IS EMPLOYEE OWNERSHIP RIGHT FOR YOUR COMPANY?

The four top excuses for not offering skin in the game – and why you should ignore them

By Jeff Mowatt
JeffMowatt.com
Edited by Allan Britnell

I confess – before I became a father, I sometimes found other people's kids to be annoying. Especially when they sat behind me on a plane kicking the back of my chair. Or throwing a tantrum in a grocery store lineup. Thankfully, my patience and empathy miraculously increased when my wife and I had kids of our own. That's why, when my clients express frustration about how difficult is to get team members to *really* care about their customers, I ask whether those employees actually *own* part of the company. Just like with children, when a company is *your own*, you are genuinely committed to helping it succeed. Here are the four most-common excuses I've heard from business owners as to why they *don't* offer employee ownership, and why it shouldn't prevent you from offering key employees some skin in the game.

1. We already offer commissions

The problem with carrot and stick monetary bonuses such as commissions is they actually *prevent* the kind of creative thinking required to set your company apart from the competition. You'll find a fascinating online video on the subject by searching, "Dan Pink, motivation" which refutes our traditional assumptions about money as an incentive. Keep in mind that if your company offers commissions, then it's likely that your *competitors* do as well. If your employees figure they can make higher commissions working for the company across the street, then your commissions aren't building *any* employee loyalty. Zero.

2. The owner doesn't want to share profits

It's understandable if a business owner doesn't want to give up a portion of what he or she has created, but it's stepping over dollars to pick up nickels. One of my clients, Ralph Ward, chairman of Scott Builders, explained to me that early on he decided that to help generate loyalty from his best team members, he'd offer employee ownership. The result – one of the most dedicated teams of employees in Alberta's commercial

construction sector. This is an industry that, aside from a few recessions, has had endemic shortages of construction professionals. Offering share ownership enabled Scott Builders to keep a skilled set of workers and managers, and establish a distinct competitive advantage in an industry where a talent shortage has been such a chronic problem. By sharing ownership, you're not slicing the proverbial profit pie into more pieces – you're making the company more profitable and building a bigger pie.

3. It's expensive to buy out employees when they leave

This is true, but it's also expensive trying to recruit and train new employees who don't have the depth of experience of your senior staff. One way to help *postpone* buyouts (often for decades) is offering shares in your company *only* for high performers who are willing to sign a non-competition agreement. In other words, to receive shares, they commit that if they do quit, they won't start-up or hire on with a competing company for a minimum period (generally three years). That way, you're giving star employees something enormously valuable. In turn, high performing employees are giving you their loyalty for the foreseeable future and *three years beyond.*

4. Offering shares is too complicated

Yes, it takes time (and legal fees) to set-up a share structure that includes employee ownership. However, that investment is more than offset by the rewards of making your company *significantly* more sellable. The harsh reality is if you are a privately owned company, unlike publically traded corporations, potential investors are not lining up to buy out your shares so that you can retire in comfort. For one thing, private company shares aren't nearly as liquid as those of publically traded companies, so investors are more locked in. They therefore want to know that you as the senior manager will *remain* to run things so they can get a return on their investment.

On the other hand, when you set up *employees* as partial owners, you are also creating a succession plan. By the time you're ready to retire, employees (particularly senior managers) will have hopefully built up equity in the company that can be collectively leveraged to buy out your shares. It makes for a smooth transition and creates an obvious potential buyer *in house*. The bonus is you retire knowing that your proverbial baby is in good hands.

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Look on any street and you can likely see which homes are occupied by *renters* versus *homeowners*. Owners generally care more, and it shows. That's also true of businesses whose employees are partial owners. They care more, and customers can tell. Employee ownership makes working with your company more *rewarding* (literally) for all stakeholders. RC

This article is based on the bestselling book, *Becoming a Service Icon in 90 Minutes a Month*, by customer service strategist and motivational speaker, Jeff Mowatt. To obtain your own copy of his book or to inquire about engaging Jeff for your team, visit JeffMowatt.com.