The 23rd Annual
Ohio Employee Ownership Conference

Putting Your Employee Ownership Culture to Work

How Can I Affect the Bottom Line?

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April 17, 2009    OEOC
Understanding How I affect the “Bottom Line”

Assumes …

1. I Know what the Bottom Line is!

2. I Know My Job’s Critical Role!
Your Job

Decisions

Impact

April 17, 2009

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# Balance Sheet

**Assets**
(What Company Owns)

- Current Assets
  - Cash
  - Accounts Receivable
  - Inventories (Mfg.)
- Long-Term Assets
  - Fixed Assets
  - Depreciation

**Liabilities**
(What Company Owes)

- Current Liabilities:
  - Payables
  - Accruals
- Long Term Debt

= Total Liabilities

**Shareholders (Owners) Equity:**

- Stock
- RETAINED EARNINGS

= Total Liabilities & Owners Equity

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Profit & Loss Statement

Net Sales
  - Cost of goods sold (COGS)
= Gross Profit
  - Selling, general and administration (SGA)
= Operating Income
  - Interest expense
  - ESOP contribution
  - Depreciation
= Profits Before Tax
  - Income Taxes
= Profit (Net) After Tax  -- Income –
  “Bottom Line”  to “Retained Earnings”
Balance Sheet  -----  P & L Statement

(Consider All the Lines)

**Assets**
- Current
- Long Term
- Total Assets

**Liabilities**
- Current
- Long Term
- Total Liabilities

**Owner’s Equity**
- Stock
- Retained Earnings
- Total Liabilities & Equity

**Net Sales**
- Cost of goods sold (COGS)
= **Gross Profit**
- Selling, general and administration (SGA)
= **Operating Income**
- Interest expense
- ESOP contribution
- Depreciation
= **Profits Before Tax**
- Income Taxes
= **Profit (Net) After Tax**  --  Income – “Bottom Line”
SO...

We are trying to figure out how our jobs impact any of the lines on our financial statements.
Why Affect the Bottom Line?
The ESOP means something for you!

• You participate in ESOP retirement trust
• You can make a difference
• You enjoy the long term rewards
• Ownership culture works
• Wealth grows with stock value
• You impact the valuation
Steps to …. Everyone Affecting the Bottom Line

Three Principles:
1. Share a stake in the business with employees
2. Act like owners: educate, empower, be accountable
3. Open the Books: see the numbers and manage them
Steps to ....
Everyone Affecting the Bottom Line

Ingredients

1. Self Assessment
2. Self Education
3. Achieve Small Successes
4. Determine Critical Numbers
5. Display Scoreboards
Steps to .... Everyone Affecting the Bottom Line

Ingredients

6. Have Fun
7. Teach Business
8. Empowerment (“own” the numbers individual, team, and company)
9. Fair Compensation and Incentives
10. Communicate Your Numbers – Open Book Management “OBM”
Steps to ....
Everyone Affecting the Bottom Line

Fundamental Behavior

1. Encourage participation in the financials
2. Financial information is available
3. Opportunity to learn
4. Share the success
5. Behave like Business Owners
6. Trust
Job      Decisions      Impact

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