

Treat Employees Like Business Owners

- [John Case](#)

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Employee loyalty and engagement are hot topics, and for good reason. Companies want to attract and retain talented people who really dig into their work. But most employers ignore two of the most powerful tools for making that happen.

Tool #1 is enabling employees to build real ownership in the business.

Of course, many public corporations offer stock-purchase plans or the like as part of their retirement benefit. And everyone knows about the options collected by a select few in Silicon Valley and other tech centers. But meaningful ownership — sizable grants of stock to rank-and-file employees year after year, to help them acquire a significant stake in the company — is all too rare.

It doesn't have to be. Many large corporations manage to find big bundles of shares (and huge amounts of cash) for executive compensation, even though there's little relationship between senior-management pay and financial results. A portion of those assets can be redirected to regular stock grants for employees. And companies — except for the very smallest — can implement an employee stock ownership plan (ESOP), often funded through borrowing. So long as it's sufficiently generous, either approach gives employees the kind of stake that makes them feel like true owners.

Just look at the supermarket industry to see such ownership in action. H-E-B, the big Texas-based chain, recently announced that it would give up to 15% of company shares over time to 55,000 of its employees, distributed according to a formula based on salary and seniority. That's a chunk of stock estimated at more than \$1 billion. Publix, a large chain headquartered in Florida, is majority owned by its employees and regularly makes the annual "best companies to work for" lists. And there's [WinCo](#), a grocery retailer based in Boise, Idaho, with 14,000 employees and 86 stores spread across eight western states. Every WinCo employee is an owner. Cathy Burch, who has worked there for 20-some years as an hourly employee, now has close to \$1 million in her retirement account.

You don't think that kind of generosity builds commitment and passion? "We work our tails off," an employee with 28 years at WinCo told *Forbes*. "We're more of a team than just working for a typical company. There's a carrot out there you're working for, for the rest of your life."





Tool #2 goes by different names: open-book management, economic transparency, ownership culture. Whatever you call it, it means encouraging employees to think and act like businesspeople rather than like hired hands.

If you work for a conventional organization, your job is to show up at the appointed time and perform certain tasks. At open-book companies, it's part of everyone's job to contribute to the success of the business. Managers help employees understand, track, and forecast key numbers. They welcome ideas for improvement. They reinforce the ownership mindset by sharing profit increases with everyone, usually through bonuses funded by the increase itself. Many of these businesses also have a stock plan in place.

The approach is easiest to understand in a small company. The Paris Creperie, a Boston-area restaurant that's about the size of a McDonald's outlet, recently adopted open-book management. Creperie employees learned the basics of the restaurant business, including determinants of profit such as cost of goods sold (COGS). Then, last summer, they launched an initiative to reduce COGS, cutting food waste, reconfiguring some dishes, and coming up with ways to operate more efficiently. COGS dropped from roughly 30% of revenue to 26.5% over a four-week period, and continued to hold in the mid-20s. Operating profit rose by more than 10 percentage points in just four months and has stayed in the 18% to 20% range, compared with a restaurant-industry average of less than 4%.

This year, employees there are on track to get bonuses averaging \$6,000. "Any other restaurant, I would just be scraping by," shift supervisor Amanda Norton told the *Boston Globe*. "Seeing those bonuses really helps me breathe easier, knowing that it's not the end of the world when I have to pay bills."

You can imagine what all this does for employee loyalty and commitment. "Actually," says Harvard Business School professor Leonard A. Schlesinger, "when employees know more about the business and have an economic stake in the outcome, there's a high probability that turnover rates would go down exponentially."

These tools also address two fundamental challenges of today's free-enterprise system. An ownership nest egg helps mitigate inequality by putting more money in the hands of rank-and-file employees. And open-book management teaches people the basics of business, so they can thrive when they have to change jobs, as most inevitably will in our fast-changing economy. "People are learning what it means to run a business," says Joe Grafton, a consultant who works with the Creperie. "That's something they can take with them as they move forward with their careers."

Both measures give people a stake in the system and the wherewithal to live a more secure life. A company that puts these tools to work helps its community while helping itself.





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