

# EQUITY

## Why Employee Ownership is Good for Business

**COREY ROSEN, JOHN CASE and MARTIN STAUBUS**

**COREY ROSEN** is a cofounder and executive director of the National Center for Employee Ownership, a nonprofit information services provider. Dr. Rosen, a graduate of Cornell University, is widely considered to be an expert on employee ownership. He previously taught political science and has worked as a professional staff member for a U.S. senator.

**JOHN CASE** is a professional writer and contributing editor at *Inc.* magazine. He coined the phrase “open-book management” and is the author of five books and a number of articles published in the business press.

**MARTIN STAUBUS** is a director of the Beyster Institute at the University of Southern California, San Diego, a nonprofit organization promoting entrepreneurship and employee ownership. A graduate of George Washington University and Golden Gate University, Mr. Staubus has more than twenty years experience in the application of employee ownership programs. He previously served as a policy analyst for the U.S. secretary of labor and as a legal advisor to the California State Labor Relations Board.

**SUMMARIES.COM** is a concentrated business information service. Every week, subscribers are e-mailed a concise summary of a different business book. Each summary is about 8 pages long and contains the stripped-down essential ideas from the entire book in a time-saving format. By investing less than one hour per week in these summaries, subscribers gain a working knowledge of the top business titles. Subscriptions are available on a monthly or yearly basis. Further information is available at [www.summaries.com](http://www.summaries.com).

**MAIN IDEA**

Despite the fact thousands of companies are now wholly or partly owned by their employees, many companies are still failing to pick up on the competitive advantages offered by employee ownership – faster growth, higher profitability and better resilience in times of economic downturn. A solid business case can now be made for the practice of making employees true partners in a firm’s success by giving them a significant equity stake in the business enterprise.

Building a successful equity company, however, isn’t just a case of letting employees buy stock and then living happily ever after. To realize the true benefits of this concept, employees have to see themselves as owners and create a different kind of workplace which aligns with that perspective. That means the culture of the organization must change and evolve as well. Furthermore, employees have to learn how to run the business differently if their ownership is to have any practical impact. Unless all three of these elements are present, employee ownership just won’t deliver any tangible benefits.



More than just another option in the human resource department’s kit bag of benefits, employee ownership has the potential to comprehensively transform ordinary companies. When employee ownership is combined with participatory management, businesses often move into and stay in high-growth mode. Employee ownership turns up in a very large number of influential and successful companies. Perhaps this isn’t just a coincidence.

**Background – Employee ownership as a “performance additive” . . . . . Page 2**

Employee ownership is something of a business phenomena – despite the fact it is widespread and well received in almost every industry, many businesspeople still regard it as an oddity. What is indisputable, however, is the fact a disproportionate number of highly successful companies use an employee ownership equity model as the foundation for their entire businesses. That should make everyone pause and analyze the concept of employee ownership in more detail. In many ways, letting your employees earn an equity stake in your business can be the ultimate performance additive.

**Essential #1 – Size – There must be enough equity that it impacts on the employee’s financial situation . . . Pages 3 - 4**

It really doesn’t matter what percentage of the company’s stock an individual employee owns. What is important is the employee feels like they own a significant asset. Until they feel like their stock ownership is of importance to their personal financial security, employees won’t really think like owners. As soon as that threshold is passed, however, employees will start taking their ownership of the company’s stock seriously. They will start doing what all business owners do – find creative ways to grow the value of the business enterprise and generate wealth.

**Essential #2 – Culture – The organization’s culture must help employees think and feel like owners . . . . . Pages 4 - 5**

Making employees shareholders in the business enterprise is a good starting point but it isn’t enough in and of itself. To really make employee ownership work, you also have to create a different kind of workplace. You have to create a culture centered around ownership of the business by sending the message to your people this isn’t an ordinary place to do business. You have to build a culture which brings the employee ownership concept to life and makes it real.

**Essential #3 – Understanding – There must be a shared understanding of business disciplines. . . . . Page 6**

In and of themselves, equity ownership and an ownership-oriented culture are a good foundation for transforming a workplace but they only go so far. A way has to be provided by which the enthusiasm for change is supported and built upon. In short, people have to know how to actually run the business differently in the future. That understanding is only feasible if first everyone understands the fundamental disciplines that drive the business and then secondly employee involvement is integrated into the day-to-day management of those elements. Employee ownership moves from the theoretical to the actual when employees take joint responsibility for their part of the business.

**Application – How to move to an employee equity business model. . . . . Pages 7 - 8**

Moving to the equity model isn’t just a matter of giving employees some stock. To treat employee shareholders as true partners in an enterprise and to operate the business in a way which correctly reflects that dynamic is a challenge. It requires changing the culture and managerial style of the organization and making a concerted effort to educate everyone and then incorporate their combined best efforts into growing the business. Reaching that point is not the work of an idle moment but will require an implementation plan. Fortunately, the corresponding boost in company performance will make this all worthwhile.

# Summaries.Com

The Ultimate Business Library



We condense **300+ page** business books into **8-page** summaries.

By reading summaries, you'll get the **key ideas** in **30 mins**, so you can spend more time turning your ideas into **dollars**.

## Knowledge is Power — Invest in Your Future

For just **\$2 per week**, you will...

- Learn from the mistakes and success of the smartest people in business;
- Get fresh ideas, strategies & motivation that could be worth millions to you;
- Follow emerging trends, so you can catch the wave before your competitors do;
- Catch up on the classics you always wanted to read.

## 1,000 Top Business Book Summaries

Our catalog includes summaries on a range of topics for aspiring entrepreneurs, managers, and consultants.

BUSINESS PLANS

MANAGEMENT

PRESENTATIONS

SALES

LEADERSHIP

MOTIVATION

STRATEGY

AND MORE

