

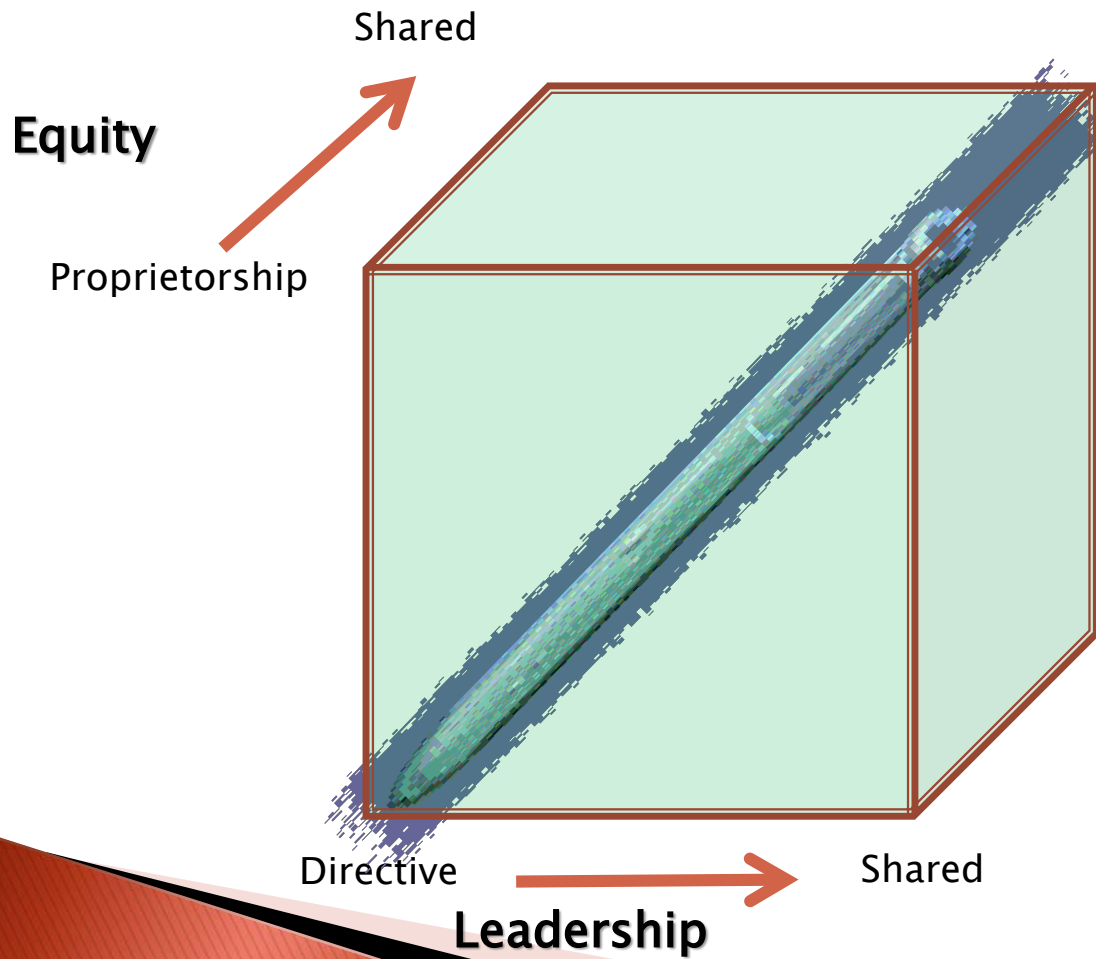


Employee Ownership and the Entrepreneurial Spirit: The Case of HCSS

by

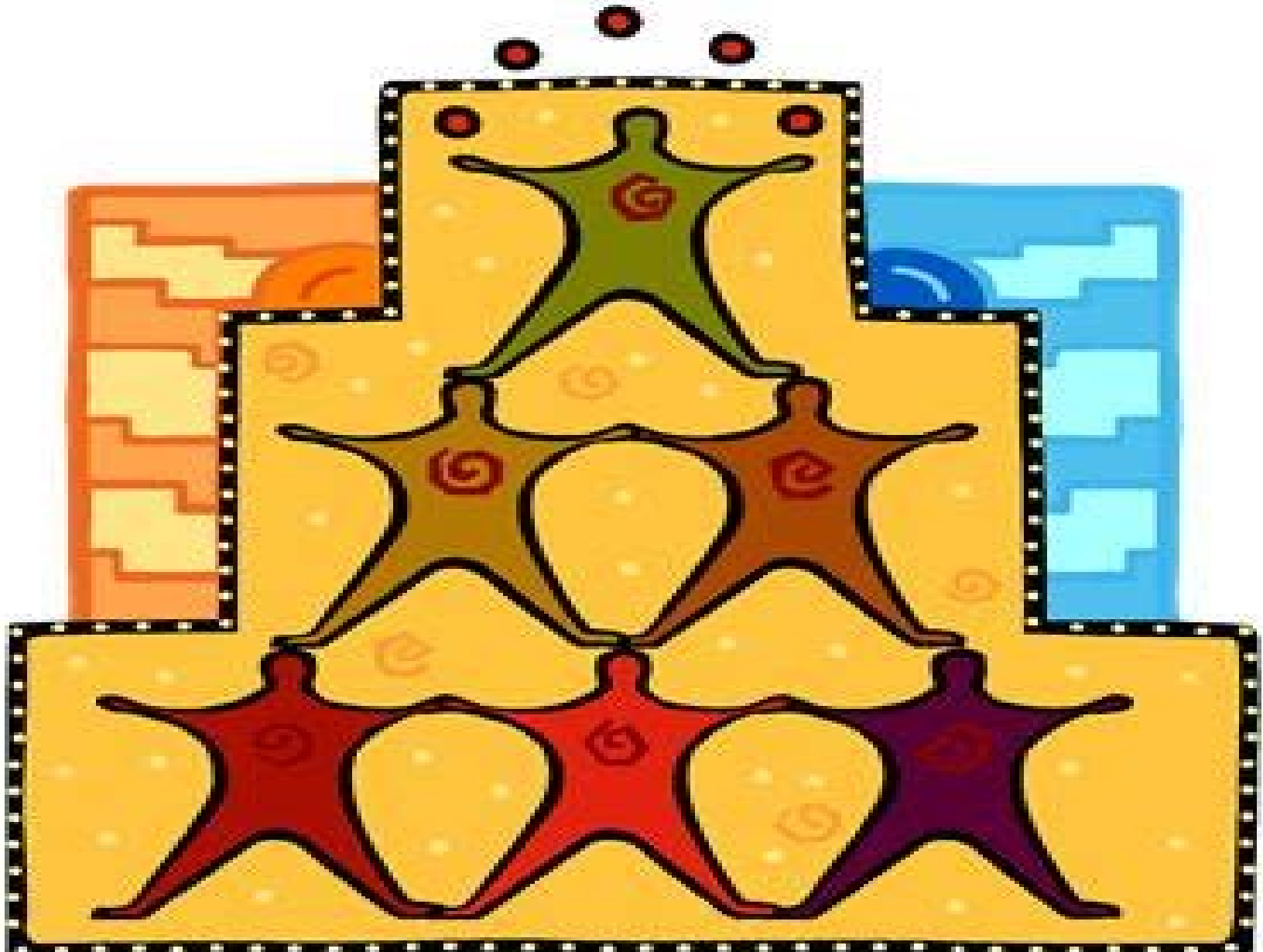
Profs. Olivier Roche & Frank Shipper

The 3 Dimensions of Shared Entrepreneurship



“Our software is developed by our customers. The customers tell us what they need and we simply deliver what they want.”
Minh, Development Manager

The Foundations for Shared Entrepreneurship



Working Definition of Shared Entrepreneurship

An ethical and dynamic environment where everyone is encouraged to step forward with new ideas, supported with encouragement and appropriate resources to develop them with minimal oversight, and allowed to share in the rewards generated by them.

Paths to Shared Entrepreneurship

Shared Equity

- Piece Rates
- ESOP
- Profit Sharing
- Pay for Performance

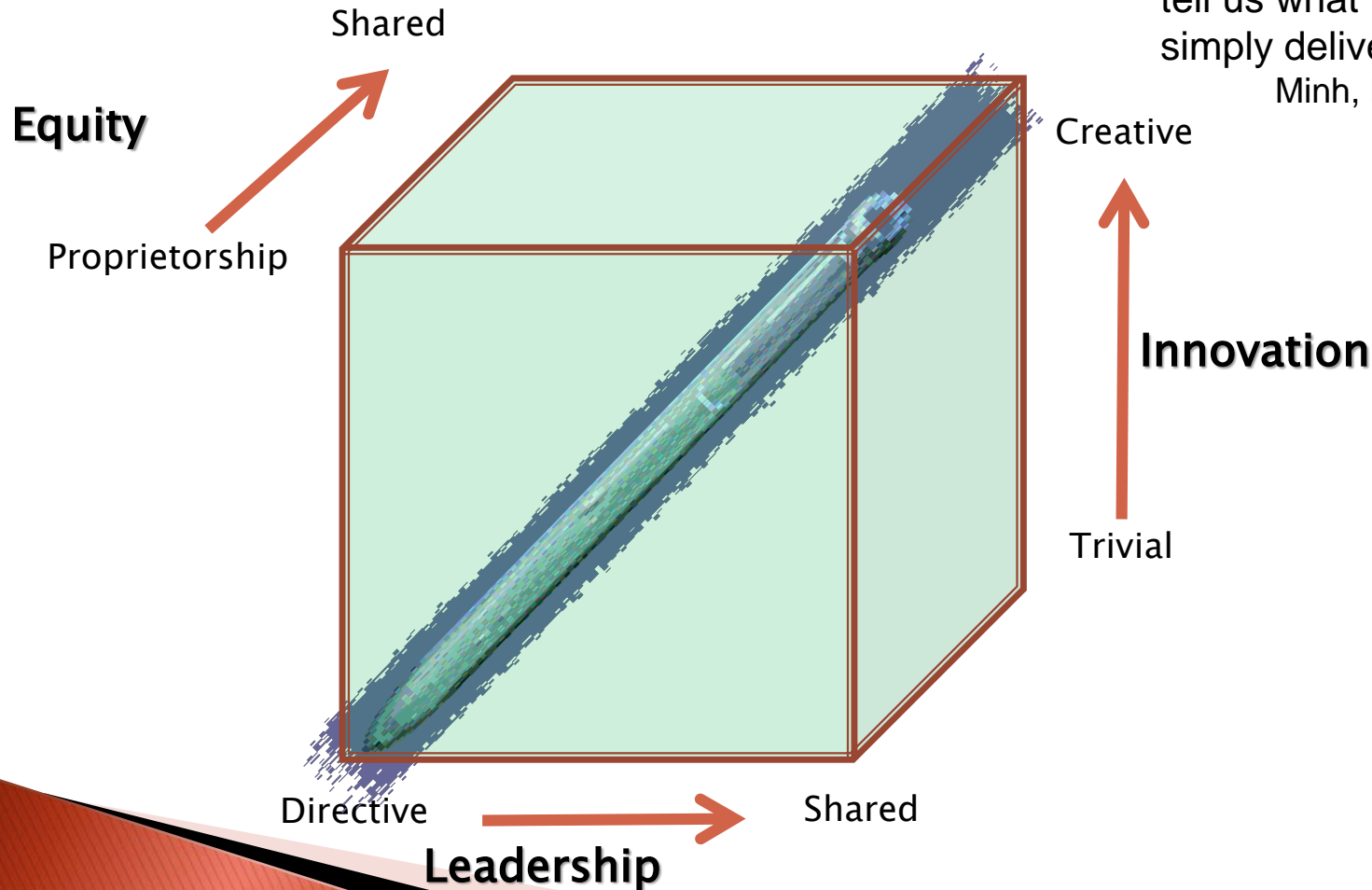
Shared Leadership

- Participation
- Employee Involvement
- Job Enrichment
- Autonomous Teams

*Shared
Entrepreneurship*

**Stand on the shoulders of giants.
Sir Isaac Newton**

The 3-Dimensions of Shared Entrepreneurship

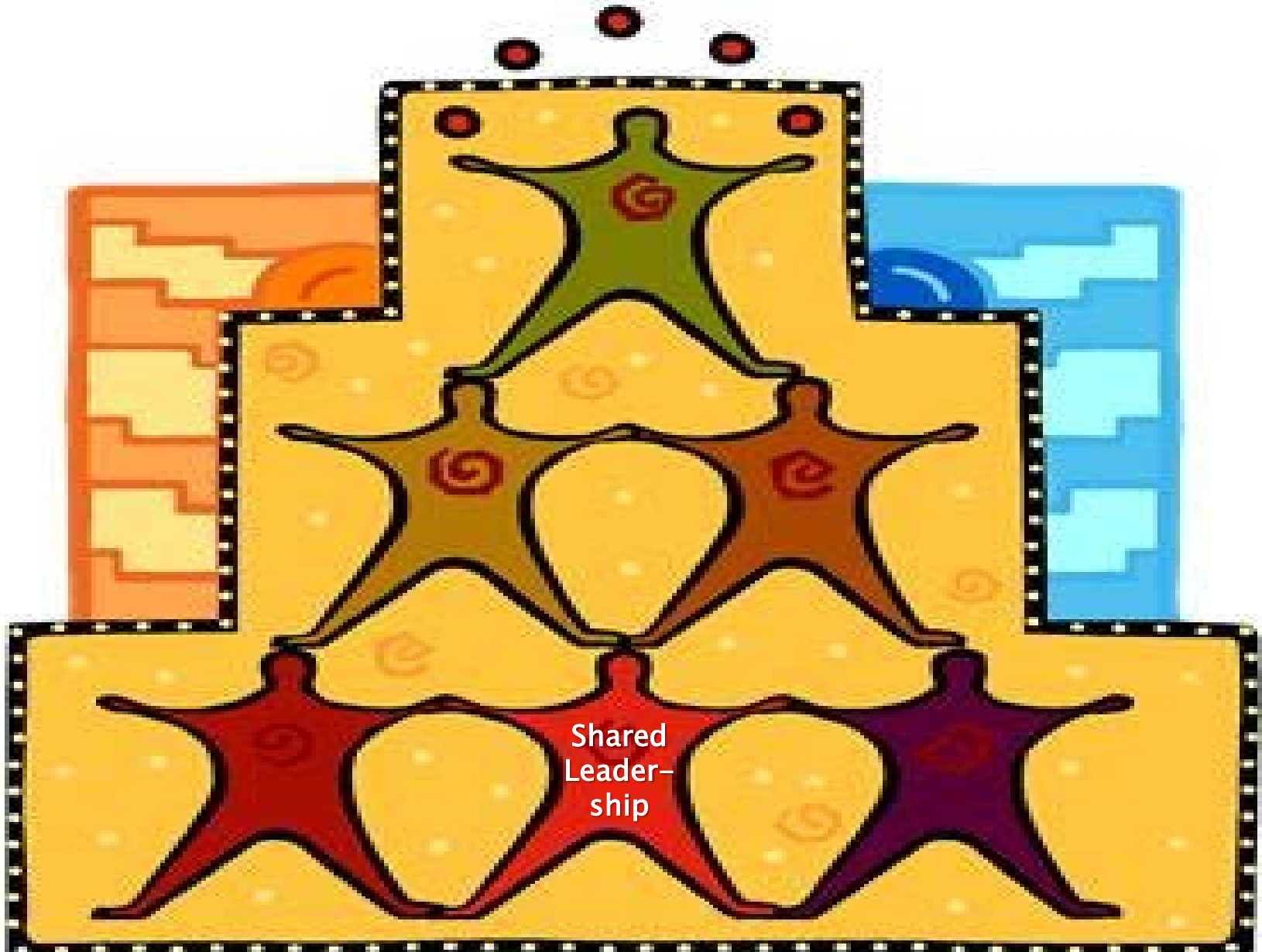


“Our software is developed by our customers. The customers tell us what they need and we simply deliver what they want.”
Minh, Development Manager

HCSS Transitions

- ▶ Started in Mike Rydin's Master Bedroom 1986
- ▶ Developed DOS Version of *HeavyBid*
- ▶ Initiated 24/7 Live Support in 1986
- ▶ Moved into 1st Office Building 1989
- ▶ Began ESOP with Employees Owning 25% in 1998
- ▶ Introduced *The Dispatcher* in 2004
- ▶ Moved into Own Office Building 2009
- ▶ Employees Own 34% of Company 2010

The Foundations for Shared Entrepreneurship



Shared Leadership

- Formal Mechanisms
 - Weekly All Hands Lunches
 - Monthly Review of Financials
 - Open Book Management
 - “Best Places to Work” Surveys
- Informal Mechanisms
 - Autonomy
 - Encouragement
 - Trust

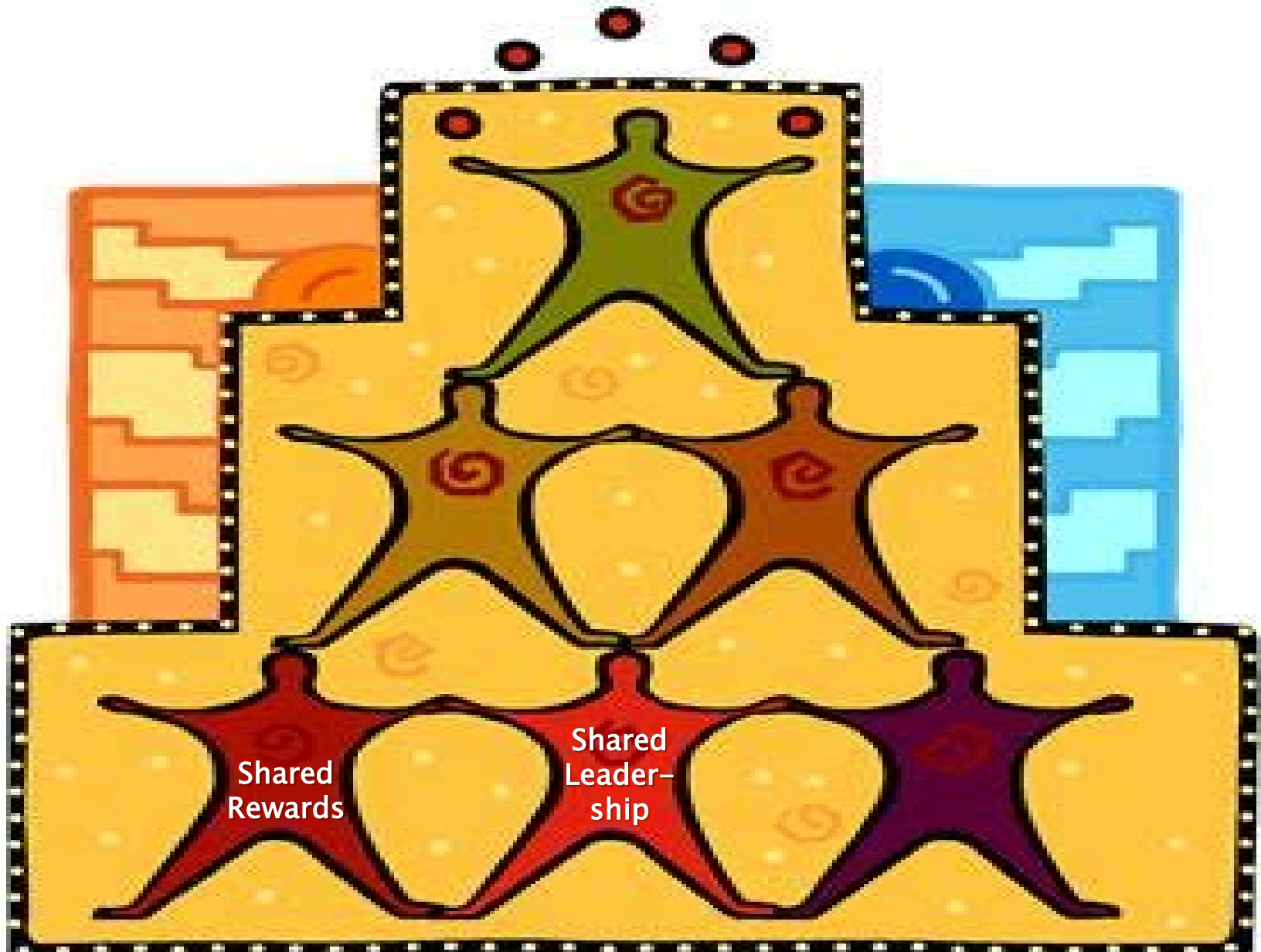


Mike Rydin
President and CEO



Steve McGough
Chief Operating
Officer

The Foundations for Shared Entrepreneurship



Shared Rewards

▶ Short-Term

- Profit Sharing
 - First 10% Retained Earnings
 - 60% of all remaining profits in pool
 - Pool share based on salary
 - 17% of base pay in 2009
 - 75% in cash; 25% in ESOP shares

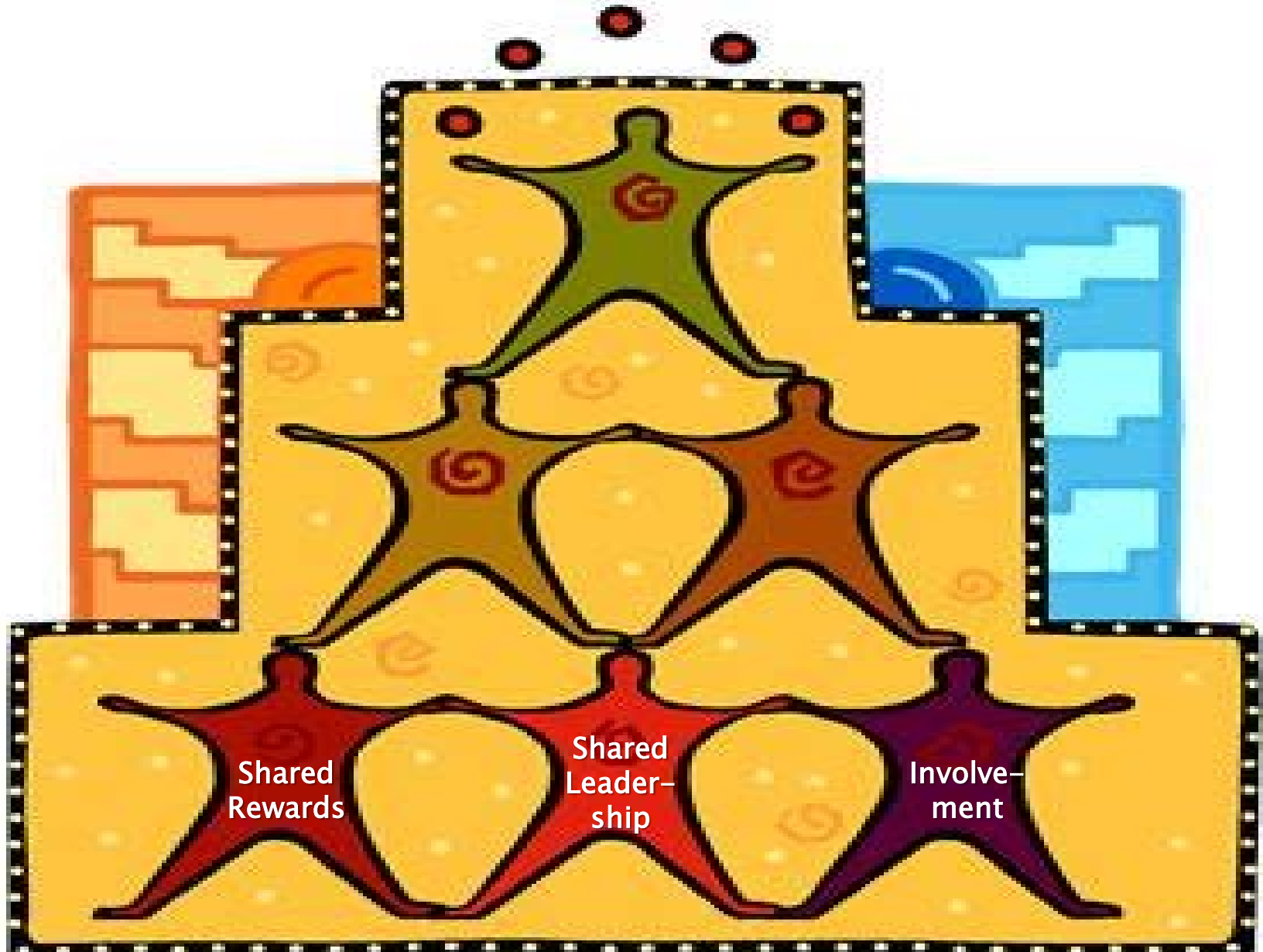
▶ Long-Term

- ESOP
 - 34% of Company Stock
 - Senior Employees Can Sell Back 10%/Year
- SARS (Stock Appreciation Rights)
 - New Employees – 700 Rights

“... the thing that impresses me the most is that our...executive team do not... (assume) that, because they're at that level, they should get a disproportionately higher percentage of the profits.”

Sebabi, OD Manager

The Foundations for Shared Entrepreneurship



Involvement/Entrepreneurship

“We accept mistakes. We expect you to learn from them and try not to make the same mistake again. But mistakes are a good way to grow and realize that something needs to be changed.”

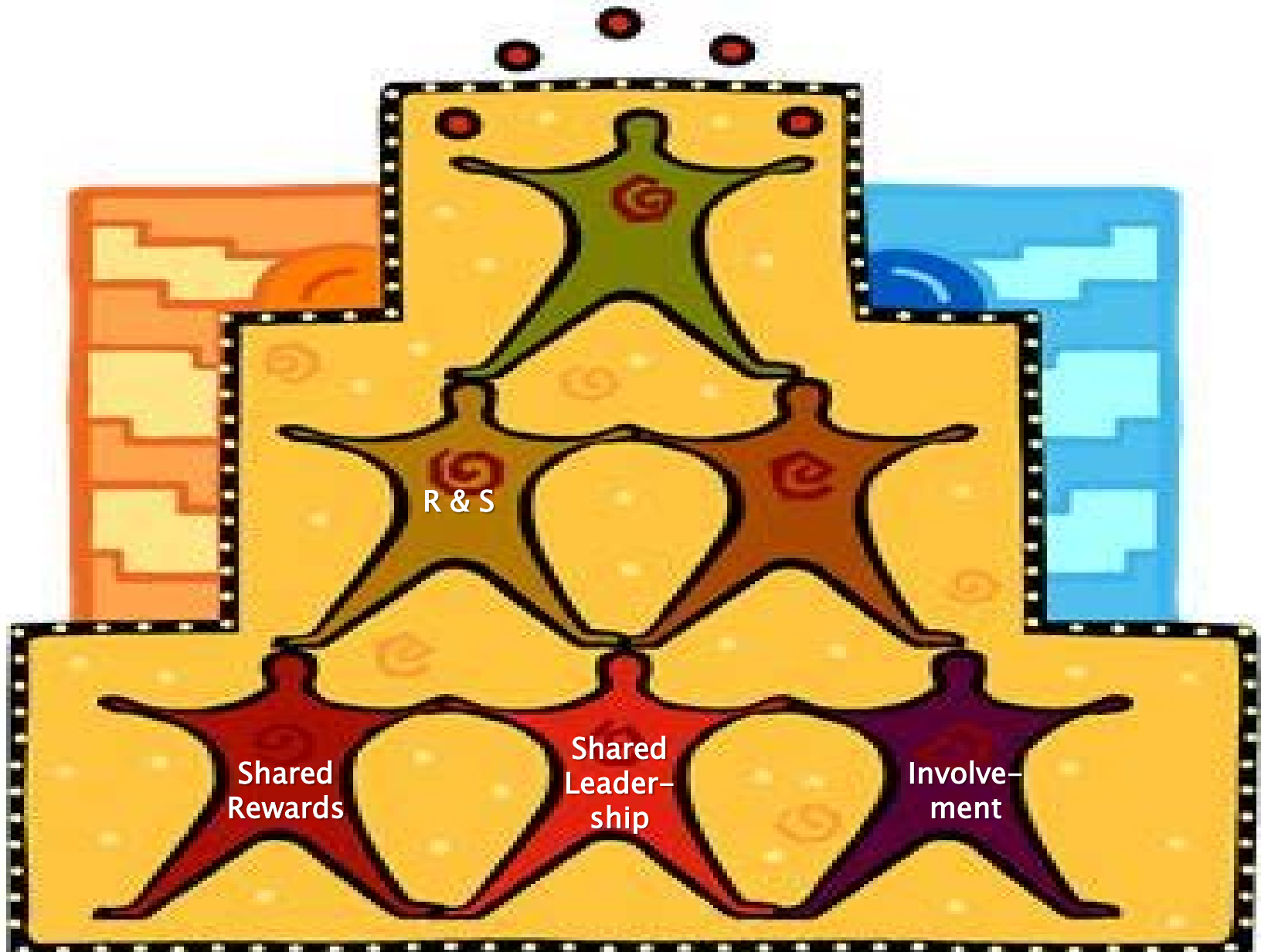
Melissa, Business Analyst

Fundamental to
Building an
Entrepreneurial
Culture

1. Access to Information
2. Involvement in Decision Making
3. Tolerance for Mistakes



The Foundations for Shared Entrepreneurship



Obtaining Intellectual Capital: Recruitment & Selection

▶ Recruitment – Hiring the Right People

- Local Media
- The Web
- Recommendations

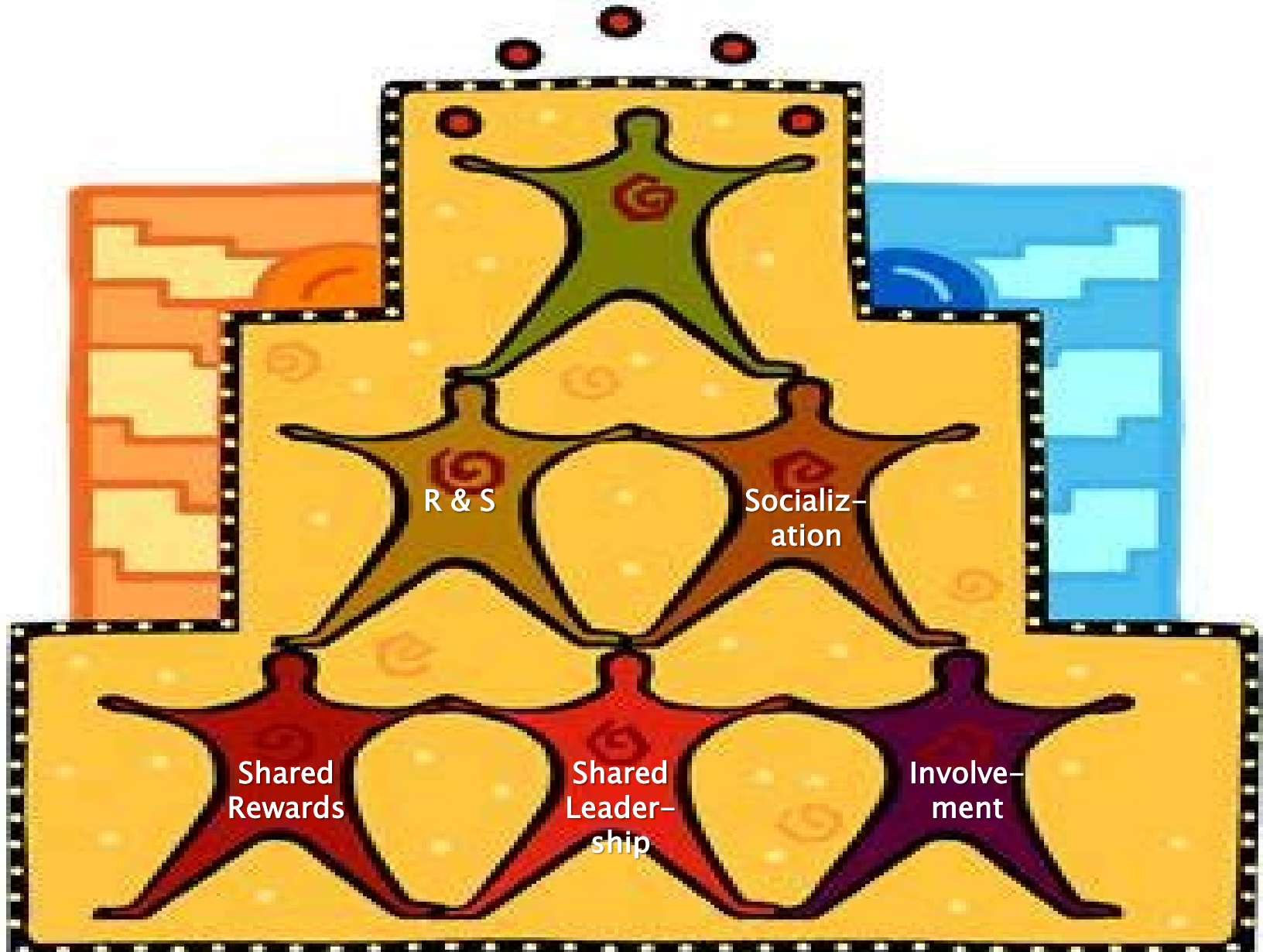
▶ Selection

- Interviews
- Two-Way Open Process >>
- Multi-Level Involvement
- Lengthy Discussions
- “Collective Wisdom”

▶ Internal Promotion the Norm

Sophie, HR Manager to applicant:
“You can talk to anybody you
want. Just walk around and pull
anybody you’d like.”

The Foundations for Shared Entrepreneurship



Retaining Intellectual Capital: Socialization

- ▶ New Employee Orientation Focus
 - History of Company
 - Characteristics of Industry
 - Interpersonal Relationships Within & Outside HCSS
- ▶ Mentorship Program
 - New Employee Matched with Experienced One from Another Department
 - Mentor as “Confidante”
 - Work Issues
 - Personal/Family Issues
- ▶ One-on-One with Executives
 - Direct Communication Authority at Work
 - Dinner with Spouses
- ▶ Fresh Fruit Daily >>>>>>>>>>>>>>>>



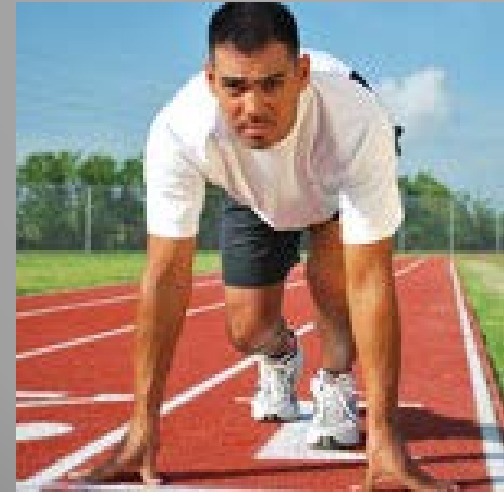
Socialization through Facilities

“You’ll see people running the track throughout the day... It brings people together.”

Maria, Controller



Wi-Fi Courtyard



Running Track

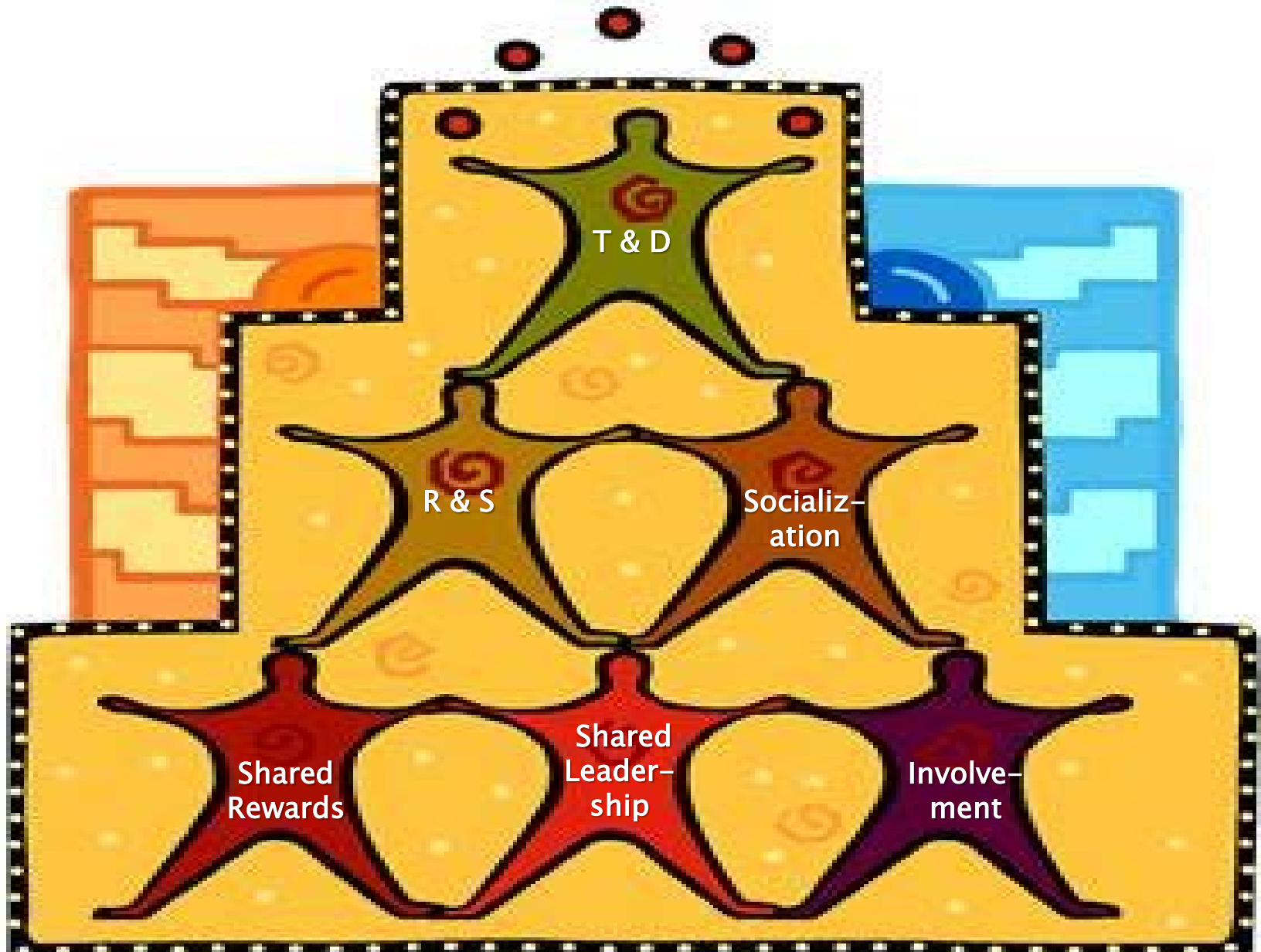
Jogging Trail

Gym

Basketball Court



The Foundations for Shared Entrepreneurship



Building Intellectual Capital: Training & Development

▶ Internal

- Informal
 - Peer Training
 - Self Training
- Book Studies
- Library/Lounge>>>>>>

▶ External

- ESOP Conferences
- Professional Conferences
- Universities/Colleges
- Certifications

▶ “Best Places to Work” Surveys Lead to:

- OD Efforts
- Management Training
- Leadership Training



Technical Development

Leadership Development

“... people who took it upon themselves first to learn and then they’re teaching the rest of us.”
Genaro, Regional Manager for Tech Services

Results



- ▶ Internally Financed
- ▶ 2–3% Turnover Rate
- ▶ Roads and Bridges Contractor's Choice Gold Medal four straight years
- ▶ Houston's Top 25 Software Companies every year since 1998!



Interim Report on Case Studies

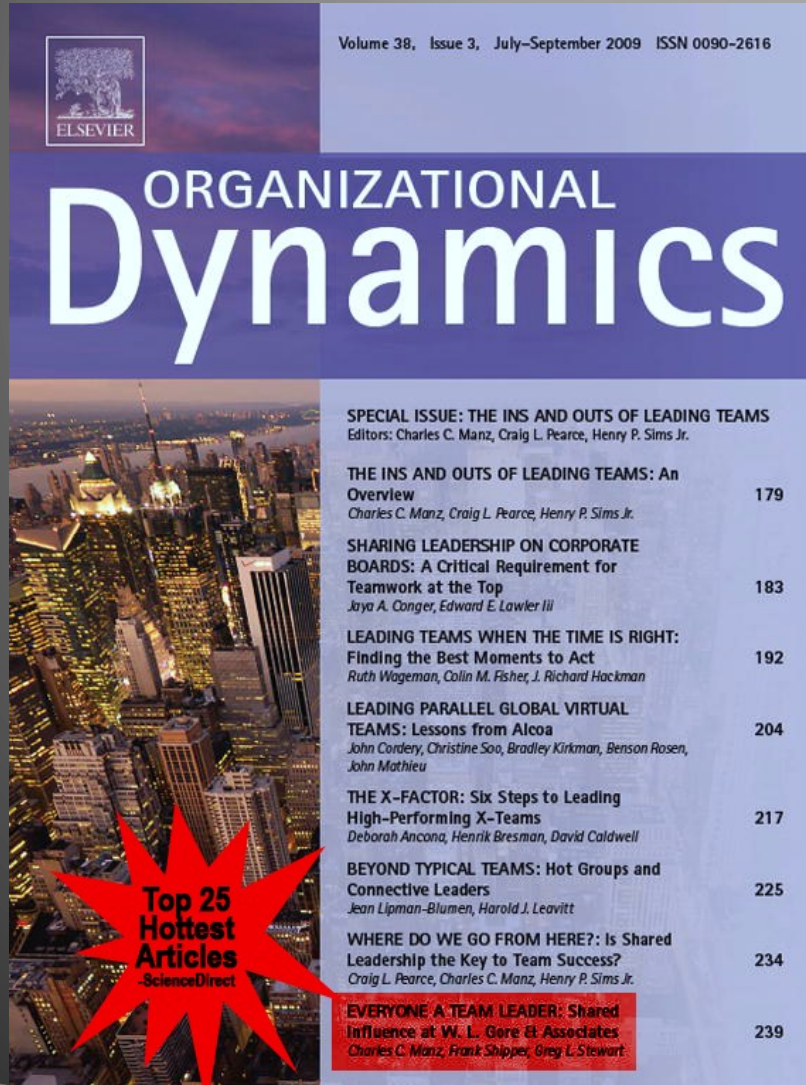


Salisbury
UNIVERSITY

Case Studies Progress

Case	Contact	Interviews	Draft	Completion	Results
W.L Gore & Associates	✓	✓	✓	✓	Case, A, Chap
Herman Miller	✓	✓	✓	✓	Case, 2A, Chap
KCI	✓	✓	✓	✓	Case, A
HCSS	✓	✓	✓	✓	Case, A
TEOCO	✓	✓	✓		
Equal Exchange	✓	✓	-		
Maryland Brush Company	✓	✓	-		
SRC	✓				
Atlas Container Company	✓				

Interest in Employee Ownership





RT REAL-TIME QUOTES

Symbol / Company

Go

Symbol
Lookup

SEARCH

Go

Goldman Sachs
Asset
Management

Welcome, Guest

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Two New Case Studies on Employee-Owned Companies Released

“We are thrilled to be part of the expansion of employee ownership study and research in academia,” noted Joseph Cabral, chair of the Employee Ownership Foundation. “It’s a long-standing goal of the Foundation to increase knowledge of employee ownership among the world’s academic centers.”



What Others Are Saying: On the HCSS Case



❖ “... this is a terrific teaching case for an HR course!”

Jody Hoffer Gittell

Associate Professor of Management.
The Heller School, Brandeis University,
Acting Faculty Director
MIT Leadership Center
Massachusetts Institute of Technology



❖ “... that is a superb case study with a compelling story.

Richard Boyatzis

H.R. Horvitz Professor of Family
Business
Professor, Organizational Behavior

What Others Are Saying: On the W. L. Gore & Associates Case



- ▶ “... case is excellent and students could learn a lot.”

Deborah Ancona,

- Seley Distinguished Professor of Management
MIT’s Sloan School of Management
- Faculty Director of the *MIT* Leadership Center

Companies Practicing Shared Entrepreneurship

- ▶ Lincoln Electric
- ▶ Nucor
- ▶ Worthington Industries
- ▶ Springfield Remanufacturing Company
- ▶ W. L. Gore & Associates
- ▶ Herman Miller
- ▶ eBay
- ▶ Semco S/A , Sao Paulo, Brazil
- ▶ CH2M Hill, Englewood, CO
- ▶ KI Incorporated – Green Bay, WI
- ▶ KCI – Hunt Valley, MD
- ▶ HCSS – Sugar Land, TX
- ▶ TEOCO – Fairfax, VA
- ▶ Equal Exchange – West Bridgewater, MA
- ▶ Maryland Brush Company – Baltimore, MD
- ▶ Atlas Container – Severn, MD