



Good employee ownership...

A guide to effective
& impactful practices in
employee owned businesses

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Please note:

This document is designed primarily to be viewed on a laptop or PC. If viewing on a mobile or tablet the functionality of the links may be limited due to the reader application being used.

Introduction

In 2022, the Employee Ownership Association partnered with independent think tank Ownership at Work and DJS Research to undertake qualitative in-depth interviews with senior decision makers and employee owners in employee owned businesses as a critical element of the Employee Ownership (EO) Knowledge Programme research project.

The key objective of this research package was to understand how the choices of senior decision makers drive social and environmental impacts in their businesses and to publish a comprehensive account of EO management practice findings.

This report includes details of how businesses implement the management practices identified as being most effective to support employee ownership. Different aspects of the management practices are applied in varying ways and are reflected in each chapter heading.

Insights from this exercise were fed into outputs previously published under the EO Knowledge programme that can be found here: employeeownership.co.uk/kp

Approach

To meet the overarching objective of identifying and understanding the practices that employee owned businesses utilise to drive their business performance, a qualitative approach was undertaken.

In-depth interviews each lasting 60 – 75 minutes were conducted with senior decision makers within employee owned businesses. Interviews were conducted remotely (via Teams or Zoom) from June – August 2023.

As a supplement to the interviews with senior decision makers, additional interviews with employee owners were also conducted. These interviews were shorter (typically 15–20 minutes), with the primary function being to cross-check the practices and impacts described by senior decision makers, providing an additional layer of evidence and support to the findings detailed in this report.

With the research objectives in mind, quotes and findings from interviews with employee owners are included sparingly throughout – used with the intention of adding additional insight, rather than forming substantive analysis points in their own right.

Ownership at Work, the Employee Ownership Association and DJS Research would like to thank all the senior decision makers and employee representatives who gave their time generously to share their invaluable insights with us.

Participant profile

Sixty-seven interviews were conducted with senior decision makers, and twenty seven with employee owners.

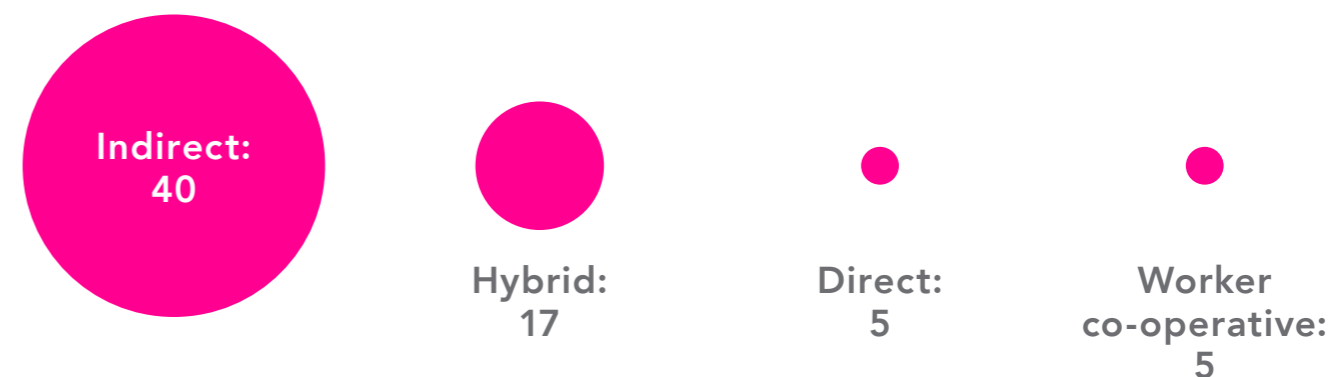
At the senior decision maker level, prospective participants were drawn primarily from the 152 employee owned businesses who took part in the quantitative survey from work package one and agreed to be re-contacted for further research. This was supplemented towards the end of the fieldwork period with eight interviews where contacts were sourced from a combination of EOA's and OAW's own networks – primarily to boost numbers in certain sub-groups (as detailed to the right).

Interviews with employee owners were secured through senior decision makers at the businesses we spoke to.

As far as possible, the participant profile (of senior decision makers) has been matched to the wider employee ownership profile. Participation among two key sub-groups (employee ownership model and sector) was monitored throughout.

The final breakdown of interviews by these key sub-group characteristics was:

Employee ownership model¹



Sector



Consideration was also given to length of time as an employee owned business and business size (by number of employees). In respect of business size, a mix of businesses were consulted.

Among larger businesses – where there are a number of senior decision makers with a range of remits – the target profile was those responsible for decision making in respect of employee ownership.

¹ See glossary of terms [here](#).

Executive summary

Our findings provide strong qualitative evidence that employee ownership (EO) can be a transformative business model that yields numerous benefits, encompassing employees, the economy and society at large. This aligns with the quantitative survey-driven findings set out in previous EO Knowledge Programme publications, including²:

- EOBs are **>50%** more likely to be expanding their workforce than non-EOBs;
- **>70%** less likely to have a high turnover of employees;
- **>25%** more likely to see their profits increase;
- **>50%** more likely to have increased investment in research and development;
- **>33%** more likely to be planning to increase investment in their business next year.

These (quantitative) findings are echoed through the qualitative feedback received from both senior decision makers and employee owners and are underpinned by a raft of practices which can work to propel the development of successful EO businesses.

A wide range of practices were uncovered, ranging from those that are (almost) universal, to those which are less common but when implemented are shown to have powerful benefits to the business, employees and, where relevant, wider communities and the planet.

In the majority of cases, individual management practices don't exist in isolation. Instead, they form a wider connected web of ideas and practices that combine to facilitate business development and the associated benefits described above.

We also see that the route to having established management practices that are impactful and beneficial isn't always linear. For some who are relatively new EOBs, impactful management practices have been implemented quickly, with buy-in from across the business; while for some more established EOBs, challenges and changes to the business at different junctures have necessitated a change to structure and approach.

It is widely acknowledged that **governance** structures need to be clear, accountable and visible to ensure – as far as possible – that other areas of management practice remain robust and fit for purpose. And, while governance formed a key part of our discussions, in the main it was an area that yielded less in terms of clear management practice examples. Instead, (good) governance is seen as a foundation upon which other demonstrably impactful practices are built. Consequently, senior decision makers were more readily able to provide areas in which they felt their governance structure could be improved, rather than where it had excelled.

Largely, this focused on representation within the governance structure – including, most commonly, ensuring the right independent trustees are appointed, and that where there is an exiting owner, their position is mutually beneficial.

Beyond governance, three key – almost universal – areas of practice sit at the heart of effective management within EOBs. The first of these is **transparent communication and information sharing**. Regardless of an EOB's size, sector or length of time as an EOB, transparent communication around decision making, financial performance and strategy is championed as a vital element of management practice. While the ways in which this area of practice varies in its implementation, the underlying ethos remains consistent. Embarking on a journey – propelled by an EOB status – of (greater levels of) transparent communication and information sharing can be transformative and is shown to build trust, inclusion and a greater sense of ownership. At the information sharing level, EOBs are also consistent in highlighting the need for information sharing to be part of a wider two-way dialogue, enhancing agility, better informed decision making and innovation.

Alongside this, empowerment and influence brought about by a shared **culture and agreed behaviours** works to drive improved working conditions, enabling employees to become (greater) drivers of change. Advocacy for employee concerns through a culture that is designed to be mutually beneficial for commercial success and employee welfare is also shown to be fostered through the lens of clear culture and behaviour expectations. As part of the wider culture and behaviour practices sits employee voice, which is shown to facilitate and drive the benefits and impacts described above. Employee voice, like governance, most often acts as a foundation upon which broader management practices are built – but here, a number of valuable practice examples are also provided (and detailed later in the report).

The third – almost universal – area of practice centres on **sharing reward** both in terms of profit sharing (where possible) and fair compensation. Sharing wealth with the workforce via bonuses and profit shares is commonplace and many senior decision makers (and employee owners) comment that being able to share profits with employees is beneficial when it comes to shifting the mindset of employees, making them feel and act like owners.

² Source: wpieconomics.com/publications/exploring-the-potential-of-the-employee-ownership-business-model

Setting the report context

Building on the practices described above, this report highlights areas of management practice that have been adopted by employee owned businesses and have delivered meaningful business outcomes.

In this exercise, we saw clearly that employee owned businesses are invested in creating a culture and ethos which works for them. The management practices attached to this may be the result of organic change and progress within a business's individual ecosystem, or they may be introduced through external learning or knowledge exchange. All the businesses we spoke to identified a number of practices they believe contribute positively to their employee ownership culture and overall business performance. We have tried to capture those practices in a way that is easy to access and understand.

Where possible, the impact and importance of the management practices outlined are included; however, the primary purpose is to provide a repository of (effective) management practices for EOBs to consult and consider when devising their own plans and strategies.

In designing materials for this work, the discussion guide (used to facilitate structured and comparative conversations with senior decision makers and employee owners) was created – in part – with a theory of change model from the wider EO Knowledge Programme in mind.

The theory of change model posited that there were a number of areas of management practice that could be influential in driving the performance and success of EO businesses. The discussion guide included a list of 10 (suggested) practices that the theory of change model hypothesised were impactful.

The model itself was tested quantitatively (outputs from which can be viewed [here](#)). The quantitative and statistical analysis testing the robustness of the theory of change model was conducted in parallel with the interviews from this piece of work being carried out.

In each interview, senior decision makers and employee owners were invited to tell us about the management practices they felt were most impactful for them and their business. Only later in the interview; as a means of cross-checking; were participants invited to provide examples of practices specifically linking back to the theory of change model.

Consequently, the management practices discussed in this report are formed and distilled from the views and feedback of senior decision makers (and employee owners), separate from the theory of change model framework.

This document and how to navigate it...

This document is structured around the areas of management practice uncovered across all of the interviews conducted. Each section begins with a synopsis of the particular category of management practice and how it is applied. Underneath the synopsis, a table is included that provides detail of the specific practice(s) in place and the type(s) of company it is most

relevant and applicable to – however, the intention is that the substantive points made are accessible and relevant to all.

Within each section, links are provided in a table format. Readers can navigate to a section of interest by clicking on the hyperlink in the description of practice column, as per the example below:

and sharing information

Control+click on a practice to view more detail

Description of practice	Company types applicable to:
1. Communication at the outset of the EO journey	Those transitioning to EO
2. Transparent communication about performance, including financials	All

After navigating to an area of practice, a link to return to the practice table or back to the contents page is provided, as per the example below:

Management practices

The foundations of Good EO

The subsequent chapters of this report detail specific examples of management practice that employee owned businesses cite as driving performance and wider beneficial impacts on employees, society and the planet. The following chapters go through the different areas of practice and specific 'key practices' within them. The links below will navigate the reader

to the different categories of practice. Within those you will find a list of the most common specific practices that were described to us within that area. The broad categories are relevant across all sizes and EO ownership types, but the specific practices might vary against those criteria. We have cited those differences to support the reader to navigate to those that are (most) relevant.

- [1. Communication at the outset of the EO journey](#)
- [2. Transparent communication about performance, including financials](#)
- [3. Explaining strategy and decision making](#)
- [4. Developing next generation leaders](#)
- [5. Sharing business critical information](#)
- [6. Choosing the right methods of communication](#)
- [7. The importance of dialogue](#)
- [8. Marketing and external communications](#)

- [1. Lived values and behaviours](#)
- [2. Role-modelling ownership behaviours through leadership](#)
- [3. Openness and transparency](#)
- [4. Putting people first](#)
- [5. Pre-transition preparation](#)
- [6. Co-creating values and mission](#)
- [7. Critically evaluating cultural and behavioural fit](#)
- [8. Monitoring culture](#)

- [1. The right voice mechanisms for your business](#)
- [2. Smaller/specialist working groups](#)
- [3. Regular opportunities for employee voice to be heard](#)
- [4. Linking employee voice to \(trust\) boards](#)
- [5. Providing a variety of feedback mechanisms](#)
- [6. Offering two-way/reciprocal communication](#)
- [7. The importance of listening and acting](#)
- [8. Setting clear parameters](#)
- [9. Training and mentoring](#)
- [10. Addressing and mitigating against potential pitfalls](#)
- [11. Effective chairing](#)
- [12. Learning and adapting](#)

- [1. Making EO feel tangible through sharing reward](#)
- [2. Deploying EOT tax reliefs to promote employee benefit](#)
- [3. Deferred consideration and financial freedom in EOTs](#)
- [4. Profit sharing](#)
- [5. Involving staff in developing reward schemes](#)
- [6. Clearly communicating reward schemes](#)
- [7. Direct ownership share schemes](#)
- [8. Salary policies and benchmarking](#)
- [9. Enhanced benefits](#)
- [10. Bonuses and cost-of-living support](#)

- [1. Consistent leadership through training and development for senior decision makers](#)
- [2. Accessibility, openness and accountability](#)
- [3. Ownership of and confidence with decisions from senior leadership](#)
- [4. Flatter structures](#)
- [5. Some command and control](#)

- [1. EO as a recruitment tool](#)
- [2. Using EO to identify cultural fit](#)
- [3. Emphasising benefits for different generations and levels of seniority](#)
- [4. Integrating EO principles into induction processes](#)
- [5. Retaining existing talent for longer and developing careers](#)

- [1. Mental health checks/support](#)
- [2. Employee assistance programmes](#)
- [3. Providing wellbeing apps or other support information](#)
- [4. Private healthcare](#)
- [5. Financial advice and support](#)
- [6. General check-ins and get togethers](#)
- [7. Training and awareness raising](#)
- [8. Flexible working practices](#)

- [1. Regular \(informal\) catch-ups with senior staff](#)
- [2. People-focused, informal review processes](#)
- [3. Company-wide yearly review and re-focus](#)
- [4. Project-level reviews](#)
- [5. Performance mapping](#)
- [6. Company values used as a benchmark for performance](#)

- [1. Ethical commitment and sustainability](#)
- [2. Choices around use of suppliers](#)



Click on a category of practice in this list to navigate to the relevant chapter...



Transparent communication and sharing information

Overview

Transparent communication, and specifically the sharing of business information, is the most widely mentioned impactful EO practice. Done correctly, it can improve engagement and motivation and help to make employees feel and act like owners.

When extended to a two-way dialogue it can also help to improve decision making and strategy (which is complemented, in-part, with employee voice, discussed in more detail [here](#)).

There is widespread consensus that transparent communications about company finances and performance can be highly impactful in helping employees to think and act like owners (and understand the link between performance and reward).

"As an EO business a lack of transparency creates a veil of secrecy and suspicion among employees. If we are encouraging input as an EO company and we want employees to feel included and part of what we do, then we can't hide basic pieces of information from them. If you want to get people to embrace the idea, then transparency is crucial."

Senior decision maker, hybrid ownership, retail

"It's been motivating for the team, changing people's mindsets to be a bit more business minded. Everyone is more focused on the finances. The extra responsibility has been a motivational factor."

Senior decision maker, indirect ownership, professional services

Key practices: Transparent communication and sharing information

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

Those transitioning to EO
All
All
All
All
All
All
All

1. Communication at the outset of the EO journey

For businesses that don't start out as EO, the point of transition is highlighted as a time when opening channels of communication is vital, with communications playing a vital role in educating employees on what EO means. This can be even more effective if it is a two-way process and leaders place a (renewed) emphasis on listening to the reactions and views of employees.

"Prior to the EO transition, we set up some workshops designed to communicate with everyone (about the transition to EO). We had streams of these with various 'tiers' at the top – the SMT, then another tier around Team Leaders, then around the whole office. These were designed to work through the details of EO and what it was going to mean. This led to a lot of communication beforehand, we canvassed for views, and this did lead to some changes before things were put in place as we took on board those comments. That got us off to a good start, because people saw their views had already been taken into account in terms of how it would operate."

Senior decision maker, indirect ownership, professional services



Transparent and honest communication can help ease anxieties associated with change whether that be the transition to being employee owned, or in relation to other changing business priorities and strategies. It can also be helpful to be clear in communicating that the EO journey will be a learning process for everyone.

“Honesty and transparency. We were open and honest at the beginning of the journey about not knowing fully what employee ownership would mean to us. This meant we were all on the same page and learning together. We didn’t pretend to know what the outcome would be. When you announce you’re becoming employee owned there’s elements of anxiety and you can also have people who immediately go to ‘does that mean I don’t have to come to work tomorrow if I don’t want to?’ and who think they can then start questioning every decision that’s made... employee ownership isn’t a box, it’s very nuanced, so the transparency helped with the anxiety and has meant we can make it what we want it to be for us.”

Senior decision maker, indirect ownership, professional services

Transparent and honest communication from the outset also extends to new recruits; for many businesses, informing new staff about what EO means is part of both the interview and onboarding process.

“Keeping staff informed. During the interview process, people are told what it means to be EO which means they know from day one what is expected of them. This also happens when they get the contract, as well as in onboarding, making sure people know where they fit in the business. This shows that the job and business has more worth than just making them a dollar. Instilling an understanding of the positive impact will motivate them.”

Senior decision maker, indirect ownership, professional services

2. Transparent communication about performance, including financials

There is a widespread consensus that transparent communications about company finances and performance can be highly impactful.

If employees understand and are included in conversations about financial performance, they tend to feel more like owners, and this is particularly powerful when communications make the link between company performance and reward; employees begin to understand that individual and collective effort will ultimately influence decisions around financial reward.

“This is what makes people feel like owners. There’s nothing hidden. People know that information’s being shared with them, and they understand how the business operates and the direction it is going in.”

Senior decision maker, indirect ownership, professional services

“Sharing information, good and bad – we’ve never shied away from the numbers from the performance of the business, but we share a lot more information with the staff and we give them access. Continually reinforcing to everybody just that going back to that thing, the mindset that we’re all owners, run it together and that gradually realising that what I do doesn’t just impact me, it impacts everybody else, and we all know we’re all sharing in this or failing in this.”

Senior decision maker, indirect ownership, manufacturing

“People’s understanding of the numbers and the performance is really important because it helps them to understand the link between our performance and what that means for their dividend and their share price. Being set up to facilitate informal communication makes us more agile in terms of inclusion and decision making.”

Senior decision maker, hybrid ownership, professional services

Particularly in hybrid and direct EO models, transparency can be seen as even more vital as employees can be major shareholders.

“Openness and honesty in everything that we do. We share information whether that be facts and figures or progress, or what we are doing. Minutes of management and heads of department meetings are circulated throughout the business and financial reports are also made available. The fact that this information is being shared makes people feel more included. As an EO business a lack of transparency creates a veil of secrecy and suspicion among employees. If we are encouraging input as an EO company and we want employees to feel included and part of what we do, then we can't hide basic pieces of information from them. If you want to get people to embrace the idea, then transparency is crucial.”

**Senior decision maker,
hybrid ownership, retail**

“Increased transparency and internal communication. We have our board of trustees and I attend their meeting, or I'm invited to parts of their meeting, for them to grill me on company performance. I share with them key indicators of financial performance. Twice a year we have away days where I will present performance to the rest of the staff too, but try and do it in layman's terms, because sometimes this can go over people's heads. They are shareholders that have majority shares, so they need to understand how the company is performing.”

**Senior decision maker, hybrid
ownership, professional services**

Whilst smaller businesses (particularly those with flat structures, e.g., professional services) have a stated aim of being (almost) completely transparent, there are acknowledged limitations to this in larger and more hierarchical businesses, with the emphasis being on ensuring channels of communication are clear and that employees are empowered to ask questions.

“Communication is my number one practice. People being owners means understanding the position of the business, understanding the direction it's heading and having good information about those things. Here, we are completely transparent, but we don't always advise that to other businesses as there's instances where that wouldn't work... However, everybody can share information about business performance and make sure everyone understands the direction the business is going in, whether that is good or bad news on the given day.”

**Senior decision maker, indirect
ownership, professional services**

“One of the things we've had to adapt to is that decisions take longer, we can't 'just do it' in the same way. That has its benefits, but there has to be limits as well. We can't communicate everything, sometimes decisions have to be made and we communicate them after the fact. There's also things that need to stay between certain groups... building knowledge and understanding is good, but not everyone needs to know everything all of the time. You find that balance over time.”

**Senior decision maker, indirect
ownership, professional services**



3. Explaining strategy and decision making

Another area of communication widely felt to be impactful is transparency about strategy and about why decisions are made. This can help to engage employees in the strategy and direction of the company, again making them more likely to feel and act like owners.



"Knowledge of the strategy is a guiding principle. We feel we need to tell the team where we're going to bring them on the journey with us, enthusiastically. Staff are kept in the loop constantly. Openness and transparency are seen as a benefit. We have weekly team updates covering general business and new business on rotation meaning the team is always updated with the business direction."

Senior decision maker, indirect ownership, professional services

"It's important to be open and clear about our strategy, what we're trying to do and how."

Senior decision maker, hybrid ownership, professional services

Transparency on decision making also links to transparency about financial performance. Certain (tough) decisions like not paying a bonus, or even redundancies, can be more accepted if employees understand the (financial) context behind decisions.



"Be transparent about why you're doing what you're doing. We explain our decisions. We have quarterly updates, where we'll explain our reasoning for what we're doing and the direction we're going in. We share our financial plan and numbers monthly. Sometimes you have to make some tough decisions or decisions may not always seem wise but it's only fair to explain to them that there is a reason behind that choice. This should make them empowered to do their job as they're not kept in the dark, and they feel like part of a team and a part of the process."

Senior decision maker, direct, retail

"Transparency. All meetings are public meetings, even if they are departmental. All minutes, including of board meetings, are publicly available so everyone knows everything that the management are doing. For example, a few years ago, we looked at making redundancies, and everyone was involved in that process."

Senior decision maker, worker co-operative, manufacturing

4. Developing next generation leaders

A secondary benefit of educating staff around financials and decision making is that it can help in the development of the next generation of leaders.

"I see the legacy of the company coming from my staff. They're the ones who I want to take this company forward now. I need them to start to understand how companies work and the best way to learn, in my view, is on the job. But the only way to learn is if you're open and honest with them about how you look at these things. This is the case with both positive and negative performance. For example, the cost-of-living will make salary increases a challenge this year, but if the staff know the context, I think they'll be more comfortable with it."

Senior decision maker, hybrid ownership, professional services

"We've got people into the business over the last few years who we've earmarked to take the business on in the future. We have to sometimes take them out of their lane, and give them exposure to different things. If we didn't have that longer term vision in mind, they'd be in their role still doing a great job, but there wouldn't be the same motivation to make sure they have an understanding of everything we do."

Senior decision-maker, indirect ownership, manufacturing

5. Sharing business critical information

Although highly sensitive information (e.g., salaries) may be off limits, many companies are open in terms of sharing details of finances, progress updates, strategy and planning information, as well information on decision making (including, in some instances, minutes from board and trustee meetings):

"Communication and transparency. Reporting all financial information, all business development, future contracts and everything about the organisation short of people's salaries and benefits. We do that by holding a monthly staff meeting. Quite a few people will be in the office, but a number of people will attend via Teams and we actually record the sessions as well so anyone at any time can go back and actually review what went on."

Senior decision maker, indirect ownership, oil and gas

"Openness and honesty in everything that we do. We share information whether that be facts and figures or progress or what we are doing. Minutes of management and heads of department meetings are circulated throughout the business and financial reports are also made available. We would not want to share sensitive information that could harm the business, in the event this information were to fall into the wrong hands, but everything else is fine."

Senior decision maker, hybrid ownership, retail



"There's the main business plan for the company and then each team will also present their business plan that they've worked on for their teams. We'll do a section on the budget and then the trustees usually do a presentation. So, it's kind of like an AGM for the whole company who set out the strategy for the following year. We send out minutes from the board and trustee meetings and from the Employee Council minutes. People can read them if they want to, not sure they all do but some of them do."

Senior decision maker, indirect ownership, professional services

"Transparent information sharing. We have a weekly email with a list of sales and proposals, quarterly business updates where the MD/leader gives people a flavour of what's going on. We're transparent about budgets, progress and investments."

Senior decision maker, indirect ownership, technology

6. Choosing the right methods of communication

Levels and channels of communication vary with companies choosing what fits their size and structure. As a minimum, most companies have regular (monthly) written updates or newsletters and at least an annual day where there is some face-to-face engagement and updates for employees.

"We hold our AGM every year on EO day. We held a summer party this year to tie into that, so hopefully people relate that event with EO. We encourage younger members of the team to attend the annual EO conference at least once so that they can learn more about it. We do monthly company meetings where the CEO gives an update and other team members give updates if there is something going on or a project ongoing. We have annual workshops to discuss what's going well, what's not and how we can change that. Within our sub-teams we have quarterly meetings and goals."

Senior decision maker, hybrid ownership, professional services

"We have a monthly newsletter and an annual employee engagement day. Keeps employees briefed on upcoming projects and business direction."

Senior decision maker, indirect ownership, construction



"We have just started monthly partner communication sessions. The MD updates partners directly about business performance, increasing visibility and involvement. We have a quarterly in-house newsletter. A regular form of communication is beneficial. In person social gatherings give partners the opportunity to get together and for leadership to give recognition, too."

Senior decision maker, indirect ownership, professional services

"We have a quarterly all-company meeting. We have created an in-house newsletter – 50% of this relates to business and 50% relates to the employees to increase personal relationships and provide some relief from work. This has gained great feedback."

Senior decision maker, indirect ownership, professional services

Some senior decision makers take the view that the more communication the better, there is no such thing as over communication, and people can choose what they do and don't engage with:

"Communication – constant updates. For those that want to read it, they will. For those that aren't interested, they can choose not to read it. Getting together in person and fielding questions can be really useful. It's especially important to make employees feel that they can ask those questions. This sets everyone's expectations about what employee ownership is and how it affects those employees individually. Constantly updating people makes them aware of what's going on and makes sure that they really understand what's happening on a deeper level."

Senior decision maker, hybrid ownership, professional services

"We have an internal intranet, so people can dip into that and get what they need from that. We have monthly studio meetings, so every studio has a meeting to discuss local progress, local issues, local social events etc. I do think sometimes we over communicate, but as some people say to me, you can never over communicate, there's no such thing."

Senior decision maker, hybrid ownership, professional services

Similarly, some senior decision makers like to maximise the number of communication channels used to cater for different needs and preferences. Meetings and updates are often supplemented with other formats including smaller group talks and videos:

"We started to use Slack as a communication channel. In the pandemic, we'd post videos frequently about what was going on for when we can't all get together, especially as we have some people overseas. So, I think people feel in touch with what's going on and what the challenges are, and everyone knows what the strategy is for example. We share the strategy in short videos which lay out the mission, the values, the strategy and the reasoning."

Senior decision maker, indirect ownership, manufacturing

"We try and use as many formats as we can: video, small group talks and team building exercises; we want to use as many formats on a comms level that are available."

Senior decision maker, hybrid ownership, retail

"Make sure that leaders are well-set to deliver information more informally. We make use of digital displays on-site that will flag key news."

Senior decision maker, hybrid ownership, professional services

7. The importance of dialogue

Smaller companies in particular tend to facilitate a culture of informal communication to encourage dialogue. This may also incorporate social interaction such as lunches as a way of bringing employees together (especially where some/all employees work remotely).

"We have open dialogue with frequent opportunity for Q&A – monthly lunches with smaller groups of employees. We encourage informal connection. We've designed our office to facilitate this, so that people will pass one another. We offer free lunch so that colleagues are encouraged to informally connect. We've always wanted people to feel like it's their business and part of that is knowing what's going on with the business. Informal communication also promotes that open dialogue, giving people a chance to connect with those who aren't in their teams."

Senior decision maker, indirect ownership, technology

"As we're now mainly working from home, we have a monthly company meeting which is face to face, everyone comes into the office once a month and that's followed by lunch...In the company meetings, we have a section where each team will tell everyone else what they've been up to in the last month, just because we're mainly working from home. Some people don't see each other at all, or some teams don't really speak to each other from one month to the next, so we were just trying to kind of think of ways of making sure that people know what goes on and then there's a section for employee ownership and something from the Council or the trustees. We have an AGM as well once a year where we go through the following year's business plan and budget."

Senior decision maker, indirect ownership, professional services

"We all have lunch together every day. It means everyone can interact with each other. You might pick up on different bits of conversation than you otherwise would, you get to speak to different people, and you can catch someone for 5 minutes if you need."

Senior decision maker, worker cooperative, retail services

Regardless of company type or size, two-way dialogue is felt to be important. Employees should be encouraged to ask questions and provide feedback (as opposed to simply being given information) as this provides an opportunity to test what they have taken from communications and how they feel about it.



"People can ask questions and it's an opportunity for concerns to be raised. We had a couple of people raising concerns about the strategy, and I think that's brilliant as you can then check that they do understand it and have a chat about it."

Senior decision maker, indirect ownership, manufacturing

"You also want to go back to the people you've communicated with and test what they've seen and what they've heard. Ask them if they're getting what they want and/or if there's anything else they need. The more you can test what is being received the better. Everyone receives things in different ways and hears things in different ways, so there will be different takeaways from the information received. If you don't ask people what they've heard and what they think you won't know what's been taken away. This is something we're learning and want to improve on going forward."

Senior decision maker, hybrid ownership, retail

8. Marketing and external communications

EO status can play a significant part in the marketing and communications strategy for EO businesses. In a competitive context it can provide a level of differentiation from competitors, and more generally, it can help drive and support a business' outward facing ideology – giving a clearer picture to clients/suppliers/stakeholders on what drives company focus and decision making:

"It's played a big part in who we are, what we do and how we talk about ourselves. We talk about it on our website, and it can provide something extra or additional in our communications with clients."

**Senior decision maker,
direct, professional services**

"I'd say we could probably do more. It's on all of our literature though, it's visible if people are inclined."

**Senior decision maker,
direct, professional services**



"We don't necessarily use it as a tool to make ourselves stand out, but we will talk about it, and I certainly will sit down with people and talk to them about our journey... it's difficult for people to find a negative in that."

Senior decision maker, indirect ownership, retail

"We're fiercely proud of who we are and what we do. We don't ever shy away from that and we try to promote it whenever we can."

**Senior decision maker,
worker co-operative, retail**

"As we talked about earlier, EO is at the heart of what we do, and that really does go for everything. We talk to our people about it, and then our people talk to our clients about it. Not everyone's bothered, but it can sometimes be a beacon to attract other likeminded people."

Senior decision maker, hybrid ownership, manufacturing



Culture and behaviours

Overview

Developing the right workforce culture and behaviours is one of the most widely mentioned fundamental areas of practice that form the building blocks for driving success in EOBs. It is a vital structural component of the wider 'web' of management practices and takes on a number of aspects.

For many senior decision makers a key goal is to instil a sense of ownership; if employees feel like owners they start to act like owners, taking pride in their work, taking on more responsibility.

Employee representatives also frequently comment on the impact of a trusting and transparent culture on their mindset and job satisfaction.

"Instilling an understanding and culture of owning the work that you deliver, delegating responsibility to people that take pride in what they do. Making employees feel and act like owners."

Senior decision maker, hybrid ownership, professional services

"Instilling EO culture – giving a sense of belonging and that we're all in it together."

Senior decision maker, indirect ownership, manufacturing

"The culture – the values and contributing towards positive change. My background has been in industry and accounting practices, and I used to feel quite used and abused. Coming here and learning about employee ownership made me feel like I'd won the employment lottery, honestly. I've got full autonomy of my work, I'm trusted to do it all, I'm not micromanaged. There's respect. Communication is high up as a value – clean, honest transparency which is something I really value."

Employee representative, indirect ownership, manufacturing

Key practices: Culture and behaviours

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All
All
All
All
Businesses planning to transition to EO
All
All
All

1. Lived values and behaviours

Senior decision makers make the point that establishing the right culture is not simply about writing values on the wall or in a charter; values need to be lived through behaviours.

“Feeling valued is key. A lot of it comes from being a worker co-op because there is a lot of hereditary culture. There is a lot of resources available from organisations and others in the cooperative movement which advises on this kind of thing. Co-ops tend to have a very ethical approach. We tend to be progressive. Because our product is organic, we also do our due diligence into our supply chain, environmentalism etc., and this is our USP. Because this is part of our business model, we’re kind of a group of self-selecting people who see the value in doing that.”

**Senior decision maker,
worker co-operative, retail**

“Some of our values are hardwired into our articles as part of our governance. Hardwiring these values and principles... this is what we stand for... everybody understands that. People can have nice things about honesty and openness written on the wall of the reception of their building. But it’s the lived values that are the ones that mean something, not the ones that are written on the wall. It’s essential to ensure the lived values are the same as the ones that you want on the wall.”

Senior decision maker, indirect ownership, professional services

2. Role-modelling ownership behaviours through leadership

Leadership plays a vital role in fostering a culture of positive behaviours in respect of acting, thinking and working like owners (this is discussed in more detail in our chapter on leadership and management [here](#)). Senior decision makers are clear on the need to live and demonstrate EO values, setting an example to the wider organisation.



“Behaviour: Leaders must behave as though they are a part of an EO and they therefore have a responsibility to act appropriately. Be consistently enthusiastic. Enthusiasm can die quickly so it’s important to nurture it so that partners are motivated and don’t begin to question the decision to be employee owned.”

Senior decision maker, indirect ownership, professional services

“Making sure that those other members of the board understand the balance between commerce and care. This maintains the success of the business for the benefit of partners (the commercial angle) and makes sure that this is being done in a human way which recognises that profit over people doesn’t work in an EO.”

Senior decision maker, indirect ownership, manufacturing

3. Openness and transparency

Establishing the right culture is strongly linked to other management practices, including **communication and sharing information** and **employee voice**, but also has strong foundations in openness and transparency. When openness and transparency are stated aims that senior decision makers live by, it can combine to create a greater sense of unity, understanding and empowerment to understand where change can be affected and how.

“The culture of ownership and the culture of openness and people being able to share what they think. You need to have a board in the company or a top level of the company which is willing to accept that the information that comes up is as valuable as the information that goes down. Once you’ve got that sort of balance between the two things it will help improve decision making. It takes an adjustment of management style for some people to get to that point. They need to hear other opinions as they’ll often find the information that they need to run the business better.”

Senior decision maker, indirect ownership, professional services



Employee voice and representation will only be effective if there is a culture of ‘psychological safety’ where employees are confident that their views will be respected.



“It’s about psychological safety, where people feel that they don’t have to be scared that what they’re saying is silly because they know that it will be received well in the group. That culture of ownership, where everybody’s opinion is valued and respected – no matter what position they’re in, in the business – because that’s where you pick up the really good information about where the business is at.”

Senior decision maker, direct, retail

“By living that and demonstrating to people that it’s okay, and by the group demonstrating to people that it’s okay to share views, then you can bring people into that culture of ownership and that culture of everybody’s contribution being valued. When nobody feels the pressure of hierarchy and that they can’t stand up and say the things that they believe to be true. It improves decision making.”

Senior decision maker, direct, retail

4. Putting people first

Senior decision makers often describe taking a 'people first', even paternalistic, approach to looking after staff (again this links to a variety of other practice areas such as [sharing reward](#) and [health and wellbeing](#)). They argue that people care more about the business if the business shows that it cares about them.

"Valuing people – we're small enough to be very flexible so we can flex and change policies as we see fit, to look after our people. We want to ensure work-life balance. If someone isn't managing their load, we hope that people will let us know. It's all very open. It makes them feel valued. Everyone really cares about the business and pulls in the same direction because the shop is our livelihood, collectively."

**Senior decision maker,
worker co-operative, retail**

"Having a people first culture: you must have a genuine people first culture. It's important to accept that being an EOB is only one tool in that tool kit, and you have to employ all the other things, good listening, good employee voice and good collaboration between everyone; all underpinned by a genuine people first culture."

Senior decision maker, indirect ownership, professional services

"We have a paternalistic and caring approach. The vision for the EBT in the first place was to ensure independence long-term, as well as maintaining a family-feel. We have done this successfully. We describe ourselves as a benevolent, paternalistic type of employer. We have multiple support schemes available for staff, and are caring."

**Senior decision maker,
indirect ownership, retail**

5. Pre-transition preparation

A number of senior decision makers discussed the benefit of having clear priorities when transitioning to EO, including being prepared to work towards understanding where existing cultures can and should be adapted to mesh with the broader values of the EO community.

"We came up with a series of values for us as a company. One of the main values is that employees are the core of the business. Although this was in place before EO, it has just strengthened this further. We were well-suited for employee ownership because we already had the kind of culture that fits the EO ethos. Our values aligned well with employee ownership."

Senior decision maker, indirect ownership, manufacturing

"Changing the culture before transitioning so that the mindset of employees was ready. We started communicating the desire to transition very early. We spent a long time communicating and getting people ready for the potential for EO so that cultural shift happened over a number of years. It started with the introduction of our values and behaviours, and we appointed an HR director at that time that we felt was robust enough to take us through that people process – she started with values and behaviours. And then we started building a business plan towards our EO goals, which was we called 'our collective ambition' getting everybody behind this plan of action."

Senior decision maker, hybrid ownership, professional services

6. Co-creating values and mission

It is common for EO businesses to refresh or update their values (often at/after the transition stage) to ensure a good fit with EO; Senior decision makers highlight that this process works best when employees are involved, partly as this maximises buy-in.

“We had core values that were determined by the director, then we put them out to the co-owners. So, they were changed and modified – our core values off the top of my head are respect, teamwork, positivity, honesty, quality and fairness. Then through our appraisals we look at the what and the how – how are people living up to those core values?”

Senior decision maker, indirect ownership, manufacturing

“We have recast our values and mission. We have reviewed them this year, not fundamentally changing them but just rearticulating them just to try and make them fit more closely with our employee ownership status. I think these things shouldn't be left sort of sitting still. You should look at your business and say does that accurately reflect us and where we want to be, so we've done that. I have been to sessions where people use the transition to EO as a financial mechanism to maximise the value of the business for shareholders. If that's your motivation, you can come badly unstuck. You have to have a culture that genuinely values the input of your employees for it to succeed.”

Senior decision maker, indirect ownership, professional services

7. Critically evaluating cultural and behavioural fit

It is common for 'cultural fit' to be a key consideration in the recruitment process for EO businesses (this is discussed in more detail in the chapter on [recruitment and retention](#)):

“We recruit people based on our culture and whether they're good people. Our whole recruitment process is based around culture. We would rather grow slowly and only get the right people, and would turn down a top candidate if they wouldn't fit in with the business. This drives our company's persona and reputation. Bringing people together through employee ownership has changed people's outward persona. They're more vibrant.”

Senior decision maker, indirect ownership, professional services



And, although less common, a handful of senior decision makers expressed the view that frank conversations needed to be had with staff who weren't invested in the EO culture they wanted to foster.

"Get people out who aren't aligned with the business culture. Make you have the right people in the business. If you want to go down the employee owned route, you need 100% of your staff to be on board... if there are people whose values don't align with what we're trying to do, then they need to go elsewhere. It doesn't need to be nasty, but you need to be frank with them. This is more important in the transition period as we think we've now got these characters out of the business and everyone now is fully committed. It's a tough decision sometimes because you may have someone that's good at their job but they're actively pulling down the culture."

Senior decision maker, direct, retail

"There was a difficult, divisive employee who we managed out of the business during the transition to EOT which elevated the harmony within the business and meant that we were all on the bus and absolutely aligned. There is no doubt that we are starting to attract talent without looking for it because of what we stand for as an EOT. We are a happy workforce, so retention is also positively impacted."

Senior decision maker, indirect ownership, professional services



8. Monitoring culture

Given its importance in making EO a success, it is deemed important to monitor organisational culture and a number of methods are used:

- Employee representative groups will often gather and provide feedback on how employees are feeling about company culture;
- In EOTs this feedback will often be provided to trust boards (sometimes via a trustee) who can play a key role in scrutinising culture in the organisation.
- Employee surveys are also used as a regular 'temperature check' on company culture.

"The trust board is there to review the performance against the strategy but also monitor the culture. From an employee perspective, is the way the strategy is being delivered in line with the way the employees expect it to be and expect the culture and behaviours to be aligned with the vision? The management board at the moment do report on the culture but it is more ad hoc, our survey will be more specific to capturing the culture, and will be coming from the EOT, we do a biannual culture survey."

Senior decision maker, hybrid ownership, professional services

“Once a year we do a ‘temperature gauge’ thing where [elected trustee] speaks to everyone one-to-one for 45 mins and just has a chat, he has 4–5 key questions, specifically around employee ownership, the running of the business, do you think you are involved in decisions. The one-to-one talks which [he] does with everybody, include questions on how involved staff feel and around the company culture, e.g., do they feel that we are running the business for their benefit. The temperature gauge thing started because of EO, and the feedback has been great. He fed back several actions from those chats and some things came directly from them, staff were very honest and constructive.”

Senior decision maker, indirect ownership, professional services

“HR was a priority when we became EO. In terms of monitoring, it’s one of our KPIs. We do a survey every couple of years with some mini surveys in between and it’s just about employee engagement. that takes in far more than just employee ownership questions. it’s a very wide-ranging survey to see how employees are feeling and responding to some of the changes we’re making and by getting the best from their careers. Are we responding to their needs as much as we are hoping that they’re responding to the business needs?”

Senior decision maker, hybrid ownership, professional services



Employee voice

Overview

Employee voice/representation is an area of practice that was mentioned as highly impactful by most businesses; it sits at the heart of making employee ownership effective and beneficial.

The benefits of employee voice were also strongly endorsed by employee representatives.

The key benefits of employee voice practices include increased employee engagement, job satisfaction and motivation as partners recognise that they have an influence and are helping to inform the future direction and strategy of the business. Decision making and innovation can also benefit from gathering views and ideas from around the business.

There is a significant range of practice around how EOBs support and enable employee voice to influence how key decisions are made; not all get this right first time, as it is not simply a case of giving employees more influence. There are a wide range of factors to consider in order to make employee voice work effectively and reap the maximum benefit.

EOBs need to consider the right parameters and right mechanisms to facilitate employee voice; what is optimal varies according to organisational size and sector, with the most effective approach in a

small professional services company unlikely to work in a larger and more hierarchical organisation. Once the right parameters, structures and mechanisms are in place, we’re told it can make a huge positive difference to employee and business outcomes.

“I keep going back to this but it’s being empowered as employees to be a bigger part of the business. In other businesses you might feel a little low on the pecking order and someone else gives you tasks and decides where the business will go in the future, but with EO you get the chance to influence some of that stuff.”

Employee Owner, professional services, indirect ownership

“For me one of the most positive things is feeling empowered, like you have an influence on the business. Having an opportunity to take a vested interest in how the business works, how healthy it is and getting an insight into the higher-level things like how the business is run. The added visibility and being able to help in places and add some stability.”

Employee Owner, technology, indirect ownership

Key practices: Employee voice

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All
All
All
EOTs/Indirect/Hybrid
All
All
All
Larger organisations
Larger organisations
All
All
All

1. The right voice mechanisms for your business

Larger organisations tend to establish formal employee voice structures with committees and councils comprised of employee representatives from across the business (e.g., covering different teams and departments). These representatives are often elected (typically for a term of 2 to 5 years) but can also be volunteers.

“Having a formal employee voice structure. Setting out really early what that formal employee voice structure looks like. We have a network of employee champions, who are not elected individuals, they are just advocates of employee ownership and supporters of our elected representatives...They are literally the glue that pulls, employee ownership together across the whole organisation. I would broadly recommend that approach to any organisation that wants to take this seriously.”

Senior decision maker, hybrid ownership, other

“We have an employee ownership council which I think is really useful and one of the areas that has been of real benefit. We’re a small company of 20 remote workers and it’s easy to lose sight of how people are feeling. Having that council to bring things up and talk about things is really useful. We initially set this up to be an aggregator for opinions. The leadership team would ask the council to gather opinions on xyz. This worked really well and was a great way of giving some people more responsibility through being part of the council but it’s also really useful for things to come upwards to the leadership team and communicate both ways.”

Senior decision maker, indirect ownership, professional services

"We have a section in our monthly meeting where the employees are canvassed every month by the employee rep, and anything that they bring up is minuted to the agenda. We talk about it and then we report back. The employee rep will speak to all employees after the progress meeting and go over what happened. The minutes are pinned up in the factory and in the offices. But employees are encouraged to just talk to us, and if they've got an idea, come and speak to us. And if they've got an issue or a problem the only way that we can resolve it is by talking about it. So, our communication is not restricted to those meetings. I'm a firm believer in making sure that employees don't feel like they've only got 2 opportunities to speak to us."

Senior decision maker, indirect ownership, manufacturing

"We have two representatives on the trustee board, we have an employee forum which is organised by two separate representatives (one representing the back office, and the other is one of our consultants). They filter any queries, questions and complaints and bring those to the executive board. If there are things that need to be escalated to the trustee board, they will pass it to one of the employee representatives on that trustee board. It's difficult to engage employees online so we have instigated one-to-few meetings where we have 3-4 people on at a time, with one of the forum reps. They will produce a list of queries that have arisen in the last 6 months prior to this meeting and then we will have an open discussion about those issues in full, with every question being answered then and there. These reps are able to stand down but they don't have a fixed term."

Senior decision maker, indirect ownership, professional services

In **smaller companies** with flatter structures, employee voice arrangements are often much more informal, avoiding bureaucracy and focusing on facilitating open conversations:

"You've got the trust, board of directors, 10 employees. With it being such a small company it's not hard to have daily conversations with people and get their view on what's going on. We have one or two full team meetings a year and we'll also do individual chats once a year to make sure people are happy with their role and salary and they can give feedback. Structure-wise, I think if we had 30 people, we'd need to build a structure, but in the meantime, you could end up doing too much bureaucratic work."

Senior decision maker, hybrid ownership, other

"We've really encouraged people to speak up. Because they know what's happening. And they have their bit in the business. So, there's a regular scrum every morning. It used to be a stand-up thing. They did the meeting standing up. Now they do it on teams. So, there's a scrum every day when someone can voice an opinion ... There are regular team meetings as well. We try to get people together."

Senior decision maker, hybrid ownership, professional services

"There's a kind of sweet spot between 7 and 15 where you can still get everybody around the table and actually the best way to facilitate voice is not to put in place artificial structures to do that. It's just to get everybody together and create a culture where people feel, you know, free and open to stand up and use the voice that they've been given. And if you're in a bigger organisation, though, then you need to work harder and to facilitate employee voice...you have councils and voice groups and representation and all those things and you have to look at doing that in a way that works for your organisation."

Worker co-operatives appear to take employee voice further than other EO businesses. Rather than simply providing feedback which can influence decisions, the worker co-operative model involves collective decision making with members given individual votes on key issues:

“Everything major goes to a vote of the whole co-op. If management overstep and make a decision on their behalf, we have rules in place that mean that (if 3 members agree) a meeting can be called to question and rectify that decision. This keeps management in check as there are consequences to not involving all co-op members.”

**Senior decision maker,
cooperative, manufacturing**

“Collective decision making – all the worker members have a fortnightly meeting where we agree almost everything by consensus, wherever possible. This promotes ownership of outcomes and everyone knows what’s happening.”

**Senior decision maker,
cooperative, retail**



2. Smaller/specialist working groups

Some businesses highlighted benefits of structuring employee representatives into multiple smaller teams, often with a specialist remit, e.g. innovation or equality, diversity and inclusion (EDI); this can help in terms of canvassing more directed/focused feedback and ideas, and smaller groups can lead to employees being more comfortable sharing their thoughts and ideas:

“The business has been split into 2 distinct teams – one about the working environment (covers atmosphere, benefits, working policies and practices), and the other about new innovation, ideas and continual improvement. We have made significant changes off the back of these working groups. They’re involved in the thought process surrounding business direction.”

Senior decision maker, indirect ownership, manufacturing

“Ensuring employees/partners are actively engaged in the business, opening up channels for them to take as active a role as they choose...in working groups such as sustainability, B-Corp Status, our EDI group (which is very active), health and wellness group, and the social side. We are embedding a charity committee to look at a more systematic way of organising a program of charity work... So, that almost everyone in the business has a secondary role of their engagement in one or other of these groups. I think that’s trying to embed the thinking that this is their business, so they need to be involved and we positively encourage them to be involved.”

**Senior decision maker,
hybrid ownership, retail**

“We have smaller working groups of 4–5 people because employees will be more open in more intimate groups. MDs are removed from them to aid openness and comfort, making it less intimidating.”

Senior decision maker, indirect ownership, manufacturing

3. Regular opportunities for employee voice to be heard

Although formats vary, employee voice mechanisms typically involve regular meetings (often quarterly) as well as away days to share and discuss information and ideas:

“Quarterly Team Away Days...every 3 months for a ‘Team Day’ when we close the office and bring the team together face-to-face – we pay for it to be in a hotel, with nice breakfast & lunch and the agenda is around business improvement and strategy. The Board share info, with a ‘State of the Nation’ presentation; this has always included financials. e.g., usually dashboards for profits (targets vs. actual for our projects) then expenditure (target vs actual for previous quarter). Then we break into group sessions, if there are decisions to be made, we will get the team involved with those decisions, E.g., at start of financial year, our expenditure was over budget so we gave each team a task to look at a different area of expenditure and talk about what we could do to bring it down. This enabled us to all agree, e.g., what expenditure was sacred.”

Senior decision maker, indirect ownership, other

“Regular (quarterly) whole-office meetings ... just having an openness and transparency of where the business is in terms of performance and where we are at – we have quarterly whole-office meetings which are a day or half a day that are completely given over to non-project working, and sometimes it is a very social event and sometimes we go and visit one of projects around the UK, but there is always an element of that – i.e. a business update, by one of the Directors, on the status of all the projects we’re working on. How we’re doing against business plan – not too much detail, key points. That openness is key to the success of our business and also that transition to EO, because people feel like they are part of the business, they have a general awareness of the kinds of issues they are grappling with and where the business is going.”

Senior decision maker, indirect ownership, professional services

“We have various mechanisms – we use an employee survey, we will launch that and focus on culture, we have annual retreats, where we try and get everyone in the room together – that is expensive and there is normally a focus, and it gives everyone the opportunity to contribute. We have monthly company meetings – the MD goes through stuff and each functional area gives updates, and staff can ask questions.”

Senior decision maker, hybrid ownership, professional services

4. Linking employee voice to (trust) boards

Particularly in EOT firms it is common to introduce mechanisms to facilitate links between employee representatives and both executive and trust boards. Employee representatives are often elected or appointed to these boards to represent the views of employees and also cascade information from leadership to the rest of the company:

“Two parts – one is the group and one is the employee trustee, who do 3-year terms. 3 founders, 2 external trustees and one internal employee trustee make up the board. These employee trustees are not elected; they are self-appointed or selected. They meet regularly, feed into the executive board meeting and the trustees, particularly contacting external trustees to help them understand what’s going on.”

Senior decision maker, indirect ownership, other

“We have an elected body called the partnership council with a chair, treasurer, secretary. They meet once a month, they elect at least one partner director onto the operating board and at least two onto the trust board. This gives them real opportunities to influence others that are sitting on both of those boards. Board members attend meetings regularly to make sure they have access to a senior level voice. This is important when considering answer immediacy and council reputation – partners see that the partnership council does make a difference. The partnership council is given a budget, so they have the freedom to do what they see fit without having to ask.”

Senior decision maker, indirect ownership, manufacturing

“The representation is through the two staff members who are on the board of trustees and there is an open line of communication between the staff and the trustees.”

Senior decision maker, indirect ownership, manufacturing

“We wanted to make sure that every group in our organisation was represented on our board, so we reconsidered how we divide our organisation. Where we had nine separate studios all reporting into the board, we wanted a structure that was more agile than that, so we divided our studios into regions. We have a regional partner who takes care of those studios who is on the board, so every studio and every member of those studios has a root to board level conversations.”

Senior decision maker, hybrid ownership, professional services

5. Providing a variety of feedback mechanisms

Regular meetings and links with (trust) boards are often supplemented with a range of other feedback mechanisms such as surveys and suggestion forms.

This can increase engagement and give a wider pool of staff more direct (and immediate) means to provide feedback:

“Overall, a variety of mechanisms is the key to try and make sure we engage with everyone ... We carry out surveys, we are thinking about a virtual/anonymous online suggestion box, where people can drop comments, we have a blackboard in the kitchen area where staff can write comments. Sometimes it might even be a question ‘what do people think’, ‘how about such and such’ – and sometimes people respond on that by writing things.”

Senior decision maker, indirect ownership, other

“Anyone is free to raise any issues that they feel strongly about and can come to us with a proposal – we have proposal sheets that help them outline the resources needed and the possible benefits.”

Senior decision maker, cooperative, retail

6. Offering two-way/ reciprocal communication

Two-way communication/ dialogue is an essential component of effective employee voice practices. Whilst mechanisms should be in place for the flow of information from employees to leaders, leaders should also reciprocate with responses and business information provided to employees both directly and via employee representatives:

“Twice a year, one of the executive directors and one of the elected directors join all of the team meetings across the organisations to find out what’s going on. This is quite a structured programme to find out what is important. We help people recognise benefit, so they know what it is as they see it.”

Senior decision maker, indirect ownership, professional services

“The employee electees are giving reports to the employee owners. As we’re such a small team, we should be able to communicate. Some issues the board communicates rather than the trust. We have agreed that it’s the role of the board to generate the profit, and it’s the role of the trustees to decide how the profit should be spent, irrespective of what the directors believe the priorities should be.”

Senior decision maker, indirect ownership, other

7. The importance of listening and acting

Dialogue alone is not enough if this never leads to action. Senior decision makers acknowledge that employee voice will not work in a sustainable way if leaders do not show that they are listening and act on the feedback received – or if they don't act, at least explain the reasons why:

"Listen, listen and act. Everybody can listen. 'Feedback is a gift'... people have made a choice to give you that feedback so you must do something with it. So, listen to stuff and then be seen to do something rather than listen and then just ignore it or don't do anything about it."

**Senior decision maker,
direct, other**

"It's a bit of an overused word, but inclusion is very important; having people feel like they belong. People should feel like they can make a difference. And those channels of dealing with their issues either through to their departmental head or directly to me if they want to do that, that's really important. And if people have ideas, they can share them through these channels. We've always done that as a company, but even more so now, so that they feel like they're being listened to. If somebody comes to see me with an idea, we'll talk it through. I'll speak to the other Directors and then I will feed back to that person: 'Yes, it was a great idea. We're going to adopt it fully or these bits will work, those bits won't' or actually, 'no, we're not in a position to do that right now and here's why'."

**Senior decision maker, indirect
ownership, manufacturing**

8. Setting clear parameters

Particularly in larger organisations, it is important to set clear parameters and terms of reference from the outset – and from that honest expectations with employees – that employees will be listened to and can influence strategic decisions, but they are typically not making day-to-day executive choices in the business:

"There's always going to be a weight of opinion. Often you have to temper that with reality. You might have someone who says 'I think we should get air conditioning in the workshop' and you have to turn around and say 'that's not going to happen because look at the numbers vs. the benefit'. It can't always happen; you have to balance voice with realism."

**Senior decision maker,
direct, manufacturing**

"We're pretty clear that we are still a business and there's a hierarchy to decision making. we're not expecting the forklift truck driver to be making decisions on who we buy and sell to because that's not their skill set. So, people can ask questions whenever they want and they can challenge wherever they want, that's fine. But it's sort of a circular process for employees to challenge a management decision and then management will naturally build it into what we do. But it's not a formal process. we're transparent and open but at the same time we're business people and we'll make decisions. We'll explain them, but we're not expecting everyone to fully understand why something might be made."

**Senior decision maker,
indirect ownership,
professional services**

9. Training and mentoring

As part of setting the parameters, training and mentoring at the outset of any employee voice programme is recommended so that representatives have a clear understanding of what employee ownership and employee voice means:



“Careful and skilled coaching, mentoring and chairing is extremely important to make sure those voices are heard in a balanced and effective way. This is done internally as generic training is available but it doesn’t necessarily facilitate learning. There isn’t a generic EO model or business, so we develop our own training program.”

**Senior decision maker,
indirect ownership, other**

“Talking to others, I would have held off on setting this up as there is a level of maturity absent in that forum – they expect all the benefits, but don’t understand the business operations side of things. It would have been good to spend some time educating people on what EO means before that was set up.”

**Senior decision maker,
indirect ownership, retail**

10. Addressing & mitigating against potential pitfalls

Without the right terms of reference, training and effective chairing, employee voice can be ineffective. A handful of senior decision makers reported employee voice mechanisms initially becoming more akin to a union or talking shop to air grievances as opposed to a forum for constructive feedback and ideas.

“I’d recommend that they don’t just talk shop. It works best when it’s that they’re coming together to make us better. I’m afraid there’s some frivolous stuff, which is fine, but if you spend too much time on that, then you’re missing the point. We’ve still got a lot to learn and we’ve been at it for like 8 years and we’re still nowhere near good enough for people’s voice. So, I think maybe they should have more training, or it should be clearer what the intentions of the group are. And I think chairing it is really important as well.”

**Senior decision maker, hybrid
ownership, professional services**

“It’s taken a considerable amount of time to make employee voice meaningful as when you’re first given a voice, you tend to just use that to air all grievances. We are at the point now where it’s a two-way dialogue and it encompasses ideas as well as issues. As much as we need issues pointing out, we also need ideas for how we can solve them. This has been done by instilling confidence in employees, making them feel like they genuinely have a say and a stake in the business direction, and by taking decisions to the employees directly and asking them for their views on processes and practices that will have a direct impact on their working lives.”

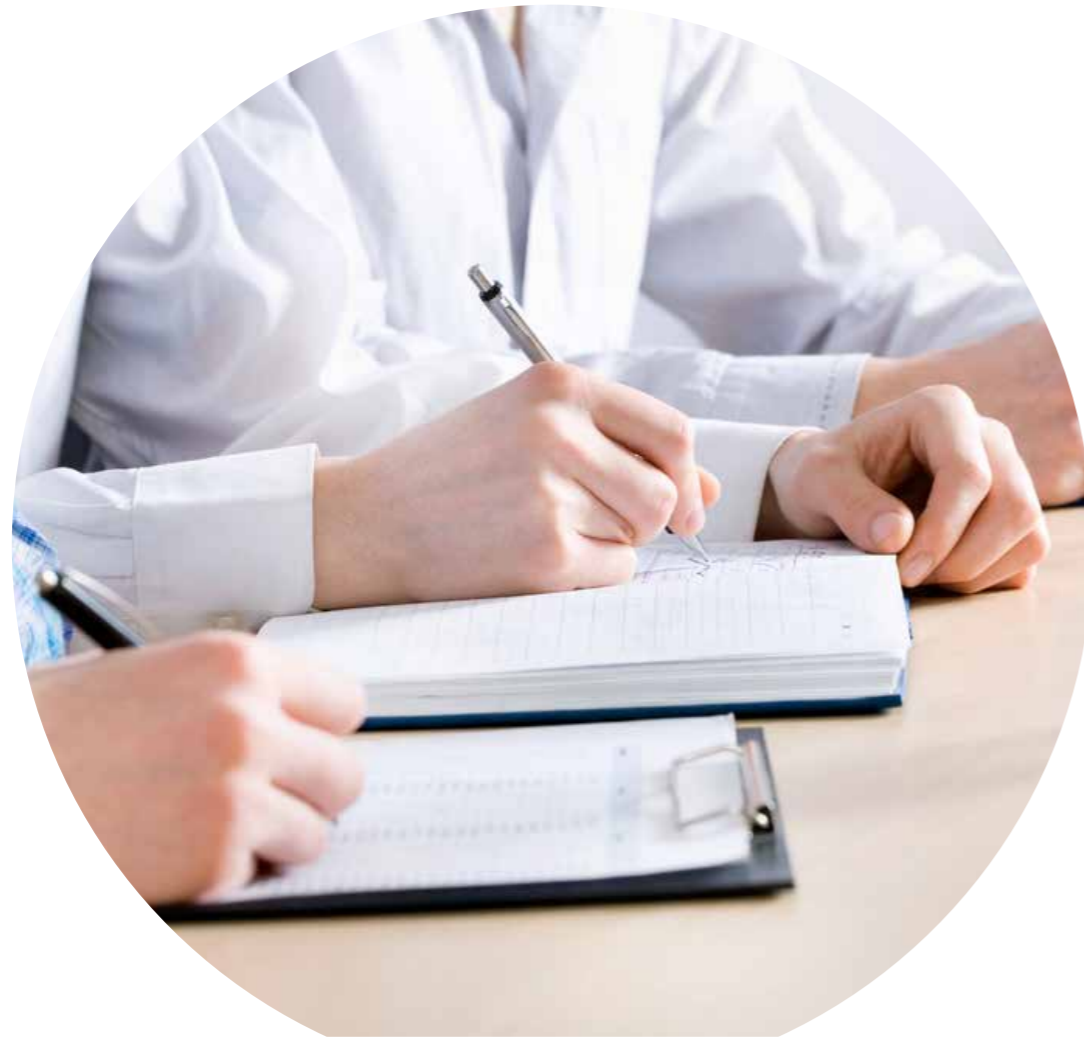
**Senior decision maker, indirect
ownership, professional services**

11. Effective chairing

Having an effective chair or lead to steer employee groups is another important factor; ideally the chair should be confident enough to steer employee reps and also engage with senior leaders:

“Having a good elected chair of your elected body. They must get it, be competent, know how to engage with both the board and with partners – this drives the mood and productivity of partnership council.”

Senior decision maker, indirect ownership, manufacturing



12. Learning and adapting

It appears common for employee voice mechanisms to be imperfect at the outset, in which case it is important to learn and adapt, for example by changing and streamlining structures and/or introducing clearer and more specific terms of reference:

“Being flexible about the organisation’s new structures and aiming to find the best way to give people a ‘say’ in decisions in a way that becomes the most effective. Our first iteration just gave too many people a direct way of inputting into those decisions – which becomes very unwieldy and difficult to manage and in fact the feedback was that staff preferred not to be involved! As a result, we have streamlined this, and now we have what our company calls a ‘Studio Board’ which is the employee council with a slimmed down number of people that attend that, but it means that everyone still has at least one person (or more than one person) with whom they are in direct contact day-to-day, and who sits on this Board, so everyone can raise issues.”

Senior decision maker, indirect ownership, professional services

“We used to have a forum. It didn’t work...People are nervous to bring it back because it ended up just being a talking shop about coffee and microwaves, etcetera. There were big picture items but they were never followed through. Now, we don’t have a council or a forum in a formal structure, but we do still have an employee voice. We consult on lots of things like benefits. We’ve got a monthly meeting called a Project Planning, but it’s an update of anything happening in the HR and finance IT on projects, wins, losses. We have special interest groups... It’s important for people to be specific, though. You can’t just say we think we should have a 5-year plan. What should be on it? Who should write it? Sticking to the terms of reference is good and enforces accountability.”

Senior decision maker, indirect ownership, other

Sharing reward

Overview

Many business owners stated that being able to share profits with employees has been extremely beneficial when it comes to shifting their mindset and making them feel and act like owners.

Many EO businesses also place high emphasis on salary benchmarking and enhanced benefit packages.

Profit share (or bonus) is a very clear, tangible benefit of employee ownership, so those that have been able to share profits, have done so generously often with real impact on the engagement and effort of employees.

Comments from employee representatives also reflect a change of mindset in terms of making the link between performance and reward and feeling more motivated as a result.

“I’m more motivated and I think that people are staying longer. That’s the thing, because once you sign up for the shares, you’re committed to it. And more and more are being sold now...I think the attitude of people is totally different as well because a lot of us do treat it like our own money.”

Employee representative, direct, retail

“The bonus: Bonuses are an integral part of the process. You need to make a connection between the business doing well equals more bonus. If this connection is not made at the outset, then the system does not work.”

Senior decision maker, indirect ownership, professional services

“Finance – make sure that you’re rewarding your people. Getting that tax-free bonus at the end of the year makes it very real for people.”

Senior decision maker, indirect ownership, manufacturing

“As owners, our incomes are pretty much based on our performance. And I think at that point once guys realise that and register that there is a bonus and incentives, the performance and engagement from staff has increased massively. At the end of the day, we’re technically almost working for ourselves and if you take pride in your own work then I think being employee owned is really beneficial.”

Employee representative, indirect ownership, manufacturing

Key practices: Sharing reward

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All
Indirect, hybrid
Indirect, hybrid
Indirect, hybrid, worker cooperatives
All
All; hybrid
Direct
All
All
All

1. Making EO feel tangible through sharing reward

There is a consensus that payment of bonuses or profit share can be the moment that employee ownership can begin to feel tangible and beneficial for employees; this can help cement a link in the employee's mind between performance and reward, helping them to feel and act like an owner. It is therefore desirable to make such a reward as early as possible after the transition to EO, if possible.

"Making a beneficiary payment as soon as possible. This was useful to show the financial side of EO and make a statement to say that this is one of the things that we're able to do as a result."

Senior decision maker, indirect ownership, professional services

"Our company is very profitable, and that has meant that from the get-go we have been able to deliver bonuses to everybody. That has been a really big advantage in terms of 'selling' the benefits of EO. Also, as employees are still processing what the new EO regime means, I can point to the distribution of 5% which they have received, and tell them that if they multiply that by 20, that is potentially what they could get (provided that we maintain our current performance)."

Senior decision maker, indirect ownership, construction

"Profit share – this was the moment that people understood what EO was about – without paying, they didn't see that anything had changed."

Senior decision maker, indirect ownership, retail

2. Deploying EOT tax reliefs to promote employee benefit

Wherever possible EOTs take advantage of the option of paying bonuses without applying income tax. This often comes alongside other enhanced benefits (detailed later in this chapter). Those who were able to offer bonuses prior to the transition to EOT cite the tax relief as a particularly advantageous means of maximising reward and further embedding the benefits of employee ownership with employees.

"We take advantage of the tax-free position. We've done numerous rounds of bonuses, but as an employee owned, we've done 2 rounds of tax-free bonuses and we've given pay rises and various other things across the board to the staff. So, it's been great because we've all benefited from the effort."

Senior decision maker, indirect ownership, manufacturing

"We will have the same level of bonus as before, with the additional benefit of it being tax-free."

Senior decision maker, indirect ownership, engineering

3. Deferred consideration and financial freedom in EOTs

The timescale for EOTs paying off owners can impact the ability to deploy tax relief and pay bonuses. If payments are too high, over too short a period and/or inflexible, it can inhibit the ability to pay bonuses prior to 'financial freedom' which can have the (unintended) consequence of diminishing wider buy in to the EO ethos.

Equally, many companies understandably want to reach financial freedom as soon as possible as that stage is widely seen as a 'game changer' in terms of the potential for rewarding staff.

Careful consideration should therefore be given to the balance between reaching financial freedom too quickly (or slowly) and what this means for the company's ability to reward staff financially.

Context note: For EOTs the selling shareholders may be paid over multiple years (usually referred to as deferred consideration/vendor loan repayments). The vendor debt is a liability for the trust. It does not appear on the company's balance sheet, however the company will pay (service) the EOT's debt out of the profits its earned (distributable reserves), until the original owner(s) has been fully paid or the debt is written off. This point is sometimes known as 'financial freedom day' (FFD). Once the vendor debt has been paid off, future profit can be used to increase profit share to the employees, subject to working capital requirements.

"We have a 10-year repayment plan with a lump sum at the end which I think is unusual and is particularly a ball and chain around my neck with respect to giving rewards and various different things. It's really important to me that they have pay rises because they've got bills to pay ... Our goal is that they will ultimately be the best paid in the industry, but that they will have the bonuses on top of that, which we will get to after we've got rid of the ball and chain. But I can't say to them, 'if you could just wait ten years, I'll pay you'."

Senior decision maker, indirect ownership, professional services

"This [early bonus payment] is only possible because the exiting owner has accepted less deferred payment than was agreed for the first year. If this wasn't the case, we wouldn't have been able to pay anything."

Senior decision maker, indirect ownership, engineering

"Once the debt is repaid, it's a different ball game because the retention of all the profits and the potential for distributing the substantial amount of those to partners is potentially a game changer. That's when the financial model becomes much more central, we are still four or five years away from that for young people, people early in their career, that's a lifetime away."

Senior decision maker, indirect ownership, professional services

4. Profit sharing

Although some senior decision makers used the terms profit share and bonus interchangeably, others highlighted that there can be an important distinction; bonuses can be offered on the basis of individual or collective achievement, and profit share is typically proportionate to shareholding and reflects overall company performance.

In businesses with an EOT in place, technically the tax relief applies to a bonus paid by the company. That is consistently based on available profit to share, but is not a dividend payment. The key point is that there is huge variation in how these terms are used and decision makers reflected the importance of being consistent and accurate within your business.

"We don't call it a bonus, we call it profit share because we have a separate bonus scheme, which we already had in place before we came employee owned. So, now we have both the bonus scheme, which depends on people's achievements and the company achievements, and then the profit share is literally what it says. It's the share of the profit."

Senior decision maker, indirect ownership, professional services

"We are keen to emphasise that employees receive a profit share, not a bonus. The wording is very important here. Bonus has several connotations. Profit share is we make a profit and we share it with the workforce. It's very straightforward; whereas a bonus implies we will give you a 'bonus' if you do something to earn it. We have also introduced cost-of-living payments, a suggestion from the workforce. And employees will still receive bonuses for outstanding work. But the profit share is separate from all that."

Senior decision maker, hybrid ownership, retail

"Annual bonus by profit share. This is a flat percentage of profit across the business. This value fluctuates but it's an easy way to show that we all have a share in the risks and rewards of the business – we're all in it together. It's not based on individuals; it's based on the total group. This encourages the sense of appreciation for collaboration and the value of shared responsibility."

Senior decision maker, indirect ownership, professional services

A flat/equal profit share for all employees is common and felt by some to help foster a culture of collaboration and the value of shared responsibility.

In many instances the share is pro-rata, but there are also examples (a minority) where all staff, regardless of level or salary, get the same amount.

"We've always wanted people to think in the long-term. Previously, this came from people having a personal stake in the business. This is combined with the annual bonus by profit share. This is a flat percentage of profit across the business. This value fluctuates but it's an easy way to show that we all have a share in the risks and rewards of the business – we're all in it together. It's not based on individuals; it's based on the total group. This encourages the sense of appreciation for collaboration and the value of shared responsibility."

Senior decision maker, indirect ownership, professional services

"The profit share is equal for everybody from the Director to the van driver; everybody gets the same amount of money. So, if for example, there are 50 employees all working full-time, they will get the same profit share. Being non-divisive. If you start putting divisive practices into a business, people get to know about it very quickly. And there's that feeling of they're better than me, they're thought more of than me. We made the decision very early on that everyone would be paid equally. That's been important."

Senior decision maker, hybrid ownership, retail

"Profit share at the end of a profitable year. It's flat by percentage of salary across the company."

Senior decision maker, indirect ownership, engineering

In some instances, factors such as length of service are taken into account in calculating profit shares; this can be more complicated, but some see it as fairer as long as it is transparent.



"We are starting to divide profit that is to be shared into different pots e.g., 20% is shared equally across whole team, 40% will be shared on salary level, 20% will be shared on longevity and the final 20% will be shared on performance (unless there is no exceptional performance, in which case, it will be split equally). This model provides transparency so that employees know where the final number comes from."

Senior decision maker, indirect ownership, professional services

"10% of profit will be distributed (subject to change depending on market conditions and appropriateness of distributing). The amount each employee gets is based 60% on salary and 40% on length of service."

Senior decision maker, indirect ownership, professional services

5. Involving staff in developing reward schemes

Some senior decision makers recognise that profit distribution has the potential to be contentious, and that it can be useful to involve employees in shaping profit share and bonus reward schemes:

"We got all employee owners involved in helping influence how we would share our profits. This allowed people from the beginning to be involved in the process and feel like they had a direct impact on the monetary compensation. Because we'd been open and said we know we can do profit share but don't know how or how much to give out, it meant we came to a good place where everyone understands how it's given out and why."

Senior decision maker, indirect ownership, professional services

"Profit and distribution are where it got very contentious. We always had a profit share in place that was a percentage of salary and some production staff who became reps tried to force a change to even distribution. Throughout Covid no one got a bonus as we barely scraped through but now, we have reflected on feedback and have moved to an even distribution model; the profit share up to £50k would be distributed evenly to everybody and if it's above that it would be as a percentage of salary. Profit distribution is probably the most contentious issue that we've had as employee owners."

Senior decision maker, indirect ownership, manufacturing

6. Clearly communicating reward schemes

Although many companies keep reward schemes as simple as possible, in some instances they can be difficult to understand, particularly in terms of their variability; a number of senior decision makers discussed addressing this with clear communications and material varying from videos to Total Reward Statements.

With hybrid EO arrangements there can be additional complexities of share schemes and dividends running alongside profit shares; this again makes clear communication important.

"We do profit sharing. Every 6 months we add up how much money we've made and 25% of this profit is ringfenced and distributed to employees in ratio to their salary. People who are in the share scheme will be paid a dividend every 6 months from 10% of the profits that have been ringfenced for this purpose."

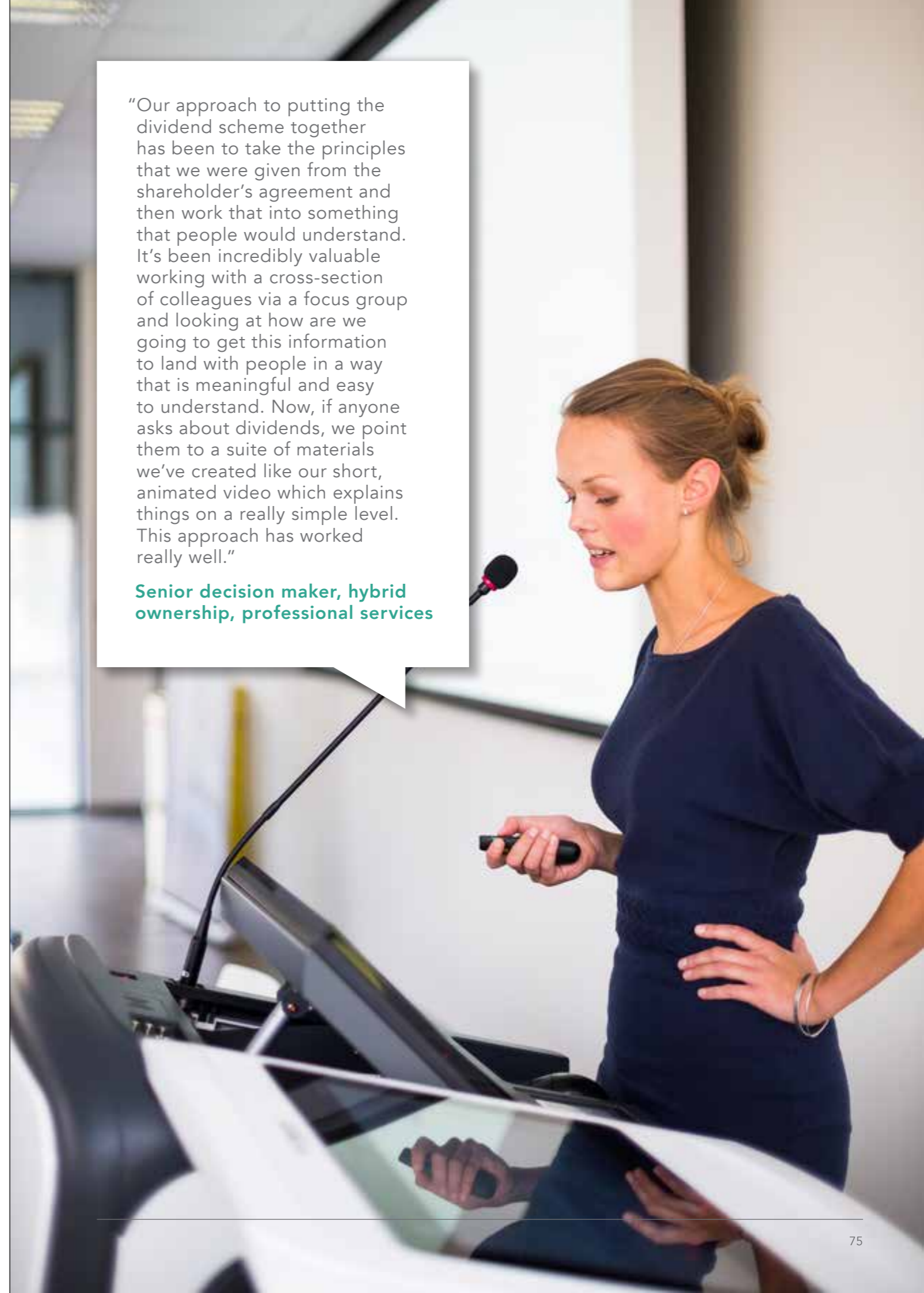
**Senior decision maker,
hybrid ownership, retail**

"The reward scheme can be difficult for people to understand. Bonuses are invariably higher or lower depending on how the business performs. We've introduced something called the Total Reward Statement (TRS) for every employee which will detail their exact salary, any performance-related bonuses, company pension contributions, the EO bonus, health care initiatives, etc. This is particularly important when a company becomes EO and staff are demanding a pay rise. They need to look at the bigger picture and consider all the bonuses we have implemented for them."

**Senior decision maker, indirect
ownership, professional services**

"Our approach to putting the dividend scheme together has been to take the principles that we were given from the shareholder's agreement and then work that into something that people would understand. It's been incredibly valuable working with a cross-section of colleagues via a focus group and looking at how are we going to get this information to land with people in a way that is meaningful and easy to understand. Now, if anyone asks about dividends, we point them to a suite of materials we've created like our short, animated video which explains things on a really simple level. This approach has worked really well."

**Senior decision maker, hybrid
ownership, professional services**



7. Direct ownership share schemes

With directly owned businesses, reward structures are again more complex and based around (internal) share markets and dividends. One advantage of this approach is that employee owners have the opportunity to benefit not just from sharing in profit generated in a particular year, but also if the enterprise value of the business rises over time; directly owned businesses tend to regard these share schemes as the most impactful practice at their disposal.

Direct ownership share schemes are a way for companies to invest in the long-term financial security of their staff members, making them feel and act like owners; senior decision makers also see this as an effective tool for employee retention.

The details of direct share schemes vary. For example, in one case, the company will loan the employee up to 50% of their salary to put towards buying shares, with a loan term of 5 years. Another allows employees to accrue 'partnership shares'; a certain number of these are awarded annually for free, and employees can also choose to purchase their own shares.

Consequently, the examples listed opposite are included to illustrate how the model works in practice for two businesses interviewed, but the best way of implementing a share scheme will be individual to every business.



ILLUSTRATIVE EXAMPLE 1: Direct, professional services

"We operate on the basis of sharing dividends each year with the staff group. So, we aim to share circa 50% of our net profits amongst the staff group that are with us for that year – 50% we retain, 50% we share. It's not an insignificant sum..."

"...The way we've got our share structure is that as people do their time with the business and leave, then we buy their shares back from them at new market value. They also benefit from the capital of appreciation of the business..."

"...We're kind of slightly different to some of the other models. [The direct ownership model does more] to retain staff. [It gives more] of a benefit for the appreciation of the business value at the time people are there. For example, our shares in 2,000 when we moved from an employee trust into direct shares and share options, our share value was 34p. Now its £4.79..."

"...We get evaluated every year, so every year our accountants do an independent share evaluation and we clear that with the revenue as a benefit to staff group. So, the shares are then valued and we get sign off from them 31 days after, and that becomes a new share price. So, it's like an internal market. People can't sell them elsewhere and if you're a bad leaver then you'll only get the value of the shares that you've accrued. So, we were quite careful with it. There's a structured way of doing it..."

ILLUSTRATIVE EXAMPLE 2: Direct, construction

"Share distribution: Firstly, the shares were given to the employees for free, and shared out equally based on a head count – whether they were a cleaner or the MD they got the same. We also make share loans available to some employees as an incentive scheme for those that cannot afford it..."

"...Our share scheme also pays dividends, and it is a genuine share scheme, they have real shares. To make that work I set up an EBT (Employee Benefit Trust Company) which acts as a buyer and seller of shares..."

"...Finally, it is important that the share valuation has to be based on a formula which is transparent for everybody. Our valuation is very simple; it is on the net asset value of the company, however much it is worth in the published accounts, divided by the number of shares in circulation and then discounted by around 40% (because it is a minority share). Employees can calculate the value of their own shares (which are valued once a year), and if they were to go down, employees could sell them to us at their current value, so they can run away without loss – but they shouldn't expect to then come back again and buy them back! They also know how the company is performing, so they have notice..."

"...They also have safeguards so that they can sell them at current value in advance of reduction in value..."

8. Salary policies and benchmarking

A number of senior decision makers discussed introducing more structured approaches to salary as part of their EO journey. These included salary benchmarking, formalising bandings, increased transparency and fairness.

Many leaders of employee owned businesses spend time benchmarking pay to assure that they're offering at or above market rates of pay to their employees.

Efforts are made to ensure levels of equity are high, with companies being transparent about gender pay gaps and aiming for low pay ratios.

Many companies do regular benchmarking surveys to assure that their rates of pay are at least in line with the rest of the industry. In some cases, this desire for equity among all members of staff has resulted in a salary cap for leadership and upper-management.

Pay reviews are done regularly and acted upon. These are not solely limited to regular, company-wide inflationary pay rises, but are also performance-based.



"Salary banding has been made transparent. We've conducted benchmarking to make sure that these bands are comparable to the rest of the industry, along with gender pay gap research, and the fact that we've done this work has been communicated with employees openly and transparently. We probably wouldn't have shared this before becoming employee owned as it creates more problems to manage but it feels like the right thing to do as an employee owned business."

Senior decision maker, indirect ownership, professional services

"When I joined the business nine years ago, at least five people in production were on minimum wage and there was no pay structure. Now we have a pay structure and pay grades and we have signed up to the real living wage. Every year we assess everybody's role and assess that against UK salaries, just to make sure people are being paid fairly for the job they do (an annual exercise). In the last five years the average production pay has gone up 35% whereas the office is probably more like 12%."

Senior decision maker, indirect ownership, manufacturing

"We've got a policy where we just pay market rate pay, so everyone should get paid and we benchmark it. On top of that, you'll get your dividends if you own shares and on top of that you get a bonus. If you want more pay, do a different or better job at work, come up with some ideas or give us a reason to pay you more. I think people need to feel that it's fair and I think we're saying that fair is the benchmark, but also, we consider ourselves to be a top 10% business, maybe. We have loads of examples where we've taken entry level people on the lowest level of pay who are now mid to senior managers. I think people buy into that."

Senior decision maker, direct, retail

"Traditionally, worker's co-ops pay everyone the same amount of money. As we are a technical company, we had to break away from this – you have to pay more to get a high performing scientist than you would a cleaner. We now have a system where each job has a job description, and a committee look at a 12-way matrix scoring system which will then inform the payment band. This is all totally transparent. There are allowances for the management committee members – £2,000 for a member, £5,000 for the committee chair."

Senior decision maker, worker co-operative, manufacturing

9. Enhanced benefits

It is common for EO companies to offer a range of enhanced benefits, particularly in areas like flexible working, as demonstrated in the findings from the EO Knowledge Programme survey³. Typically, these benefits are offered in an equitable way to all employees.

As businesses transition to EO, they often place more importance on looking after their workforce. Consequently, benefits packages are often enhanced, often in consultation with employees to understand what they value.

Examples of commonly mentioned benefits include:

- Enhanced sick leave and holiday allowance
- Employee assistance programmes
- Death in service
- Time off in lieu
- Enhanced maternity pay
- Flexible working practices



³ wpieconomics.com/site/wp-content/uploads/2023/10/Employee-Ownership-Knowledge-Partnership-Final-Report-Oct-2023.pdf p.20

“We have quite a good benefits package. We have over and above the statutory minimum holidays and we have over and above statutory minimum maternity and paternity leave. We have employee assistance programs. We have free GP on the line, cycle to work schemes, free eye tests.”

Senior decision maker, hybrid ownership, professional services

“We offer reward for tenure – 5 and 10 years. I think getting the right package for people in consultation with the employees is very important. Let employees be a part of the conversation on benefits to assess what they really want and need. Everyone gets the same holidays, the same pension, the same healthcare. So, we’re very equitable with all our benefits and bonuses, but our salaries are in line with market rates.”

Senior decision maker, indirect ownership, professional services

“We offer a bonus, a pension scheme, we operate a nine-day fortnight so people have the flexibility to take one day a fortnight off and we reduce the hours overall. We trialled this for 6 months first, then the staff voted on whether they wanted to enact it or not. That was employee led on all parts. Staff can sell back leave days that aren’t taken. There is increased leave for people who have been with the company for a long period. This package has been enhanced since becoming employee owned because we’ve started thinking more about how well our policies work, refining them and adding any that we hadn’t previously considered but a need has been flagged.”

Senior decision maker, hybrid ownership, professional services

“We’re looking very much at the moment around family friendly policies, such as increasing female representation, flexible working, hybrid location. Graduates come in more frequently, those more senior that live nearby maybe come in once or twice a week, and those who live further away will come in less frequently.”

Senior decision maker, hybrid ownership, professional services

10. Bonuses and cost-of-living support

Some EO businesses exercise their people-centric values through paying additional bonuses and payments to staff to support them through the cost-of-living crisis, for example.

These are also paid when the business hasn't made enough profit to share it with employees, but owners still want to reward staff members and keep them engaged with employee ownership.

"Even if reward hasn't been too great due to business performance, making token rewards and profit shares, even if only £500, is greatly appreciated. I think this comes out of this feeling of togetherness."

Senior decision maker, indirect ownership, professional services

"We have given extra payments and bonuses to support employees through cost-of-living crisis."

Senior decision maker, indirect ownership, professional services

Leadership and governance

Overview

Consistent top-down leadership practices are considered critical to making EO work effectively; this means establishing the right culture where employees feel they have a voice and leaders 'live' EO values through transparency and accessibility.

As discussed in earlier chapters on **culture and behaviour**, effective leadership acts as a powerful way to drive and embed positive behaviours across the business. Much of the feedback in this area (from both senior decision makers and employee reps) was around the crucial role that leaders play in setting the tone and setting an example.

A vital aspect of leadership culture is driven through effective governance. While governance tends to be more fixed in its nature, it is possible for these areas to be refined and strengthened over time to ensure that leadership is not inhibited by structures that may have been implemented – in good faith – at a time when business priorities and outlook were different. This includes thinking about the functions of the trustee board, alongside taking a pragmatic approach to future business planning around leadership hierarchies.

"One thing which we perhaps didn't do very well was we didn't think about a succession plan early enough. It took us a while after succession find the right leadership team so the family could step away. You really need to be thinking about your new leadership team 2 years before you become employee owned if you're wanting your owners to exit."

Decision maker, indirect, professional services

"I've really seen the input of all employees and seen a substantial change because of it. Leaders are clear that they need to be more transparent, and that they need to get people's opinions before decisions are made. The dividends have a great benefit, but I feel like the advantages go further than that now."

Employee representative, indirect ownership, professional services

"We are quite structured in terms of the management team. We've got an exec board which is the directors of the functions and then we've got a shareholder board, we've got two non-execs that sit on both. We've got non-exec chairman and we've got an exec people and culture and director as well – they bring the impartiality. The shareholder board is more focused on long term growth of the business and the direction, and the exec team are obviously responsible for transacting the day to day. We think this structure is important so they know that decisions have gone through a logical process."

Decision maker, direct, manufacturing

"Making sure that we are ready as a leadership group. It's imperative that leaders are ready for the strength that it takes to ensure that employees voices are heard, understood and considered."

Senior decision maker, hybrid ownership, professional services

Key practices: Leadership and governance

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All

EOT/hybrid

All

Smaller businesses/
professional services

Larger businesses

1. Consistent leadership through training and development for senior decision makers

While training and development as a wider aim is discussed in more detail in a later chapter ([here](#)), a distinct practice of ensuring appropriate training and development for senior decision makers across a range of the management practices outlined throughout this report is identified. When applied, it both sets an example to others in the business to take ownership of their training and development, and provides senior decision makers with a much broader toolkit to consistently apply EO principles across the business.

“In the run up to our EO journey, we ran a series of leadership programmes. It was a lengthy programme over a series of months and it just got people into that leadership mindset that helped with the communication and consistency aspects of leadership. Because when you’re a big, disparate group of studios, leadership is very individual. So, by bringing those people together, we were able to create some sort of leadership consistency.”

Senior decision maker, hybrid ownership, other

“The culture starts with the leaders. If senior people are doing something, the managers pick up on that culture and then it becomes easier for them to do it. The senior people have got to do that and make a really conscious effort to do it. There’s a lot of mentoring and coaching time that goes into the senior leadership team. Everyone’s got a mentor and everyone has an external coach and we do peer to peer mentors as well, and we have what we call leadership charter. We score each other on how we’re performing and then have a chat about it and then you pick that out with your mentor.”

Senior decision maker, direct, retail

“One of the elements of leadership is consistency and leading by example so we are doing internal leadership training.”

Senior decision maker, indirect ownership, professional services

“Active EO training – go back to the basics with leaders and partners to ensure there is a common understanding of what we mean by employee ownership.”

Senior decision maker, indirect ownership, manufacturing

2. Accessibility, openness and accountability

Ensuring boards and senior leaders are accessible is widely considered as important. Particularly in EOTs and where there is a hybrid ownership model, leadership teams and employee representatives are often invited to observe or even participate in board meetings:

“Changing the governance is critical as it gives a signal to everyone – the leaders all the way through the business – that this is not something we are playing at. Your elected Employee Council Representative Director is on the board of our Group Executive Board and they have access to all that information. They participate every month. That sends a really important signal. And all of our senior leaders see our Employee Trustee Director as a trusted business partner just as they do with any other colleague on that board.”

Senior decision maker, hybrid ownership, other

“The leadership team is invited to every board meeting so they are given free range to ask questions, making them feel a part of the decision making process. They then leave feeling engaged and committed to delivering what was agreed because it was a collective discussion.”

Senior decision maker, indirect ownership, retail

3. Ownership of and confidence with decisions from senior leadership

Boards and leaders in EO businesses understand the value of transparency in disclosing (within reason and bounds of confidentiality) what is discussed at senior level, providing clear and transparent information around board discussions and decision making – and giving confidence to all stakeholders that decisions are made in the best interests of the business and its people.

“We’re more open about what we discuss in board meetings, replaying points that were made with the wider team. We feel more of a responsibility to communicate more. Leaders are not egotistical.”

Senior decision maker, indirect ownership, professional services

“Visibility over decisions is a guiding principle – this means that anyone can be interrogated over a decision, putting the onus on leadership to make sensible decisions. Leaders have a real responsibility to embrace employee ownership, it funnels down to the rest of the business.”

Senior decision maker, indirect ownership, other

4. Flatter structures

In some businesses a flatter structure is seen to lend itself to the principle of EO. This tends to be the case in EOTs that are smaller and where most staff are of a similar level (e.g., professional services/consultancy firms):



"We're well set up for EO because we have an open, flat structure. Our team members are very experienced, with employees having 10+ years' experience each. As such, we are used to having meetings where everyone gets their chance to speak. Where we now have a legal responsibility to adhere to this, the transition was very simple because the foundations of an EO Voice were already in place."

Senior decision maker, indirect ownership, professional services

"We're not very rigidly structured like a corporate type organisation. Everything is kept as fluid and as flexible as the business allows us to be."

Senior decision maker, indirect ownership, other

5. Some command and control

Particularly in larger companies and those with more mixed roles/levels (e.g., some manufacturing), there is often recognition of a need to retain a higher degree of hierarchy and 'command and control' style leadership:



"Keep a clear structure. There's an idea that you become employee owned and it becomes a cooperative model where everyone gets to vote. We avoided this and made sure that the set up was right for us so we kept the line management structure we had. Though there are certain decisions employee owners will get to make, we make sure it's clear that the running of the business will be the same as any other business where there is clear line management and responsibility."

Senior decision maker, hybrid ownership, professional services

Health & wellbeing

Overview

Investing in employee health and wellbeing as a core element of good management practice is a common factor among a majority of EOBs – considering it an extension of a wider ethos of caring for and supporting employees.

The findings from the EO Knowledge Programme Survey also support the suggestion that EOBs are more likely to offer a range of enhanced benefits, including being twice as likely as non-EOBs to offer access to mental health resources⁴.

“We feel a greater responsibility towards our people now than we ever have. If someone is suffering ill health, or financial challenges, we feel a greater obligation to help and to intervene early.”

Senior decision maker, hybrid ownership, professional services

“We sent a handful of people out to become trained mental health first aiders. We find that now we’ve made an effort to engage about mental health, people are much more open to talking about it – there’s much less of a stigma attached to it. It’s also changed since being an EOT because people feel the onus to look out for one another because we’re a team and have a shared purpose.”

Senior decision maker, indirect ownership, professional services

“Things like healthcare and employee assistance programmes that help to make your working life and your personal life easier is great. There are lots of schemes and ideas that increase the package you’ve got and provide comfort to employees.”

Employee representative, hybrid ownership, professional services

Key practices: Health & wellbeing

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All
All
Professional services
Smaller, hybrid and direct
All
Smaller, professional services
All
Professional services

⁴ wpieconomics.com/site/wp-content/uploads/2023/10/Employee-Ownership-Knowledge-Partnership-Final-Report-Oct-2023.pdf p.20

1. Mental health checks/support

Offering mental health support to all employees is common across business types and sectors. Some businesses offer this through external organisations or assistance programmes, but often they (also) train existing staff as mental health first aiders.

“Mental health is a big talking point at the moment so we have been doing a lot on wellbeing, the construction charities have been very supportive, some staff have done mental health first aid training, and we are doing a campaign to remove the stigma and create an environment where talking is encouraged. We have also encouraged our management to engage in training to be more aware of mental health issues.”

Senior decision maker, indirect ownership, construction

“Regular mental health checks – This helps to highlight issues that are festering, so they then can be addressed head-on. Once acknowledged, that’s greatly appreciated by employees because they feel listened to and cared about.”

Senior decision maker, indirect ownership, professional services

“The work we’ve done on mental health training has been great. We have individuals (partnership council members) who are trained in mental health who feedback about what might be emerging so we know what we can do to help further. It’s been surprising to us how often these mental health advisors are used.”

Senior decision maker, indirect ownership, retail

2. Employee assistance programmes

Externally provided employee assistance programmes are also common, providing a range of support options including (typically) health, financial planning and wider counselling:

“We have an employee assistance programme which we fund fully. This supports all our colleagues in a whole range of areas including health and wellbeing, mental health and wellbeing, financial planning and managements, divorce, family issues, drug and alcohol issues. This is a very effective support to everyone within our organisation as well as those in their household.”

Senior decision maker, indirect ownership, professional services

“We have consultancies via telephone for wellbeing and mental health. Leaders’ doors are always open, communication is very open. We pay for Vitality healthcare, and another service that has mental health councillors.”

Senior decision maker, indirect ownership, manufacturing



3. Providing wellbeing apps or other support information

A number of senior decision makers made reference to apps or other digital sources, made available to employees and providing information and advice on a variety of wellbeing issues:

“Our staff intranet has an in-safe hands icon on the intranet page. So, at any point, any colleague can access emergency information about domestic abuse or something that is a risk to them, either a financial risk or personal risk. It’s information they can access discreetly and won’t show up anywhere. They can get that information safely and securely if they need it.”

Senior decision maker, hybrid ownership, public services

“We have an app called MyDay which sends personalised, relevant information to employees about diet and exercise, work-life balance etc. It measures steps and carbon offset which are grouped for all employees to see a business-level ecological benefit, and informs environmental practices and incentives. Wellbeing should be encouraged but not intrusive. This app is a way to stylise this and fulfil our responsibility to our employees.”

Senior decision maker, indirect ownership, professional services

4. Private healthcare

Although less common than employee assistance programmes, some (typically smaller) companies offer comprehensive private health packages (a finding that is mirrored in the EO Knowledge Programme Survey, which found almost half (48%) of EOBs offer supported access to private healthcare, compared to around a third (34%) of non-EOBs⁵).

“In recruiting people, part of everyone’s benefits packages is private health and insurance, and our health providers also operate a variety of services, including counselling and support.”

Senior decision maker, indirect ownership, other

“People do a health screening and check at the start of their employment. We have Bupa private healthcare cover for everyone. We’ve done mental health training for all leaders and have opened this up to everyone. We work with local charities to increase awareness of issues, and send around related materials throughout the year.”

Senior decision maker, indirect ownership, professional services

“We do a healthcare scheme for everyone and different grades get different levels ... We’ve also got an Employee Assistance Programme so there’s a phone number that people can call if they need counselling or go through a stressful time or they’ve got financial issues.”

Senior decision maker, indirect ownership, professional services

⁵ wpieconomics.com/site/wp-content/uploads/2023/10/Employee-Ownership-Knowledge-Partnership-Final-Report-Oct-2023.pdf p.20

5. Financial advice and support

Financial advice and support have become increasingly common in the current climate. Practices include both offering advice on finance and budgeting issues, and in some cases emergency financial support in the form of (interest free) loans or grants:

“We have individual financial coaches and that’s through a separate company to us. Everyone has access to a financial coach who they can have an hour or two talk with each year and then they can catch up with if they’re having financial difficulties.”

Senior decision maker, indirect ownership, professional services

“We also offer financial support where another branch of the organisation has donated a large amount of money into a fund so colleagues can apply for emergency financial support.”

Senior decision maker, hybrid ownership, public services

“I think financial wellbeing is a big thing, too, especially with the cost-of-living – so we did some training and followed up with people to see how they were feeling. We’ve been able to pay profit shares – everyone in the business gets £3,500. And I think we were better on financial wellbeing because we pay more, we do more profit share, but also that we’ve been doing and I think this goes back about 12 years, we’ve been doing interest free loans. We did money management as well and we actually taught people how to budget. Wellbeing is all about caring for people, which is our other value.”

Senior decision maker, indirect ownership, manufacturing

6. General check-ins and get togethers

Smaller companies, particularly those with flatter structures, often have a more informal approach to wellbeing centred around an open culture with regular (informal) check-ins and get-togethers. This is seen as particularly important to wellbeing in the context of increased remote working.

“As part of our daily work, we check in every morning and afternoon which has led to more personal relationships being built. This means wellbeing is an open conversation.”

Senior decision maker, indirect ownership, professional services

“We do try to promote wellbeing but we’ve tried to have formal procedures and guidelines in the past and that never really seemed to happen. We have a horizontal human relationships policy. Part of the induction states that any staff can talk to any member about any issue. We have a buddy system and can request a meeting whenever they see fit if they need help with anything ... for us, the fundamental wellbeing policy is just that we all care about each other and show that we do – we look after each other. You can get away with this sort of thing with a small organisation.”

Senior decision maker, cooperative, retail

7. Training and awareness raising

In addition to training (particularly for mental health) a variety of companies engage in initiatives to raise awareness around specific wellbeing issues (e.g., domestic abuse, menopause), sometimes with support from local charities:

"We've had lots of issues around general health but in particular mental health. I think because people tell us everything, that allows us to help. More than half of our people have been trained in mental health, confidence and resilience. If you've got a problem, you might not want to go to the appointed people so having many people trained is helpful. We've helped people actually by going with them to the GP to talk about things that might have led to, like suicide prevention, for example. We've done plenty on domestic abuse, we got a local charity to come in and help us because it helps us with a couple of cases and people asked to be trained in it."

Senior decision maker, indirect ownership, manufacturing



8. Flexible working practices

Flexible working practices are common amongst EO businesses, particularly in the professional services sector. Such practices are often discussed in the context of wellbeing with examples including flexible working hours and early finishes on a Friday.

"Over the summer months, people who work five days a week can work a few extra hours from Monday to Thursday in order to knock off at 3pm on a Friday. People sort of feel an indirect glow from that ... oh, actually, this is another example of how thoughtful and caring the employer is. So, that's how you reframe it, reframe things through the lens of employee ownership."

Senior decision maker, indirect ownership, professional

"We work flexibly and operate a working hours policy so people can structure their day as they see fit. We only require them to be available and answering emails between 10-12 and 1-4. We have an early finish on a Friday (if appropriate) and when it comes to booking holiday, a Friday off will only count as a half-day of annual leave."

Senior decision maker, hybrid ownership, professional services



Recruitment and retention

Overview

As well as being used as a tool to attract talent, EO is also used to create a sense-check framework to ensure – as far as possible – new hires (and to a lesser extent existing members of staff) are likely to be a good fit for the business. It allows prospective (and existing) employee owners to understand the culture in a different way, as well as being beneficial in being able to demonstrate and explain the benefits of working for the company.

When utilised to its fullest extent, it can provide hiring managers with greater confidence in selecting the 'right' candidate and generate greater interest in advertised roles than might previously have been the case.



Key practices: Recruitment and retention

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All

All

All

All

All

1. EO as a recruitment tool

The majority of EO businesses mention the fact that they are employee owned in any job advertisement or recruitment that they are doing. In many cases, EO status is shared proudly at the start of any recruitment process, as a means of differentiating the business. The way(s) in which this promotes (successful) recruitment varies considerably between sectors and sizes – but in the right circumstances can be used as a unique selling point against non-EOB competitors.

“It features in the first paragraph of any job advert. We’re keen to shape the way we pitch the job around the fact that we’re employee owned. We like to try and make the point early that this will give a sense of higher purpose.”

Senior decision maker, hybrid ownership, manufacturing

“We splash it all over our recruitment stuff, and we have always made a big deal of attitudes and behaviours over skills and knowledge which people can be taught or learned. We do a profile of what we are looking for, and above that we have a whole paragraph about the company and we put it there, and say ‘EO, four-day week, unique culture, family atmosphere’ – so we put that blurb right on the top of our job advert.”

Senior decision maker, indirect ownership, professional services

“All of our adverts and all of our job summaries will include the fact that we’re an employee owned organisation. I’ve been really surprised by how much of an impact employee ownership has had on potential applicants. I hadn’t factored that from the outset candidates would say they are applying to us because we’re employee owned or they are really interested in this role because we’re employee owned. I know we’ve had a number of very good appointments because they are particularly interested in our model. This aligns very well with us as an organisation.”

Senior decision maker, hybrid ownership, professional services

“We promote EO in job adverts because it is a selling point. We also put this on our website.”

Senior decision maker, indirect ownership, other

“It gives us a reason to stand apart from most other companies in the sector. It’s in a role description and a spec. It’s very much right there at the first full sentence, but also it’s sort of woven in terms of the values that we’re looking for and skills and attributes.”

Senior decision maker, indirect ownership, professional services



2. Using EO to identify cultural fit

Many senior decision makers place emphasis on the idea that they recruit for cultural fit alongside skills and expertise.

Personality, behaviours and attitudes are at least as important during the recruitment stage, and they use culture as a guide to select the right candidate. In a few cases EO status can also be used as a means to more efficiently assess cultural fit – with the assertion being that highlighting EO status (and what it means) can act as an effective filtering process, removing those who might not fit culturally with the model and making the opportunity more appealing to those who are more likely to present a cultural fit.

“If someone isn’t going to culturally fit in with the company that’s one of the key criteria for recruitment. Usually when we take someone on we’ve already worked with them as a freelancer. We weigh up people’s work with how well they’d fit into the company. It’s not just about whether they’ll bring money but also whether they’ll personally fit in. We tend to offer a one week (paid) trial to see whether someone will fit in.”

Senior decision maker, indirect ownership, professional services

“We switched to culture and we give people a culture task in their interview. Now we do this – and ask what kind of culture do they thrive in? It is huge for us: ‘Are they going to fit our family?’ who cares if they can do the job if they won’t fit in with the culture? I would undoubtedly say that EO is going to bring people to us – the amount of people coming to an interview who say, I really want to work for a company like you, because you are EO and they never mention profit share, they just say it is cool and great that we have done it.”

Senior decision maker, hybrid ownership, professional services

“Because we are a small group we’re very, very passionate about employee ownership, it’s very difficult to bring somebody into our team who hasn’t at least shown a lot of enthusiasm about what we do. Because what we do is work in employee ownership but also the fact that we’re an employee owned business. It’s a huge, huge, huge part of the DNA of who we are.”

Senior decision maker, indirect ownership, professional services

“So, the more senior we get, we do profiles and tests as well. We’ve got an objective view of whether people are culturally aligned or not and the recruiters we use are well versed in what we’re looking for, so they will tend to sift through a lot of the CVs, pre-qualifying that this is something they’d like. This means that when we get to speak to people, we are fairly sure that they’re the right kind of people.”

Senior decision maker, direct, retail

“Importance of recruiting not just the right skills but the right attitude. We’ve got higher tenure partners this year and we’ve hired those based on their attitude, not their skills as such – because we can teach people skills. We can’t necessarily teach people the right attitude to be employee owners.”

Senior decision maker, indirect ownership, other

“We consider fit very important so we talk a lot about values and behaviours. I’m very aware of what I’m looking for – the way people present themselves and how they act.”

Senior decision maker, hybrid ownership, professional services

“Once we have a short list, we’ll spend a good amount of time going into depth about the expectations involved in working for a cooperative. We take into account their communication skills too. It is a large part of the picture. We do spend a good amount of time on reiterating skills and procedures that are connected to the cooperative model, like communicating.”

Senior decision maker, worker cooperative, retail

3. Emphasising benefits for different generations and levels of seniority

Interviews highlight the differences in motivation for working for an EO business across different generations and levels of seniority of workers. When used flexibly, the benefits of EO can be used to attract and interest different types of candidates in a variety of ways.

"For senior people, it's influential because they've seen what happens when you're not. For graduates, it's less obvious and I don't think they realise what it means – it's more about what it means we're not, rather than what it means we are, and I don't think they understand that as they don't have the experience."

Senior decision maker, indirect ownership, technology and product development

"It definitely helps with recruitment and retention, especially amongst the younger members of staff. The company itself and the work it does appeals to people, but doing all that within an EO company is even more appealing."

Senior decision maker, indirect ownership, research

"I think EO is attractive, particularly among mature hires who have worked in other places and see EO as a breath of fresh air."

Senior decision maker, hybrid ownership, wholesale

"In terms of retention, EOT is 'dynamite'. At senior level it's a way of 'anchoring people in'. For younger people, it can be couched as a way for owning a bit of a business/having share options in the future. They're working for an organisation that has got their best interests at heart, and as the business is performing, you get your bonus – everyone gets rewarded."

Senior decision maker, hybrid ownership, interior design

"Young people want that now. They don't want to work for a huge multinational. Their values have changed and interests have changed so we tap into that and reflect that in what we're trying to do because they're the future of the economy. EO really illustrates that there's no glass ceiling. In the interest of fairness and in the spirit of EO, we are trying to hire a diverse workforce. We have an EDI group who are making recommendations about recruitment practices."

Senior decision maker, hybrid ownership, research



4. Integrating EO principles into induction processes

Once an employee has been selected and hired, many EO companies integrate employee ownership into their induction processes to reaffirm the guiding principles of the business.

Some suggest that this is paramount as you don't fully understand what EO is until you're entrenched in it and it becomes a part of your everyday working life. Reinforcing expectations of both the employer and the employee in reference to EO is recommended.

"When people do arrive, our trustees have launched a new initiative, like an EO induction. every two months, all new employees in those two months were invited to join an EO induction, where the trustees then bring them on to what it is to be EO, how it works in the company and what that means for you as an individual and an employee."

Senior decision maker, hybrid ownership, professional services

"We used to (again until COVID) do an employee ownership induction for all new members of staff. We haven't done that since, but we're just talking about picking that up again because that was really useful, I think it was the trustees/ Employee Council who did it but we're thinking about restarting that. It's just an hour or so run through about what is Employee Ownership, what do we expect and that kind of thing."

Senior decision maker, indirect ownership, professional services

"As part of the induction process, we do heavily include the employee ownership aspect and one of the induction tick list items that HR ensures is done is that any new staff member has a session with one of the trustees and or directors to just to be given an overview of the whole EOT type set up in process documentation we hold on our SharePoint how the SIP scheme works, how the EOT works."

Senior decision maker, indirect ownership, manufacturing

"We make the employee ownership story a part of the induction process, talking about it often internally so that the idea and its importance isn't diluted."

Senior decision maker, indirect ownership, design services

"We are quite thorough in telling people upfront that there is that expectation that people will give a little more and step outside of their lane, regardless of job title. We spent a lot of time developing the induction process, which is around 3 weeks."

Senior decision maker, hybrid ownership, manufacturing

"And we do this 30, 60, 90 day follow up just to make sure people are settling in. And we normally have a buddy as well which could be somebody in a different department. They just buddy up to check in and also hopefully try and sell a little bit more about EO."

Senior decision maker, indirect ownership, manufacturing

To clarify and formalise the roles, responsibilities and expectations of employees in an EO context, many companies collaboratively write an EO charter or handbook which is given to new hires when they start. This is to be used as a guide, and also as a tool to keep them accountable for their actions, attitudes and behaviours, making sure that they are embodying the EO ethos.

"We wrote an employee ownership handbook which is a lot like a culture document, outlining the structures, monitoring, set up and the company ethos, and new employees get given this so that they develop clear understanding."

Senior decision maker, indirect ownership, engineering

"When partners join, they get given a charter which describes what it means to be a part of an EO, company vision and what is expected of a partner."

Senior decision maker, indirect ownership, manufacturing

5. Retaining existing talent for longer and developing careers

Overwhelmingly, employee ownership is seen to have a positive impact on levels of staff retention. Interviewees cite incredibly low levels of turnover, and many attribute this to the culture that EO has helped them to establish.

"We have always enjoyed a culture of long service, there has been little churn traditionally, but a couple of people have said 'I would be mad to go anywhere else now!' and they are right – they would be!"

Senior decision maker, indirect ownership, other

"We have very low staff turnover – less than 10% turnover – which is incredibly low for our industry, and I think this has something to do with EO."

Senior decision maker, indirect ownership, professional services

"We've had very few people leave since we've become employee owned, and those who have left did so for personal reasons rather than for job-related issues. Retention is high."

Senior decision maker, indirect ownership, manufacturing

"In terms of retention, I'd like to think that EO has an impact. We have very little turnover. We look back to when we started and haven't lost anyone until 2 years ago, and that was because they relocated. We've only lost 2 people since growing from a team of 2 to 34. Most of our people have been with us for 5+ years and I'd like to think employee ownership makes up a big part of that. It's all about the culture really, I think."

Senior decision maker, hybrid ownership, investment

"I think it's true that once people have been employee owners, they want to stay employee owners. So, I think it is a positive for retention."

Senior decision maker, indirect ownership, business advisors

"We've only just lost, after 50 years, the employees that were with us when we were set up, though, so our turnover is incredibly low. Once people are in, they don't leave."

Senior decision maker, worker cooperative, manufacturing



Performance review

Overview

While individual performance reviews are typically undertaken in largely 'traditional' ways, there are a number of additional elements to ongoing performance assessment and monitoring that EO businesses utilise to promote performance ambitions, linking back to other employee ownership practices and structures.

These can take a number of different forms, and are implemented in different ways – but usually with the implicit understanding that EO forms a central tenet of review and development objectives, and that reviews will be largely people focused.

The resulting impact is a greater sense of clarity from employees – who are given greater access to information about wider business performance, and therefore the value they can add. This allows a more equitable sharing of ideas, encouraging and facilitating more rounded objective development.

Key practices: Performance review

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All

All

All

All

All

All

1. Regular (informal) catch-ups with senior staff

Some EOs – especially those with lower headcounts – will sit down with senior staff on a regular and largely informal basis to ‘check-in’ and review things from both perspectives.

This works to reinforce the wider company vision, and to allow two-way dialogue on areas for attention and improvement in both directions.

“Instead of having quarterly reviews, once a month employees will sit down with a board member. It’s more of a culture meeting – how things are going, how things can be improved.”

Senior decision maker, indirect ownership, professional services

“We have 1-to-1s with every member of staff. The team have asked if the CEO can get involved in these meetings so that they can be absolutely clear on the shared vision of the business and employees.”

Senior decision maker, indirect ownership, professional services

“We also have quarterly motivation checks. Measuring motivation in the context of EO gives a good indication of whether it’s working well.”

Senior decision maker, indirect ownership, professional services

“We also do performance reviews every 3 months, and these are just a 2 hour sit down chat so people can see how they are contributing to the company’s vision and direction.”

Senior decision maker, indirect ownership, professional services

2. People-focused, informal review processes

As well as (or in some cases instead of) more formal performance reviews, some try to take a more informal, relaxed, conversational approach to assessing performance review, making reviews as open as possible to facilitate honest discussion. Being open to informal check-ins to keep lines of communication open. Questions may surround inclusion and belonging, wellbeing and health, focusing on the ‘partner experience’ rather than formal HR processes and targets.

“Our appraisals are very people-centric, focusing on how the company can help them to achieve their best.”

Senior decision maker, indirect ownership, professional services

“We have transitioned our HR department to focus more on the ‘partner experience’ more so than just HR processes.”

Senior decision maker, indirect ownership, professional services

“You know, it’s very different catching the chat and a corridor versus sitting down specifically where people are aware of what the chats supposed to be about. And when I was just little and often, I think what we found is the culture sort of corrects. So, it’s kind of constantly happening all the time, but you do still need to make conscious efforts to have those check-ins.”

"This year on the appraisal forms they have included questions around a sense of inclusion and belonging. Also, what barriers there are to progression and what opportunities they would like to follow to help them develop further. They always ask about wellbeing issues, so checking in on physical and mental health."

Senior decision maker, indirect ownership, professional services

"Individuals work with their development coaches to set objectives and development plans, and they will sit down together and review this quarterly."

Senior decision maker, indirect ownership, manufacturing

"The appraisal system is more about the opportunities for learning and development and pushing people forward through their career paths."

Senior decision maker, hybrid ownership, professional services

"We appoint a few members to have one-on-one meetings with staff members, usually at the local coffee shop. We go through a list of questions or conversational prompts, and it's a very open style. We talk about how things are going, what their aspirations are, what we could improve, go through feedback etc. The values and ethos will be fed into the prompts."

Senior decision maker, worker cooperative, retail

3. Company-wide yearly review and re-focus

Some EOs use company days or annual get togethers as an opportunity to get everyone's input on business performance, direction and objectives, and this to cascade down into individual targets.

"We had a day out recently where we got everyone's input into what the business objectives should be going into the new financial year. This is more collaborative a process than it was previously. This then feeds into people's individual objectives."

Senior decision maker, indirect ownership, other



4. Project-level reviews

Another supplement to the annual review comes in the form of project-level reviews. Here, feedback is gathered and shared at the end of a project from all members of the project team, with information used to feed into a wider review of performance.

"We don't do formal performance reviews, per se, but instead do project reviews, gathering information on employees from line managers at the end of a research project. We will bring all that content together then the line managers and the senior board members review against a competency framework just to see where they're pitched and if they're performing as expected."

Senior decision maker, hybrid ownership, professional services



5. Performance mapping

A number of companies mention using frameworks and maps to assess the fit and performance of staff members across the company. This more analytical approach may give more rigour, structure and support to reviews.

Methods mentioned include using a competency framework, talent mapping and utilising a 9-box model to identify rising stars so that efforts can be made to progress them through the company.

"We have tried to create a competency framework to give a better understanding of fit within the organisation and how they progress through it."

Senior decision maker, hybrid ownership, professional services

"We are very committed to performance management. We talent map and ensure that everyone in the business is performing."

Senior decision maker, indirect ownership, professional services

"As part of the performance review we have a calibration exercise with the managers, just to make sure that we're being fair. And we also go through a 9-box model to identify rising stars and how we can progress them through the business."

Senior decision maker, indirect ownership, manufacturing

6. Company values used as a benchmark for performance

A number of EO businesses use their established company values as the foundation of any performance review process, providing transparency and aiding understanding of the review process approach.

“The appraisal system is designed so that the discussion of whether or not someone is adhering to our values can be had.”

Senior decision maker, hybrid ownership, professional services

“So, it’s part of our annual review. We do an annual review and a half yearly, assessment then we ask people to demonstrate as part of that how they’re living the values.”

Senior decision maker, direct, professional services

“We talk about how things are going, what their aspirations are, what we could improve, go through feedback etc. The values and ethos will be fed into the prompts, so it does make up a part of the appraisal process.”

Senior decision maker, worker cooperative, manufacturing

“The new values we’ve come up with are tied into the way we line manage and appraise now – it’s used as a prompt in one-to-one conversations. If there is an indication that they aren’t adhering to those values, we can intervene. We have actually used this as evidence for the need to extend someone’s probation as we felt that the person wasn’t living up to our values.”

Senior decision maker, hybrid ownership, professional services

Empowering ethical commitments through EO

Overview

A consequence of the other areas of management practice adopted in relation to fair and equitable treatment of staff is that EO businesses can feel empowered to go further in their commitments, taking stock of wider responsibilities to ethical practices in relation to sustainability and supply chains.

Where relevant, management practices bought about and strengthened through EO allow businesses to be consistently forward looking, both in respect of commercial outputs and in looking to secure the best conditions for employees, wider society and the environment.

Where two-way dialogue is effectively established (as discussed in ‘transparent communication and sharing information’ ([here](#)), employee owners can feel empowered to drive the business towards further ethical commitments and ambitions.

Key practices: Empowering ethical commitments through EO

Control+click on a practice to view more detail

Description of practice

Company types applicable to:

All

All



1. Ethical commitment and sustainability

Many companies appear to choose employee ownership partly because they want to do the right thing by their people. Becoming EO does appear to cement or strengthen such commitments, as well as often strengthening commitments in terms of society and sustainability.

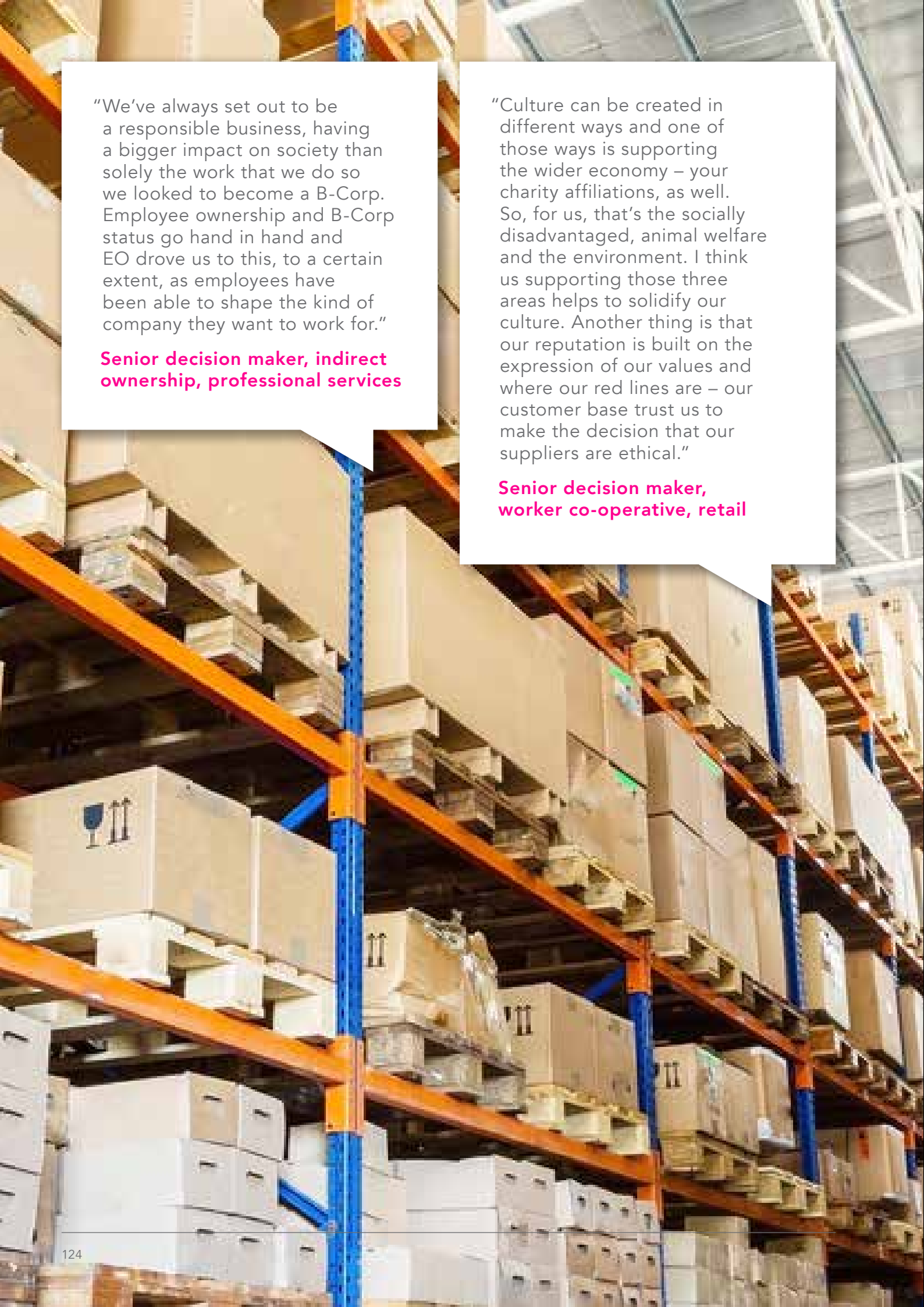
As well as doing the right thing, decision makers recognise that an ethical stance can be good business, and a factor in attracting and retaining staff.

“Sustainability and eco-consciousness. Non-commercially, we want to do some good, and therefore employee ownership just makes sense. We consider the supply chain of everything we buy to try and assure that everything is as sustainable as possible.”

Senior decision maker, indirect ownership, professional services

“In our collective ambition we talk about being a force for good. Our work does change communities by enhancing the built environment. It does have a direct effect on social wellbeing and community impact and lots of positive benefits for surrounding areas ... In terms of community, we aspire to become a B-Corp. So again, we’re trying to demonstrate our understanding of that ESG agenda and aligning ourselves very much to those values of that area.”

Senior decision maker, hybrid ownership, professional services



"We've always set out to be a responsible business, having a bigger impact on society than solely the work that we do so we looked to become a B-Corp. Employee ownership and B-Corp status go hand in hand and EO drove us to this, to a certain extent, as employees have been able to shape the kind of company they want to work for."

Senior decision maker, indirect ownership, professional services

"Culture can be created in different ways and one of those ways is supporting the wider economy – your charity affiliations, as well. So, for us, that's the socially disadvantaged, animal welfare and the environment. I think us supporting those three areas helps to solidify our culture. Another thing is that our reputation is built on the expression of our values and where our red lines are – our customer base trust us to make the decision that our suppliers are ethical."

Senior decision maker, worker co-operative, retail

2. Choices around use of suppliers

For some, being more selective around who to engage with either as clients or suppliers forms a key part of the company's wider philosophy and its 'limits' in respect of who to do businesses with:

"To be honest, it's not a common consideration, but if we found ourselves in a situation where we had a decision to make about working with a business who we didn't agree with philosophically, we'd be able to sit down and have that discussion and come to a reasoned agreement on how to progress."

Senior decision maker, indirect ownership, professional services

"It works the other way for us ... we know that we get a lot of clients who come to us because they know we're specialists, and they know that we try to do things in the right way. We're lucky in that our clients generally have the money to be a bit discerning about who they do business with, and that can mean they come to us."

Senior decision maker, indirect ownership, manufacturing

"In an ideal world we'd deal exclusively with businesses whose values align with our own, but we have to be pragmatic. One of our best suppliers has a contract with one of the big pharmaceutical companies, we can't dictate to them who they do business with, so we have to go on the relationship they have with us and we have with them."

Senior decision maker, worker co-operative, retail

"Co-ops tend to have a very ethical approach. We tend to be progressive. Because our product is organic, we also do our due diligence into our supply chain, environmentalism, and this is our USP – we're giving customers the opportunity to shop as ethically as possible. Because this is part of our business model, we're kind of a group of self-selecting people who see the value in doing that."

Senior decision maker, worker co-operative, retail

Glossary of terms

Below is a glossary of terms used throughout this report:

Employee ownership models

- **Direct:** where employees become registered individual shareholders of a majority of the shares in their company.
- **Hybrid/combined ownership:** a combination of direct and indirect ownership mechanisms in place.
- **Indirect:** where shares are held collectively on behalf of employees, usually through an employee trust.
- **Worker Cooperatives:** where a business is owned and run by the people who work there, who each have an equal say in what the business does, and an equitable share in the wealth created from the products and services they provide.

Abbreviations/acronyms

- **EO:** employee ownership/employee owned
- **EOB:** employee owned business (see ownership models above)
- **EOT:** Employee Ownership Trust

Further reading

For more information about any of the terms listed above, or to learn more about employee ownership and worker cooperatives, the following websites can provide a valuable resource. Alternatively, please feel free to contact the DJS Research project team for more information or guidance (click [here](#) for contact details).



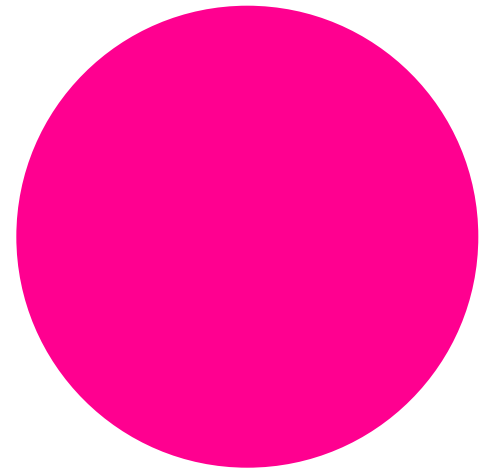
Employee Ownership Association:
employeeownership.co.uk

Ownership at Work

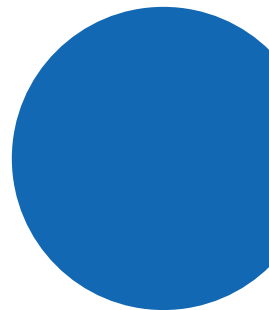
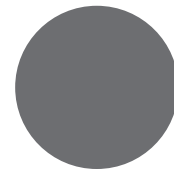
Ownership at Work:
ownershipatwork.org

CO-OPERATIVES UK

Co-operatives UK:
uk.coop/1millionowners



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