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Strength From Within: How Preparing Employees for Ownership Can Strengthen Your Business

No matter how you define business success, one thing is constant: When everyone is rowing in the same direction, it's much easier to reach the destination. As you grow your business, you'll likely find that the stronger your internal people and processes are, the more options you have to achieve success.

Today, we'll examine some of the potentially positive consequences of preparing your key employees for a stake in ownership. Whether your long-term plans are to sell your business (to employees or a third party) or stay forever, prepping your key people for possible ownership can position you for greater success.

Increase Commitment

Key employees are often drivers of sustainable and scalable business

success. A key employee is someone who tangibly contributes to the success of the business above and beyond expectations. By nature, they tend to be ambitious and take immense pride in their work.

Keeping these people focused and motivated is a crucial first step in strengthening your business now and for the future. A stake in ownership can encourage that focus and motivation.

However, not all key employees are interested in ownership. They may be more interested in incentive plans for taking on elements of ownership. It's therefore essential that you identify what will best motivate your key employees as you train them to take on more responsibilities.

Once you've identified key employees and confirmed their interest in some kind of ownership, you can begin enticing them to commit to your company in the long term.

For example, you might offer them an actual slice of ownership. You could tie their compensation to written, ambitious, realistic performance standards. If you offer them something like potential future ownership that keeps them committed to your company, it can improve processes and create alignment in how everyone defines *company success*.

When everyone's aligned on how to define company success, it can make your company stronger and more stable, which can increase its value.

Make the Pie Bigger

Preparing your best people for more responsibilities can also give them more opportunities to reap bigger benefits. For example, as your company grows, your key employees' stake in it may also grow. That can lead to more money, prestige, and opportunities for all.

Even better, it can give you the option to sell your business directly to them in the future. For many owners, keeping the business in the hands of people they trust is important. When the people you trust can run the business and still put you on the path to financial independence, it can give you more options to pursue success, inside and outside the business.

When your key people are successful in growing the company (the “pie”), you are likely to feel good about sharing some of that with them.

Focus on Fundamentals

Finally, preparing key employees for ownership can increase the likelihood of stronger outside offers to purchase your business. Because your key employees have taken on more responsibilities, and because they essentially run the business, you may be able to entice third-party buyers to purchase your business on your terms.

To third-party buyers, the best kind of business is one that doesn't rely on any single person for its success. If your company functions well without you—due to preparing your key employees for ownership—it may become more valuable. That can open up new possibilities for you to define and pursue success—financially, professionally, and personally.

But, if your key employees financially can't or simply don't want to own the business, you can still reap the benefits of preparing them for that scenario.

Stay Flexible

It's important for you to understand what motivates your key employees to stay with your business in the longer term. Once you've established those motivators, you can begin training them to prepare for the responsibilities of ownership, or something that looks a lot like it.

Whether those responsibilities manifest as actual ownership, phantom (synthetic) ownership, lucrative compensation plans, or something else, preparing your people to operate from a mindset of ownership can strengthen your company, now and for the future.

We strive to help business owners identify and prioritize their objectives with respect to their business, their employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

Please contact Dan O'Brien for a free one hour consultation on your exit planning needs

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