



Regional Network Meeting Scotland

Date: 31st August 2016

Host: Co-operative Development Scotland, Stirling

Facilitator: Jacqui Martin

THEME: EMPLOYEE ENGAGEMENT

15 people attended this meeting at the Scottish Enterprise offices in Stirling with 9 different organisations represented. 10 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 recent research that has been undertaken on the top 50 employee owned companies in the UK and statistics for companies that had recently set up Employee Ownership Trusts.

He then covered events that are coming up including the Annual Conference and Awards and event that have already taken place such as EO Day and the Public Service Mutuals Service Conference; Oliver then touched on working partnerships with the Cabinet Office and ICAEW and also mentioned the EO Sector Group and the Vibrant Economy Commission.

Finally, he mentioned this recent article in The Times that raises awareness of employee ownership. This has been included as an attachment to the minutes in addition to another article that was published on the day of the meeting relating to the move to employee ownership by Classic Motor Cars.

Keely Lead will shortly be joining the EOA as their new Marketing and Communications Manager. Keely can be contacted on the following email address; keely.lead@employeeownership.co.uk

Employee Engagement Panel

The panel comprised of;

- Karen Pickering from Page Park Architects
- Debbie Cochrane from Stewartry Care

- Sean Elliot from Network ROI

After giving a brief introduction to themselves and their companies, the panel were asked a number of questions;

1. What is your definition of employee engagement?

Debbie – everyone understands that they are valued and they're not "just a carer". She mentioned the issues they have with bringing people together for meeting as most of the staff work remotely.

Karen – their staff are driven by creativity and making a difference. They were all involved from the beginning of their journey to employee ownership. They have an office meeting every Monday and even the youngest staff are involved in decision making. She also mentioned that they are transparent with all information including salaries. People are paid according to their level but can earn more points which will mean a higher salary depending on their level of contribution. Salaries are decided by people in the finance group who are at differing levels within the company.

Sean – engagement is about being passionate about the business, your job role and clients. Its about taking initiative and putting in additional effort which is above and beyond.

Stefan who is one of the employee reps at Mike Stoane Lighting mentioned that 20% of their staff had raised a proposal for transparency around salaries but 80% had voted against this which meant that the 20% now feel a reluctance to engage in employee ownership.

Neil from Fitwise Solutions said that they had made people aware that management were paid a bonus but that this had now been extended to everyone based on profits. They've also introduced Project 10% which is about encouraging everyone to look at ways to negotiate better prices, reduce costs or increase sales.

Karen from Stewartry Care said that they are paid tax free bonuses of between £50 and £250 which are based on number of years service.

Debbie said that whilst they need to be profit driven, this is not the only criteria as quality is also very important. They were previously rated a grade 3 by the Care Commission and they are now a grade 6.

2. Giving a rough estimate, what percentage of your workforce is;

- Actively engaged
- Detached/disengaged
- Neither one nor the other

Debbie said that initially only 10% were engaged but that this has now changed dramatically as their recent survey showed that 97% were proud to work for Stewartry Care and 90% like working for an employee owned company.

She said that running workshops had been the biggest help in making this change and the fact that they are now profitable has also made it easier. Workshops are held during the working week and people are paid to attend. They have also set up an Employee Council and have more elected employee directors. Everything is discussed openly. She believes that its very important to invest in engagement as well as training.

Sean estimated that 68% were actively engaged and 32% were neither one nor the other.

Karen said that 80% were engaged and 20% just do their job. She talked a little about how they are organised. They have groups for finance, sustainability, strategic vision etc. and one champion from each group will join the operations team meeting. This is where most of the decision making happens. The Board just keeps a gentle steer on the tiller.

Nick from Ian White Associates asked whether the engagement figures are higher than before employee ownership. Karen said that people are certainly more engaged and more creative. They want to explore things that they are interested in and have all learnt more about the business.

Karen said that they are thinking of setting up a new office in England but its important that culture is maintained so some members of the Glasgow team will move to set this up.

Karen was also asked about support staff. There are only 3 support staff. Their accountant is external to the business although he has become more creative since they moved to EO.

Jacqui mentioned an Employee Engagement Survey that had been undertaken by Tower Watson involving 32,000 workers in 29 different countries which found that;

- 35% were engaged;
- 43% were detached or actively disengaged; and
- 22% felt unsupported

So the engagement figures given by the panel were considerably higher!

3. What do you think is different about employee engagement in an employee owned company?

Sean doesn't think that there is a difference. There needs to be communication, openness and incentives. You have to figure out what pushes people's buttons. He has done one-to-ones with everyone in the company. One guy says he doesn't feel like an employee owner but can't explain why that is.

Phyllis from Fitwise worked with WL Gore for 20 years and she says that you need to be speaking about employee ownership from day one. At WL Gore they spoke to people about their culture immediately and you were left behind if you didn't engage with it.

Debbie said that they speak to people about employee ownership from the start.

John from Ian White Associates asked how the move to employee ownership was broached with staff?

Sean said that they had workshops where they explained the different succession options available.

Karen said that they developed their business model 2 years before the transition and it took a year to do the legals. They had a Transition Group who kept everyone updated so when the transition happened everyone understood it.

Group Discussions

Attendees were asked to move into small groups to discuss the following question; what are the best ways to get everyone on board and participating fully in an employee owned company?

After 15 minutes, one person was asked to stay to explain the discussion that had taken place and everyone else moved to new groups.

After another 15 minutes of discussion they were asked to agree within the new groups on the three key ways that they believed you could get people on board.

Ask the Expert Session

After lunch, Campbell Clark, a corporate solicitor, from Blackadders answered a number of questions on legal aspects of employee ownership. Some of these questions had been raised at previous meetings.

What is the relationship between the Board and the Trust in an employee owned company?

- The Board is accountable to the Trust as the Trust is a shareholder in the company. The Trust delegates the management of the business to the Board. If it is the majority shareholder, then it will have the right to appoint or remove directors.
- Legal documentation will set out the “ground rules” for this relationship.
- Shouldn’t get involved in the day to day running of the company
- As a shareholder the Trust will only have rights to limited information such as the published accounts but the legal documentation may allow additional access

What are the key legal responsibilities of directors and trustees?

- The directors need to have regard to all of the shareholders as a group
- There may be additional shareholders

Glen asked how the Chairman of the Board could be managed?

Campbell said it would depend whether s/he was an exec or non-exec. If the Trust holds the majority of the shares then it could obviously remove the Chairman from that role. There is no legal issue with the Chairman of the Board also being a Trustee but people just need to be aware that they are wearing different hats in their different roles. There could be conflict e.g. if discussing board performance.

Could an employee director or trustee ever be sued?

- Trustees can be sued in the same way that Directors can but if you are a diligent trustee/director then you should have nothing to fear
- You must observe terms of the Trust and act impartially on behalf of beneficiaries
- You could obviously be sued if you act out with the Trust agreement
- In order to address this concern, you can set up a Corporate Trustee as the sole trustee and then appoint directors which would give an additional layer of protection.
- The question of getting insurance to cover this risk was raised but insurance wouldn’t cover you if you were acting out with the Trust agreement

Does it make sense for the MD of an employee owned company to also be a Trustee?

- Really depends on each company
- May be part of succession

Jacqui made the point that in her experience this can work well as a way of keeping the Trust updated. Alternatively, it may be the case that joint Trust/Board meetings are held.

Campbell stated that no-one should go on a Board unless they understand accounts as they could be held personally liable if there is wrongful trading. Its possible for a company to be insolvent provided there is a credible plan to trade out of that situation.

Campbell also stated that it's possible for employees to attend board meetings as observers rather than directors. This would allow them to participate without have the responsibility that a director has.

Campbell was then asked what his top tips from a legal perspective were for anyone considering employee ownership?

- Need to engage the employees in the transition process to ensure that they understand what is happening
- Address any concerns and issues that they may have e.g. risk of vendor finance, risk of being a trustee
- Also ensure that employees understand what EO isn't. Holding shares in an EO company is not like holding shares in Marks & Spencer. They can't be sold easily.
- Campbell finds it useful to be at early meetings

Next question raised was around the challenge of valuing a business

- This is difficult in any sale
- There isn't a market for the shares
- The biggest challenge is managing the seller's expectations
- Use company's accountant or someone else external to the business to provide a value which is realistic and sustainable

Finally, Neil from Fitwise said he'd recently discovered that if you hold shares in a SIP then you don't actually become a shareholder until after five years but they still allow employees to vote at AGM.

Campbell said that as a solicitor, he would advise against giving people the idea that they have rights that they don't actually have.

Feedback from Group Discussions

Prior to asking for feedback from the group discussions, Jacqui gave her thoughts on employee engagement in employee owned companies saying that she thinks we want employees who have "POP";

They are Purpose-driven, demonstrate Ownership thinking and are fulfilling their Potential

She also gave her Top 10 Tips for Employee Engagement;

Feedback from the groups was as follows;

Group 1

- Recruitment – mindset/attitude
- Development of culture
- Social stuff – e.g. Page Park are all going to Vienna for study visit. Perhaps a company trip to Ben Nevis?

Group 2

- Involve everyone in employee ownership – even your clients
- Find a way for everyone to feel that they can contribute in a way that they feel comfortable
- Show benefits without them always being financial

Group 3

- Don't slow down once started

- Empower and reward staff for participation
- Behaviour – happy family not autocracy

Group 4

- Empowerment
- Communication
- Inclusion

Closing Remarks

Jacqui thanked everyone for their contributions particularly the panel members and Campbell and mentioned the final meeting of the year which will be held sometime w/c 5th December. This meeting will consider growth in an EO business and how to capitalise on the ownership strategy.