Institute actively engaged with partners to expand its outreach. The Rady School also engaged as an active partner and provided ongoing operational support for the Beyster Institute's programs and initiatives.

Early Beyster Institute successes at the Rady School included:

- A partnership with the Kauffman Foundation to produce a variety of publications and course offerings on entrepreneurship;
- Multi-year collaboration with the National Center for Employee Ownership (NCEO) to host national employee ownership conferences;
- Multi-year contracts with the U.S. State Department to promote enterprise reform and to facilitate U.S. investment in emerging Russian companies; and
- Multi-year contracts with the U.S. State Department to advance entrepreneurship in the Middle East, South Asia, and North Africa, including hosting women entrepreneurship conferences and exchange programs for young entrepreneurs from these regions.

A key aspect of the Beyster Institute's collaboration with the Rady School was to introduce and expand educational offerings within UC San Diego and the Rady School. The Beyster Institute's ensuing Executive Director, Tony Mathews, led the development of the first comprehensive MBA-level courses on employee ownership, equity compensation and corporate governance offered within any U.S. business school curriculum.

Broad-based Employee Ownership Includes:

- Financial participation (e.g., employee equity ownership, profit sharing, stock options, employee stock ownership plans (ESOP) and other forms of equity and profit participation), along with
- Distributed decision-making participation (autonomous work teams, flat organizations, non-managers on boards of directors, succession planning, and other employee involvement processes).

With this as the base, the next Executive Director, Martin Staubus, added a course focused on high-performing business. Over the next 10 years, the Beyster Institute taught over 30 courses to more than 400 students at UC San Diego/Rady School. Course titles included:

- Topics in Corporate Governance: Techniques in Equity Compensation
- Topics in Corporate Governance: Employee Ownership Techniques
- Creating a High-Performing Workplace

These materials have been broadly shared within academia and are available through the [Curriculum Library for Employee Ownership](#), curated and administered at Rutgers University, and funded by the FED.

Starting in 2019, the Beyster Institute shifted priorities to executive education and executive-level workshops, led by the successive Executive Director, Kim Blaugher.

The Beyster Institute developed and taught dozens of non-accredited courses on a wide range of topics related to strategic, legal, financial, and tax issues associated with effective management of employee ownership programs and expanded offerings through the UC San Diego's division of extended studies.



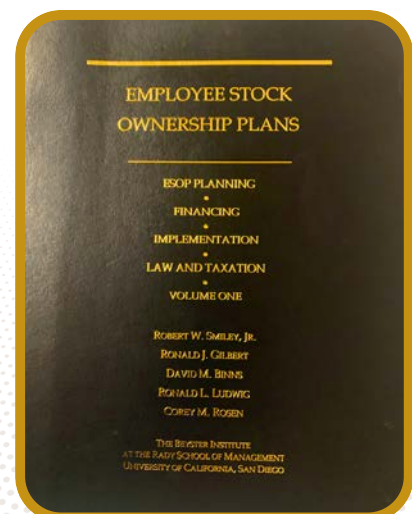
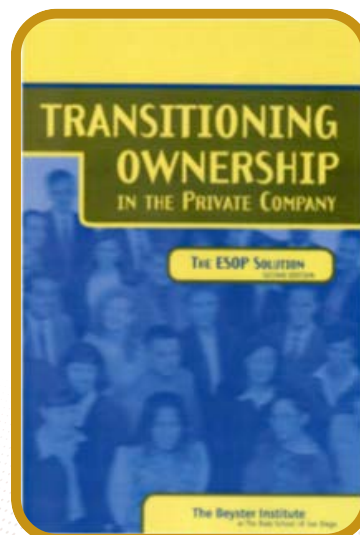
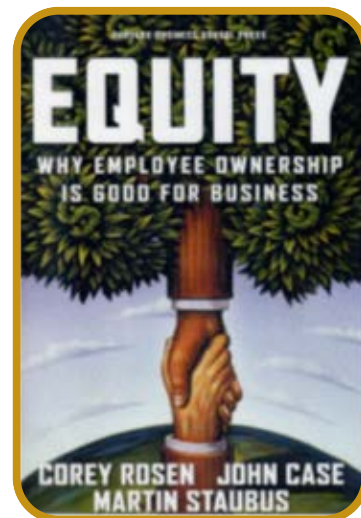
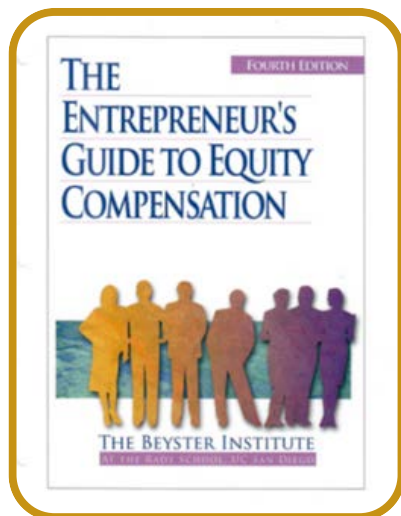
Kim Blaugher, Executive Director,
Beyster Institute 2019-2025

Beyster Institute “Firsts”

- First to offer an accredited class on employee ownership in a graduate business school
- Published *The Entrepreneur's Guide To Equity Compensation*, the first how-to book on broad-based stock incentive strategies
- First U.S.-based organization in post-Soviet Russia offering training on entrepreneurship and employee ownership
- First U.S. organization to host conference and exchange programs to teach women's entrepreneurship in the Middle East

The Beyster Institute established itself as a thought leader in entrepreneurship and broad-based employee ownership by hosting conferences and symposia, producing research, white papers, newsletters, and widely praised publications such as *The Entrepreneur's Guide to Equity Compensation*, speaking engagements, Congressional interactions, and even an episode in a small business PBS series.

The Beyster Institute has been a catalyst for change, proving that ownership is not just a financial structure—it is a philosophy of empowerment. And in a world where business is increasingly global and complex, that philosophy is more relevant than ever.



A Legacy of Shared Success

The journey of the Beyster Institute within the Rady School is more than a timeline—it's a testament to the power of vision, values, and institutional synergy. Dr. Beyster's conviction that "those who contribute to the company should own it" helped lay the foundation for the employee ownership movement that continues to grow. His legacy is not just in the extraordinary success of SAIC and its successor companies, but in the cultures of entrepreneurial employee ownership he inspired.

"After 20 years of engagement with the Beyster Institute, on behalf of my father, I've been impressed by their exceptional expertise and inspired by their passion and humble dedication to making a difference now and for the next generation through their work."

Mary Ann Beyster, Managing Director, Beyster Foundation for Enterprise Development



"The employee share ownership world came to be dominated by ESOPs in the public mind. The Beyster Institute not only built important bridges to the cutting-edge high-tech and smaller and medium-size entrepreneurial firms doing equity compensation, but over the decades also helped develop new firms and mentored them in their early stages."

Professor Joseph Blasi
J. Robert Beyster Distinguished Professor Emeritus, Rady School, UC San Diego; Director Emeritus, Beyster Institute for the Study of Employee Ownership and Profit Sharing, School of Management & Labor Relations, Rutgers University
Former trustee of the FED

Continuing its long-standing tradition of providing direct assistance on employee ownership advisory services to companies, the Beyster Institute designed and expanded its consulting through an intern-based program. Typically serving 30-40 clients a year, services included ownership feasibility and sustainment studies, management of transactions, and on-going assistance with transitions and communication. MBA interns developed sophisticated, proprietary financial models for structuring a range of equity compensation strategies such as stock appreciation rights, employee stock ownership plans (ESOPs), and other equity compensation strategies across different employee categories. Led by industry experts at the Beyster Institute, employee ownership consulting engagements served as the delivery vehicle for these sophisticated financial models and helped train interns in financial consulting associated with strategic growth strategies, succession planning, and the enabling practices of equity and ownership.

“My passion for employee ownership started with an elective course at the Rady School of Management. The Beyster Institute gave me my start in consulting and sparked the journey that led me to build my own firm. The Institute established the core values and perspectives I bring to the industry today.”

Brian Khorsand, President, Khorsand ESOP
Advisory, Rady MBA 2010



The Beyster Institute’s intern-based consulting teams have assisted hundreds of companies to implement and sustain broad-based employee ownership for the benefit of employees across the country. This deliberate staffing model that incorporated Rady students as interns and Rady alumni as consultants resulted in more than a dozen Rady School graduates landing full-time positions with leading employee ownership consulting companies.

In addition to demonstrating the value and impact of being associated with a leading academic institution, the Beyster Institute has also learned that change is needed to best leverage what academia can offer. Some of these practical learnings include:

- Embedding equity/employee ownership classes, cases, and concepts into core and elective courses, rather than stand-alone courses, is of strong interest and could reach significantly more students at business school and across campuses.
- Working directly with companies on critical ownership transitions and strategic planning is highly desirable by students and well-received by executives of companies. However, delivering year-round intern-based consulting has administrative complexities and thus best to include within a structured project-based learning program within a university.
- Training executives at companies with newly formed and well-established Employee Stock Ownership Plans (ESOPs) is in high demand, and the training market offers many high-quality choices. Specialized executive training offerings, especially with peer-to-peer learning, have the potential for near-term expansion, with university-based Continuing Education programs as a key delivery method.

The Beyster Institute has played an influential role at UC San Diego's Rady School as an effective model for synergistic academia and industry collaboration to foster and grow entrepreneurial employee ownership and innovation. But with innovation at its core, it is now time to try something new.

The Next Chapter

In collaboration with the Rady School, the Beyster Institute now seeks to transform once again from an "Institute" into an endowed fund with a single purpose of bridging industry and academia to prototype and pilot innovative employee-ownership strategies.

The ***J. Robert Beyster Endowed Fund for Employee Ownership Education*** will support bold and innovative initiatives such as senior practitioners for codifying emerging equity and business models to ensure more people have access to ownership opportunities that generate prosperity. Other initiatives may also include new graduate/undergraduate educational programs, executive education training, and

public/community engagement in employee ownership. Initiatives will be directly delivered or sponsored by faculty in collaboration with leaders in employee-owned firms, professional service providers, and/or policymakers. In keeping with Dr. Beyster's belief in being responsive, responsible, and innovative with changing markets, term limits will apply to fund recipients. Initiatives will codify and seed new high-reward ideas to fuel entrepreneurial employee ownership within California and throughout the wider economy.

In summary, the Beyster Institute at UC San Diego's Rady School of Management stands as a pioneering force in advancing entrepreneurial employee ownership and innovation. Rooted in Dr. J. Robert Beyster's conviction that those who contribute to a company should share in its success, the Beyster Institute has shaped decades of scholarship, education, and applied practice. Through partnerships with industry, government, and academia, it has developed groundbreaking research, taught hundreds of students, and influenced thousands of companies worldwide. Its work has bridged theory and application—integrating ownership principles into corporate governance, leadership education, and community development. Now, replacing the Beyster Institute with the **J. Robert Beyster Endowed Fund for Employee Ownership Education**, the Rady School enters a new era by fostering collaboration between academia and industry to prototype innovative ownership strategies, expand access to equity participation, and empower future generations to build organizations grounded in shared success and collective prosperity.

Author: David Binns is a Senior Consultant with ESOP Services, Inc. His prior roles include Executive Director of the ESOP Association, President & CEO of a 100% employee-owned company, and over 15 years at the Beyster Institute and Foundation for Enterprise Development, where he also served as a trustee. He currently serves as a board member for several employee-owned companies.

Cover photo courtesy of Eric Millette.