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Profit sharing with employees a formula for business success

by FRANK STRONACH

Several years after I opened my small tool and die shop, I came up with what turned out to be a sure-fire formula for growing my business: I made my top managers partners in profits, and I gave them a share of the ownership.

When my rapidly growing business eventually became Magna International Inc., I gave every employee the right to share in the profits and ownership of the company, and it became the driving force that placed Magna on a path of incredible growth in the decades that followed.

I'm a big believer that if employees have a stake in the company's success, they'll be more motivated to produce a better product for a better price. So, it's always been puzzling to me that more companies don't share profits with their employees.

There are two basic types of management styles that most companies adopt. The first one is something I describe as the boss/worker model, where the senior managers are bosses who dictate how the company operates, and the workers are paid to carry out the tasks necessary to keep the company running.

Under this model, workers are often unhappy and more likely to reach out to unions in order to get better pay and working conditions. In this scenario, workers end up becoming more like adversaries than partners.

The other management model is the one I embraced. It's a model where senior management and employees work together as partners to make the business successful. Under this model, employees are also partners in profitability ? they get a cut of the profits they help produce, and as a result, they care more, work harder, and constantly think about ways to improve productivity and boost profits.

After I gave employees at my company the right to share in the profits and ownership, our profitability and growth surged. I saw firsthand the dramatic impact that profit sharing can have on the growth and success of a business.

It's a major reason why I made sharing profits with workers one of the seven key principles in a proposed new Economic Charter of Rights and Responsibilities for Canada.

As part of this particular economic right, I've been advocating that profit sharing should be required for all large companies with more than 300 employees.

But following discussions with a number of business leaders and CEOs of large corporations, I've come around to the view that it would be better if this requirement only applied to small businesses that grow in size to more than 300 employees.

By requiring profit sharing for only those small businesses that grow in size to 300 employees or more, it can be phased in at a much earlier stage of the company's growth and development and would slowly evolve over time. It would also be more likely to take root and become part of the company's DNA.

Establishing this principle will create a new profit-sharing culture in Canada that will enhance our country's competitiveness and improve productivity. We will gradually transition from a business culture of bosses and workers to a culture where employees are partners in profitability and share in the success of the business.

Profit sharing worked spectacularly for my company. It can do the same for yours.

Email me at info@economiccharter.ca if you'd like to learn more about how this powerful economic principle could transform your

business. To learn more about the proposed economic charter, please visit: www.economiccharter.ca.