An Owners Mentality

Creating Emotional Equity

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corvirtus™

Understanding Ownership

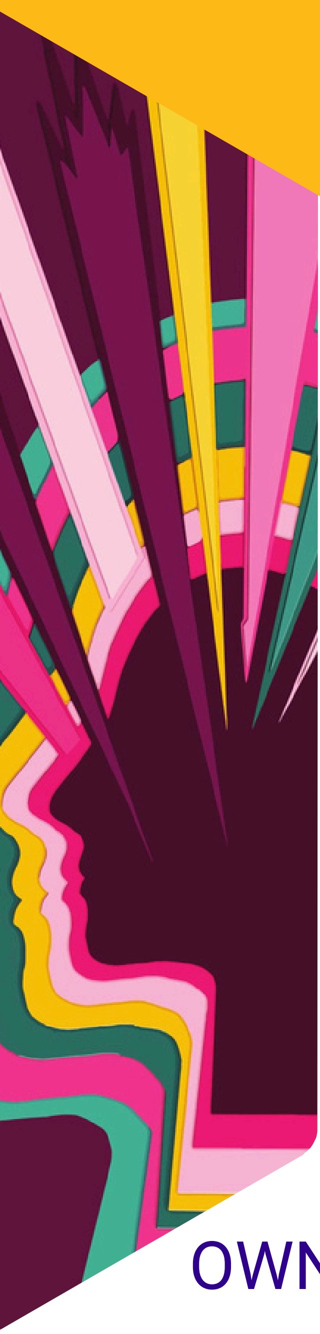
There's something special about what well-known leaders and entrepreneurs such as Oprah Winfrey, Jeff Bezos, Anne Wojcicki, Reese Witherspoon, Indra Nooyi, and Steve Jobs have accomplished. What they have in common with millions of business builders is something we admire: focus, making something from nothing, determination, and total commitment to succeed. From a psychological perspective, what attracts us to them is their vision, passion, independence, grit, accountability, and success. Not surprisingly, many company leaders would love to see these same characteristics embedded in their company's culture. What they want is a culture of responsibility, one where everyone shares an owner's mentality.

The question is how to do it. How does a company change its culture to one that includes the sense of responsibility and drive of an owner? Assuming that such a change is what's best for the company, the most chosen path is to create an ownership, or profit-sharing, program even though that is the wrong place to start. The problem is not with the objective of such programs, nor even their tactics; rather, it's the failure of leaders to align tactics to objectives as well as their answer to even bigger questions: *Why would we be better off having owners running all over the place?* and *What's the downside of ownership?*

Success starts not with a program, but with understanding the psychology of ownership. In the following discussion, I shed some light on these topics through a brief review of what is known about entrepreneurs, entrepreneurship, and ownership. The questions to be answered are:

1. What is an entrepreneur, entrepreneurship?
2. Which of the qualities of both should be sought and which should be avoided within our organization's culture?
3. How can entrepreneurship grow within my culture?

My goal is to piece together a descriptive profile of successful entrepreneurs, with special emphasis on organizations that would benefit from an entrepreneurial culture.



DEFINING TERMS

- An entrepreneur is someone who starts, or meaningfully grows, an enterprise with little more than an idea, a blank sheet of paper, and passion for making it work.
- Entrepreneurship is the process of moving the idea forward to being a viable enterprise.
- Ownership glues an idea and effort together. What's owned are the ups, downs, and all the things in between of building an enterprise.

Ownership is a psychological construct that has less to do with financial equity, size, or result. Instead, it's the personal commitment, physical energy and stamina, grit, and achievement of *ownership*. An owner-oriented person is one who takes ultimate accountability for the success of something. Thus, ownership does not have to involve financial equity in whatever is owned. Instead, it is about acting as though that something is owned. An ownership mentality describes a person who does more than accept responsibility – they seize it and make it their own through emotional equity.

OWNERSHIP AND CORPORATE STRUCTURE

There are some differences between a pure entrepreneurial environment and traditional employment relationships that corporate-based ownership initiatives can put to good use. The most obvious is that in the former, the owner is totally at risk and failure is not an option. Having everything on the line has a wonderful way of focusing the mind on what needs to be done: develop a business model and strategy, and align systems and structure. The type of person who takes on the formidable challenges of creating a business from nothing constitutes less than five percent of the U.S. population; moreover, those who are successful at it amount to less than two percent. Not good odds.

Established organizations can provide better odds for leaders with a hunger for creating something and relish taking an ownership mentality. Corporations provide the resources entrepreneurs can lack on their own. Typically, when entrepreneurs fail, it is due to being poorly organized or a shortage of capital, expertise, emotional support, and/or marketing skill. An inherent advantage of a corporate environment is that it can defuse these land mines and put a much larger segment of the population on the path to ownership.

ARE YOU READY FOR OWNERS?

A big step toward addressing the challenges of creating an ownership mentality is answering questions such as: In what ways is supporting a culture of ownership different from the ways we have traditionally conducted our business?

This boils down to a question of what is expected of owners and how it's different than what has traditionally been expected of employees. Mitigating the traditional risks of the entrepreneur makes it more predictable, substantially less stressful, and more attractive to current employees, and those you hope to engage in the future.

This first step is, not often taken and one that is rarely identified in debriefs as missing from failed initiatives. Why, for example, would a company leader expect even highly motivated employees to take on the challenge of growing something from nothing, or of accepting full responsibility for an area of the business?

Raising an obvious question such as this one makes the not of not preparing for an ownership culture clear. It also points to the fact that, like any other cultural change initiative, creating an ownership mentality takes more than enthusiasm for the idea: it demands leadership, planning, and genuine guidance through the land mines. One of the most useful guides is an existing entrepreneurially minded leader to mentor the newbies.

In short, you should think about what it will take to support owners. In some companies, part of this thinking should include a retrospective on why entrepreneurial and ownership-driving initiatives of the past have not worked. This paper answers this question with an emphasis on defining an ownership mentality and the human qualities most likely to thrive in a culture of ownership.

AN OWNER’S MENTALITY

My working definition of an ownership mentality is:

> A person who embraces the responsibility and takes the initiative for their economic and psychological well-being. They believe that personal effort is a difference maker; has grit (an enthusiasm for overcoming failure), and a preference for working within known parameters of risk; is detail, process, and standards-oriented; wants roots in a particular community; connects well with people, and fears failure. Their perspective includes long-term growth in personal wealth and security, with success being defined by how they feel about the work rather than being focused on climbing the corporate ladder.

This rather windy definition dovetails nicely with my experience as a small business founder and the published studies of the characteristics of entrepreneurs. Unfortunately, the literature on entrepreneurship lacks a widely accepted concept of an entrepreneur. This caveat is not meant to excuse any omissions in my definition, but to caution you that more needs to be learned about this important idea and, especially, how it applies to a corporate environment as an owner’s mentality.

A BRIEF PSYCHOLOGY OF OWNERSHIP

To cut to the chase, the literature, my experience, and common sense, suggest the following characteristics of an ownership mentality:

1. Need for independence
2. Self-responsibility
3. Self-confidence
4. Achievement-orientation
5. Maturity
6. Emotional intelligence
7. Cognitive ability
8. Fear of failure

The good news about this list is that each of the characteristics is measurable. Having said that, it does not mean that they are easy to measure. The review which follows is focused on the importance of these characteristics to effectively identifying people who value having a stake in success.

BACKGROUND CHARACTERISTICS

Support System. One consistent finding is that many entrepreneurs have a parent or a close relative who is or was an entrepreneur. It may be that having a close relative who is an entrepreneur models the rewards of **independence**, **self-responsibility**, and **self-confidence** required to take on a new business venture. Other findings indicate that having a strong support group or mentor is also critical to the success of entrepreneurs. These findings have implications for the design of pre-screen, assessment content, and interview questions used to identify job candidates who have an owner's mentality.

Education. The evidence on the educational experience of entrepreneurs is mixed. A commonsense interpretation of the mixed results is that the type of entrepreneurial business (e.g., accounting, medicine, or plumber) chosen has a lot to do with whether education matters. Several of the successful business founders that I know never attended college; a small subset did not finish high school. What seems consistent is the finding that entrepreneurs who start their own business tend to have less education, while those who step into an already established business tend to have more. It may be that self-starters have less of a need for structure and have found the educational system not to their liking. Other types of entrepreneurs who have needs for independence, but a lower threshold for risk, may choose to get the kind of education that provides a choice between self-employment and employment

Different age groups can significantly impact entrepreneurial endeavors due to varying life experiences, risk tolerance, and support systems. Younger entrepreneurs, often in their 20s and 30s, may benefit from a more flexible mindset and a higher tolerance for risk. They are typically more adaptable to new technologies and innovative business models. However, they might lack the extensive professional networks and financial stability that older entrepreneurs possess. On the other hand, older entrepreneurs, often in their 40s and beyond, bring a wealth of experience, established networks, and often greater financial resources to their ventures. They may have a clearer understanding of market needs and a more strategic approach to business development.

These broad generalizations leave us with a mash-up on the importance of education to entrepreneurial success, and having to rely on *it all depends*. However, my experience suggests that education per se is less important than one-on-one and group communication skills; in short, the ability to connect with others. As it does in most aspects of life, likeability matters. Many of the successful business owners and founders that I know were indifferent students (unless their business is also in the area of their education). Indeed, many admit to having applied themselves more diligently to the social aspects of education than to its content.

PERSONALITY CHARACTERISTICS

First, let's get on the same page with respect to what personality is. The American Psychological Association defines personality as the *individual differences in characteristic patterns of* ***thinking, feeling and behaving***. Since these three things pretty much define a person, it stands to reason that the personality of a candidate for a corporate entrepreneurial position has substantial importance. Those who study personality typically focus on one of two areas: Understanding individual differences in particular personality characteristics, such as assertiveness and sociability, or how the various parts of a person come together as a whole to determine individual character. The mistake that many companies make is to rely on a measure of total personality. The folly of this approach is that total personality rarely predicts success, as well as particular aspects of success such as those that follow.

In terms of individual differences, the **drive for independence** is very often cited by entrepreneurs as the primary motivation for venturing out on their own. Apparently, the desire to be one's own boss drives entrepreneurs (regardless of gender) to embrace the social, psychological, and financial risks, as well as the long hours demanded by a startup. To many of these folks, these demands are simply the cost of controlling one's own destiny. From a personality perspective, the drive for independence reflects the need to be **self-reliant** and **self-responsible**. By the way, when sports-minded, these individuals tend to prefer individual sports and activities as opposed to team sports and activities. In a nutshell, successful entrepreneurs prefer to be responsible for their own success and prefer to have performance measured in terms of results (or predetermined standards) rather than the judgment of others.

Another aspect of personality that overlaps independence is the need for **self-responsibility**. People who are high on this aspect of personality see themselves as being in charge of their destiny. It may be that this characteristic motivates entrepreneurs to persist - and even to ramp-up their efforts - when slapped down or facing failure, as they believe that if they only try harder, they will succeed. Not surprisingly, an **internal locus of control** (viewing life events as being in one's control) and **self-reliance** are positively related to achievement. This internal focus on *get up and go* is popularly called **grit**.

This is useful stuff to know for anyone contemplating the creation of a corporate entrepreneur program; however, caution is in order. While the need to be independent and in control may be necessary for entrepreneurial success, there is more to it than the need itself. Specifically, success also requires that entrepreneurs believe they are capable of doing what needs to be done. This is the concept of **self-efficacy**; that is, *if I try, I can!* It is a substantial aspect of the concept of self-esteem and akin to the commonsense notion of **self-confidence**. High perceived self-efficacy and confidence predicts how much effort an individual will bring to a given endeavor, how long they will persevere in the face of difficulties, and the amount of stress they experience in coping with the demands of performance. What should be explored further is how the concept of self-esteem (confidence + efficacy) applies to entrepreneurial success.

THE FACE OF MATURITY

Maturity is more a destination than a characteristic and subject to a wide variety of definitions and interpretations, including heavily politicized ones. Nonetheless, several personality variables can be handily summarized by the term **maturity**. One characteristic is whether an individual is focused on external (e.g., money; status) or internal rewards (e.g. sense of accomplishment; purpose). Many leaders who have risen to the top and then quickly fallen (take your pick of prominent U.S. federal criminal cases against chief executives) are externally focused. They hyper-focus on external rewards and short-term goals at the expense of internal rewards, long-term goals, and building staying power into the enterprise. For them, they see the destination as all that matters and the journey as an obstacle in the way. However, that does not mean financial gains are unimportant to the internally focused person; rather, it means that big bucks cannot be the *singular* motivation if long-term success and a sense of flourishing is the objective.

Supporting this view, successful entrepreneurs often cite pride in their work as an important driver of their success. This is the ideal of believing in what one is doing and that doing it makes a difference. It is part of a larger concept called belonging and significance, and is something that deserves more attention (along with the drive to flourish) as a potential predictor of entrepreneurial success. One final component of maturity (perhaps closer to common sense) is a low to moderate tendency to take risks. Mature people are prone to keeping their head down when told to do so. Survey research demonstrates that successful entrepreneurs tend to be fairly realistic, take calculated risks, and only *bet the farm* when they absolutely have to. This is the calculated *risk-taking* of the professional gambler rather than the *hip-shot* of the novice. That, of course, is further endorsement of the importance of common sense as a predictor of success. **The takeaway for an owner's mentality is that the *ownership mentality is characterized by a long-term orientation, pride in competence and contribution, and reasoned risk-taking.***

NEED FOR STRUCTURE

The MVPs of the corporate world thrive on structure. They're all about clear guidelines, rules, and hitting those targets. Forget the wild *shoot first, aim later* approach of entrepreneurs; these folks want to know the playbook inside out. They're not the ones who kickstart a business; they're the rockstars who rock the boat and steer it to success within a solid framework. It's not just about structure, but about having their backs covered in a tried-and-true system. The secret sauce? Blending entrepreneurial spirit with a sense of ownership - a match made in corporate heaven. So, if companies want to hit the jackpot, they need team players who love the old ways of doing things and have the mojo to make it shine.

PEOPLE POWER AND HORSEPOWER

Emotional intelligence (EI) has evolved from an interesting topic of the early 1990’s to being an accepted aspect of individual differences. It is a complex idea consisting of five major dimensions:

1. Knowing one’s own emotions
2. Managing one’s emotions
3. Self-motivation
4. Recognizing emotions in others
5. Managing relationships

Its relevance to the effectiveness of corporate-entrepreneurial efforts cannot be overemphasized. Specifically, people high in EI will be the sales builders, pillars of any community that hosts their entrepreneurial efforts, and natural builders of employee retention and customer loyalty.

The more traditional kind of intelligence, *cognitive ability* has, without exception, been found to be related to success in any work environment requiring some level of reasoning or judgment. To be blunt about it: smarts matter in almost any human endeavor. Of particular importance to corporate entrepreneurship is the kind of mental ability required to see the *big picture*, cause and effect relationships, and to solve complex problems involving people and environments. What research suggests is that EI and cognitive ability are not highly related. This means any effort to hire for corporate entrepreneurship or an owner’s mentality needs to consider both sources of differences in success.

CONCLUSION

It's easy to say we want leaders who think and act like owners, and much harder to create an environment that nourishes their success. It is unlikely that the real challenge to building an ownership mentality into our culture will come from recruitment or selection, as responsibility, autonomy, and the prospect of personal success have always been attractive to many people. The challenge is crafting our culture and procedures in ways that balance autonomy with structure, and ambition with relationship-building and team focus. The key pitfalls you must avoid when infusing ownership into your culture are:

1. **Poorly thought out ideas**, including what ownership means *in your specific industry and organization*
2. **Cutting corners** on the development of tools, including the tools that support internal entrepreneurs
3. **Backing away from entrepreneurship** when it becomes challenging such as when they challenge the status quo and continually ask what could be

A step toward the needed support is to answer two questions:

1. What do our successful corporate entrepreneurs do on a day-to-day basis that builds sales, employee retention, and customer loyalty/frequency and how is that different from what our unsuccessful corporate entrepreneurs do?
2. How do we enhance the self-confidence and self-efficacy of our corporate entrepreneurs and those who would like to be?

Answering these questions will fuel the design of successful selection and development procedures, supportive structures, recognition programs, and compensation that are aligned with reaching your unique definition of success.

About Corvirtus

Corvirtus provides a range of innovative, science-based measurements and services that tie a company's culture and core values to talent processes. Corvirtus solutions have enabled hundreds of companies to strengthen and scale their corporate cultures, and to identify, develop and retain those employees with the characteristics and capabilities essential for business success and customer satisfaction. For more information, visit www.corvirtus.com or schedule a demo by using this link:

Schedule time for us to connect.