# Motivate Employees to Behave Like Construction Company Owners, Part 1

Written by Brad Hams

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*Editor's Note: This is the first in a three-part series that examines how you can create a culture of accountability and purpose in your construction company.*

**Creating a culture of employees who think and act like owners can lead to amazing results, both financially and culturally.**

I am on a mission to eradicate entitlement. People with this mentality believe they deserve things because of who they are rather than what they do. It is my opinion that this mentality has been cultivated over several decades by lowering standards in schools (it is more important to feel smart than be smart) and eliminating the competitive element in games and sports (it is more important to feel like a winner than be one). The result is a workforce of some individuals who feel entitled to a work environment and compensation that is not equivalent to the work they perform. So, how do you, as a business owner, deal with this?

The good news is that most people are not very happy in a pampered, unrealistic environment. People are actually happier in an environment in which they can learn and be challenged—a place where they have a purpose and can see their contributions. Abraham Maslow, who created the theory "hierarchy of needs," once said, "The only happy people I know are the ones who are working well at something they consider important."

## Recognize the Lack of Understanding

The first step in creating an ownership culture is to provide employees with business acumen training. This is important because your employees' lack of knowledge can hurt you. To better understand my point, try this experiment: Go out in the field, and ask some of your employees what percentage of the company's sales is profit. "Fifty percent" is a common answer when I ask this question to employees who work in companies where this information is withheld. But from my experience with the construction industry, "3 to 7 percent" is closer to the right answer.

When employees believe the company makes that much profit, they become wasteful. The thought process is something like this: "So we left that material behind (or wasted that labor, damaged that truck or had to return to a job and perform rework), we're rolling in the dough." Actually, they usually say, "My boss is rolling in the dough."

If you want your employees to think like you, then you must start by teaching them the realities of business and finance.

## Role Playing

To help your employees develop the ownership mentality, gather everyone together and perform the following scenario:

• Imagine you own a company that generates a 5 percent profit on average. If you sold a dollar's worth of products or services, for instance, how much would end up on the profit line? The answer, of course, is a nickel.

• What happens if you save a dollar (or ten thousand dollars) as result of reducing rework or scrap, improving labor efficiencies or reducing overtime? The answer: Every time you save a dollar in your business, the entire dollar goes to the bottom line.

• If you did save a dollar (or ten thousand dollars), how much revenue would it take to get that money on the profit line? The answer is 20 times that amount if you have a 5 percent profit as noted above.

## Teach Employees Finance Basics

Over the years, I have learned that the most effective way to teach finance to non-financial employees is to associate personal finance with business finance. This helps eliminate any intimidation because personal and business finance are much the same. Most people assume that finance is very complex, when in fact, it is not. Here are some examples of how to define financials for employees:

• A business income statement is made up of three simple components: revenue, expenses and profit or loss. A personal income statement includes income, expenses and savings or debt.

• A business cash flow statement consists of cash in, minus cash out, which equals the change in cash. A personal cash flow statement consists of your cashed paycheck, minus all spending.

• A business balance sheet includes your assets (accounts receivable, equipment, materials, etc.), your liabilities (accounts payable and debt) and the difference between the two, which is your owner's equity. To understand this on a personal level, use your house as an example—the house subtracted by what is owed on the mortgage, equals what you really own, or the equity on the house.

Employees also must understand how a company's income is used. Employees often think payroll is the largest expense, but of course, many other expenses exist such as equipment operation, fuel, materials, facilities and utilities, to name a few. To remain competitive and continue growing, organizations need cash for equipment, capital improvements, debt retirement, retained earnings, etc. And so, that 3 to 7 percent of profit mentioned earlier (as opposed to 50 percent) will not even end up in the owner's pockets—much of it is reinvested.

What you've read so far is not theory. It is based on my 15 years experience as the founder and owner of Ownership Thinking, a consulting and training firm dedicated to creating cultures of employees who think and act like owners, and who become active participants in the financial success of their organizations. Business and financial education is the first piece of the puzzle. In the next two issues I will provide you with tips on how to measure the right things in an environment of high visibility, and how to create incentive plans that really work.

## Try This

Conduct the following exercise with your employees:

• Break your employees into small groups of about five.

• Hold a short stack of dollar bills in your hand. Tell the group to imagine that this stack of bills is the company's revenue, and the table in front of you is the business. Throughout the month, this money is spent on all of the expenses, such as payroll, materials cost, facilities, fleet, etc. (Lay the bills down on the table a few at a time as you name each expense, and finish with one bill in your hand.) Explain that the bill left over is the company's profit.

• While it is clear that most of the revenue went toward expenses, the table in front of you also has cracks, and a great deal of money has fallen through these cracks. The "cracks" might include things like scrap, rework, unbilled time or downtime. Give your employees about 10 minutes to brainstorm what they believe are the "cracks in their company's table." Then, go around the room a few times, and each time, ask each group to name one thing, and write these down on a flip chart.

• When the page on the flip chart is full, ask them how much money's worth they think is on the chart. Lead them by asking: "Do you think there is a hundred thousand dollars here? Two hundred? Three hundred?" Stop when they decide the amount. I recently did this exercise with a $16 million construction company, and the employees stopped at $500,000. And they were right—there was easily $500,000 on that piece of paper. To emphasize the importance of this, you can then divide this amount by your company's profit percentage to see how much revenue it would take to get that amount to the bottom line. In the $16 million company, profit had averaged 6 percent; therefore, that company must gain $8 million in revenue.

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*Brad Hams is the founder and president of Ownership Thinking, a consulting and training firm that for 15 years has helped more than 1,000 companies to unleash their true potential through employee education, engagement and incentive strategies. He is the author of Ownership Thinking: How to Eradicate Entitlement in Your Organization and Create a Culture of Accountability and Purpose, and speaks to business leaders on this subject both domestically and abroad. For more information, visit www.ownershipthinking.com.*

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