



THE MORALDNA OF EMPLOYEE-OWNED COMPANIES.

Ownership, ethics and performance.

Roger Steare, Pavlos Stampoulidis, Peter Neville Lewis and Patrick Woodman

September 2015

MORALDNA™

fieldfisher

The eaga
Trust

CMI Chartered
Management
Institute

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Accord Energy Solutions
A G Parfett
Arup
Care and Share Associates
Donald Insall
John Lewis Partnership
Make
MJP Architects
The OPM Group
3BM
Scott Bader

Scott and Fyfe
Sunderland Home Care Associates
Useful Simple Trust
Wilkin & Sons

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FOREWORD



Ann Francke MBA CMgr CCMi FIC
Chief Executive, CMI

How far does the ownership of a firm shape its culture?

That was the question behind the experiment started by John Spedan Lewis with his family's retail business in 1929, aiming to align managers and managed and laying the foundations for the UK's most famous employee-owned company. It's also the question behind this paper, which presents findings from new research into ethics in employee-owned companies across a range of sectors.

The evidence here is that employee ownership improves employees' commitment, positively shapes their thinking about ethical decisions and influences management action for the better. Compared with our cross-sector sample, people are twice as likely to report that their organisation is managed democratically and consensually and far fewer say that command and control prevails. For managers in employee-owned companies, the question will be whether their organisation, or their team, lives up to the benchmark that emerges here, or how they might do better.

The findings are also relevant for managers in other types of business and public services alike. If employee ownership increases people's commitment to the organisation, what can those managers do to recreate that sense of engagement? How else can they attract talented people in an ever-more competitive labour market?

And how can managers in other business types take decisions that don't sacrifice long-term sustainability in the interests of short term targets and quick wins?

Spedan Lewis urged others to run their own experiments in ownership. This research shows that such experiments have been successful. We should have more employee-owned companies and we should learn from their success.

September 2015



Employee ownership is about managers and managed alike all pulling together for their common advantage.

John Spedan Lewis

EXECUTIVE COMMENT: A CATALYST FOR CHANGE



Richard Marr

A key desire of most employee-owned businesses is for the benefits of success to be spread out amongst those creating the success. One demonstrable way to help bring this vision to life is to create, foster and encourage an open and receptive culture. Many employee-owned businesses know this intuitively, but this report in the MoralDNA series now has some impressive findings to back up this belief. This research is notable in that for the first time, companies that are owned through the employee trust model of ownership are the single focus. The report shows that employee-owned businesses are truly leading the way when it comes to ethics and management culture, with more democratic management styles and high levels of motivation.

I think that this is all the more important in the current economic environment with the UK's stagnating and lower levels of productivity when compared to other similar markets. Greater productivity is key to a healthy and growing economy and economists always stress that productivity, employment and pay are all linked. Improved motivation clearly helps productivity and indeed, recent data has shown that the top 50 employee-owned businesses have delivered a 4.5% improvement in productivity.

This research series does clearly highlight the tangible and intangible benefits of being employee-owned and we have been delighted to support this publication. At the eaga Trust we use our funds to satisfy our purpose as articulated by our dual and linked reasons for being which are helping our beneficiaries and promoting employee ownership and fairness in the workplace. We are now seeking to deliver on both pillars by a new initiative of direct investment into existing and new employee-owned businesses – to 'celebrate' the style and culture of employee ownership through commercially successful ventures that value their staff and the staff value the organisation.

I am pleased that this report will further increase awareness of the employee ownership model and should act as a catalyst for beneficial change in the wider business community.

Richard Marr
Chief Operating Officer, the eaga Trust



Democratic management is one of the foundations that can lead to higher levels of motivation and a longer-term approach to business decisions.

EXECUTIVE COMMENT: A WINNING COMBINATION



Graeme Nuttall OBE

Employee ownership works in all sectors and sizes of business, and throughout the business life-cycle. The MoralDNA of Employee-Owned Companies helps us understand how this business model succeeds across such diverse situations – it is driven by a distinctive ethical dimension.

Previous research in this series showed higher ethical scores from managers in organisations where they are likely to be owners, such as in co-ops and partnerships. This new research, the first to focus on employee trust owned companies, provides further evidence that how a business is owned and governed impacts positively on the ethics of those who work in it, and this has real commercial significance. There is a link between higher ethical scores and better business performance. Managers with higher MoralDNA scores on the ethics of care and reason rate their organisations highly for financial performance.

This earlier research raised important questions for me. What would a survey of managers in employee-owned companies reveal? More importantly how would employee owners respond?

I am grateful to all involved in answering these questions. The research shows significantly higher scores in the values of fairness, trust, excellence, humility and courage in employee-owned companies, with no significant differences between seniority levels. When asked, employee owners agreed it is the way their company is owned and governed that drives their commitment and the performance of their business.

These responses from employee owners send a strong signal to other businesses that want to develop and sustain good employee engagement and achieve aims such as attracting and retaining committed staff, encouraging long term decision-making, managing risk, promoting customer satisfaction and achieving innovation. Consider adopting the employee ownership business model.

Graeme Nuttall OBE
Partner, Fieldfisher LLP and, as the Government's independent adviser, author of Sharing Success: The Nuttall Review of Employee Ownership



Employee ownership provides a winning combination of better business performance and happier staff.

INTRODUCTION



There is growing interest in employee ownership as an alternative to more conventionally used business models such as PLCs, LLPs and family owned companies. The Nuttall Review of 2012 examined barriers to the more widespread use of employee ownership; the UK Government has demonstrated its support for the employee trust model of employee ownership, with the Finance Act 2014 providing tax reliefs for those wishing to adopt this business format.

Part of that interest is because of the impact that employee ownership can have on how the business is managed. Employee ownership is often associated with high levels of motivation and engagement, and with impressive company longevity. We wanted to explore whether it is also connected to different ethical standards.

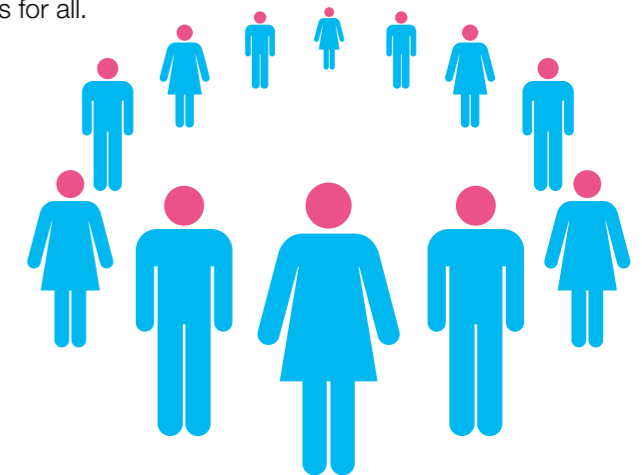
This paper presents the key findings from a research project, with data from a survey of 1,019 employees – managers and non-managers alike – across 15 employee-owned companies (EO companies). It also includes case studies on 15 employee-owned companies. It is unique in providing insights into companies owned through the employee trust model of ownership in particular.

The findings have been aggregated into one anonymous group and analysed to see if there are any correlations which may indicate that the moral standards of employees from employee-owned trust companies differ from other sectors and may have a significant impact on business performance. The results are compared with employees in other sectors, using the MoralDNA™¹ database, and to the sample of managers surveyed for the previous CMI reports in this series.

MoralDNA was designed by Roger Steare, Corporate Philosopher and Visiting Professor in the Practice of Organisational Ethics at Cass Business School in London, and Pavlos Stampoulidis, a Chartered psychologist and Director of Psycholate in Athens. Since its launch in 2008 more than 130,000 people from over 200 countries and working in 47 occupations have completed MoralDNA. The authors worked with CMI to publish two reports in 2014: *Managers and their MoralDNA* and *The MoralDNA of Performance*.

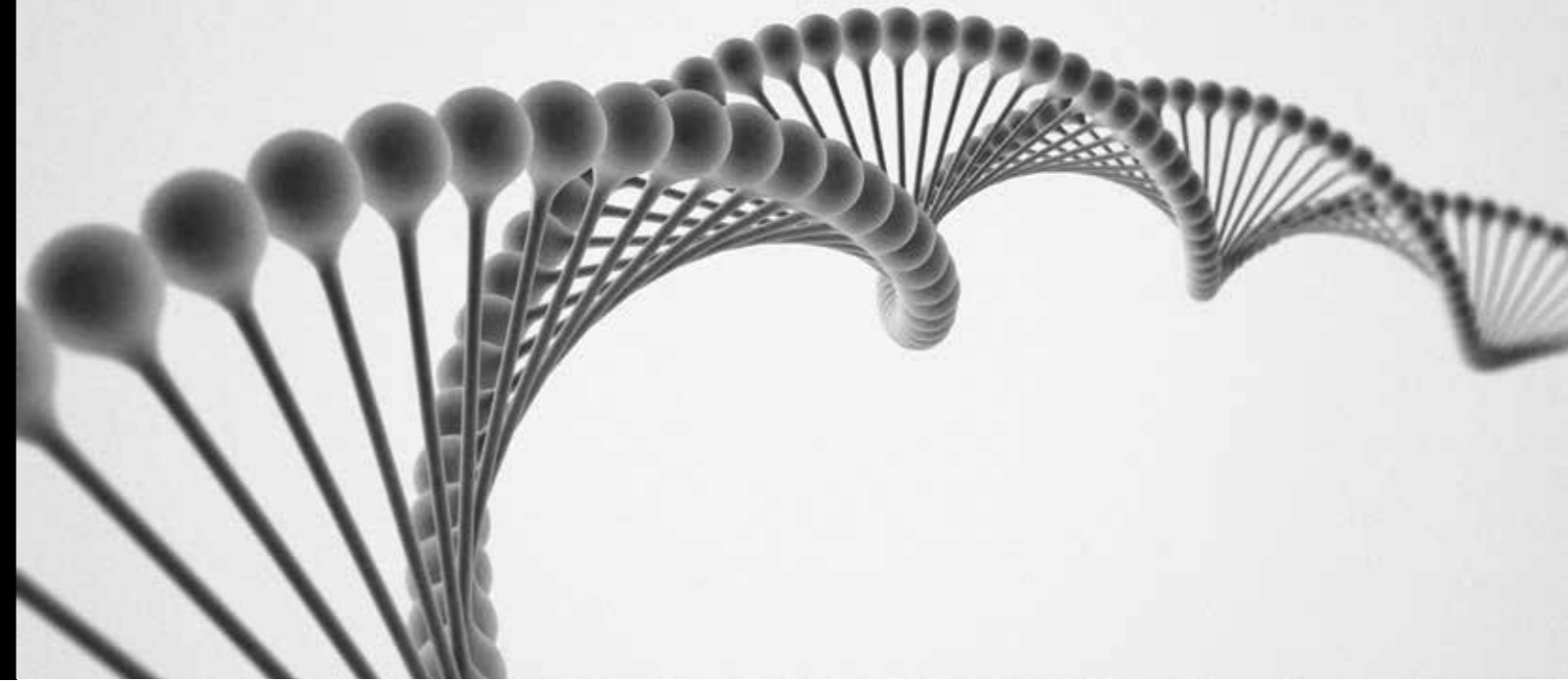
Executive Summary

- The research strongly suggests that the culture, values and ethics of employee-owned companies are significantly stronger than those with other forms of ownership. The MoralDNA diagnostic tool indicates that when employees own their organisations, the culture is more human, less fearful and less bureaucratic.
- When people at work operate in a culture of fear and bureaucracy, customer focus and entrepreneurship suffer. This translates into lower revenues and profits and higher costs.
- When it comes to organisational hierarchy, the structure is much flatter and more collegiate in employee-owned companies. Everyone has a stake in the company and therefore it is in everyone's benefit to care and treat colleagues on every level with respect.
- The findings also demonstrate that the values of employee-owned businesses are stronger than others. Democratic, visionary, coaching and affiliative leadership styles are the norm here, compared with the coercive and demanding styles of competing forms of ownership.
- When comparing leadership styles, 90% of people working in employee-owned companies experience high-performing visionary, democratic and coaching leadership styles – compared to only 58% in the control sample.
- This research adds pressure to those organisations clinging on to a feudal, mechanistic mind-set. As our world becomes more socially connected, more democratic and more disruptive, forms of ownership which are more human, agile and inclusive will dominate. Those who lead at work should consider how they can learn and apply the lessons from this report: a more human, supportive yet challenging culture has clear benefits for all.



¹ MoralDNA™ is a trademark of Roger Steare Consulting Limited

WHAT IS MORALDNA?



MoralDNA™ is a diagnostic tool that measures our thinking preferences when making moral decisions. It is built around three ethical decision-making philosophies: the ethic of obedience (rules), the ethic of reason (principles) and the ethic of care (outcomes that benefit all).

It also measures which values or principles we use to make these decisions about what's right; and how these insights can be correlated with conduct and behaviours. MoralDNA also detects changes in the way we make ethical decisions in both our professional and personal lives. These differences offer clear insights into the influence of organisational culture on how we think, decide and act both in our private lives and in the workplace.



The ethic of obedience or compliance and the law



The ethic of reason or principles



The ethic of care or love and empathy

How does MoralDNA assess organisational culture and performance?

Organisational culture is a complex, adaptive and systemic phenomenon. Therefore, attempts to change culture using simplistic and deterministic controls and processes will inevitably lead to failure, simply because we can never fully understand nor predict the consequences of the changes we make in these processes and controls. In this paper, we explore how people in employee-owned companies prefer to make decisions based on obedience to rules (deterministic controls), reason (moral values) and care (for colleagues, customers and communities) – and how these cognitive biases change at work.

MoralDNA measures factors that have been correlated both with risk of organisational failure and exceptional, sustained financial performance. In *How The Mighty Fall* (2010), Jim Collins conducted research on a number of firms that had failed or were failing, including Hewlett Packard, Merck and Fannie Mae. From this research he

identified five destructive behaviours including “hubris born of success”, “undisciplined pursuit of more” and “denial of risk and peril”. MoralDNA detects cognitive bias towards arrogance, greed and dishonesty in decision-making.

In contrast, *Firms of Endearment* (2014) by Raj Sisodia, Jag Seth and David Wolfe analysed the consistent factors that determine the exceptional long-term success of firms such as BMW, Commerce Bank and IKEA.

The common factors in the success of these firms include having a clear purpose to serve others and caring deeply about all stakeholders. MoralDNA identifies mindsets that focus on good outcomes and how much people care, which is illustrated by the EO companies featuring in this report.



Today's best companies get it. From retail to finance and industries in between, the organisations who recognise that doing good is good business are becoming the ultimate value creators. They're changing their culture and generating every form of value that matters: emotional, experiential, social, and financial.

Raj Sisodia, author of Firms of Endearment

KEY INSIGHTS

Ethics at work

MoralDNA looks at people's decision-making preferences both in their personal and their professional lives. At a personal level, the MoralDNA scores of people working in employee-owned companies are consistent with the moral norms of our global database of 130,000 people.

Overall, the deterministic culture in many workplaces tends to increase robotic compliance with rules – and suppress care and empathy for others. However, these negative effects are significantly less pronounced within employee-owned companies than in other forms of ownership (the Comparison Group), as Figure 1 shows.

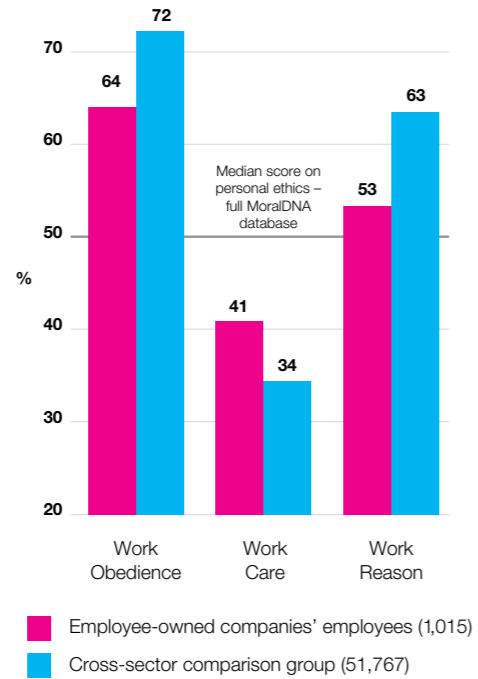


Figure 1: How people's ethics change at work. The ethics of obedience and reason are stronger at work than in people's personal lives (i.e. above the median), while the ethic of care is generally weaker (i.e. below the median).



CASE STUDY



You can sense employees becoming more empowered – their self-esteem and self-confidence develop and grow because of the way we work.

David Wheatcroft – Trustee and Board Adviser



CARING IS SHARING

David Wheatcroft, Trustee and Board Adviser

Sunderland Home Care Associates (SHCA) provides care services in the Sunderland area and has been an employee-owned social enterprise since 1994. It is owned by over 300 care workers from the area.

SHCA attributes its achievements to strong team work, high standards and great staff commitment, which have been recognised with various awards.

SHCA's unique structure means that employees have the opportunity to take part in, for example, democratic general meetings, setting budgets and negotiating pay and conditions. All staff members undergo extensive training as SHCA strongly believes that well-

trained staff become more confident and are able to offer a better quality service – while creating a feel-good environment for everyone concerned.

“Becoming an Employee Benefit Trust back in 1994 has been a wonderful thing: it gave our people a real feel of commitment, responsibility and a chance to be 100% involved in how we operate. Over the years the shares have increased in value from under £3 to over £18, reflecting the success of the business and its high reputation. We have prospered and a good chunk of the profits is paid back to colleagues as a bonus.”



CASE STUDY



COLLECTIVE RESPONSIBILITY

Steve Parfett – Chairman

A G Parfett is an independent cash-and-carry that supplies a comprehensive range of food, drink and tobacco lines. It was founded in Stockport in 1980 – three decades later it also has branches in Halifax, Somercotes, Sheffield, Aintree and Anfield.

The Parfett family sold a majority stake in their Northern based wholesale chain to its 600 employees in 2008, at a 20% discount to market value. Employees now own 66%, bought with money borrowed against the assets of the business, with the intention to become 100% employee-owned.

“Since the change the business has continued to grow and evolve, and

has won awards for best customer service in the industry. Staff are very interested in the strategy and making employee ownership real with effective communication and consultation – which has now become our normal way of doing business.

“We continue to grow a successful and profitable business by incorporating the values and ethics of an employee-owned company such as trust and having public goals. We also encourage a collective responsibility that recognises the importance of the welfare and development of both employees and customers.”



We encourage collective responsibility that recognises the importance of the welfare and development of both employees and customers.

Steve Parfett – Chairman



Ethics and hierarchy

Looking at differences in obedience, care and reason scores by leadership status, the scores only very slightly between shop floor employees and those in senior management roles. Unlike in other sectors, in the employee ownership sample there are no significant differences between seniority levels.

This more egalitarian trend is particularly visible in the ethic of obedience, which is a strong indicator of fear-driven command and control cultures in more hierarchical workplaces. This finding therefore strongly suggests that the cultures of employee-owned businesses are much less hierarchical and more egalitarian than others.



Figure 2: Comparing ethics at work between managers and followers in employee-owned companies and the comparison group.

CASE STUDY

make



ATTRACTING AND RETAINING TALENT

Laura Cooke, Partner, Make Architects

A leading architectural practice founded in 2004, Make's entire capital is held in trust for the benefit of employees – both now and in the future.

Founder Ken Shuttleworth has irrevocably given away his ownership rights; the trust was deliberately structured in such a way that he can never get them back. He feels very strongly that no entrepreneur makes money without the loyalty of the people working for him, and those people should be rewarded for their loyalty by sharing in the successful businesses they help to create.

Laura Cooke, Partner at Make: *"We will only create a better kind of architecture by being a better kind of practice. That's why every employee at Make is an owner of the business. This democratic working environment ensures we attract, retain and develop the best creative talent and share a united sense of purpose and commitment. Employee ownership is a very collaborative way of doing business."*



It's not a cut-throat way of doing business; it's the right way to do business.

Ken Shuttleworth, Founder, Make Architects

CASE STUDY

John Lewis Partnership



PUTTING PARTNERS' HAPPINESS FIRST

Simon Fowler, Partnership Registrar, Board of John Lewis

Founder John Spedan Lewis set up the John Lewis Partnership (JLP) in 1929. He wanted to create a system that was both commercial, allowing the business to move quickly to stay ahead in a competitive industry, and democratic, giving every Partner a voice and share in the business they co-own. Lewis' combination of commercial acumen and corporate conscience, very much ahead of its time, is what makes JLP the success it is today.

All 93,800 permanent staff members are Partners who own 44 John Lewis shops, 340 Waitrose supermarkets, an online and catalogue business, a production unit and a farm across the UK. It is the UK's largest example of worker co-ownership. JLP wants to be known as a visionary and successful business that puts its Partners' wellbeing at the centre of everything it does.

"JLP exists for the happiness of its members. When the recession in 2008/2009 hit business hard we were able, because of our ownership model, to take some tough decisions and actually build new jobs where the business was expanding and close down old jobs. It worked because it was clear that these decisions were made to the advantage of everyone in the long-term." – Andy Street CBE – Managing Director

CASE STUDY

Scott & Fyfe
an employee owned company



SHARING SUCCESS

Prof Nick Kuenssberg OBE, Chairman

"We all share in the success of the company. We are building on a renewed ethos that underlines collaboration, enthusiasm, energy and partnership working." Prof Nick Kuenssberg OBE – Chairman

Scott & Fyfe are global designers and providers of technical textiles based in Tayport, Scotland. After 150 years in the same hands, in December 2012 Scott & Fyfe was transformed from fourth generation family ownership into a fully employee-owned enterprise.

Here's what a number of employees had to say, following a request for their views by Chief Executive John Lupton:

"Joining an employee-owned company is refreshing. Compared to other companies Scott & Fyfe enable all employees to speak their minds. Everyone has a can do attitude that is driven by the fact that they all are considered equal. You aren't just another number."

"We all have the same goal and if our company grows we will reap the benefits."

"Scott & Fyfe has taught me that employee ownership is a learning process, which involves a huge behavioural change. It is not simply acquiring shares and becoming an owner of a piece of the company – it's also a process of understanding my responsibilities as a shareholder. For me this means judging my own work and my colleague's work for improvements, gaining a voice in key decision-making and having the ability to plan and action changes or opportunities to improve."

CASE STUDY



PEOPLE EMPOWERMENT AT ITS BEST

Tim Hurstwyn, Operations Director at Useful Simple

Useful Simple Trust is a trail-blazing endeavour, owning five participating Trust companies in the creative industry. They are innovators in design education, sustainability and communication and operate through pioneering design projects.

Each of the founder shareholders gave away their shares at the moment they joined the Trust. In return they have the ability to put the destiny of the company into the hands of their successors – those whose intellectual efforts are their greatest asset. This way, new leaders can be promoted as they emerge on the basis of merit, without the burdensome requirement to take a shareholding, or to find the funds to buy into a partnership. Tim Hurstwyn, Operations Director:

"The Useful Simple Trust was founded on the basis of well-being,

people empowerment and the opportunity to participate in an organisation that does really good work. Being non-hierarchical is crucial to how we operate as a group of five different businesses under one Trust umbrella.

"I know that all of my everyday efforts directly benefit me and all of my fellow employees. In a nutshell this is why being employee-owned matters. It means I can focus on doing my job rather than doing my hours. It means that I have people around me that can jointly work through the hard times and celebrate the good times.

Being employee-owned means that our owners care deeply about the long-term success of the enterprise and this in turn encourages a huge generosity of spirit and sharing of ideas supported by everyone".



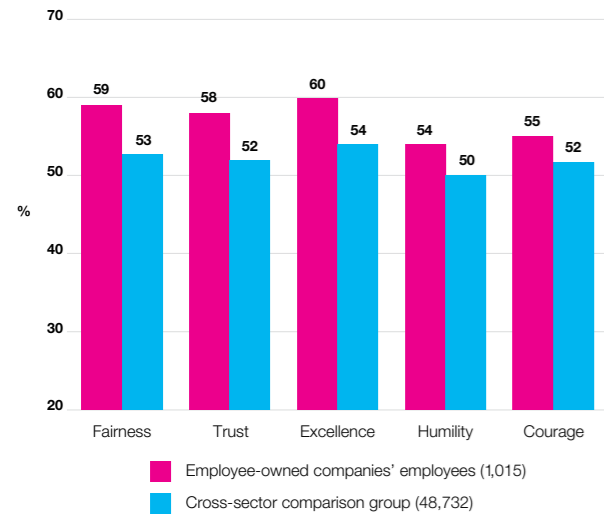
Being employee-owned means that our owners care deeply about the long-term success of the enterprise.

Tim Hurstwyn, Operations Director at Useful Simple

Moral values

MoralDNA measures how people rate themselves on ten universal moral values and three ethical consciences. In short, it measures how we prefer to make moral decisions as well as the values we prefer to consider when doing so. Together they give a strong indication of how people tend to make decisions.

The findings show that there are significant differences between the two samples in five of these values. People working in employee-owned businesses demonstrated significantly higher scores in the values of fairness, trust, excellence, humility and courage.



CASE STUDY



ACTING WITH CARE

Walter Scott – Managing Director

“We’re on a journey rather than a revolution, sticking to the long-held principles of Quality, Integrity and Independence”
Walter Scott – Managing Director

Wilkin and Sons have been making jams, marmalades and preserves in Tiptree since 1885. The company employs over 250 staff and is a traditional, family-oriented business that believes in paying its bills on time and continually engaging staff.

In the mid 1980’s the family ended their involvement in the business. The Employee Benefit Trust, run by seven Trustees including three staff members, was set up as a vehicle to hand over family shares to Wilkin’s employees.

The new business model helped to ensure that everyone involved is encouraged to play an active role simply by behaving responsibly and acting with care. It also has the added benefit of helping to prevent the business from hostile takeover.

Today, Wilkin is committed to the continual evolution and refinement of its ownership model, ensuring “quality, integrity and independence”.

Figure 3: Comparing the values scores of employee-owned organisations and the comparison group.



CASE STUDY



BUILDING FOR FUTURE GENERATIONS

Sue Carter – Commonwealth Secretary at Scott Bader

Thirty years after its inception, Ernest Bader, founder of chemical company Scott Bader, gifted the company to his colleagues in 1951. His intention was to create a company whose well-being was entrusted to those who work in it.

Today Scott Bader is a £227m company with manufacturing sites located around the world with a global reputation for innovation, quality and excellent customer service. It has a clear set of values (Commitment, Responsibility, Team Working and Fairness) and guiding principles with a self-governing structure, which have an impact on business, employment relationships and interaction with the wider community.

Each generation must ensure the ongoing success of the organisation so that future generations can benefit from its continued existence. The fact that Scott Bader cannot be taken over brings long-term stability.

“We celebrated 60 years of Commonwealth trusteeship in 2011 and have survived several economic cycles, which has clearly demonstrated that Scott Bader’s business model of growing within its means works over the long-term. Our trusteeship model has developed steadily and expanded to include a variety of cultures around the world, and all colleagues share in the profits generated.”



Scott Bader strives to maintain the balance between its social purpose and its business needs for economic growth and continued efficiency.

Sue Carter – Commonwealth Secretary at Scott Bader

CASE STUDY



QUALITY, SOCIAL USEFULNESS AND REASONABLE PROSPERITY

Sir Philip Dilley – Arup Trustee and former Arup Chairman

Arup is an independent firm of designers, planners, engineers, consultants and technical specialists operating across five global regions with over 13,000 members. Its defining philosophy dates back more than 45 years and sets “reasonable prosperity” as one of the guiding values underpinning the firm’s focus on ‘quality of work’, conducting ‘straight and honourable dealings’ and delivering work of ‘social usefulness’.

Arup’s fully inclusive trust ownership means that there are no shareholders or external investors, which allows the firm to determine priorities and business direction fully independently. There has been consistent organic growth for almost 70 years, as well as strong financial

performance and enviable staff retention. Arup’s independence also allows the firm to take a long-term view that allows the pursuit of innovation, creativity and technical excellence without compromising the firm’s principles.

A recent staff survey confirmed that 89% of Arup personnel around the world “feel proud to work for Arup” while 87% “would recommend Arup as a place to work”.

“The Arup ethos plays a part in attracting highly motivated and engaged people, and our lack of major debt means the risk to the business is reduced. Over the years I’ve witnessed how the advantages of employee ownership have worked very well for Arup.” Sir Philip Dilley – Arup Trustee and former Arup Chairman.



Our lives are inextricably mixed up with those of our fellow human beings, and there can be no real happiness in isolation.

Ove Arup, 1970



Leadership styles

When comparing leadership styles, consensus scores higher than control: 90% of people working in employee-owned companies experience high-performing democratic, visionary, affiliative, and coaching leadership styles.

This compares to only 58% of managers working in a comparable cross-sector group.

Similarly, only 10% of EO managers experience poor-performing, command and control or pace-setting leadership styles, compared to 42% of those in the cross-sector comparison group.

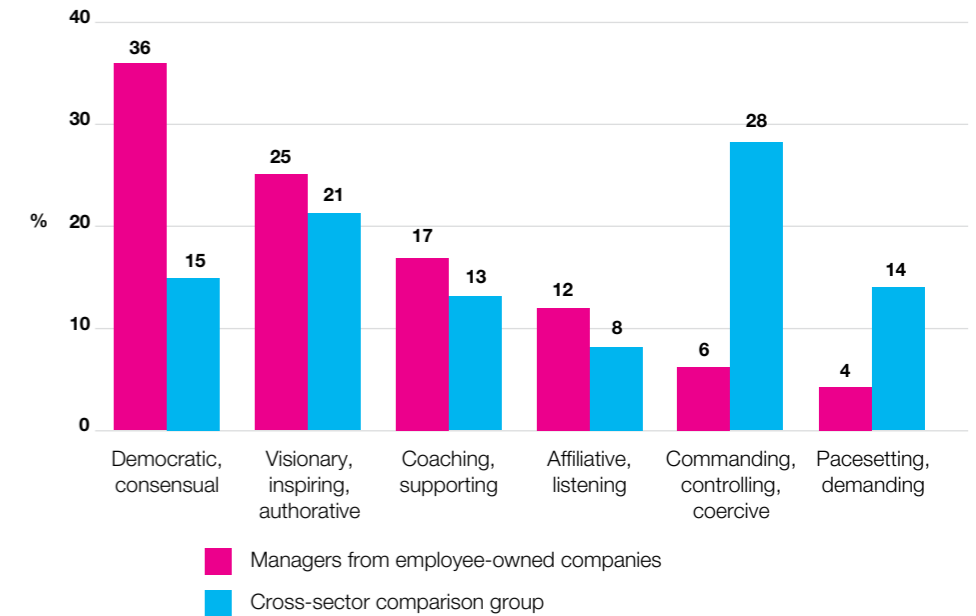


Figure 4: Leadership styles and employee ownership.

CASE STUDY



THAT'S THE SPIRIT

Jeremy Estop – Managing Director

MJP Architects is an architectural practice established in 1972 and based in Spitalfields, London. It became 100% employee-owned in October 2007. It transferred its ownership into an employee benefit trust – with the aim to help attract, retain and motivate high quality staff by allowing them to become stakeholders and benefit from the company's success.

MJP also wanted to foster a collective team spirit, enable senior staff to

be appointed entirely on merit and without regard to their financial means – as well as avoid liability on the company to find the buy-out money when shareholders leave.

“Employee ownership means that everyone in the firm has the same interests. Information can be shared, which can lead to high levels of engagement. Openness and employee involvement are important – crucial for any 21st century organisation.”



Openness and employee involvement are important for any 21st century organisation.

Jeremy Estop – Managing Director



The impact of employee ownership

In addition to completing their MoralDNA profiles, people in the employee-owned companies were asked questions about the effect of this ownership model on a number of specific and positive cultural features.

Employees' commitment to the organisation and the organisation's performance stand out as being particularly high in employee-owned companies, as does the ability to attract new staff. It also encourages longer-term decision-making.

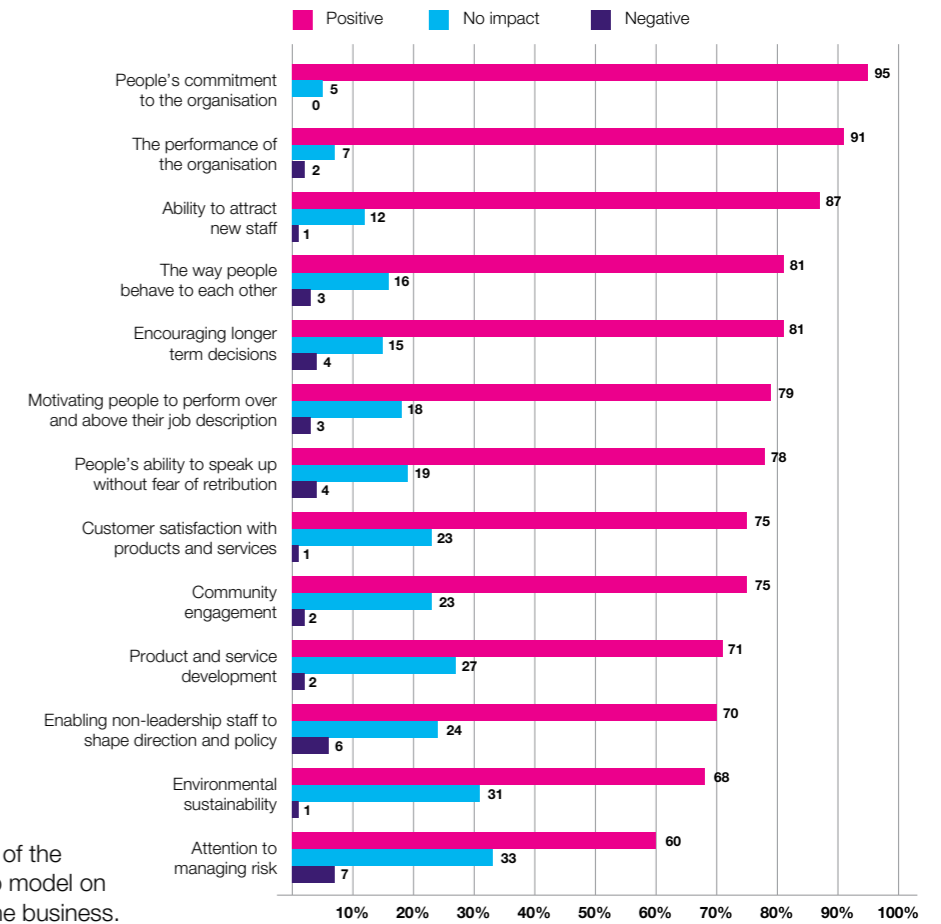


Figure 5: The effect of the employee ownership model on various aspects of the business.

CASE STUDY



There isn't one cookie cutter route to success.

Lucy Farrow – Chair of Employee Share Ownership Trust, OPM



EVERY LEVEL CAN LEAD

Lucy Farrow – Chair of Employee Share Ownership Trust, OPM

OPM is an independent, employee-owned research organisation and consultancy that works with a wide range of stakeholders – including policy makers, regulators, service users and communities – to ensure that services are designed and implemented efficiently, effectively and in the public interest.

OPM believes that employees at every level can lead, and has representatives from the most junior level through to the most senior working together to hold the board to account.

“The nature of employee ownership influences the way in which we exercise leadership. We take a collaborative approach to problem-solving, with everyone contributing to the challenges we face as a business. This ranges from suggesting an idea for saving money to

leading a small task group to investigate a new area for business development.”

This structure gives employees the opportunity to take on leadership roles much earlier in their career without needing to acquire the 'status' usually associated with non-employee-owned companies. This gives staff the opportunity to explore leadership roles outside of their day jobs.

“We choose our ownership leaders via a popular vote. The qualities needed to win an election voted for by your peers aren't necessarily the same as those required to sit a senior management interview, and that has major benefits. The diversity of perspectives and styles mixes things up in board meetings, and also provides a positive example to all employees that there isn't one cookie cutter route to success.”



CASE STUDY



SUSTAINABILITY, INCLUSION AND LONGEVITY

Simon Charrington – Director and Company Secretary, Donald Insall Associates

As a firm of chartered architects, historic building and planning consultants, Donald Insall Associates (DIA) has over 50 years' experience in the care, repair and adaptation of historic buildings and places.

DIA is a democratic company where senior staff encourage and listen to junior staff, value their contributions and involve everyone in decision-making. One of the company's key guidelines is continuity of succession: the practice is involved with the maintenance and redevelopment of historic buildings so that they are useful to new generations. They believe the business model should reflect this sustainability and aim to be socially conscientious.

“We are proud of our ability to attract and retain many of the most talented professionals in our field, and while a number of our staff have been with the practice for some years – giving our clients valuable continuity and long-standing relationships – we also ensure that expertise and skills are nurtured and developed through successive generations.”



CASE STUDY



PUTTING PEOPLE BEFORE PROFIT

Victoria Christie – Finance Director

The CASA group (Care and Share Associates) is a social enterprise that develops subsidiaries in which the workforce are the owners. Employees are able to participate in the decisions that affect their working lives. CASA believe that this structure produces a higher level of commitment to the organisation as well as the quality of the services it delivers, because every employee is supported to achieve their personal and professional best.

CASA based its business model on that of Sunderland Home Care Associates and has an excellent track record of providing skilled, compassionate and reliable care workers through several associated enterprises across the North of England.

“As a social enterprise, our purpose is not to maximise profit. Our main commitment is to the communities we serve. We believe in putting people before profit. All of our subsidiaries are employee-owned social enterprises with a strong focus on people. By being a good employer, treating people fairly and refusing to 'cut corners', we are able to retain a committed workforce and provide a better service.”



CASE STUDY



UNLOCKING PASSIONATE PEOPLE'S POTENTIAL

Andy Rennison – Managing Director

3BM was established in 2013 as the first Local Government Mutual Pathfinder, providing education support services to schools and offering an extensive range of building and architectural services to all sectors. They also run a successful apprenticeship programme supporting over 250 schools. 3BM started with 43 employees; two years on they've grown to 73 people who all own a part of the business. Andy Rennison, Managing Director, says:

"Everyone knows of the numerous challenges facing the public sector. But what amazes me is how unaware everyone is of the quality and potential smouldering away in many public services. The problem is that they're suffocated by restrictive bureaucracy, red tape and detached decision-making."

We were confident that we had all the right ingredients for success: an experienced passionate workforce and a fantastic base of supportive customers and Councils prepared to innovate. This was underpinned by a shared sense of togetherness and purpose. Our challenge was to unlock all this energy and potential.

People now feel empowered and confident in their ability to influence and change things. The openness and transparency

that we operate under allows everyone to believe in the vision and direction of the business. This underlying sense of confidence has released people's innovation and as a result, the services that we offer have been significantly improved.

Business development and service improvements are everyone's responsibility – not just senior leaders. We very much succeed or fail together. We adapt our services to customer needs – not the other way round. We don't ask our people to fill in time sheets – we trust them to get the job done."



We took a leap of faith, moving away from a command and compliance management style to an organisation where everyone is an owner with a voice and opinion.

Andy Rennison – Managing Director



CONCLUSIONS AND CHALLENGES

- Overall, the research endorses the core ethos and impact of the employee-owned company as both higher performing and more ethical. There are also clear opportunities for improvement, particularly in avoiding the robotic compliance, bureaucracy and more controlling leadership styles of direct competitors with other forms of ownership.
- More democratic management styles should go hand in hand with a culture that is open, with extended information flows and encouragement for constructive dissent and challenge. This should enhance an organisation's ability to respond to blind spots, cognitive dysfunctions and risks.
- MoralDNA results consistently show the difference between individuals' ethics at home and at work. It is likely that ethical preferences will be influenced by the structures in which employees are situated. Employee ownership represents a particular form of organisation which may be more stable than others. How far do institutional settings which help people feel secure and appreciated for their contribution enable more balanced ethical preferences?
- For companies with other ownership models, what does this research suggest they should be reviewing in their own cultures? Whilst an immediate change in model might be impossible in the short term, what can they do to shape cultures where people are able to think, decide and act like owners to the benefit of all?
- For the Government, we believe this research highlights the need for further work on its employee ownership "toolkit". In addition to those already created during the Nuttall Review we would ask for an employee engagement toolkit to be created that reflects best practice across the sector and allows employee-owned companies to accelerate the employee engagement benefits of this business model.

CASE STUDY



PEOPLE ARE THE ENGINE

Alan Spence – Managing Director

In 2010, Alan Spence and two co-directors founded Accord Energy Solutions, an independent specialist consultancy in the international oil and gas industry. It was the first employee-owned start-up in Scotland, now employing over 40 staff and consultants.

Accord relies strongly on personal recommendations and the working environment is friendly and relaxed; talent looking to join a dedicated and professional team are regularly attracted to the company. Employees are responsible for managing their own work and workload; there are no targets or KPIs set by management. This structure means that every employee

is responsible for making the company successful.

"The power of people is both the engine room and the creative flair of a company. Handing control to the employees through greater engagement is now showing its merits across all areas of the business. Two way communication between employees and employers increases knowledge, awareness and understanding. Employees have more responsibility, while employers embrace the ideas such power generates."

Accord relies on and trusts all its people and they in turn can rely on Accord supporting them in their growth."



The power of people is both the engine room and the creative flair of a company.

Alan Spence – Managing Director



TAKE ACTION

- Take the MoralDNA Profile for yourself to receive instant feedback on your ethics: www.moraldna.org. If you want to use it in your workplace, a commercial license applies. Please email: research@managers.org.uk for more information.
- Download CMI's Management Ethics Toolkit, a practical one-pager with Ten Tips for Creating an Ethical Organisation, or read more about our previous research at: www.managers.org.uk/moralDNA
- Read more about the employee ownership business model at: www.gov.uk/employee-ownership and www.gov.uk/government/publications/nuttall-review-of-employee-ownership-one-year-on

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