SUBMISSION FROM JACQUI MARTIN

I'm a self-employed consultant with experience of both employee ownership and social enterprise and a keen interest in alternative ways of working which focus on people working towards a shared purpose, using their key strengths, having opportunities to develop and make a meaningful contribution.

I work on an associate basis for Co-operative Development Scotland as a Succession Adviser and as an Employee Ownership Specialist. During the last six years I have worked with over 30 organisations that are employee owned or thinking of moving to employee ownership, have project managed 8 employee buyouts and undertaken around 15 feasibility studies. I'm also an Independent Trustee on the Employee Ownership Trust of Accord Energy Solutions.

In addition to my work in employee ownership I also work as an associate for First Port providing advice to social enterprise start-ups and have provided consultancy support to a number of different social enterprises at various times over the last 10 years.

Scale and Growth

Whilst there is now a good general awareness of the concept of social enterprise, there are few that are large scale.

The concept of employee ownership is not particularly well known although considerable work has been undertaken in recent years in Scotland to raise awareness particularly amongst professional advisers. Most of the companies I have worked with that have become employee owned have less than 100 employees and under £10M in turnover but this model can work equally well with large companies, John Lewis being the obvious example.

Examples of Innovation

If employees have a stake in the outcome, whether this is a psychological contract in terms of working towards a shared social purpose in the case of social enterprise or they have some type of ownership stake then it follows that they are much more likely to put forward innovative ideas whether this be new products or services, ways of reducing costs or process improvements. Those at the front line whether this is serving customers or manufacturing products often have better ideas for improvement that those at the top of organisations. These alternative business models require participatory leadership skills to ensure that the collective intelligence of employees can be effectively harnessed.

Sources of Funding/Support

In my opinion, social enterprises are well served by the Just Enterprise programme particularly in the case of start-ups. The stage 1 funding of up to £5K involves a simple application process although there is strong competition for the limited funds available and it would be good if more funds could be made available. The business support offered is flexible and tailored to the individual’s requirements. Currently this support is offered on an individual basis but I believe value could be gained from
bringing people together in small groups and offering facilitated support where they can learn from and encourage each other. I also believe that collaborative entrepreneurship should be encouraged. Many people have ideas for a social enterprise but don’t have the skills or commercial experience to take these forward successfully whilst there are others with an interest in social enterprise who have the skills and experience to do this but may not have a business idea. I believe there would be value in bringing groups of people together to see if there is the possibility of some successful collaborations being established.

There are limited sources of funding available for employee owned businesses as often their banks have little experience of this alternative business model and there are a number of examples of clients who have had to change banks as a result.

Specialist funders such as Capital for Colleagues can provide funding for transition and growth of employee owned companies. Most of the transitions I have been project managed have funded the employee buyout from future profits of the business with the exiting owner receiving payment over a number of years but if the exiting owner continues to be involved in the company then it can seem as if nothing much has changed and employee ownership can therefore feel less real meaning that the full benefits may not be forthcoming.

Co-operative Development Scotland in terms of initial advice and signposting and also provides funding of initial feasibility studies for companies interested in considering employee ownership. CDS will also part-fund the transition fees.

The support that is currently offered is focused on completion of the buyout however I consider this to be just the start of the journey. More support should be available post-transition. Indeed, funding for the costs of transition should be contingent on post transition support being undertaken. To truly realise the benefits of employee ownership then a different operating model needs to be adopted. Coaching and training is therefore often needed on participatory leadership and culture change.

**What can be done by Public Bodies to encourage these Alternative Business Models?**

I believe that there are a number of initiatives that could be undertaken to encourage more employee owned businesses in Scotland;

One of the key barriers for smaller companies is the legal costs involved in making the transition to this model. Templates of the key legal documents such as Articles of Association and Trust Deed would lead to reduced costs and therefore more companies are likely to consider going down this route.

People starting businesses should be made aware of the employee ownership option. Too often emphasis is placed on an individual entrepreneur when the company could be even more successful if everyone has a stake in the outcome. Accord Energy was founded 5 years ago as an employee owned company. The three founders offered shares in the company to all joiners through a Share Incentive Plan and then set up and Employee Ownership Trust. The plan is that they will eventually reduce their shareholding to 10% each with the rest of the shares being
held by the Trust or by employees through the Share Incentive Plan. They viewed this as a key means of attracting and retaining talented individuals and also a means of preventing a takeover.

More and more people are questioning the traditional “command and control” operating model used by organisations and I believe that more needs to be done to raise awareness of alternative ways of working. As part of Collaborative Futures, I will be co-hosting the screening of a German crowd-funded film providing examples of companies that have implemented transformative changes based on self-organisation, participatory leadership and transparency. A number of forward thinking leaders have been invited to this screening which will be followed by small group discussions considering the key themes raised and how these ideas might be applied in Scotland’s workplaces of the future. Ideally we would like to use this event as a catalyst for starting a National Conversation on New Ways of Working and invite leaders in the private, public and third sectors to participate. We also hope to secure funding to produce a similar film showcasing examples of Scottish organisations that are exploring new alternative operating models.

There also needs to be inclusion of these alternative business models within business schools in Scotland. Throughout my MBA course which was completed in 2000, there were no examples provided of social enterprises or employee owned companies.