



Employee Ownership Network Association

Date - 16<sup>th</sup> May 2016

Host – Co-operative Development Scotland

Facilitator – Jacqui Martin

## **THEMES: PITFALLS/ADVICE ON EO JOURNEY & THE ROLE OF EMPLOYEE TRUSTEE OR DIRECTOR**

18 people attended this meeting at the Scottish Enterprise offices in Bellshill with 12 different organisations represented. 9 people were attending for the first time.

### **Welcome and Introductions**

Jacqui Martin welcomed everyone and asked everyone in the room to briefly introduce themselves.

Oliver Smith from the EOA then gave a brief update on EOA activities focusing on EO Day, the Annual Conference and Awards.

**EO Day** – There is a brief for this on the [website](#) which allows members to download a campaign pack. There are all kinds of suggestions in the pack e.g. send a letter to your local MP. Please let the EOA know how you plan to mark this day. The EOA will be running an event with ICAEW to raise awareness and will also be running a session on public sector spinouts.

**EOA Conference** – Copies of the “hot off the press” brochure were distributed to attendees and Oliver noted that the key note speaker will be Jack Stack who wrote the business book “The Great Game of Business”.

**EOA Awards** – These will be held on the Monday evening of the conference and will be launched in 2 weeks. There are five different categories that members can nominate themselves for. See [website](#) for further details.

### **Co-operative Development Scotland Presentation (copy attached)**

Glen Dott from CDS gave a brief overview of employee ownership in Scotland.

Their plan is to have 135 new EO businesses by 2016.

Focus is on two main reasons for choosing this model;

- Succession
- Employee motivation/engagement

They have also focused on key sectors such as Food & Drink and Oil & Gas.

Previously CDS were promoting EO alone but they now offer a Succession Support service which is working well in terms of enquiries.

They have a series of [events](#) planned over the coming months that will consider different aspects of succession. The first one already had 80 people registered to attend.

Their two key products are;

- Ownership Succession Review
- EO Feasibility Study

### **Group Discussions**

#### **Employee Ownership Advice**

Attendees were asked to move into groups with people they didn't know and asked to spend 5 minutes thinking of what had worked well on their EO journey and then spend another 5 minutes thinking about what hadn't worked so well. They were then asked to decide on 3 key pieces of advice that they would give to anyone who is contemplating employee ownership. This was then discussed in groups of 2 or 3 and together they decided on 3 pieces. Finally they came together as groups of 4 or 5 and wrote their 3 pieces of advice on flip chart paper and presented these to the other attendees.

Group 1;

- Honest declaration of why you are doing it
- Engagement – people understand
  - Attract engagement
  - In or Out

- Share success and manage expectations

*“Look what we’ve achieved since becoming employee owned”*

*Manage expectations – e.g. you won’t necessarily get bonus up to full tax free amount!*

Group 2;

- Talk to CDS – clarify objectives and timescales
- Keep information clear and minimal and communicate on a regular basis
- Make time for involvement and engagement

Group 3:

- Full transparency of information
- Engagement of knowledgeable experts (lawyers/accountants)
- Don’t try to do it on your own – speak to peers. Need employee ownership champions

Group 4:

- Communicate
- Train
- Plan

## **Role of Employee Trustee or Director**

Key questions around this topic were;

- the relationship between the Board and Trust;
- the legal responsibilities of trustees;
- Canvassing the opinions of other employees.

Assuming the Trust has a majority shareholding then it will have all the rights that this ownership brings such as being able to replace directors but such a decision would not be taken lightly. This is one of the reasons why it makes sense to have an independent Trustee.

Questions around the Managing Director being on the Board and Trust were asked and this is often the case but the individual is obviously required to wear a different hat in these two roles.

Ultimately the Board is accountable to the Trust but the Board should be allowed to run the company without undue interference from the Trustees. Note however that it may be written into the articles that Trust/Shareholder approval is required for certain big decisions e.g. merger with another company, major expenditure etc.

It would be extremely unlikely to be sued as a Trustee. Provided that Trustee meetings are well documented and you can show that you followed the intention of trust and acted in the best interests of the beneficiaries then this

should not be an issue. There is also obviously a lowering of risk if there are more Trustees.

### **Final Comments**

Jim McManus from Clansman Dynamics said that he would like to have professional answers to some of the questions raised.

Gavin Stewart from Black Light mentioned the reaction he has had from his bank as he moves the company into employee ownership. Effectively he will become a minority shareholder but the bank still wants a personal guarantee.

Some discussion followed re banks that may be more open to EO. Glen Dott said that they needed to look at how they might influence the banks to be more favourable towards these transactions.

Ken Naismith from CAS stated that they had gone for third party finance from Capital for Colleagues.

### **Topics for Future Meetings**

Attendees were asked to vote on their preferred topics for the remaining two meetings this year.

Employee engagement was by far the most popular so the plan will be to focus on this topic at our next meeting which will be some time w/c 29<sup>th</sup> August.

For our final meeting (sometime w/c 5<sup>th</sup> December) we will consider growth in an EO business and how to capitalise on the ownership strategy.