Ownership at Work

REDESIGNING THE CEO

How employee ownership changes the art of leadership

Stefan Stern

OWNERSHIP INSIGHTS

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Foreword

The UK's continuing poor productivity makes the publication of a new paper about business leadership timely and important.

There is wide acceptance that great leadership can transform the performance, and productivity, of business. And, despite the range of business books on the subject, there is a surprising degree of consensus on the characteristics great leaders share.

The author of this paper, an eminent writer on business and management, suggests the consensus is misplaced; that the concept of leader as superstar is overrated; and that an emerging model of leadership has a lot to teach organisations of every kind.

Stefan Stern advises us to follow the evidence: to look at a sector where productivity, performance and employee engagement are exceptional enough to suggest its leaders must be doing an unusually large amount right. That sector, he argues, is the swelling number of companies owned by their employees, currently turning over a combined £30 billion-plus annually.

Through a series of revealing interviews with the people who lead these businesses, the paper, as its title implies, describes what redesigning the art of leadership means. Sharing knowledge and power, putting ego aside, constant communication, ferocious commitment to employee engagement appear to be some of the critical ingredients in the employee ownership mix. The golden thread in all these organisations, the author argues, is shared ownership. Leading colleagues who are your shareholders appears to be a game changer because it embeds its leadership essentials in a firm structure.

The CIPD has an intense interest in exploring the factors that make work a great and productive experience, capable of bringing out the best in employees and their leaders. The paper's findings are no surprise – I was proud to be a Panel member of the 2017 business-led Ownership Effect Inquiry organised by the Employee Ownership Association. This new paper, from its research partner Ownership at Work, is a welcome contribution to new thinking about how our economy can get better at harnessing the talents of the national workforce.

Peter Cheese
Chief Executive, Chartered Institute of Personnel and Development

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We effectively release our people from lots of silly processes for approvals to say: if you've got a good idea, your team think it will work, get on with it and just implement it... you have the freedom to innovate, you have the freedom to really take charge of what we're trying to do and support the company to be the very best it can be, to achieve its wider social goals.

Alison Reid
Chief Executive, Community Dental Services

Key points – perspective

Justin Rix

In the summary points below Grant Thornton Partner Justin Rix, Head of People Advisory, gives a personal perspective on the key themes to emerge from Redesigning the CEO.

Leadership

Where the business owners are also the workers, effective leadership needs to empower and embolden employees.

Accountability is a two way street between the leaders of an EO business and its employees.

Culture and Engagement

EO is a journey which will help develop the culture of the business if employees buy into the concept of ownership and appreciate being invested in the business.

Employee responsibility and accountability will drive superior performance. The challenge for the leader is how to create and foster this.

Management and Governance

Leaders should deploy greater transparency in sharing business information and a greater level of consultation and listening.

It's important to be clear what gets decided by consultation and what needs to be led from the top. Employee ownership is not leadership by committee.

Performance and Incentives

Delivering profits to the owners of the business is at least as important in an EO business as in any other.

Engaging employees in financial targets and enabling them to share in profits is a powerful filip to growth.

Speed and Risk

Trusting capable colleagues allows for more flexible and speedy decision making.

Shared ownership and responsibility will give the business greater confidence to be bold and progressive.

Ownership at Work

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Ownership at Work

Ownership at Work's mission is to generate new thinking and ideas on employee ownership's contribution to the UK economy. An independent think tank, Ownership at Work publishes policy papers, guidance and research on the fastest growing business model in the UK economy. Holding charitable status, Ownership at Work is a politically impartial research partner of the Employee Ownership Association, the national body which speaks for the UK's £30 billion-plus employee ownership sector.

Ownership at Work wishes to acknowledge the support of Grant Thornton in the authorship and publication of this paper.

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We're a business adviser that helps organisations navigate today's volatile markets, has a strong focus on quality and delivers insights to succeed. We help businesses and other organisations to achieve their objectives. We are committed to supporting the employee owned sector and increasingly see more organisations moving towards a culture of employee ownership, empowering employees with open communication, transparent decision-making and a genuine share in the profits. Enhanced leadership capabilities provide the opportunity to expand and embed what makes being part of employee owned business unique. We apply expertise across both finance and cultural change, developing managers to become high-performing leaders and drive employee ownership culture within teams. We see this as a fantastic way to improve organisational performance and deliver the best results for the business.

Stefan Stern

Stefan Stern is author of How to be a better Leader [2019] and The Myths of Management [2017]. A former columnist for the Financial Times and Management Today, he is visiting professor at CASS Business School, a former director of the High Pay Centre and now writes for the Guardian, FT and others.

1. ROLE OF THE LEADER

We are told, frequently, that "the country is crying out for leadership". It is not always made clear how we should recognise these cries or how to respond to them. But debate about the state of the country, businesses, organisations (and sports teams) never gets very far without the "L" word making another appearance. Leadership, it is sometimes suggested, is what we are lacking most of all. Better leadership could change everything.

This may be true. But the version of leadership that regularly gets offered up in these discussions can be a pretty narrow and stereotyped variety. It is a directive, "command and control" model of leadership that is unlikely to prove effective in many contexts today. If just shouting at people more often was going to make the difference then surely most of our problems could have been solved a long time ago. We need to think more imaginatively about leadership if we are going to find some better answers.

Employee-owned (EO) businesses may generate only around five per cent of UK GDP, but they have a lot to teach us about how work can get done more efficiently and effectively. In EO businesses owners are not remote, anonymous investors or asset managers – or algorithms. The owners are your colleagues. They are sitting next to you. And the boss may have an important-sounding job title, like "managing director" or "chief executive". But he or she is working directly with and for the owners, who turn up alongside the boss every day. In the EO world, leadership is a different kind of task and activity altogether.

You may think you already know a lot about how to lead and manage a business. But it is worth listening to and learning from the leaders of EO businesses and organisations, who have a lot to tell us.

Five themes

For this report the leaders of ten different EO businesses in a range of sectors gave extended interviews. What follows is a discussion and analysis of what they said. We will consider five separate (but related) themes which reveal something about life in an EO business: the role of the leader, culture and engagement, management and governance, performance and incentives, speed and risk. Taken together, this evidence reveals an impressive picture of effective leadership in action, a model of behaviour that could be applied elsewhere.

Today, the often apparently powerless have shown how they can, sometimes, be powerful. The Brexit referendum result and the election of Donald Trump were both events which were not going to happen, according to authoritative commentators. People had other ideas.

The leader of an EO business is more familiar than most with the illusory nature of "positional power", recognising that the power of leaders at work is in fact bestowed on them by those they work with. Leading people who own the business changes the nature of the game.

As Mike Thompson, founder and chairman of Childbase Partnership, a chain of nurseries, says: "You have to understand as a leader of an EO business that you have to be able to make it not about yourself…It has to be about the people."

Letting go

Leaders become more powerful by letting go of power. Alison Reid, chief executive of Community Dental Services, an employee-owned social enterprise operating in several counties in the south and east of England, says: "People know what they need to do on the ground, and we need to create this structure that enables them, that doesn't fetter them, and so trying to free that up was a really important part of our approach."

Bosses don't have to be bossy. In the context of an EO business such behaviour is actually counter-productive. It's the people who are doing the work, after all. "The issue with autocratic leadership is if everyone goes through you, then you are the bottle-neck," according to Andrew Lane, managing director of Leeds-based Union Industries, makers of industrial curtains and fast-closing doors. "We like to think that we do the big checks but let the people get on with it…I've only got so much time in the day to ask for something."

This sort of meaningful empowerment does not necessarily come naturally either to senior leaders or to employees. And even if the boss is ready to let go, people have to be ready to take up the challenge. "I would love employees to make many more decisions in the moment," says Chris McDermott, managing director at Cambridge Weight Plan, the Northampton-based diet business. "I'm trying to come up with more ways in which we can embolden people to be much more hands-on."

When people are ready to take on that extra responsibility the power of employee ownership is unleashed. So leadership in the EO context is a subtle art – judging the moment, assessing capabilities, enabling people, and knowing when to let go.

"It is absolutely a two-way street," says Ed Stubbs, managing director of Gripple, the Sheffield-based manufacturer of wire joining devices and suspension systems. "As a leader of an employee owned business, there's a different type of accountability placed on me, but it also means I can expect a radically higher level of accountability from every single one of my employees, and that's where I think the performance comes from, because they are physical owners."

Not an ego trip

This sort of leadership is the opposite of an ego trip. Alexandra Rae, chief executive officer at Wise Investments, an employee-owned wealth management and financial planning business, echoes Mike Thompson's view about the selflessness required to lead effectively in an EO setting.

"You can't be selfish," she says. "It's not my business, I can't do exactly what I want, how I want and just do it. You have to involve people a bit more. I mean ultimately, I will make the decisions and I do have to make that clear sometimes, but you have to listen to people and be mindful that you are running the company for the benefit of the staff. That's my role, that's what I have to do. I think you have to be good at (perhaps more than if you weren't EO) explaining why you are doing things."

This also means taking the responsibility of leadership seriously. "Power is a frightening thing, if you are the boss," says Childbase's Thompson. "I am the chairman; you have an extraordinary power to make people feel very good or not and it is a question about how you direct that. I spend a lot of time writing little notes to people," he adds – indeed, Childbase has chosen not to expand geographically further than any distance which can't be reached comfortably from its Newport Pagnell (near Milton Keynes) headquarters on a day trip, precisely because the chairman wants to maintain personal contact with his employees.

Leaders can inspire, set an example and come up with innovations – but they are only human. Not every initiative or experiment will pay off. "You have to be absolutely honest with people and say 'right, we thought this would be a good idea, we've had a go at it, it's not working out as we would like, is it?'," says CDS's Alison Reid. "You can learn as you lead," she adds. "I keep saying that I'm the Chief Exec but I'm learning all the time. You know, nobody stops learning."

"As a leader of an employee owned business, there's a different type of accountability placed on me, but it also means I can expect a radically higher level of accountability from every single one of my employees, and that's where I think the performance comes from, because they are physical owners."

Ed Stubbs Managing Director, Gripple

2. CULTURE AND ENGAGEMENT

If a key element of leading an EO business is knowing when to get out of the way, another must be the ability to build and develop a winning and engaging culture. EO gives you a head start in that task: it should be easier to win the commitment of people who own a stake in the business. But culture, being a slippery phenomenon, has to be managed with skill and sensitivity. Our EO leaders have some useful and perceptive things to say about employee engagement and the sort of culture in which it can flourish.

Emma Russell, managing director of Alfa Travel, the UK-wide (but Chorley, Lancs based) holiday company, says that her firm's recent success and growth has had a lot to do with the employee culture and the level of engagement that has been created since Alfa went employee owned in 2015. She says. "You have to take your employees on the journey. If they understand what employee ownership is they start to see the financial – and not just the financial – benefits, they really buy into the concept. When you have got 700 employees across the group all doing things that make a difference it really impacts on financial performance…one of our employees at a hotel said: 'I switch the lights off now at the hotel because that's my electricity'. Employee engagement has definitely contributed," she says.

Culture check

The transition to an EO structure, and culture, may take some explaining. But that doesn't mean it has to be a drab or humourless exercise. As Donald Moore, managing director of Rowlinson Knitwear, the Stockport-based school uniform manufacturer, explains:

"There was a bit of fun involved – because we like having fun – so what I did, I gathered everyone together and said, 'um, we're going to get new owners', and everyone was shocked. I left them to that for a minute, and then I said: 'it's us'."

Culture evades many people's best attempts to analyse it. Sometimes it is described simply as "the way things are done around here" – which is an inadequate description, but not a bad start. How do our EO leaders think and talk about culture?

At Gripple, Ed Stubbs says: "The true test of the culture is the informal communication…the best communication is when people come to my desk and say: 'Ed, I want to talk to you about this', or I'm walking through the factory and they say: 'Can we sit down when you have five minutes, I have an idea or an issue'. That informal communication is a measure of the formal one working."

Making engagement happen

But engagement doesn't just happen. As Stubbs says: "You only get the benefit of engagement through delegation and creating the context in which people can act, which is a constant challenge for us, pushing this stuff down, and new leaders of the business having the confidence to just say 'get on with it'," he says. "They ask: 'I need this, can I spend this?', and you say: 'Why are you asking me? You are the expert, get on with it'. You have to have the confidence to do that."

Engagement can take the form of attention to detail and the commitment of employees to bother doing the little things that might otherwise be left undone. Alison Reid has seen this for herself at CDS. "They are engaged, but they're doing it in their own way, when they say 'ah, this system doesn't work very well so I just thought I might have a go and I tweaked it here'. They don't recognise that as being part of their own responsibilities, but they're doing it.

"I wholeheartedly believe that if you engage your staff you see improved productivity and profitability in your business, and I think this is even more important in an employee owned business because the employees are your owners."

Emma Russell Managing Director, Alfa Travel

"I observed something the other day which was really interesting – it was during a team meeting, and we were in a glass-fronted room. There was a lady in a wheelchair – she wasn't one of our patients – going up a very steep slope. Three employees noticed this and leapt up to go and see if she needed any help. It's an automatic thing. I thought – that's what makes a difference. I've got people that care. They thought: 'I know I'm meant to be in this meeting but that lady looks like she's struggling, I'd just better go and check'."

Employees who take ownership and accept responsibility are behind the superior performance of employee-owned businesses. This is something Alexandra Rae at Wise Investments has seen first hand. "People tend to be very invested in the business, and that then follows through to the type of service that they give to our clients," she says, "which means that demand is better, because our clients then refer us to their friends and family. You know, it's the people really....The advisors and the administrators have very close relationships with clients. I think they [the clients] do bear in mind that we all own the business, the future of the business is in our hands, and I think that probably shows in how colleagues deal with our clients. They give that bit extra, really."

Andrew Lane at Union Industries warns that engagement and the right sort of culture do not just happen – they have to be worked for. "To create and maintain that correct culture – a culture that will thrive – that's about leadership and consistency of leadership," he says. "I spend a lot of my time working with my fellow directors, who have been on the wrong end of an autocratic structure...The making it stick is key to me, and you can feel it shift, but it doesn't happen overnight, it's not a flick of a switch, you are just chipping away and saying this is how we envisage the company being, you may or may not agree with that, you may or may not want it. But that's where we are going so either get on the bus or get off it."

Alexandra Rae agrees that engagement takes work. "If you are leading an EO business, you do really want to get a majority of say 80-90 percent of the people that work there engaged with the business, thinking about it in a wider context than perhaps 'I just come in and do my job'," she says. "We have just had some workshops about how can we improve our client services even more, and what do we think our clients want as we get bigger, how do we make sure that we don't become really corporate...and that to me is engagement: they all came along and had thoughts and loads of ideas, and that shows that they are very engaged with the business, and it's a long process to get to that."

Engagement: it is hard to achieve, but it's wonderful when you do. It is a "secret sauce" for any successful organisation, but found more often in EO businesses than anywhere else. Alfa Travel's Russell is a convinced convert:

"I wholeheartedly believe that if you engage your staff you see improved productivity and profitability in your business, and I think this is even more important in an employee owned business because the employees are your owners," she says.

And yet sceptics and outsiders might still struggle with the EO concept – or rather with misconceptions of what EO is, and isn't. As Chris McDermott at Cambridge Weight Plan says: "It's not a workers' collective, it's not a socialist utopia, it's none of those things."

So let us now look at how EO businesses are managed in reality.

3. MANAGEMENT AND GOVERNANCE

When Andrew Burnell led Hull's City Health Care Partnership out of the NHS and into employee ownership in 2010 a serious amount of education and explanation was required to help colleagues understand their new status. The NHS could not be more heavily regulated and structured. But some things were not going to change completely. "I've always been very explicit that co-ownership does not mean it's co-management," he says.

Cambridge Weight Plan's McDermott makes a similar point about employee ownership. "It's not a democracy, no. It's not a democracy in the sense that it's a 'let's all get together and decide if we are going to do x, y and z'," he says. "The directors have been appointed to do their specific roles and it would be very difficult to run the company if they were being undermined by a separate structure that was trying to question what they are trying to do."

A new regime means that the leader's role changes too. When Rowlinson Knitwear went employee owned in 2015, managing director Donald Moore had to recognise the reality of the new situation. "Imagine you've gone from having only one boss and now you're working for everyone, so for me, what I've told everyone here is, I've gone from dealing with one lunatic boss, to, well sixty…" he says. "The big decisions have always been and always will be made by the leadership team. That's the way to run a business, so we don't manage by committee or anything, but we're all trusted to do our jobs in the best way."

Who decides what?

There is bound to be a period of adjustment on becoming employee owned. What needs to be decided via consultation, and what needs to be led from the top? This is a learning process for everyone, and sometimes mistakes will be made – with any luck mainly trivial ones.

As Alexandra Rae at Wise Investments recalls: "We laugh because in the first year of EO [in 2015] someone said: 'Well, why did we buy these cushions for the meeting rooms?', which was an expense that we didn't need to have, and we still all talk about that because that was an example of how we obviously hadn't done enough explanation to the staff of what it means to be EO, and how we are going to run the business."

At Alfa Travel, Emma Russell says the experience has been similar since becoming employee owned in 2015. "You need to strike the balance between the employees feeling involved and inputting into decisions, but ultimately on the strategic decisions the board stays accountable," she says.

"We are a multi-locational entity," she explains. "You have to make sure that you are communicating with the employees and giving them the information they need to understand how the business is doing. I would say that's a big change from before being employee owned, where you would not necessarily get them involved in the decisions or give them the information we are now doing."

As a trained accountant and a former finance director of the company, Russell finds she now has to think differently. "It is not necessarily all about profit as the employees are the main shareholders, so you might reduce profits in order to increase their remuneration. Your decision-making mindset changes direction slightly and that does feel a bit odd at times."

Each business will adopt its own particular approach. At Cambridge Weight Plan, Chris McDermott is very much business-like, even if it is not necessarily business as usual. "You need to be collaborative because there's an employee ownership [consensus], so in the decisions that we are making, have we thought about the greater good of the employee stakeholders and what do we need to consider there? But when a decision needs to be made you have to be as decisive as anybody else, in fact in this position, you need to be even more decisive, because there would be the tendency to say 'well let's go consult some more, let's go talk to some more people'. You are going to upset somebody by doing whatever you do, so you've got to be pretty decisive about it," he says.

Consultation payback

At Gripple, Ed Stubbs says the requirement to consult and listen is a helpful driver for the business. "You can't communicate enough in an EO business," he says. "It is wonderful in one sense because actually you can pretty much share every piece of information. You don't have to worry about what you are sharing, what you are not sharing, but it is also then a challenge because we will never communicate enough in this business. If you did a survey of all of our employee owners now, top of the list is that we could communicate more."

The range of businesses choosing to go employee owned is growing. Professional service firms – traditionally often structured on a partnership model of course – are rediscovering the value of employee ownership. Lawyers, accountants and architects all find the model attractive. Tibbalds, the London-based planning and urban design consultancy, went employee owned in 2015. One of its directors, Sue Rowlands, says that the structure appeals to architects and planners such as her firm.

"In this sector it's really popular," she says, "and it's probably something to do with the collaborative nature of the business, because we do need to work in teams, it's quite creative, there's something about the nature of this type of work I think that lends itself to that sort of philosophy.

"People always say 'oh, employee owned, are you like a co-operative?', and I say: 'no, we're nothing like a co-operative, the managers still remain', so the management team is the five directors and associate director so there's six of us in the senior management team. Anything that is a day to day management decision is made by that team."

Accepting responsibility

Accountability is especially meaningful in the EO setting. But not everyone will have the stomach for the approach favoured at Union Industries, where the directors have to stand for re-election. "One of the most useful tools for accountability is, every third year, at an AGM, we stand down, we resign and then we ask the AGM to vote us back," Andrew Lane explains. "There's myself and two other directors and so every year somebody is standing down and they are voted back by a show of hands." There's feedback, and then there's direct action: only the truly competent and self-confident should consider this approach.

But employee ownership does bind people together. Peer group appraisal becomes a powerful if under-stated management tool. As Gripple's Stubbs says: "We all have roles to play, but we are all owners and it's our business. Of course, that is a great tool to have as a leader. In other businesses you can try hold employees accountable but actually, in my business, they are, because we are all co-owners."

And, what is more, you don't tend to hear anyone saying that any given task or decision is "above my pay grade".

"That is the type of thing that makes the blood boil," Stubbs says. "It's not above your pay grade is it, it's your business. That is part of the peer thing, you would like to think people who have been here and get that, they'd say 'come on'."

Management still exists in the EO world – it never really goes away – but it is…different. And often better. As CWP's McDermott explains: "EO gives us the confidence to think bigger and be a bit braver and to take responsibility for ourselves. In the past there would have been somebody else that we could have blamed and now there isn't, so we stand and fall on our own decisions – which is kind of scary, but also liberating at the same time."

4. PERFORMANCE AND INCENTIVES

Maybe you believe that EO businesses can be better places to work, and that they are characterised by better leadership and management. Maybe you accept that EO offers a refreshing alternative to conventional privately owned or PLC businesses. But, you might also reasonably ask: what about the performance of these firms? Show me the money.

EO businesses are rigorously and ruthlessly commercial. They are just led and operate in a different way.

As Chris McDermott at CWP says: "In our organisation, at the centre of our business is a big beating capitalist heart that needs the blood, it needs to deliver, and we can't all sit round and collectively ponder the ruminations of the universe, we have to get on and do stuff."

Performance and results

At Hull's City Health Care Partnership the figures speak for themselves. "If you look at all the metrics we are measured on," says CEO Andrew Burnell, "our patient and service user satisfaction has grown each year, a very high 90-odd % of patients and service users would recommend us to a friend or family or would recommend the services to others. We have a really high staff/colleague survey return of well over 70% for a good number of years. And also some very high levels of staff satisfaction, working for the organisation. High levels of staff understand the mission vision and values, over 80-odd %. Which is really important, and that covers the notion of where we were previously to where we are now."

What's the story at Union Industries? Andrew Lane says: "In terms of raw performance, I think the company's best year was £450,000 profit pre EO. Since EO, it's been £1.2 million. We have doubled the performance of the business virtually overnight and that was from pretty much the first year.

"Quite a few of our guys, with their bonus, money that they haven't expected, they've accumulated that over the years, bearing in mind it's roughly £3,500 a year tax free," he adds. "They've bought cars that are way beyond what they could hope to do and go on holidays...Our company did that, our model provided them with those opportunities, it's so uplifting."

Alfa Travel? "We have had three record financial years since becoming employee owned – we have seen turnover grow 5% year on year over that period in what are quite challenging trading conditions," says Emma Russell.

"Our employees, on average they've seen 4%-5% growth year on year in their remuneration; a higher growth rate than before we became employee owned. Part of that is directly attributable to being EO because we pay a tax free dividend under the tax plan rules that came in under the employee ownership trust legislation."

Meanwhile at Wise Investments, Alexandra Rae says:

"In terms of staff numbers, when we became EO four years ago we were 20 people and now we are over 50. So, lots of growth has been during the time that we have been EO...some of that is partly to do with being EO but I can't say it definitely [all] is...But the performance, financially, we are growing at much faster rates than we did when we weren't employee owned."

Beyond profit

Gripple's track record is truly impressive. Ed Stubbs explains: "We've got fundamental targets such as achieving at least 10% growth per annum, and 25% of sales must come from products less than five years old. We set out in 2016, a 2021 plan of getting to £100 million turnover. And in 2016 that meant to hit that target we had to generate £25 million of products that didn't exist, and these targets filter right through the business – if you ask anyone about the new product target, they will all have an opinion on it.

"We first offered shares in 1994," he adds. "Someone who bought £1000 worth of shares then, their shares are now worth in excess of £65,000 and they have received in excess of £20,000 in dividend."

So the performance is clear. But money isn't everything, after all. And perhaps not everything meaningful can or should be measured. As Donald Moore at Rowlinson Knitwear says: "We ask people to guess what our absenteeism rate is. People put their hands up and say 'it's 1%? 2%?', and we say: 'we haven't got a clue; we don't measure it because it's counterproductive' – if you really care about people, you shouldn't be targeting getting low absenteeism because there are times for health and mental health and it's better that people don't come into work then."

"In terms of staff numbers, when we became EO four years ago we were 20 people and now we are over 50. So there has been lots of growth during the time that we have been EO...some of that is partly to do with being EO but I can't say it definitely [all] is... But the performance, financially, we are growing at much faster rates than we did when we weren't employee owned."

Alexandra Rae CEO, Wise Investments,

5. SPEED AND RISK

Perhaps the biggest misconception about the world of employee ownership – even if you accept much of the above evidence about impressive performance – is that everything must happen a lot more slowly. All that consultation and consensus – it must slow things down a bit, surely? And as for risk-taking…the EO business is hardly the time or the place?

Well, that's wrong too. It turns out that the solid foundations of employee ownership form the ideal foundation for entrepreneurialism, risk-taking and rapid decision-making.

Faster decisions

As Gripple's Ed Stubbs says: "Leading an employee owned business leads (certainly in our business) to a context where you can be more entrepreneurial, where you can make decisions faster, where you can take more risks, because it is our business."

Andrew Lane at Union Industries agrees: "If you're a plc and limited company and you've got significant investors, then the difference is that they will be risk adverse. I'm not saying we're particularly pro risk, but our decision-making process is a lot faster… We're essentially elected officials, so that comes with an implied mandate to do the right thing. I like to believe we are demonstrating why we are doing the right thing. You're much quicker."

Even in the seemingly more sedate world of personal care there is a need for speed and decisiveness. As Andrew Burnell from the City Health Care Partnership explains, you have to work with your people to achieve that speed: "If you ignore the power of the people, you're making an error," he says. "You are the boss or chief exec but at the end of the day that's a title on the door, and it's getting that balance between the democratic side and still delivering your fiduciary duties. I think that's the battle, and that's something that you need to get your head round and consider this side and that side. How can you be still fleet of foot to make decisions, to take opportunities to invest or disinvest…How do you balance that? You need to keep your business head married to your elected head but that comes down to truth, honesty and openness."

The speed is made possible by trusting capable colleagues to get on with the job, and removing unnecessary barriers to action. As Alison Reid at CDS says: "We effectively release our people from lots of silly processes for approvals to say: if you've got a good idea, your team think it will work, you know, get on with it and just implement it…you have the freedom to innovate, you have the freedom to really take charge of what we're trying to do and support the company to be the very best it can be, to achieve its wider social goals."

Confidence to take risks

That sort of courage and confidence allows appropriate risks to be taken. And that's exactly what EO firms can and will do. As CWP's Chris McDermott says: "We spent a lot of money on our rebrand – more money than we would have spent if we were owned by somebody – and we were very bold in taking up the recommendations that came through from the company that helped us do the rebrand. They were very strong in the things that we needed to do, and we were very bold in picking them up and running with them – much bolder than we would have been or have been in the past."

That confidence allows EO firms to take risks and take the consequences too, even when things go wrong. As Union Industries' Andrew Lane says: "We are not afraid to take a punt, we think this ought to work, let's get it out there and try it. Sometimes it works and sometimes it doesn't, you know what, come back, re-group, let's not blame anybody as we all knew there was a risk and let's go back into it."

6. CONCLUSION

It has never been easier or more attractive to transform your business into an employee owned enterprise, as Richer Sounds, Aardman Animations and Riverford Organic Farmers have recently shown. There is a track record and ethos in this sector to emulate and live up to – and a network of like-minded firms from which to draw inspiration and support.

This is a different and better way of working. It might not be for everyone. As Gripple's Ed Stubbs says: "If you aren't going to get a buzz out of working with a bunch of co-owners feeling it's your business, and regardless of their role, feeling you enjoy engaging with them all then you will have a tough time."

EO as antidote

Britain's workplaces, we are often told, are home to a series of persistent problems, even crises: a skills crisis, a productivity crisis, an engagement crisis. Meaningful and effective employee ownership is an antidote to all this. When you are an owner you recognise the need to boost your skills levels. You know that the company's productivity feeds directly into your pay packet and the company's – your – success. There is no need to fake enthusiasm or force yourself to "go the extra mile" when the business in hand is very much your business.

Succession solution

Employee ownership is also a solution to the perennial question of succession in family-owned businesses, a way of preserving and sustaining what is good about a company even if no family members wish to carry on the burden of leadership alone. Many founders and former owners confirm that seeing the business survive and thrive after passing it on is worth far more to them than the potentially higher price they could have achieved from a trade sale to a third party investor. These things matter. The legacy and the name can live on with owners who understand and care about what those things mean.

Business people and employees can become cynical over time: too many initiatives, too many buzzwords and fads, too many promises made about how things will change for the better. Employee ownership gives the lie to the fashions and fads of business. It is real. It hands power and responsibility to the workforce and lets them take ownership of their future in every sense. Is this not what the advocates of popular capitalism have always called for? There is no "secret formula" here: this is happening now in businesses all over the country, and in the preceding pages you have been able to read a bit more about it.

A question of purpose

Becoming an EO business may require a change in outlook for some. Andrew Lane from Union Industries puts it this way: "In my opinion, you've got to distance yourself from all corporate greed if you're going to be successful in EO. I can't see how the two can sit together. Here, if I had all the performance that we are generating but with the bonus structure that existed in another company, I would probably be 50/60 thousand pounds a year better off, maybe more, which is not an insignificant sum of money. You've got to not look back at what you could have had."

EO is not about looking back, but looking forward: forward to a more satisfying, collaborative, engaged and successful way of working. While some multinationals suddenly claim to have (re-) discovered "Purpose", EO businesses have already been working purposefully for years and years. EO firms draw on everybody's talents. Everyone working for them wins and shares in the rewards.

This is a model for the future which answers so many of today's questions. As Gripple's Ed Stubbs puts it: "You look at all the stuff about executive pay and employee representation on boards, is the capitalist model broken, and we are sat here in Sheffield saying, we have the capitalist model that solves all of these issues, the productivity gap... the answers are all here in EO."

Annex

Interview companies

Ownership at Work is grateful to these employee owned company leaders who agreed to be interviewed as part of the research for this publication.

Alexandra Rae, CEO, Wise Investment
wiseinvestment.co.uk/about-wise-investment

Alison Reid, CEO, Community Dental Services
communitydentalservices.co.uk/about-us/

Andrew Burnell, CEO, City Health Care Partnership
www.chcpcic.org.uk/

Andrew Lane, MD, Union Industries
www.unionindustries.co.uk/

Chris McDermott, MD, Cambridge Weight Plan
www.cambridgeweightplan.com/

Donald Moore, MD, Rowlinson Knitwear
www.rowlinson-knitwear.com/9-schoolwear

Ed Stubbs, MD, Gripple
www.gripple.com/gb/en/

Emma Russell, MD, Alfa Leisureplex
www.alfatravel.co.uk/

Mike Thompson, Chairman, Childbase Partnership
www.childbasepartnership.com/

Sue Rowlands, Director, Tibbalds Urban Planning & Design
tibbalds.co.uk/about/