

Emitting the Right Culture: A Profit-sharing Success



Developing the Company-Employee Partnership

Imagine a world where you have the opportunity to share in the profits that your company makes. A world where your hard work and efforts directly impact the company's bottom line and can lead to life-changing benefits for you.

At Emit Reversing Time, this world is a reality. Emit is a logistics company that has been operating across South Africa for the last 14 years. We pride ourselves in the provision of the highest level of quality services to our clients and in a positive environment for our employees.

The company's CEO, Alfred Murray, firmly believes that a business cannot grow without including its people. As a result, Emit has implemented a profit-sharing model that allows employees to receive a share of the profits based on their performance and a tier structure.

This approach not only motivates employees to work harder, but it also fosters a sense of ownership and commitment to the company's success. By recognising the importance of their employees, Emit is setting an example for other companies to follow and creating a workplace culture where everyone can benefit from the company's growth and success.

The idea for a profit-sharing model was first developed and introduced to Emit in 2009. Its purpose was to motivate employees to actively participate in generating more profit for the company by making better decisions, being more productive, identifying efficiencies, and seeking out opportunities. The goal was to encourage employees to become more invested in the success of the company and to share in the

rewards typically enjoyed by shareholders. However, it was important to strike a balance between providing a meaningful profit share while ensuring the long-term health of the business. Careful consideration was given to ensure that the profit-sharing model would not have any adverse effects on the company's sustainability in the future.

How the Profit-Share Scheme Works

During the process of implementing the profit-sharing model, it was important to distinguish between annual bonuses and profit share, as they served different purposes within the organisation. Annual bonuses were given to employees for the additional time and effort they put in to complete their work successfully. Profit share, on the other hand, was awarded to those who directly contributed to the company's profitability. Initially, it was easy to apply this distinction to a group of six employees, as the CEO was closely involved with the day-to-day operations and could accurately assess the impact of each employee on the company's success. However, by 2014, as the company grew, it became challenging to apply a fair and consistent approach. Therefore, a tier system was introduced to ensure that profit share was allocated based on a set of clearly defined criteria in terms of performance, level of responsibility, work ethic and overall contribution to the company achieving its profit.

Importantly, employees who do go the extra mile are rewarded not only through profit shares but also through employee of the month awards, 13th cheques, and other performance incentives.

Results

Initially, people were curious about why our staff was highly motivated and why our business was experiencing rapid growth with minimal staff turnover. This was a significant indicator of success for the CEO since a committed workforce is essential for business growth.

The implementation of profit share had an immediate impact on employee motivation, resulting in increased productivity and efficiency. Additionally, absenteeism and staff turnover rates decreased significantly, as this was measured as part of the profit share allocation process. As a result, the cost of sales (COS) was positively affected. While employees have always been aware of the profit-share model, its effectiveness may have diminished over time, and a longer-term strategy may be necessary to ensure it maintains its intended impact. Nonetheless, profit share remains a valuable tool for managers to further motivate employees, and based on our formula, it continues to serve the same purpose effectively.

Sustainability

Each iteration has had a purpose, and it's important to remain flexible in implementing changes that preserve the original benefits of the system for both employees and the employer. This will ensure the model's sustainability. We have come to a juncture where we must reconsider the model's future. CEO Alfred Murray suggests linking the model to a BBBEE initiative and expanding it to derive more value from the money we spend. This is one of the objectives for this financial year.

According to Rory Kirton, the Managing Director, the sustainability of the company rests on the

employees, who are regarded as business partners. The model was implemented with the aim of positively transforming the lives of those on the ground and ultimately generating greater returns for everyone.

Under Rory's leadership, the company has been striving to optimise the system for both employees and the employer, resulting in continued profitability and relatively low staff turnover. In 2020, Emit introduced the Balanced Scorecard and linked it to the profit-sharing model, resulting in improved alignment between company goals and employee efforts. This has provided employees with a clear understanding of what needs to be done to achieve even higher profits, further strengthening their motivation to contribute to the success of the company.

Broadening of the Scheme

Rory Kirton was particularly concerned that contract employees were not benefiting from the profit-sharing model since it was only intended for permanent staff. However, the company addressed this issue in 2022 by revising the model to include contract workers, marking a significant milestone for Emit. We take pride in this accomplishment and aim to sustain this practice in the future.

Assessment of the Scheme

The results of Emit's profit sharing scheme are reported at MANCOM every month. These results show improvements in operations, productivity, profit levels and cost of sales. Our low staff turnover and absenteeism rates are both important employee relations indicators and contribute directly to profitability.

Conclusion

We have successfully implemented this model across our other businesses, including Chrono Linehaul, Exemplar Workforce, Inverse Truck Rental, and Emlink. We have observed a positive impact on the business, employees, and revenue, making it logical to document this idea. Alfred Murray sees this as an opportunity to establish a long-lasting initiative and provide transparency on the company's direction.

Message to South African Businesses and Employees

Emit and its affiliated companies have demonstrated the potential for a strong, enduring partnership between employees and employers. This partnership yields mutual benefits and enables sustainable success through a profit-sharing model. Our hope is that other employers and employees throughout South Africa will follow our example, leading to mutual wealth, healthy interaction, respect, dignity, and unity. In an economy plagued by industrial disputes, unemployment, crime, and disunity, such a journey is not a luxury but a necessity for all South Africans.

According to Alfred Murray, numerous companies have sizable balance sheets, and the state of the South African economy doesn't inspire confidence in businesses. Companies ought to strive to unlock their cash reserves and prioritise profit and loss. If profits are lacking, then profit-sharing is not possible, and that is the only resource necessary for implementing the model. Over time, the model can be linked to a

Balanced Scorecard. These incentives serve to boost the economy by increasing the purchasing power of consumers.