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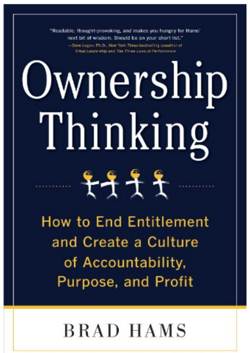

Ownership Thinking

How to End Entitlement and Create a Culture of Accountability, Purpose, and Profit

by Brad Hams
McGraw-Hill © 2011
256 pages

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Take-Aways

- Many workers feel entitled to their salaries but aren't committed to their companies.
- Your company's performance will improve if your employees feel like owners and are motivated to improve the company and help it prosper.
- To build loyalty and motivation, instill "Ownership Thinking" in your corporate culture.
- The crucial elements of an Ownership Thinking program are "the right people," "the right education," "the right incentives" and "the right measures."
- For the right people, hire carefully and use an Ownership Thinking program to develop your employees.
- For the right education, make sure your workforce understands your firm's finances.
- For the right incentives, offer worthy rewards for concrete achievements.
- For the right measures, track performance. Hold staffers accountable for meeting Key Performance Indicators and accomplishing "Rapid Improvement Plans."
- Announce your Ownership Thinking program as an initiative from corporate leadership. Do not depend on "consensus management."
- Expect resistance from some employees when you promote Ownership Thinking.

Rating (10 is best)

Overall	Applicability	Innovation	Style
5	**6**	**4**	**6**

Relevance

What You Will Learn

In this summary, you will learn: 1) How to use "Ownership Thinking" to build employee motivation and loyalty, 2) What the precepts and benefits of Ownership Thinking are, and 3) How to set up an Ownership Thinking program at your company.

Recommendation

Whether your experience bears this out or not, consultant Brad Hams believes that a sense of entitlement has swept across America, ruining the nation's values and workers. He's retaliating with a plan to win back the hearts of employees who now care more about their paychecks than their employers. Hams wants to replace what he sees as a sense of entitlement with a sense of ownership by getting workers emotionally involved in their companies' financial results. While his suggestions verge on the simplistic and some might backfire on you, arcing as they do from paternalistic to even patronizing, Hams does offer ideas for motivating employees to change their attitudes from me-first to company-first. *getAbstract* suggests Hams's training concepts to executives who want to teach staffers to focus on the fiscal health of their employers.

Summary

Where's Mine?

"It is not easy to move from an entitlement culture to a culture of earning."

Some people in the workforce apparently believe that society owes them a living. They sit back and wait for someone to give them what they want. Employees who share this mind-set think all they have to do to earn their paychecks is to show up at work. Such people do not contribute to your company's success. Even a few of these deadbeats can disrupt morale and undercut productivity.

Organizations need employees who have an "Ownership Thinking" attitude instead. Such staffers become actively involved in their companies, as if they were co-owners. They work hard to ensure that their employers succeed, and they take pride in their firms. They care as much about long-range profit as they do about their pay, benefits and vacation time. They never exhibit "me" thinking. Ownership Thinking has these components:

"The Right People"

Institute top-level hiring practices to find, recruit and retain great employees. Most likely, your employees work hard and care about results. That's a good start. However, your goal should be to become "an organization of excellence rather than [of] pockets of excellence." To that end, an Ownership Thinking program can be a worthwhile tool for employee development at your firm.

"How great would it be if all of your employees thought about the business as you do?"

When you implement a properly organized Ownership Thinking program, your employees will become enthusiastic participants in the success of your firm. To help them adopt an ownership attitude, teach them how your firm performs financially. They then will understand how their work positively affects the bottom line. Their increased contributions will build profits.

After introducing an Ownership Thinking program, an office furniture distributor turned a $395,000 loss into a profit of $650,000 within one year. The firm attained a 6% profit for the year, which was double the average for its industry. Thanks to its Ownership Thinking program, a technology firm "tripled [its] bottom line" and shared $300,000 in profits with its employees.

"Ownership Thinking is about engaging all of your employees in the financial performance of the company."

"The Right Education"

Help your employees develop an understanding of business fundamentals, including financial basics. Most staffers – because they don't know how finance works – tend to think their company's profits are far larger than they are. Since most companies don't educate their staff members about finance, employees tend to build up inaccurate speculation about their firms' profits. Employees who assume their companies are hugely profitable tend to waste company resources. Many employees become resentful, thinking that their companies and senior executives are prospering but that none of the bounty filters down the ranks.

"Statistically, companies with ESOPs and Ownership Thinking cultures significantly outperform not only their previous years' performance, but also the performances of their non-ESOP competitors."

Corporate leaders must invest the necessary expenditures to educate their employees, including managers, in a general way about business finances and, in particular, about how their firm currently performs. Upper management needn't go into detail about specific financial tactics but it should provide enough basic information to quell employee speculation and resentment. Teach your staffers about basic financial statements: cash flow projections, income statements and balance sheets, and explain what these reports involve. Explain profit before tax. You can relate company finance categories to household incomes and expenses to add clarification.

"The Right Incentives"

Align employees' rewards with your organization's strategic objectives. Properly deployed, a good incentive program pays for itself. Organized incorrectly, incentives will do little or nothing to motivate your employees. Instead, incentives will act as costs against the bottom line, and some incentive programs can drain profits. Most incentive programs suffer common problems. Often, they are too complex, and employees do not understand their connection to your firm's financial performance. Also, as far as staff members can tell, there is no direct correlation between the incentives you pay and the work they do.

"As beneficial as ESOPs can be...they are not right for every company."

When you don't pay bonuses because business is slow, employees get angry because their paychecks are light. Incentives structured in this way seem like entitlements to employees. Fail to pay them out, and you create ill will among your workforce.

Instead, tie incentives directly to your firm's performance. Never base them on individual performance. Any incentives you set up should connect directly with profit before tax. Make sure that your incentives self-fund through the increases in revenue your firm generates due to the incentives' positive effects on productivity.

"The Right Measures"

"Rapid Improvement Plans are one of the most critical and influential components of practicing Ownership Thinking."

To understand how their productivity matters – and thus stay motivated – employees must be able to measure their performance against the correct activity-based measurements or Key Performance Indicators (KPIs). All employees should carefully monitor the KPIs that apply to them and work hard to achieve their individual KPI goals. For example, in the construction industry, typical KPIs might be "win rate on bids" or "plus or minus days to schedule variance." In retail, look for "sales per staff hour" or "average tickets." In software firms, KPIs might measure better "call response time" or a higher "number of demos." And, in mortgage firms, you can assess "average loan volume per agent" or "average time to close."

Do not make your employees follow too many KPIs. Stick with the most important ones. Get your leadership team involved in setting up the right KPIs. Create tracking scoreboards. Organize "huddles," that is, brief meetings in which participants forecast their business results. Make sure they understand that the purpose of huddles is to help accomplish goals or even surpass them. Otherwise, people will begin to see huddles as annoying busywork.

"Most employees believe their companies are far more profitable than they actually are, and they become wasteful because of this belief."

"Rapid Improvement Plans"

Rapid Improvement Plans (RIPs) that focus on meeting KPIs are pivotal elements of Ownership Thinking. Set up a "high involvement, detailed plan" for each RIP, whether it represents a company-wide program or a program for specific departments or smaller business units. Follow these steps to create an RIP:

- Target a KPI in an area where your firm needs to improve.
- Develop a "quantifiable goal."
- Establish a "time frame" to achieve the goal.
- Quantify the "financial benefit" of achieving the goal.
- Detail the actions needed to reach the goal.
- List the individuals who will perform these actions.
- Give the RIP a memorable name.
- Plan a fun acknowledgement when they attain the RIP goal.

"Entitlement has become an enormous problem in our culture."

A company that earns about $20 million in annual revenues selling and packaging fruits and vegetables deployed a typical Rapid Improvement Plan. Since the company packs a lot of onions, managers named the RIP "No More Tears" and used it to fulfill a goal for its "average cost per package" performance indicator. The RIP's objective was to reduce the cost of a package from $2 to $1.50 within 90 days. Achieving this savings would increase the firm's profits by $600,000 a year, thus increasing the money available for the incentive pool. The managers and employees charged with fulfilling this RIP took several steps. They purchased 70% of their merchandise from a single supplier. They made the "prepack inspection process" more efficient and developed a better schedule for preparing and using the packing equipment. They cut overtime by 60%, reduced setup time, repaired and maintained the labeling machine, and set up better scheduling software. They celebrated with a barbeque and live music.

"Too many employees today believe that they are entitled to a paycheck simply because they show up."

"The Adult Contract"

Organizational change unsettles employees. To calm their fears, institute "The Adult Contract," a written or unwritten agreement on how employees should act. This suggested wording offers one model: "We agree that we are all adults here. We are probably all here for the same reasons: to work in a company that provides competitive financial remuneration, a fun and challenging environment, and security for those who earn it. Toward that end, we will act like adults."

"We have become a nation of children, happy to surrender our judgments and our wills to political exhortations and commercial blandishments that would insult actual adults."

In addition to creating an Adult Contract, organize an "Ownership Thinking Steering Committee" (OTSC) to ensure that Ownership Thinking prevails over the long term. A mid-sized firm's committee needs only five to eight members, including two people from senior management. The other three to five people should be supervisors. Develop a mission statement for your OTSC.

Resistance to "Ownership Thinking"

Expect employee resistance to your Ownership Thinking program. People will complain, "I don't have time for all this; I have my job to do." Point out, "This is your job."

"An incentive opportunity of 8%-12% of wages will really get employees' attention."

Another complaint might be: "Our technology...is not sophisticated enough to support" tracking KPIs. Many companies monitor their Ownership Thinking programs using tally boards, so an expensive tracking system isn't necessary. Ownership Thinking is practical and rooted in real-world, measurable achievement.

CEOs and senior executives can address complaints by demonstrating strong support for the program. They should publicly recognize employees who do good work and encourage them to adopt Ownership Thinking. Good questions to ask include: "What are the Key Indicators that your department is focused on?" or "What is your role" in the current Rapid Improvement Plan? CEOs can exhibit interest in their firm's Ownership Thinking programs through the old tactic of "management by walking around."

"Companies are pretty good at starting things, but not very good at following through with them."

To promote Ownership Thinking within your firm, take these additional steps:

- Discuss your Ownership Thinking initiative with your senior executives. Make sure they understand the program and what it intends to accomplish. Introduce this initiative as something the firm is definitely going to do, not as something for the team to approve. Your Ownership Thinking program should never depend on "consensus management." It is the best program for your company; present it as such.
- Conduct one or more "What's Going On" (WGO) meetings with employees to explain the Ownership Thinking program, what it does and what you expect from your workforce. Formally start the program with a "kick-off meeting" for all employees.
- Survey your employees to determine the best KPIs for monitoring their progress.
- Make sure that everyone understand how important it is to participate in all huddles. Absentees won't be able to contribute to updating the team's KPI metrics. If your firm has multiple locations, consider using Google Docs to set up your KPI scoreboards.

"People need a sense of accomplishment and a sense of purpose in order to be truly happy."

- Understand that some staffers will be unable to get behind the Ownership Thinking program and may try to sabotage the initiative. Jettison these bad apples immediately.
- Employee Stock Ownership Plans (ESOPs) can be tricky to set up, so proceed cautiously. Though most ESOPs are successful, remember that just setting up an ESOP does not automatically result in a culture of Ownership Thinking.
- Some employees of nonprofit organizations care more about their mission and less about money. Such staff members may complain about Ownership Thinking and say, "We're not here to make money; we're here to save lives!" In that case, adopt the thinking of a Catholic nun who runs a number of hospitals. Her attitude is, "No margin, no mission!" Her point: It takes money to accomplish an altruistic goal. The more productive an organization becomes, the more successfully it can accomplish its mission.

"In the absence of information, people make stuff up."

About the Author

Brad Hams, the founder and CEO of Ownership Thinking, speaks to more than 50 audiences in the US and around the world each year.