

Employee Ownership Association Annual Conference November 18th 2014

Transcript of Opening Address Delivered by EOA Chief Executive Iain Hasdell

Thank you all very much for such a warm reception. I appreciate it.

It remains a real honour to be the Chief Executive of the EOA and I am absolutely delighted to have the opportunity this morning to share a few thoughts with you.

And it feels tremendous to have amongst us this morning all those who won or who were highly commended for an employee ownership Award at our Dinner last night – what a brilliant, employee ownership evening it was.

And it is also fantastic to be here at what is the most significant Conference on employee ownership ever staged in the UK.

In the time I have this morning I am going to cover just two themes. Our recent successes and what next for the future?

Let me begin with success as it important today that we reflect in detail on where we are up to.

In the middle of last year I was asked by the Chairman of one EOA Member company if I had to name a song that described the employee ownership movement what would it be?

Now, I have dealt with employee owned businesses and advocates of employee ownership all of my professional life so I felt confident I could give a reasonably informed response.

So out I came with it without pausing for much thought, Dvorak's Song to the Moon from the opera Rusalka, a beautiful piece that I first became familiar with during my various travels across Eastern Europe.

Why did I pick this song? Because Rusalka, despite all she has to offer, can not attract the attention of those she wants to. Her powerful and important voice was not being heard. So in a desperate act of frustration she ends up singing to the Moon in the hope that the Moon might be able to get people to listen to her.

And at the time that was my diagnosis of where employee ownership was. It had magnificent potential, was not getting its messages across to the right audiences enough of the time, and was sometimes guilty of making naïve ill judged cries for help.

It was an interesting conversation – and it was not lost on me that at the end of Dvorak’s opera most of the central characters end up dead.

Clearly I thought this situation was recoverable.

And when I found out a few days later that more than half of people in the UK when asked about Handel’s Queen of Sheba sinfonia believed it to be the name of a market leading cat food, I decided that perhaps I should not take the discussion too seriously.

But the chat with that Chairman reconfirmed my faith that brutal honesty is always the best route to excellent solutions.

It focused my mind even more on the next steps I was sure we needed to take.

And it is the successful progress we have made together on those 5 steps over the last year or so that I want to talk about first today.

Because our progress together on these five steps has been amazing.

The first challenge has been to shift the debate about employee ownership from ideology to the business case for more employee ownership.

It stands to reason that if you make an argument designed to appeal only to people of a particular ideological or political persuasion then you are always going to limit the audience – in this case to a decreasing minority of people who hold such views.

And this is where employee ownership was at risk of heading.

The most frequently aired arguments in favour of employee ownership were often that it was a “nicer” way of doing business and “morally better”.

I do not want to belittle those sentiments but that is not a compelling argument for anything at all.

And there was a danger that some in our movement were being perceived as zealots when what we need is a standing army of ambassadors and advocates.

So we have together shifted the ground. We have developed a powerful business case for why there should be more employee ownership based on the facts that:

- **employee owned businesses deeply engage their workforces;**
- **employee owners feel uniquely fulfilled in their work;**
- **as a direct result of this engagement and fulfilment employee owned businesses achieve higher productivity and innovation and they tend also to be more profitable;**
- **and employee owned businesses think and act for the long term;**
- **they therefore have a fantastic role to play in addressing the UK productivity deficit;**
- **and the short termism that still dominates business behaviours in our economy.**

So there is now for the first time a very strong and impeccably clear business case for why we need more employee ownership framed in the language of the audiences we must influence, particularly business people and their advisors.

And it has undoubtedly been this switch to having a proper business case that has contributed massively to our progress over the last year or so.

The second challenge has been to get the messages within this business case out to the right people at the right times.

To create a campaign with an effective communications strategy.

To dramatically increase the amount of conventional and social media coverage of employee ownership.

To put in place fixed points in the calendar that provide excuses to celebrate and raise awareness about employee ownership.

And together we have made stunning progress on this.

There is now, again for the first time, an effective annual programme of events across the UK to raise awareness and to help people make the transition into employee ownership.

Media coverage of employee ownership ranging from feature articles to blogs and from videos to interviews has been at its highest level ever over the last 12 months.

And at the heart of this campaigning approach the EOA's creation of UK Employee Ownership Day each July has yielded remarkable results.

EO Day 2014 was, with your help, the most successful single event ever staged in the history of promoting employee ownership in the UK, with its central messages reaching more than a quarter of a million business people via 100 events across Great Britain.

And every step of the way our brilliant Members have energetically spread the word in their own social and business networks. And let us not forget the excellent collaboration in this we get from our colleagues at CDS in Scotland and WCC in Wales.

We are all, all of us, now part of an effective campaign for the growth of employee ownership and long may that continue.

Alongside all this, as a third challenge, we needed to develop better data to evidence the benefits of employee ownership.

And so we have been carefully distilling existing information and commissioning new research so that we have an even more robust story to tell about the sector.

And let me pay tribute to those who have made this possible including colleagues at Cass Business School, Edinburgh Napier University, Capital Strategies and the White Rose Centre for Employee Ownership.

As a result we now for the first time ever have a collection of meaningful data to illustrate the business case.

We can say with real authority now that:

- **The employee ownership sector's contribution to UK GDP is beyond 4% - almost half way to the target I set in 2012, that has now been so widely endorsed, of 10% by 2020;**
- **Productivity in employee owned businesses is growing at an annual rate of 4.5% at a time when it is flat in all other types of businesses;**
- **Employee owned businesses are growing the size of their teams by nearly 3.5% each year and:**
- **Operating profits of the top 50 employee owned companies are growing at an annual rate of more than 25%.**

And I am delighted to be able to announce this morning the publication today of our latest data.

As of this morning through a piece of work for the EOA led by Professor Andrew Pendleton of the White Rose Centre we can now add a burst of new evidence about how employee owned business are special including the facts that:

- **70% of EO companies have significantly improved the quality of their products and services as a direct result of moving into employee ownership; and**
- **55% of EO companies have seen their financial results significantly improve because they have moved into employee ownership**

So, as well as a business case and a campaign plan we have now between us built a growing body of robust evidence with which we can influence and persuade.

The fourth of the five parallel challenges has been to get the employee ownership message into the Treasury.

We needed the Treasury to fix some unfairness in the tax system and to create some new exciting employee ownership tax incentives.

And so we set about a major push in 2013 to secure a Treasury review into the taxation treatment of employee ownership.

After securing the agreement of the Treasury Ministers we were then determined to make the most of this once in a generation opportunity.

EOA Members and other partners across the UK worked remarkably hard on producing a set of tax reforms that we wanted the review to endorse.

And then we set about the grinding process of hanging around the Treasury and other parts of Whitehall pressing the business case and stressing urgency.

The rest is history really.

All of the measures, these new tax incentives to encourage the creation of employee owned businesses, that we called for on your behalf, were put into the Budget and then the Finance Bill 2014 and are now live in the market place.

Not only that but the Treasury even increased the long term funding for these measures beyond the cash levels we requested.

These measures will attract the interest of business owners in succession or other business selling or business start up situations.

They also oblige lawyers and accountants more than ever before to inform their clients about employee ownership as an option.

This is exactly how to grow a market – by provoking the demand and the supply sides.

The number of new EO businesses is growing at annual rate of around 9% at the moment with more transactions in this market than ever before.

These tax measures will help to sustain the current growth of the sector.

I am confident that these measures will become the most important fiscal changes relating to employee ownership ever created.

I congratulate all those in this room who helped us secure these changes. What a legacy you have created.

The fifth of the five challenges has been to make the EOA fitter for purpose.

We owed to it ourselves and to our Members to further professionalise the organisation and to make sure the Association plays the role it should – speaking up on behalf of our Member businesses and raising awareness of their successes, as well of course as providing excellent services and networking forums for Members.

However good a business case or campaign plan you might have – unless the organisation that is leading the charge and co-ordinating effort is credible and influential – not much happens.

Some of this has been about scale. As recently as 2012 the EOA only had a little over 50 Members. We now have 250 Member companies and it is continuing to grow. This scale legitimises our voice as we now can genuinely speak for the sector.

And the change has been enormous. I remember just a couple of years ago how we often had to muscle our way in for example to see civil servants, politicians and political advisors when we needed them to engage with us.

Now we can often be selective about who we choose to see as the invitations come into us rather than us having to invite ourselves.

And I want to use this opportunity to thank the current EOA Executive Team – who are a remarkable Team, the current EOA Board and every EOA Member for helping to make this happen.

Without the help and support of all those I have just mentioned the transformation of the EOA – your Association - into a powerful industry and sector voice – spanning the private sector and public services – would not have been possible.

So, we have together achieved a very great deal since that Dvorak moment of 2013 that I described earlier on.

Our overall momentum is fantastic. We really have come a long way.

And it is fitting that we have all got this far together through the kind of compelling team work that employee ownership is all about.

But we have to keep it going – there is so much more to do.

Which takes me to the second of my two themes for this morning – what next for the future?

How are we going to keep this progress I have just been talking about going?

We will do it by being just one thing – confident.

What do I mean by confidence?

Well this is now a time for us all to walk tall and be bolder about our promotion of employee ownership.

We have a brilliant cause to promote.

But we need to start to behave in a way that fits our success so far.

To quickly develop the additional confidence we need to win. Let me illustrate.....

Employee ownership is now a sector of the economy on a par with the aerospace industry and several times bigger than agriculture.

So let's talk about employee ownership with more confidence about how important it is in our economy.

Employee ownership deserves to be dealt with in the same high profile way that other value added sectors of the economy such as pharmaceuticals and aerospace are.

Employee owned businesses achieve higher productivity and greater levels of innovation.

This at a time when productivity in other types of businesses is 20% behind that in all of our major competitor countries and when we languish 16th in the Bloomberg Global Index on business innovation.

So let's talk about employee ownership with more confidence about why more of it is needed.

When employee owned organisations deliver public services they always provide better services, better outcomes and improved value for money for the public sector funders of those services.

So let's talk with more confidence about why we need more employee ownership in the public service arena and why we need to take it quickly into new places including the acute health sector.

Employee owned businesses think and act for the long term.

So let's talk with more confidence about how more employee ownership can provide a powerful balance in an economy that is so destructively obsessed with short termism.

And let us never forget that employee owned organisations distribute the rewards of financial success more equitably.

So let's talk with more confidence about how more employee ownership is an alternative to the remuneration scandals that plague several parts of the economy and how we can help rebuild the public's trust in business.

And there are other aspects to this confidence thing too. For example.....

Just because civil servants and Government policy analysts find it difficult to fit employee ownership neatly into their theoretical Oxbridge models of the economy and economic sectors let us not feel embarrassed or anxious about it.

It is their model that is out of touch not ours – and we must continue to persuade them of that.

After all their model – their industrial strategy – was designed to deliver for us all over the last generation a modern, highly productive economy with massive streams of long term investment. And look where that model got us.

And just because – again by way of another example – some of the top table senior bureaucrats in the Department of Health do not want an expansion of employee ownership within the NHS – does not mean we give in.

We should do what we have started to do – confidently put our case and the evidence for getting more employee ownership into the system.

Again it is their model that is in question not ours. They would be on much firmer ground in opposing our ideas if the NHS was universally brilliant, customer centric, excellently financially managed. We all know that the reality – under their model – is different.

The final thing I want to say about confidence today is to mention the politicians given that the General Election is not very far away.

And the situation is complex as you know. I see this morning that the odds on the SNP holding the balance of power in Westminster after May have shortened dramatically.

But for us our focus in the run up to the Election is not about who wins but is on Manifestos.

Because we now have a race against time to convince our main political parties to do one simple thing. To include in their Manifestos for the next General Election commitments to increasing employee ownership.

Progress on this is good and this is achievable.

And it matters.

Not because we want the politicians to do very much.

We do not.

Our progress between 2015 and 2020 will be based as it has been so far on businesses and entrepreneurs out there in the real economy – private and public sector – growing employee ownership.

We must have confidence about this – and should not look to Government to build our sector for us.

But we do need the politicians to at least pledge support as it is an insurance policy.

If their Manifestos commit them to supporting employee ownership it gives us a reference point to hold them to account if they try to do anything – even by accident – that might hold back our momentum.

It is to that extent the Election is important.

And in the run up to May we can all play our part. Every single one of us can help secure those Manifesto commitments by confidently promoting employee ownership with our local politicians, MPs and their advisors.

So, let me conclude.

Overall, in the big picture this is a brilliant, unprecedented, time for employee ownership in the UK.

As I have been saying for a long time now this really is the decade of employee ownership.

We are all on a mission.

We have to remember that we are trying to bring about a revolution in how our economy is structured.

Employee ownership is a movement for change. For a better way of doing business.

As our logo says it is about Better Business Together.

And we owe it to ourselves, together, to keep the momentum going.

It is a chance to enrich our economy and society with the value that even more employee ownership will bring.

As we rightly celebrate here today the progress we have all achieved, we need to remember that this is just the start of the surge to that 10% of GDP target.

It is important that we do not lower our ambitions.

We are heading quickly in the right direction.

This really is our chance to succeed.

We have to be ready for it.



And back to Dvorak for a moment, instead of anyone ever resorting to singing in frustration to the moon.....

Let us instead act on the words of President John F Kennedy when he first spoke about his programme of work to deliver the first landing on the moon.

Kennedy said:

“It is time to take longer strides because doing so may hold the key to our future.”

Solet’s get striding!

Thank you very much.