

## **Develop an Ownership Culture for a Competitive Edge**

Successful companies are able to engage their entire workforce in focusing on the goals of the business. Many organizations may display excellence in individual functions such as marketing, technology or customer service, but without the underlying commitment and personal ownership of employees, excellence in other areas will soon be matched by competitors.

What exactly is meant by an ownership culture? The research points to three broad areas, listed below, that differentiate companies with an ownership mentality. Taken individually, they can result in some benefit for the company. Taken together, they represent a powerful force to align the interests of all parties: shareholders, management and employees.

### **Treat Employees as Owners**

As a management consultant, the most frequent problem I hear articulated by employees is a lack of communication about the company's direction and progress toward goals. They simply have not been educated on what is important. If you expect employees to behave as owners you must teach them what is important for the business to succeed and give them the tools to make a difference. What are the business drivers that are critical to success? Do employees know what they are and how to diagnose and fix problems when they occur?

The work environment must facilitate the use of this knowledge. This has implications for organizational and job design. Career management systems must support the development and demonstration of knowledge. Feedback is also central to employee development. If you want to improve any system, be it a large organization or an individual, you must provide feedback on successes and needed course corrections. It is not reasonable to expect improved results without timely and meaningful feedback.

### **Information Provides Power to Improve Results**

Consider information as the wind that fills the sails of employee knowledge. Access to relevant operational information must be available to leverage the knowledge and ability of the workforce. This can be a sticking point for some business leaders. Executives sometimes feel that information is power and sharing of information compromises their position. Information is power -- power to improve results. Leaders who commit to championing ownership by sharing information are fully leveraging their resources.

Approaches such as Open Book Management can provide a template for sharing information. Additionally, rigorous goal setting at all organizational levels and regular feedback create a powerful alignment throughout the organization. The Balanced Scorecard, outlined by Kaplan and Norton, can be used as a tool to communicate relevant business information and establish relevant goals.

### **Aligning Employee Rewards with Business Goals**

Intrinsic rewards such as sharing of information and meaningful work will only provide results to a point. Maximal results occur when the reward system is aligned with the strategy and goals of the business. Both short and long-term reward systems are needed to facilitate an ownership culture.

Pure ownership is best achieved through long term equity vehicles such as stock options, employee stock ownership plans (ESOPs), or stock matches to retirement plans. Phantom equity plans or private stock exchanges can be established to provide the same ownership effect for private companies

However, equity ownership plans have the limitation of being long-term in nature and providing limited short-term motivation. Shorter-term incentive programs can help align employee interests to more immediate operating goals. Many options exist in developing these plans all under the broad category of success sharing. Establishing goals that drive business success and paying only when results are achieved are central plan design parameters.

### **Is it Worth the Effort?**

Today's highly competitive executive labor market demands that companies differentiate themselves. The supply of talented executives is at an all time low and is expected to further decrease. Creating an ownership culture can both differentiate companies in attracting new leaders and improve retention. Many companies have already realized this. Consider the rise in stock option programs over the last 10 years. The National Center for Employee Ownership conservatively estimates that between seven and ten million employees now receive stock options in the United States. This represents a seven to tenfold increase since the early 1990s. It is not just the Dot.Coms that are driving this phenomenon. Employee ownership, at least from a compensation perspective, is becoming commonplace.

Perhaps nowhere is the impact of employee ownership more important than on the bottom line. There is growing research to support the premise that employee ownership leads to enhanced financial results. A study conducted by the Kellogg Business School and Hewitt Associates showed that for 382 public companies that had instituted employee ownership programs, their ROA improved by an average 2.7% from their pre-employee ownership results. Another study reported in the Journal of Employee Ownership and Finance showed that employee ownership companies had stock returns superior to companies in the S&P 500 over the same timeframe.

An organizational culture built around the concept of ownership however, may not be for every organization. The organization's leadership must be committed to the belief that employees can be a strategic advantage in attaining the goals of the business and are worthy of investment.