

Ownership Cynics



Most employees react positively to the idea of employee ownership, but there are always exceptions. Every employee owner knows them—they're the cynics who say "What difference does any of this make? Nothing's ever going to change around here."

Some companies use their in-house cynics as a diagnostic resource—they've found that cynicism provides valuable data about issues of legitimate concern to the entire work force. Whether or not the cynics' position is well-founded, a careful response can improve motivation, satisfaction, and performance among cynics and non-cynics alike.

This *Ownership Culture Report* looks at concrete social science data about the roots and effects of cynicism, and offers suggestions for responding to cynics.

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What is Ownership Cynicism?

"Cynicism" is a familiar term, but it encompasses a wide range of possible definitions in the context of an employee-ownership company. To focus the discussion, this report covers two basic types of cynics.

1. **Ideological Cynics** reject employee ownership at a conceptual level. They see no value in shared ownership of the workplace. One respondent, exemplifying this perspective, described employee ownership as "a fairy tale." Ideological cynics may have an automatic distrust for any company initiative, or they may perceive ownership as a risk or responsibility they want to avoid.

2. **Situational Cynics** may believe that ownership has potential benefits in the abstract, but they feel that their particular company has not done a good job of realizing that potential. They support the idea of ownership, but not the way in which their company implements it. A situational cynic might say "ownership is a nice idea, but it hasn't changed our situation much," or, in the words of one actual respondent, ownership at her company is a "strong concept [with] weak execution."

The focus of this report is on cynics, but two other types of employees are relevant. **Believers** are those employees who react positively to ownership both as an abstract idea (in contrast to the ideological cynics) and as it exists at their own company (in contrast to the situational cynics). **Neutral** employees, the "silent majority," are neither believers nor cynics.¹

The data for this report comes from the Ownership Culture Survey™, or OCS, an employee-attitude survey designed exclusively for employee-ownership companies. The database used in this analysis includes 1,441 employee owners. The proportions of ideological cynics, situational cynics, neutral employees, and believers are in **figure 1** below.

Group	Percent
Ideological Cynics	5.1%
Situational Cynics	26.1%
Neutral Employees	53.2%
Believers	15.6%

Figure 1

These Reports are intended to serve as a resource for decision makers in employee-ownership companies, including companies with ESOPs, stock option or stock purchase plans, and partnerships. See back page for information on this series of working papers, the Ownership Culture Survey™, and the conceptual framework that organizes these Reports.

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Figure 1 shows the averages across the entire database. When the data are broken down for each individual company, substantial variation emerges. For example, one company had more than double the average number of believers (36%) and another had about half (8%). The number of ideological cynics ranged from 0% to 8%, and the number of situational cynics from 9% to 38%. The weak relationship between the number of ideological cynics and the number of situational cynics at a company suggests that different forces create the different types of cynics

Although it is difficult to make accurate comparisons about job classifications from one company to another, a few general trends emerge. Non-management employees tend to be close to the average distribution given in figure 1. Senior managers are more likely to be believers, and none of the senior managers in the OCS database are ideological cynics. Middle managers and supervisors are slightly *less* likely than average to be believers, and somewhat *more* likely to be situational cynics. We will return to the issue of situational cynicism among middle managers.

The presence of cynics affects the full spectrum of a company's culture. The 85 survey items in the OCS database cover issues such as decision making, accountability, information, learning, entrepreneurship, and fairness. (See page 4 for details.) The differences among the four groups are statistically significant for 69 (or 81%) of these survey items.² The following sections explore those differences.

Ownership Expectations

The concept of ownership has powerful cultural associations which often create expectations of increased control, access to information, financial reward and, possibly, a more egalitarian distribution of income and wealth. When these expectations are not realistic they can foster cynicism: one academic study suggests that "unmet expectations...are a direct antecedent to cynicism."³

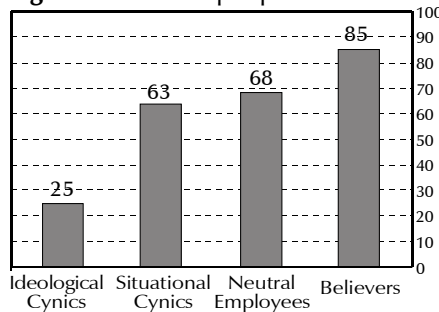
Results from one OCS client company indicate that the connection between expectations and ownership cynicism is direct and powerful. **Figure 2** shows the average scores for different employee groups to the survey item "I have higher expectations for [my company] than I would have for most companies."⁴

The situational cynics have expectations almost as high as neutral respondents. By contrast, the ideological cynics' extreme low scores suggest that they simply do not expect much from their work other than a paycheck.

Ideological cynicism seems to entail an instrumental perspective towards the company.

These impressions are confirmed by OCS items which ask respondents to rate the importance of five distinct aspects of employee ownership: financial return, participation in local

Figure 2: Ownership Expectations



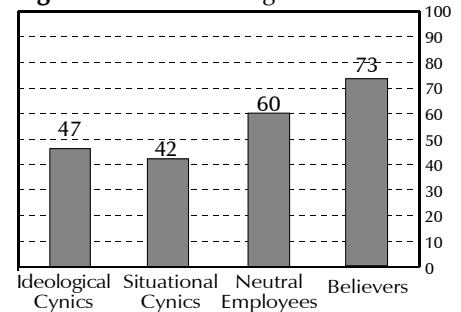
decisions, influence over global decisions, a sense of community, and fairness. Throughout the OCS database, ideological cynics rate all five of these values as significantly less important than their colleagues do, reinforcing the idea that low expectations are a defining characteristic of ideological cynicism. By contrast, believers rate all aspects as substantially more important. Between these extremes, there is essentially no difference between neutral employees and situational cynics. Something other than expectations appears to create situational cynicism.

Understanding and Trust

The level of perceived understanding of the employee-ownership plan (EOP)⁵ has consistently been one of the most important determinants of ownership culture. As **figure 3** indicates, cynics

tend to have lower levels of perceived understanding of ownership. The low scores of the situational cynics suggest that poor understanding may be linked to their brand of cynicism.

Figure 3: Understanding



Low levels of

understanding tend to be associated with low scores on trust-in-ownership, and, in fact, both ideological and situational cynics have substantially less trust in the ownership plan than other employees. Situational cynics in particular are far more likely to believe the OCS item "senior management uses ownership mainly for its own purposes."⁶

The OCS allows investigation of different components of trust-in-ownership, one of which concerns sharing the risks and rewards of ownership. Respondents with low trust scores often doubt the connection between the company's success and their own. In fact, both situational cynics and ideological cynics are far less likely than average to believe that employees will share in company success. At the same time, the ideological cynics do not generally believe that they bear a portion of company risk, while situational cynics do. In other words, neither ideological nor situational cynics believe in the "upside" of ownership, but situational cynics alone worry about the possible downside. Improving understanding of the EOP may help alleviate situational cynicism.

The Impact of Cynicism

One OCS client used a standardized measure of job satisfaction (the "Job In General" index by Bowling Green State University⁷), allowing us to analyze the relationship between cynicism and job satisfaction. At this company, the satisfaction scores for the two cynic groups are statistically indistinguishable from one another—and both are substantially below the U.S. average for companies in their general sector. Neutral employees and believers are *more* satisfied than the U.S. average.

The satisfaction data support similar observations about organizational commitment. Throughout the OCS database, both ideological and situational cynics are less likely than average to believe that “employees at [OurCo] are very committed to the company and its future.”⁸

Ideological cynics are least likely to believe that “it is possible for things to change” at the company. Situational cynics are also less optimistic than average.

Cynics are not lower on all culture measures. For example, one may reasonably expect that on the average cynics would be more negative than their colleagues about the social atmosphere at the company, but OCS data indicate that situational cynics believe they have the *same* quality of work relationships as neutral employees do. Only ideological cynics perceive work relations as worse than average.

The OCS measures two dimensions of employee contributions to company success. “Work Effort” is how hard people say they work. “Entrepreneurship” is a combination of characteristics which can be summarized as how *smart* people say they work. **Figure 4** shows the responses to one item in the Work Effort category: “I feel an obligation to work hard for the company.” The results for this item are more extreme than the others in Work Effort, but the pattern is the same.

Figure 4 shows that situational cynics and neutral employees feel a similar high level of obligation to work hard, but situational cynics often appear to resent the obligation, and neutral employees do not. This difference may be because the neutral employees better understand how they will be rewarded through ownership.

On Entrepreneurship, both ideological and situational cynics are below average. Both are less likely to feel that “it is part of my job to find out how [my workgroup] can improve its performance,” shown in **figure 5**.

To summarize: ideological cynics seem to work less diligently and with less mental engagement than the typical employee. Situational cynics work as hard as the typical employee, but they are less likely to contribute to the company beyond the boundaries of their job description.

Ideological cynicism is a more difficult challenge, but situational cynicism is generally more prevalent. What steps can a company take in response to cynics?

Figure 4: Work Effort

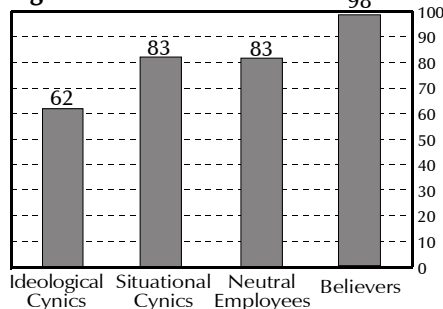
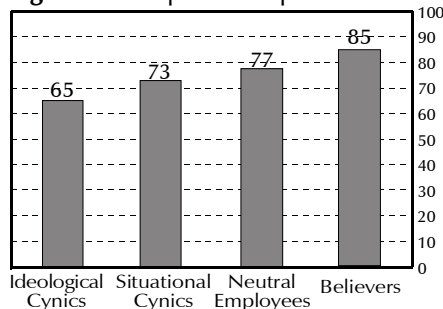


Figure 5: Entrepreneurship



Management Implications

No company can reasonably expect to eliminate cynicism, but cynicism can be “contagious” and should not be ignored. When dealing with cynics, the most important audience is often not the cynics themselves—it’s the rest of the work force. An open and principled response to cynics has the indirect effect of encouraging more believers and discouraging neutral employees from becoming cynics.

Dealing with cynics should not consume all of company leaders’ time. Do not neglect the rest of the work force. The most effective way to overcome cynicism is indirect: through co-workers who are not cynical. Cynics may not listen to managers, but they are influenced by their colleagues.

Manage Expectations: Companies must be careful about the promises they make or *are perceived* to make about employee ownership. High expectations can encourage engagement and hard work, but unrealistic expectations often result in disillusionment and situational cynicism. Low expectations, on the other hand, seem to be a primary cause of ideological cynicism. To prevent both types of cynicism, companies consciously determine and explicitly discuss what ownership does and does not mean. They may encourage structured peer-to-peer discussion of expectations. (See the *Frontiers and Boundaries* curriculum from Ownership Associates.⁹)

Focus on Middle Managers: Since supervisors are the “face” of the company to many employees, companies must address the high observed levels of situational cynicism among middle managers and supervisors. If they are to promote rather than discourage enthusiasm about employee ownership, supervisors should be able to answer employees’ questions about the EOP. They should also be comfortable in their new roles and confident about their job security.

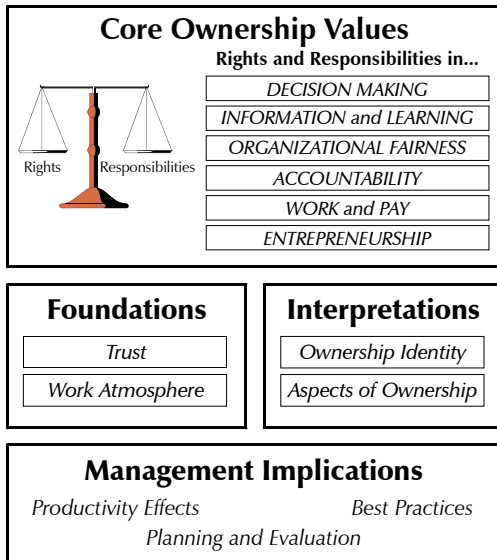
Education: The most effective response to situational cynics is likely to involve education. Education about the mechanics of the EOP should also include a range of topics, such as basic legal and regulatory issues, a capsule history of employee ownership in the U.S., and the rights and responsibilities of ownership. Do not avoid the issue of why the EOP was advantageous to the seller. Examples of owners retiring and cashing out help make the EOP feel “real.” This information gives credibility and context to the EOP.

Communication: Secrets and surprises breed cynicism. Especially when situational cynicism is prevalent, increased information sharing reduces the credibility of cynics. Establish principles for information sharing and participative decisions, publicize them, and follow them consistently.

Ideological Cynics: Although some companies succeed in eliminating ideological cynicism, there is generally less a management team can actively do about ideological cynics. All of the suggestions above apply to ideological cynics, but change will be slow. The most effective tool to overcome ideological cynicism is peer-to-peer discussion. In carefully structured small-group discussions, co-workers can challenge the perceptions and assumptions of the ideological cynics.¹⁰

The most effective way to keep cynicism to a minimum is to prevent it before it starts. Companies should consider some of the steps above before cynicism becomes a problem, or, ideally, before the EOP is adopted.

Ownership Cynicism in Context



This graphic represents the “working parts” which constitute our framework for ownership culture development. The *Ownership Culture Reports* will consider all of these issues and the relationships among them. We will periodically revisit issues to explore them from different angles and to highlight insights resulting from new data.

Cynicism is relevant to many of the issues in the framework. It is defined in terms of Ownership Identity. The report suggests that cynicism dampens Entrepreneurship, Work Atmosphere, and Trust. It affects how employees perceive various Aspects of Ownership. OCS data suggest that companies can reduce cynicism especially through Information and Learning, and a separate publication (“Self Direction and Employee-Ownership,” available from Ownership Associates) explores how Decision Making affects Ownership Identity, and thereby cynicism.

Companies that listen to their cynics can gain valuable information and make the company work better for everyone.

The Ownership Culture Survey™

The Ownership Culture Survey™, or OCS, is an employee attitude survey designed specifically for employee ownership companies. It is the source for much of the raw data discussed in the *Ownership Culture Reports*. The OCS draws on years of consulting experience with employee-ownership companies. It consists of roughly 60 survey items, concentrated on the Core Ownership Values, Foundations, and Sense of Ownership components in the graphic above. The results presented in this report are based on a database of roughly 2,000 respondents from eight employee-ownership companies spanning a variety of types of ownership plans, industry sectors, and sizes.

For free articles and resources on the subject of ownership culture and employee ownership in general, or for more information about the OCS, contact Ownership Associates, Inc. at

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End Notes

¹ An ideological cynic is defined as a respondent who gave one of the lowest possible ratings to the importance of ownership. Situational cynics gave one of the lowest ratings to the extent to which they self-identify as owners. This operationalization is not intended to be in perfect alignment with our definitions of the two types of cynics—the characteristics given in the definition follow from our analysis of the respondents defined by this operationalization.

² Differences were calculated using one-way ANOVA, and statistical significance was calculated at the $p = 0.05$ level. 54 of these items (or 64%) are significant at $p = 0.0001$.

³ Lynne M. Andersson, “Employee Cynicism: An Examination Using a Contract Violation Framework,” *Human Relations*, Vol. 49, No. 11, 1996, p. 1404.

⁴ One-way ANOVA was significant at the $p=0.0001$ level.

⁵ We use the phrase “employee ownership plan” (EOP) to include ESOPs, broad-based stock option plans, stock purchase plans, cooperatives, partnerships, and direct share ownership.

⁶ This survey item is one part of the trust-in-ownership construct. The difference among the four groups is statistically significant at the $p=0.0001$ level. On average, ideological cynics scored 48, situational cynics scored 35, neutral employees scored 52 and believers scored 72. See *The Ownership Culture Report*, “Trust and Ownership,” Vol. 1, No. 1, Spring/Summer 1998

⁷ The Job In General index is copyrighted and maintained by Bowling Green State University. Used by permission. For more information, see Balzer, W.K., Smith, P.C., Kravitz, D.E., Lovell, S.E., Paul, K.B., Reilly, B.A., and Reilly, C.E., *Users' Manual for the Job Descriptive Index (JDI) and the Job in General (JIG) Scales*, Bowling Green: Bowling Green State University, 1990.

⁸ One-way ANOVA was significant at the $p=0.0001$ level.

⁹ See *Frontiers and Boundaries: Curriculum Excerpts*, available in the Resource Library at www.ownershipassociates.com, or contact Ownership Associates directly for a copy.

¹⁰ See Mackin, Christopher, “Creating An Ownership Culture,” *The Journal of Employee Ownership Law and Finance*, Vol. II, No. 4, Oakland: National Center for Employee Ownership, Fall 1990.