

“What a wonderful book. The only way organizations will be able to compete in the future is if their people act like owners and they create an ownership culture. A must read for the 21st century.”

—Ken Blanchard, Coauthor, *The One Minute Manager*

“A terrific addition to any library. Marty O’Neill and Robert Blonchek have crafted an elegantly simple and uniquely powerful approach to enhancing the performance of any organization—large or small. I wholeheartedly recommend it.”

—Douglas R. Conant, President, U.S. Foods Group, Nabisco

“The new workplace demands that businesses find effective ways to release the power of people. Blonchek and O’Neill’s ‘Internal Franchise’ idea turns the franchise concept inside out and provides a roadmap for ownership and empowerment in any organization.”

—Alan Randolph, Coauthor, *Empowerment Takes More Than a Minute*

“*Act Like an Owner* gives you a treasure map to unlocking the fortunes that lie throughout an organization.”

—Bill Toler, President, Campbell Sales Company

“An insightful look at the elements of an ownership culture and how to put them to work in your company in order to attract, retain, and motivate talented people.”

—J. Robert Beyster, Founder, Chairman, and CEO, SAIC

“*Act Like an Owner* gives you the tools you need to develop and empower your employees to think and act like entrepreneurs.”

—Andrew C. Taylor, President and CEO, Enterprise Rent-A-Car, and 1997 Ernst & Young Entrepreneur of the Year Award Winner

“*Act Like an Owner* gets beyond the rhetoric and brings reality to the development of business leaders and creating a dynamite culture.”

—Ron Charnock, Senior Vice President, International Business Group/Internetwork

“*Act Like an Owner* gives you many of the critical answers you need to embark on the long journey of developing your most critical resource and asset—your people.”

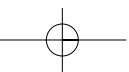
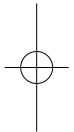
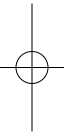
—Robert S. Argabright II, President, Allpro Packaging Company

“*Act Like an Owner* is more than just a book—it’s a step by step road map to the future, and a detailed blueprint for building a successful entrepreneurial culture in any company.”

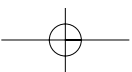
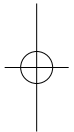
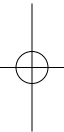
—Dan R. Bannister, Chairman of the Board, DynCorp

“*Act Like an Owner* should be required reading for anyone looking to take a startup company to the next level.”

—Christopher M. Young, President, ProObject



*Act Like  
an Owner*



# Act Like an Owner

*Building an  
Ownership Culture*

ROBERT M. BLONCHEK

MARTIN F. O'NEILL

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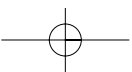
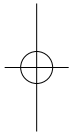
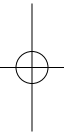
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To Lori, Stephanie, Jonathon, and Maribeth—my true higher purpose.

To my life partner, Denise, and our inspiration, Jack and Liam.



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## *Preface*

**T**he business model presented in this book, which we call *act like an owner* (ALO), grew out of our experience in building information technology service businesses. When we started our first business, our goal was to create an environment that we would enjoy working in, an environment based on trust and team spirit. Having spent many years working for a large international management consulting firm, where teamwork was frowned upon and where internal competition took precedence over customer satisfaction, we were committed to a new approach.

Early on, as a company of just six people, we wrote a corporate creed that documented our principles and values—our culture. This creed simply stated that we would build a successful business by focusing on the customer, encouraging entrepreneurial spirit, empowering everyone, and shar-

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ing both success and failure. We call this culture an *ownership culture*.

We discovered that this environment was enjoyable to work in and was a powerful business strategy. We saw ordinary people, with an intrinsic desire to do their best, accomplish significant personal and business objectives. We saw the level of individual initiative and accountability skyrocket. We saw teamwork provide a competitive advantage. Our goal was to create a great working environment. We ended up with a great working environment and an organization where everyone acted like owners.

The results were tremendous. In a crowded and competitive technical services market, our company grew at a rate of almost 5,000 percent over 6 years. It was recognized as one of the fastest-growing technology companies in the country in 1996.

To this day, when we ask people associated with the company why it was successful, and why they were committed, the answer is always the same. It was *empowerment*; it was *team-spirit*; it was *vision*. It was *mutual respect* and *trust*. Most important, it was the *culture*.

This book is a distillation of our experience in creating, nurturing, and maintaining an ownership culture. Like many business owners, we studied the leading management approaches and business strategies, including reengineering, principle-centered leadership, empowerment, core competencies, and many others. The ALO model is a synthesis and practical application of these leading business concepts along with our own personal experiences. It's a model mined from research into today's leading management concepts and forged through years of personal application both in our own businesses and in consulting assignments with a number of leading companies. The ALO model is not academic theory, it's a roadmap for applying today's most important management practices to the real-world problem of building an information-era business. We discovered the

power of an ownership culture in our first business, refined it in our consulting practice, and have put it to use once more at Bottom Line Staffing Solutions and CTX Corporation.

In this book, we present the internal franchise, the foundation of ALO and a framework for unlocking entrepreneurial spirit in your organization. It's a framework for managing the shifting business landscape.

An internal franchise consists of three components: an *operating model*, *entrepreneurial employees*, and an *ownership culture*. It's a strategy for crystallizing your way of doing business, and then turning your operating model over to your employees to run as if they own it. It's the value proposition you offer to your employees—you offer them the opportunity to become franchisees of your operating model. As such, the *internal franchise* addresses your need to focus your entire organization on execution (your operating model) while addressing the changing needs of today's workers (the desire for opportunity and growth).

The heart of the internal franchise is the ownership culture, a corporate culture built on the principles and values of the entrepreneur. An ownership culture compels everyone in your organization to think and *act like an owner* of the business.

In Part I, we vividly describe the essence of an ownership culture and its impact on an organization. Then we fully develop the internal franchise model. We illustrate how you can build equity in your ownership culture and make it part of your company's brand identity. In this way, we explore the power of a corporate culture to create an environment of shared values and goals.

In Part II, we provide a formula for creating an ownership culture and putting it to work in your organization. We address the management and leadership aspects of building an ownership culture, and we boil down the concept of an Ownership Culture to owning the word *TRUST*, which stands for:

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- Teach your employees your operating model.
- Reward them based on the performance of the business and their contribution to that performance.
- Unconditionally support their actions in order to develop a truly empowering environment.
- Share information so that everyone can make effective business decisions.
- Be Trustworthy by making and keeping commitments.

In Part III, we apply an ownership culture to one of the most pressing problems facing business today: attracting and retaining skilled workers. In this way, we demonstrate that an ownership culture is powerful organizational development technology.

We conclude the book by presenting a larger historical context for the importance of an ownership culture. We illustrate the irony that throughout most of this century businesses have worked to reduce their dependence on people, only to find that as we approach the twenty-first century, people are more important to the success of a business than ever before.

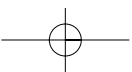
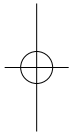
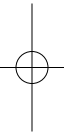
*Act Like an Owner* will help you formalize your operating model and internally franchise it to your entrepreneurial employees. It provides the tools and techniques you need to build an ownership culture and discover its potential to positively impact your business. It is also a leadership philosophy that will help you communicate effectively with your customers and employees, develop effective teams throughout your organization, design business systems that support and enhance empowerment, create a company of leaders, and crystallize your vision for the business.

This is a book, then, about a new strategy for business success—a business strategy centered around *people*.

Our hope is that *Act Like an Owner* will be an invaluable aid for the leaders of large and small organizations alike. We believe the ALO model can be valuable to the largest corpo-

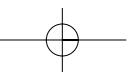
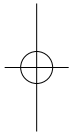
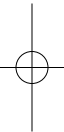
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rations in America, if they understand the importance of thinking small and encouraging entrepreneurial spirit in their organizations. We also believe it is equally valuable to second-stage growth companies that are trying to become large organizations. We think the ALO model is the fuel that all businesses need as they journey into the twenty-first century. We hope you agree.



# *Part 1*

## *The Internal Franchise*



**A** franchise is a method for marketing and distributing products and services. Companies like Domino's Pizza have used franchising to grow very rapidly and secure a significant share of their markets before competitors could catch up.

In a franchise system, a franchisor licenses a business formula—a complete way of doing business—to a franchisee. The franchisee agrees to operate the business according to specific guidelines, and to pay the franchisor a percentage of sales as a royalty. The franchisor–franchisee relationship is governed by a franchise agreement—a binding, legal agreement.

The franchise model is one of the fastest-growing segments of our economy. According to the International Franchise Association, franchises employ more than 8 million people in more than half a million outlets, and a new franchise outlet opens every 8 minutes in the United States.<sup>1</sup> Franchising provides the opportunity to run your own business with less risk than starting from scratch on your own. One of the hardest parts about starting a business is designing the

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business concept. In franchising, that is already done for you. You simply have to learn to run the business. You have a serious head start on competitors who start from ground zero. Because of these reasons, many Americans are turning to franchising to pursue their entrepreneurial dreams.

In Part I, we present the *internal franchise* as a framework for putting ownership culture to work as a competitive weapon. An internal franchise is similar to a traditional franchise operation. In an internal franchise the company makes its operating model explicit and then “franchises” the operating model to its employees. The employees are then coached, mentored, and trained to operate the business at the highest level of proficiency. In an internal franchise, the franchise agreement is not a legal binding contract, it is the company’s *culture*—an ownership culture.

An internal franchise addresses the fundamental challenges facing most companies today:

- A new competitive landscape where it’s not what you do, it’s how you do it
- A new breed of employees who want opportunity, not job security
- The inability of industrial-era techniques to address information-era challenges (processes versus people)

When you can turn to your employees, teach them your operating model, and empower them to run the business, you have established a new distribution channel. If a franchise is a method of marketing and distributing products and services, then an internal franchise is the last, untapped distribution channel for your products and services.

It offers a powerful form of leverage, not to mention a tremendous value proposition for your employees. And it’s an effective framework for dealing with the challenges of running a business in today’s competitive, rapidly changing environment.

Let's take a closer look at the three key components of an internal franchise: the operating model, the employee, and, most important, an ownership culture.

## THE OPERATING MODEL

According to Adrian Slywotsky, author of *Value Migration*, a business design is the totality of how a company selects its customers, defines and differentiates its offerings, defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for customers, and captures profit.<sup>2</sup> It is the entire system for delivering utility to customers and earning a profit from that activity. Slywotsky shows that an appropriate business design is the single biggest determining factor of business success today. This is a long way of saying that *what* you do today is less important than *how* you do it.

We agree with Slywotsky's definition of a business design, but we modify it slightly to fit the internal franchise model. Design implies making decisions. Designing a business is the process of making decisions about the key elements of your business model. For example, you decide on your target markets and customers, your product and service offerings, your method of sales, your pricing strategy, and a host of other elements. However, once you establish the design, you put it into action as an *operating model*.

An operating model is active. It is not enough to have a solid business design—you must have a workforce that executes the business design effectively. An operating model is a company's way of doing business. A business design is comprised of the fundamental and strategic assumptions that are at the foundation of how a company does things. Both are critical. Let's consider an example.

Home Depot has emerged as the leader in the do-it-yourself home remodeling and decorating business. The

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company has done this by developing a business design that offers a wide range of products, competitive prices, and customer service. A key element of its business design is customer service. Home Depot's success depends on providing superior service to customers.

It's not enough to make the decision to provide superior service. Everyone in the organization must understand the connection of customer service to the success of the business. They must be motivated to provide top-notch service, they must be trained to serve customers, and they must be rewarded when they do. Customer service must become part of the corporate culture.

An operating model manifests itself in the stories employees tell about what they do in their jobs. If you asked Home Depot's leadership about their business design they would mention customer service. If you asked employees about their jobs, they might say they are trained to identify customers struggling to find a product and to immediately offer help. The former is Home Depot's business design. The latter is its operating model. It is a subtle but critical difference. A business design is only as good as the number of people who can live it every day.

The first step in building an internal franchise is to explicitly identify your operating model. To do that you need to understand and challenge your fundamental assumptions about your business, your industry, and your customers. You need to make your key business decisions explicit along the customer, economic, and operational dimensions of your business. Then you can devise procedures and systems to accomplish your business objectives. You can choreograph the activities of everyone in your organization and ensure that they work together to achieve your business vision. You can devise reward systems to motivate the behaviors you need. You can teach everyone how your business works and how it makes money. You can reengineer your processes to ensure they produce the marketing result you want. You can

define *how* your business works. In short, you can ensure that your business's policies, procedures, processes, and structures work together seamlessly to achieve your business objectives.

The resulting operating model is what your employees will franchise. It doesn't matter if you are the manager of a major business unit of a Fortune 500 company or the leader of an entrepreneurial startup, in today's business climate everyone in your organization must understand your operating model.

## THE EMPLOYEE

When you hire new employees, are you hiring technicians or entrepreneurs? Are you hiring people with specific skills, or are you hiring entrepreneurial people with an aptitude for the job they will perform?

Our contention is that most people want the opportunity to act like an owner. But most people are never given the chance. Therefore, they are conditioned to think like technicians. Their self-concept is that of technicians. They view themselves one-dimensionally, as a salesperson, an engineer, or a manager.

It's important to begin to view your employees as entrepreneurs. And this starts with your hiring process. You can select people with entrepreneurial drive by screening for attitude and cultural fit. The entrepreneur in prospective employees awakens when you explain that they will be given the opportunity to act like owners. Then when they join your company and begin to live in an ownership culture, their entrepreneurial drive will grow, and they will begin to act like owners of your business. Your company's ownership culture becomes a *brand* that attracts entrepreneurial people to your organization and strengthens the loyalty between employees and the company.

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Your job as a leader is to attract and grow entrepreneurs, or “intrapreneurs,” who can franchise your operating model and execute it at a high level of proficiency. You must attract and hire people with a positive, entrepreneurial attitude and then create an environment that drives the behaviors you need. That’s where an ownership culture comes in. It’s your franchise agreement.

### THE FRANCHISE AGREEMENT

A franchise agreement is a legal document that sets limits on the activities of the franchisee. Its purpose is to enforce the principle that what is good for the system is good for the franchisee. To the extent that the franchise agreement can align everyone’s behaviors with the overall goals of the franchise system, both the system and the individual operators will benefit.

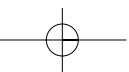
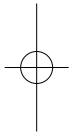
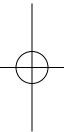
Likewise, a corporate culture enforces shared principles and values and establishes accepted behavior for all members of an organization. An ownership culture is a corporate culture that compels everyone to think and act like owners of the business. An ownership culture enforces the fundamental law of entrepreneurs: *What’s good for the business is good for the entrepreneur.*

An ownership culture is a bond among the constituent members of an organization, which is cast in trust. An ownership culture implies acting and taking action with the best interest of the company in mind. An ownership culture motivates everyone in the organization to feel that they own their franchised operations, and they act accordingly. Therefore, an ownership culture is the franchise agreement in an internal franchise.

We explore the essence and application of an ownership culture, the workplace brand, the internal franchise agreement, the operating model, and the characteristics of entrepreneurial employees in detail in the following four chapters.

# *1*

## *The Power of an Ownership Culture*



**T**hink about what characterizes successful entrepreneurs. They have tremendous belief in their abilities and in their vision for the business. They have developed ways of doing things that allow them to earn a profit. They are prone to action and don't worry about making mistakes. Instead, they learn from their mistakes. They understand that when the business succeeds they'll succeed, so they focus their energy on building a successful business.

Now imagine that every person in your organization shared these same beliefs. Imagine the possibilities if everyone in your organization believed in the purpose of your business. Imagine the possibilities if everyone in your organization believed in the reward for exercising initiative in creating value for your customers and profit for your business.

When *all* employees in your organization share these beliefs, you will have created an ownership culture. They will think and act like entrepreneurs—like owners of the business. That's the power of an ownership culture.

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### **SUDDEN IMPACT**

In an ownership culture people interact in positive ways, they stay focused on winning new customers, and they collaborate. They are accountable for business results. They keep the best interest of your business in mind because it's in their own best interest.

In an ownership culture, the entire workforce understands how the company or business unit makes money and are able to identify new business opportunities. Since each employee understands the profit drivers of the business costs are better controlled. Employees have a direct line-of-sight between their daily activities and your income statement, balance sheet, or operating budget.

An ownership culture is a great way to attract and retain employees. An ownership culture provides career security for everyone in the organization by opening a range of new opportunities. Employees engage more with their jobs because they are provided with a broad view of how the business works. Their level of responsibility and authority increases and they become better skilled so that they are valuable to you and to the employment market. Even if your company goes out of business tomorrow, or your organization is restructured out of existence, your employees are secure because their skills and experience are in demand.

An ownership culture provides increased financial opportunity because employee compensation is self-funded by the success of the business. It increases when corporate profits increase.

Here are several clear examples that illustrate the power of an ownership culture.

### **A REAL-LIFE OWNERSHIP CULTURE**

Shawn was dejected. After spending six weeks working around the clock to get the remaining bugs out of the soft-

ware, the client was demanding that 200 additional changes be made to the system in less than 14 days. He didn't know what to do. How could he ask his team to spend another two weeks working around the clock? He decided he couldn't.

After gathering the team together, he thanked them for their efforts and told them he was proud of them. He told them that the client was demanding even more changes, but he didn't expect them to kill themselves in order to get it done. They had done enough. He thanked them again and headed out the door to let his boss know that they were not able to meet this final deadline. They were just too exhausted.

His team wouldn't let him do it. They believed they could pull it off. They brainstormed ideas on how to approach the problem and set into motion a plan to complete the necessary changes. Two weeks later the customer accepted the system.

Brian was intercepted by his customer on his way out the door. The customer asked if he knew a good place to buy several hundred laptop computers. Brian thought about it for a moment and told the customer he couldn't think of a source off the top of his head. However, he was sure that someone in his 250-person company would know the best place to buy them. He asked to borrow the customer's phone and left a global voice mail for everyone in the company, asking for a good source for laptop computers.

Before he could put on his coat and leave the customer's office, his beeper started to vibrate. Jokingly, he said that it was probably the answer on the laptops. He asked to borrow the phone again and quickly checked his voice mail. Sure enough, it was the answer. In less than five minutes, someone working across town had responded to the original voice mail and was able to answer the customer's question. Brian left that day knowing he had a happy customer and feeling proud to be part of the team.

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Mark had just joined the company after spending several years working for a large international management consulting firm. He was hard-working and intelligent, but he had never been responsible for building a business before. However, he had a few solid ideas and sensed that the company would support him.

Over the next 2 years, Mark built a \$2-million consulting business by creating an alliance with one of the largest computer manufacturers in the country. He not only found new customers, he hired almost 20 people, managed every customer engagement, and often contributed to the technical work. This alliance became a key part of the company's revenue growth over the next several years.

What's going on here? How does a young engineer have the courage to say enough is enough? Why does a team, when given the chance to slow down, agree to do even more? Why does an employee go out of his way to find an answer to someone else's question? And why is a new employee motivated to achieve tremendous personal and business objectives?

The examples described here are not the result of happenstance. They resulted from a calculated effort to nurture entrepreneurial spirit throughout an organization. They are the predictable outcome of building an ownership culture based on these five entrepreneurial beliefs:

1. Belief in the leader
2. Belief in the purpose
3. Belief in the operating model
4. Belief in empowerment
5. Belief in the reward

Let's look at these five beliefs in more detail.

## ***Belief in the Leader***

When everyone in your organization believes in you as a leader, a high level of trust develops in your organization. Kouzes and Posner studied the characteristics of admired leaders in their book, *The Leadership Challenge*.<sup>1</sup> They found that the top characteristics of admired leaders are honesty, vision, and competence. Belief in the leader means that the people in your organization believe that you and the other leaders have the business acumen and talent to succeed, and that you are trustworthy.

Competence doesn't mean brilliance. In fact, Kouzes and Posner found that intelligence ranks low on the list of characteristics. You don't have to be the smartest person in your organization. Competence means that you are reasonably smart (a matter of genetics) and that you are constantly learning and growing (a matter that is under your control). People want to know that you try hard, make good decisions, and constantly learn. They want to know that you are decisive.

What about trust? Humans don't instinctively trust each other. It's not in our genetic makeup. We earn trust in each other over time. To earn the trust of employees you must be trustworthy. You must make and keep commitments. You must ensure that your words and deeds are aligned with the best interest of the business. If you make commitments to people and keep them, they will view you as trustworthy. It's that simple.

If people realize that the company's success takes precedence over your personal goals, they will trust the company. They want to know that you and the company's other leaders believe that your personal goals and objectives are best met when the business succeeds. They want to know that they can focus on building the business instead of worrying about hidden agendas. They want to know that they can stay focused on the customer instead of on internal politics.

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Nothing is worse than working for a manager who believes that his or her own success is a separate issue from the company's success. As an employee in this situation, where do your loyalties lie? Do you support the manager's agenda or the company's agenda? Even worse, do you now interpret your manager's actions as appropriate behavior? He or she seems to be getting ahead by acting this way. Maybe you should follow suit? The old adage that the best way to succeed is to find somebody who is already successful and copy their methods seems to apply. But does it?

If the people in your organization are spending time answering these questions for themselves, they aren't spending time serving customers. Answer the questions for them. Make sure the entire leadership team puts the company's interests ahead of their own. When they do, trust will blossom.

### ***Belief in the Purpose***

Most people want to be a part of something big. They want to share in the creation of something important. They want to believe in the purpose of their organization.

Most leading companies have a strong purpose. For example, Wal-Mart's stated purpose is to allow common people to buy the same things as rich people. Microsoft's stated purpose is to enable people to have information at their fingertips. The Body Shop promotes social responsibility. Your employees want to know your company's stated purpose. They want to know that the business is trying to achieve something that is important and meaningful. They want more than a job. They want to be part of changing the world, even if it's just their own little corner of it.

To discover your purpose, ask yourself why your organization is important. If your company went out of business tomorrow, or your organization was reorganized out of

existence, why would your customers care? We often ask managers to reflect on this question. In one case, we asked a group of service managers. Initially, their answers revolved around the fact that they would lose their jobs. But after further probing, they began to open up. They talked about how they truly believed that their customers would be left in a bind. They mentioned that they often solved business problems that other companies couldn't. Without them, their customers would not be getting high-quality solutions to their problems.

Now, you can argue that their stated purpose wasn't unique, but that's not important. It was *their* purpose. That's what matters.

When all the employees in your organization share a belief in the purpose of the business, they stay focused on the big picture. Their actions align with the direction of the business. Their collective thoughts focus on better ways of achieving the purpose. They feel a personal sense of fulfillment that goes beyond just completing a job.

In order to believe in the purpose, they need to understand it. You have to constantly repeat your stated purpose as if it were a mantra. It doesn't have to be earth shattering in its creativity or uniqueness; it just has to be yours.

How many times have you heard someone in your organization say, "We need a better understanding of where we are headed."? We see too many managers thrown off balance by that question. They can't understand why people have a hard time understanding where the business is heading.

The president of a professional services firm shared his experience regarding the perceived lack of vision in his organization. He was confronted with the question, "What direction are we heading?" Out of exasperation, he rattled off a very simple, nondescript vision statement. Something along the lines of: "We are an organization that provides superior results to our customers. We are going to continue to serve our existing customers better than anyone else

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while we target new customers in the telecommunications industry.” To his amazement, the questioner responded, “That’s exactly what we need to be hearing!”

People need to know where they are going. They want to know that the things they do every day contribute to a vision. Many companies develop mission statements or vision statements. But a mission statement is only as good as the number of people who can live it every day. You need to put meaning behind the words. Identify the key words of your mission statement, and tell stories about people living those words. If your mission statement says you are customer focused, share company folklore about employees who have focused on the customer. If your mission statement says you are a team, give examples of how teamwork has helped win new customers. Bring the words of your mission statement to life through storytelling. Tell these stories to customers, partners, and your employees. Tell them to people you are trying to hire. Tell them to anyone who will listen.

Once employees understand the vision, they set off to live it. They refine it based on their own experiences. It becomes the rallying cry of your organization. Your purpose concentrates the creative energy of your people on helping your organization reach its goals.

### ***Belief in the Operating Model***

We define an operating model as the integration and interaction of your business constructs—the policies, procedures, processes, and structures of your business in dynamic interchange. It’s *how* your business works.

The people in your organization constantly pass judgment on your operating model. They evaluate whether it makes sense, given their view of the world. They compare your operating model to those of other companies where they have worked, to those of your competitors down the

street, and to the models described in the business or industry literature they read.

Every day, your employees pass judgment on your marketing strategy, accounting practices, management approach, hiring practices, and every other aspect of your business. Your job is to help them find reasons to believe that your operating model makes sense.

Belief in your operating model fosters effective action because belief is a by-product of knowledge. When everyone believes in your operating model, they understand the rationale behind the processes, policies, and procedures you have implemented. They are equipped to make decisions, and they frame every decision against the purpose of the company and an understanding of business financial principles.

Again, your job is to share the operating model with everyone so they can inform their daily activities with knowledge and purpose. They have to know that you take the operating model very seriously. You have to show them that it is designed to help the business achieve its purpose. Talk to them about it at every opportunity. Your operating model has to be a reflection of what you believe and what you want for your business. It's that important.

Our mantra is: *It's not what you do; it's how you do it.* Your operating model is really how you run your business. You probably aren't offering a product or service that is completely unique and different. There is too much competition for that. To be different, you have to develop an operating model that reflects your unique vision of what your customers need. And you have to ensure that everyone believes in its ability to succeed.

### ***Belief in Empowerment***

The real benefit of working in an ownership culture is the ability to act on your own with the full support and backing

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of the organization. In an ownership culture all employees act like owners of the business. Therefore, you authorize them to make decisions. But even more important, you train them to make the *right* decisions. Just authorizing people to make decisions is not enough—they won't act unless they feel confident that they can act appropriately.

When people believe in empowerment, they believe in the organization, and they believe in themselves. They know the organization supports their actions, and they believe they will make the right decisions. Most important, they know they are allowed to fail. Mistakes are tolerated. However, they must recognize how to learn from mistakes and avoid repeating them.

One of the authors once made the mistake of the century. He signed a \$1 million fixed-price contract without checking a box to request progress payments along the way. In other words, he signed a contract that required the company to deliver \$1 million worth of services without receiving any form of payment until completion of the entire job, almost nine months later. In essence, he created a massive cash-flow problem for the company.

His first response (after the tears stopped) was to control the damage. The company set out to control expenses and raise cash to solve the immediate cash-flow crisis. Then he met with the legal staff to put a process into place to ensure that the problem would never occur again. He shared the story with everyone (even though he took a lot of ribbing), so that everyone would avoid making the same mistake. In the end, the company survived and everyone learned from the experience. More important, they realized that the company could tolerate mistakes as long as everyone learned a constructive lesson and took action to avoid repeating the mistake.

People believe in empowerment when they have the authority to act, have the ability to act, and receive support when they do act. When they believe in empowerment, they

feel a sense of purpose and fulfillment. Employees today want opportunities for growth, and they want to have an impact on their organization. They want to be empowered. Make sure everyone in your organization believes in empowerment.

### ***Belief in the Reward***

If you feel that salary and bonuses are the major reasons why your company can attract and retain people, you have a real problem on your hands—especially with the unemployment rate hovering below 5 percent. In this environment, when many people can go elsewhere and command a higher salary, you must give them other reasons to stay than just money. You must ensure that they *enjoy* what they do. In the current business climate, you *attract* people with competitive salaries and financial rewards, but you *retain* them by giving them opportunity and a rewarding place to work.

When employees believe in the reward, they believe that they will succeed when the business succeeds. They are willing to give their best efforts on behalf of the business, because they know that their personal success is tied to the success of the business. This is constantly on their minds. When you help your people stay focused on the big picture, they, in turn, try to improve the business so that their reward increases. They think and act like entrepreneurs, like owners of the business. They protect the bottom line as if it's their own, because it *is* their own.

## **THE POWER OF TRUST**

The ability to trust and believe in a system is the key determinant of the system's success—even if that system is a business. If your employees don't believe in your business

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system, they cannot be effective. They spend too much time watching their backs instead of focusing on the customer. They spend their time trying to figure out the hidden agendas. They work *within* the system rather than working *on* the system. Politics dominates the environment. Trust becomes nonexistent. In the end, good people take their services someplace else.

Trusting the system is liberating. It frees up an enormous amount of time to focus on more important things. In this case, employees focus on the customer. When employees believe in the leaders, they adopt their beliefs and values. When they believe in the purpose of a business, they become prophets and spread it to anyone who will listen. When they believe in empowerment, they act. And because they understand the operating model, they act appropriately. When they believe that they will succeed when the business succeeds, they focus their attention on the success of the business, nothing else.

When the five entrepreneurial beliefs are inculcated in your culture, your business becomes a finely tuned system, your people a team. They believe in the game plan and focus on winning. Your business begins to operate on its own, without your constant attention. You have more time to work *on* the business instead of working *at* the business. You have more time to improve its operating model, to find new opportunities, to develop more people, and to stay focused on the changing market.

Ensure that everyone in your organization believes in the leadership of your company. Ensure that they believe in the purpose of your business. Ensure that they believe in the operating model, and that they believe in empowerment and the reward. Then let them go. Get out of their way. Discover how powerful a company of entrepreneurs can be.