Adding Continuous Improvement to Your Ownership Culture

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You've done a great job with your initial ESOP roll-out and you've created an amazing Employee Owner Committee. The next question on everyone's mind: How can we increase share value?

This is where Continuous Improve (CI) comes in.

What is Continuous Improvement?

If you've ever attended a "lean" training, you know that it is about removing waste from your processes.

There is another type of waste, one that is especially important for ESOPs: wasted talent. This is the failure to fully engage the hard work, intelligence, and creativity of all employee owners.

Incorporating CI into your culture is all about tackling this type of waste by providing employee owners with the ability—and opportunity—to improve the business, starting with the work they do every day.

Start with the Suggestion Box

And "start" means get *rid* of the suggestion box. CI works by breaking down the wall in organizations that separates "thinking" and "doing." In a CI culture everybody—managers and workers—is responsible for getting the work done *and* for improving it.

The trouble with the venerable suggestion box? It can reinforce the idea that thinking is management's job. Instead, in a CI culture, employees are encouraged to work together to discuss ideas, collect data, conduct experiments, and implement their improvements.

The suggestion box also can cause an "ideas bottleneck." In addition to supervising and leading, management now must solicit, evaluate, and implement the ideas. (Or, if the idea is rejected, explain why.)

Continuous Improvement avoids this bottleneck by empowering employee owners with the tools to directly improve the business, freeing up management to focus on *growing* the business.

Trust: the Essential Ingredient

Mission Bell Manufacturing CEO Glenn Ripley calls it "psychological safety." Without it, we can't expect employee owners to fully contribute their time and talent. Psychological safety means leaders create an environment in which ideas are welcomed, failure is seen as an opportunity to improve, and improvements benefit employee owners.

At the end of the day, employees need to trust that their hard work in improving processes will pay off and will not put their jobs at risk. Often companies adopt formal policies, like no-layoffs or layoffs-as-last resort, as well as gain sharing or profit sharing programs to build trust and share the rewards.

Getting Started

While there are a lot of tools in the CI toolbox, two are essential to getting started:

· Provide employee-owners enough information about how your company makes money so they can begin to identify meaningful improvement opportunities. (Open Book Management is a powerful tool, but you can stop short of full-on open book; for example you can provide revenue and expenses on a project or a product basis.)

· Provide employees with a simple, structured way to identify and implement improvement ideas.

One simple, powerful, and time-tested structure is called PDCA (Plan, Do, Check, Act). An adaptation of the scientific method for business, PDCA was popularized by W. Edwards Deming, the father of the modern quality movement.

To use PDCA a team quantifies the problem or improvement opportunity using hard numbers. It then sets a goal ("to go from X to Y by Z") and develops an improvement idea (Plan). It implements the plan as a pilot project (Do), evaluates the results using hard numbers (Check), and executes a plan to sustain the change if the idea was successful, or makes adjustments if the desired result wasn't achieved (Act).

Managing a project using PDCA can be very simple: All you need is a piece of 11 X 17 paper or a whiteboard. And because PDCA is iterative ("Act" becomes "Adjust" if the idea didn't achieve the desired effect) it helps to make employee-owners less afraid of failure. As one client put it: "You win through singles and doubles, not home runs."

What Should We Improve?

A great place to start is by encouraging employee-owners to tackle ideas that are important to them. Sharing a list of top 10 costs can help ensure efforts aren't expended on the trivial.

Typically, improvement projects will impact one or more of the following: safety, quality, cost, on time delivery, employee morale, or environmental impact. As the organization gains more experience, leaders can

help identify improvement areas that are strategically important and that align most closely with the factors that affect share value.

Leaders should provide criteria to act as "guard rails" for teams making decisions. For example, leaders could ask that improvement ideas not negatively affect performance or another process or department, or that if ideas require additional resources that approval be gained first.

The key is to start small and let early successes drive bigger projects down the road.

The most important resource for CI is time. If it's going to be a core part of a company's culture, leaders need to provide employee owners time, on the clock, to work on it.

The good news is that CI has a clear return on investment. As improvement projects yield increases in productivity, firms free up more time. This new-found time can be used to produce more, or to conduct even more improvement work on the business in the future—all with the organization's existing human resources.

The Role of Leadership

Leadership plays a key role in fostering and sustaining a CI culture. This may require a significant mind-set shift, from seeing the leader's job as being chief problem solver to one of helping *others* solve problems.

A CI-focused leader knows that the only way to arrive at the best solution is by empowering those closest to the work. This type of "coaching leadership" requires that managers hone skills like active listening, providing feedback, asking effective questions, building trust, and problem solving.

With management freed up to work on growing the business (now that everyone is dedicating a part of their time to improving the business), leaders can help to align improvement efforts by bringing the voice of the customer to bear on projects.

One way to do this is by involving employee owners from different functions in meetings with key customers. This allows a cross section of the organization to hear directly from your customers about their needs and concerns, as well as what they appreciate about doing business with your firm.

Finally, leaders need to signal to employee owners that CI is important to your firm. Regularly visiting teams in their work areas to hear updates on projects and scheduling an annual showcase of projects are two ways that you can make sure that CI remains front-and-center in your organization.

Want to Join One of the Advisory Committees?

Applications are now being accepted for The ESOP Association's Advisory Committees.

Why should you join a committee?

Committee participants play an important role in developing content and services for members, and provide input to the Board of Directors regarding public policy issues. Committee members also benefit from unique opportunities to network within The ESOP Association.

To learn more about the committees or to apply, visit www.esopassociation.org/about-the-association/leadership/advisory-committees. On that page you can read more about the committees or download a digital application.

Applications for committees are due March 15, 2018.

By May 1, the Chairs of the various committees will select the 2018 committee members from among the applicants.

There are a total of six committees to which you can apply:

· The Advisory Committee on Administration.
· The Advisory Committee on Finance.
· The Interdisciplinary Advisory Committee on Fiduciary Issues.
· The Legislative & Regulatory Advisory Committee.
· The Advisory Committee on Ownership Culture.
· The Advisory Committee on Valuation.