

# Delivering Employee Buyout Group - UK

Presented by  
Anthony Jensen  
accirt

# Membership – formed 2003

- ◆ Consultants and Trainers - 6

CAN, Social Economy, CMS, Economic Partnerships, Succession London, Wales Co-operative Centre and Employee Ownership Scotland

- ◆ Solicitors – 3

Wrigleys, Ingram Winter Green and Equity Incentives

- ◆ Research – 1

Ithaca

- ◆ Lobby Groups – 3

Coops UK, Scott Bader Commonwealth and Job Ownership Limited

- ◆ Financiers - 4

Co-op Bank, ICOF, Baxi Partnership and Unity Group

# Employee Owned companies in UK

Approximately 60-70 companies - examples

- ◆ Arup Group
- ◆ Equity Shoes
- ◆ Greenwich Leisure
- ◆ John Lewis Partnership
- ◆ Loch Fyne Oysters
- ◆ North East Music Co-operative
- ◆ St Lukes Communications Ltd
- ◆ Scott Bader Company
- ◆ Suma Wholefoods
- ◆ Tower Colliery Limited
- ◆ Tullis Russell Group Limited
- ◆ UBH International

# Rebranding and Rebirth

## New Labor, Mutuo and Social Enterprise

- ◆ 1890 – Webbs declare worker democracy inoperable
- ◆ 1970s - ICOM – Scott Bader – Tony Benn Worker Coops
- ◆ 1980s – Bus Privatizations
- ◆ 1990s – Greenwich Leisure IPS model
- ◆ 2000 – Social Enterprise London/ ICOM merges with Cooperative Union
- ◆ 2003 – DEO Group. Social Enterprise Coalition
  - Business Link, Regional Development Authorities.
  - Delivering Employee and Community Buyouts

# Mission Statement

In five years time we wish to see employee owned businesses recognised as mainstream option and a superior form of business. We recognise that employee owned businesses do not follow a single model but that the greater the ownership stake of the employees and the more participative it is in culture, the more sustainable it is likely to be.

# Rationale & Values

- ◆ Delivers social inclusion
- ◆ Spreads wealth
- ◆ Promotes business sustainability
- ◆ Development of democratic citizenship & industrial democracy
- ◆ Superior business transition model to the MBO – especially for succession
- ◆ Productivity and performance impact

# Structures

- ◆ Company Limited by Shares
- ◆ Employee Benefit Trust
- ◆ Share Incentive Plan
- ◆ Industrial Provident Society (IPS)–  
co-op
- ◆ Company Limited by Guarantee -  
ICOM
- ◆ QUEST

# Key Issues

The DEB Group is working on:

- ◆ Finance
- ◆ Promotion and Lobbying
- ◆ Training
- ◆ Networks and co-operation
- ◆ Research

# Finance Group

- ◆ Expansion of EBO sector limited by finance
- ◆ Major Finance Research project – 70k
- ◆ Critique of venture capital and problems industry has with it
- ◆ Co-op Bank as possible role of Mondragon Impresario

# Promotion and lobbying

- ◆ Article in Sunday Times – 35 enquiries – limited by finance
- ◆ Emphasises on succession planning in UK – Wales rescues.
- ◆ Party Manifestos
- ◆ Question Time
- ◆ Submission to Treasury on taxation of trusts
- ◆ Coop UK to appoint 4 Regional Officers
- ◆ DTI Social Enterprise Unit and Public Procurement Policy
- ◆ Regional Development Authorities UK

# Training

- ◆ EOLE Project run by EFES – mapping exercise for Europe - Conference
- ◆ First 100 days training package
- ◆ CMS Training Program for Employee Owners - draft
- ◆ Shadowing for Business Advisers
- ◆ Masters Business Ethics - University of Wales
- ◆ Learning by Doing - collaboration

# Research

- ◆ Low risk investment, motivation and track record of EO. ( proposed Baxi)
- ◆ Survey of EBO Practitioners - overcoming the barriers to EBO formation. Ithaca
- ◆ Sociedades Laborales – protecting jobs by worker buyouts in Spain.  
Ithaca/ Co-operative Action
- ◆ Barriers to EBOs in Public Tendering.  
Ithaca/Co-operative Action

# Barriers to EBOs

## Survey of UK practitioners

### Anthony Jensen 2000

## Founding

	Agree
• Diminish rewards of managers	90%
• Lack of information	87%
• Conventional firm is the norm	72%
• Legal and Institutional barriers	55%
• Trade Unions opposed	41%

# Barriers

## Financial

	Agree
◆ Underinvestment & demise	62%
◆ Raise outside capital & revert	60%
◆ Unable to make suitable financial arrangements	46%

## Governance

◆ Fail to attract prof. managers	24%
◆ Self management is contradictory	14%
◆ Conflict emerges amongst owners	10%

Research Ithaca

# Transition to Employee Ownership

— Margaret Blair “Employees and Corporate Governance”

- Creation of a superior structure for transition environments – make firm a superior competitor, adapt more quickly, organisational innovations
- restructure workplace relations and culture
  - governance and gain sharing structure
  - less likely to experience wipeout of human capital

# Employee Perspective

- ◆ “The thing we valued most was having control of our destiny.” All Graphics EO Owner
- ◆ “The disadvantage is there are no advantages.” Avis EO owner
- ◆ Improved job satisfaction and satisfaction from making profits
- ◆ Improved involvement and commitment
- ◆ More stress
- ◆ Desire for more participation

# Company Performance

Winter and Marens USA 1991-1993

◆ Participatory decision making positively and significantly associated to higher growth rates.

◆ Post ESOP	sales	employment
◆ All firms	10.3%	13.1%
◆ Majority owned	19.7%	25.9%
◆ Minority owned	7.0%	7.5%

EO plus high participation vs control with high partic.

# Transition – what type of organisation do we get?

- ◆ Reversion – original owners exclude new employees  
EOM – started with 8 owners now 30 full time ( not all owners) 15 subcontractors
- ◆ Middle way – traditional management structure  
Scott Bader – 650 employees  
John Lewis – 60,000 employees  
Greenwich Leisure Ltd – management lead buyout
- ◆ Radical rearrangement of ownership and governance –  
Suma Wholefoods – teamwork based  
Tower Colliery – 300 employees worker lead buyout–  
hire management

# Other Programs

- ◆ Ohio Employee Buyout Centre- USA  
Kent State University - Economic and Social Justice
- ◆ Ownership Associates - USA  
Ownership culture survey
- ◆ National Centre for Employee Ownership – USA - Building a stronger company through employee involvement
- ◆ Sociedades Laborales – Spain  
Start ups and worker buyouts