EX OWNER’S VIEW OF AN EMPLOYEE OWNED COMPANY DURING A SHARP DONWTURN IN BUSINESS

1. SUMMARY CLANSMAN HISTORY:

a/ Started 1994

b/ Produce a range of machines for the forge / foundry industries and sell to 40+ countries from East Kilbride base.

c/ Converted to Employee Ownership in 2009.

d/ Excellent financial results since and employees would confirm it has been a very good move in terms of their own ‘Wellbeing.’

2. DOWNTURN

a/ Sceptics have told us Employee Ownership (EO) is fine when a company is doing well but falls apart when the cold winds blow.

b/ Employees warned in 2013 that problems were looming, as BRIC countries especially, all faced difficulties. 2014/15 profits down by 40% but still healthy.

c/ 2015/16 sees a perfect storm of a strong pound, lack of confidence for our customers to invest in Europe and deeper problems in BRIC countries.

d/ All employees are aware of the situation and this is fundamental to their commitment to ensuring orders are met and understanding the lumpy nature of large manufacturing business, particularly when orders are hard to come by.

3. OPTIONS FOR AN EO BUSINESS

a/ In an EO business there are by definition no external shareholders to ‘placate’.

b/ The priority is jobs/security (and we have verified this through interviews with Clansman employees conducted by an external third party).

c/ All have been explained the following at company meetings over the past 2 years:

1. Investment cycles are cyclical and we must both risk making new developments, despite the downturn and maintain a hefty bank balance.

2. Certain customers, especially Russian, are simply not paying 6 figure invoices.

3. Aim is to preserve jobs - because of the history of engineering in Lanarkshire there is a certain amazement each time this is repeated.

4. Company is prepared to use the cash pile to maintain employment and technical developments because that is MORE of a priority for employees, who are shareholders, than short term profit maximisation.
4. WHAT WOULD HAVE HAPPENED IF CLANSMAN HAD BEEN A TRADITIONAL PLC?

a/ The large ‘rainy day’ cash pile at the bank would have been spent on shareholder dividends.

b/ Jobs would have been cut as soon as losses started.

c/ The engineering team and technical development would have been reduced, rather than kept together for the long term.

d/ Customers/ agents would have noticed the company was becoming less responsive.

e/ Owners might have sold all or part of the company (if you have shareholders who are also employees this does not happen until the crisis is near terminal).

5. SCEPTICS CAN BE PROVED WRONG

a/ By informing employees of the good and the bad news trust is established + all begin to understand the need to conserve cash, minimise overtime and any wage rise,… that it is cash that gives the business freedom to manoeuvre.

b/ EO genuinely allows a long term view.

c/ The company remains firmly rooted in E Kilbride.

6. ANYTHING GOVERNMENT CAN DO?

a/ On a personal note the idea of Employee Ownership was sown for me 40 years ago in an Industrial Relations module that was then a part of a Naval Architecture degree.

- Unless there have been recent changes it is not a model that even features in Scottish business schools.

b/ Could the concept not be introduced at Secondary Schools (Modern Studies)?

c/ At present there is no ‘bottom-up’ pressure for EO and, until there is, EO may remain a fringe idea.

d/ CDS punt the idea of EO in Scotland in an untiring way.

e/ I don’t believe we can look to either professional advisers or trade unions to promote the model as it conflicts with serious vested interests.

f/ As with land ownership legislation could provide a "Right to Buy", and X months to conclude the transfer of the business. This might create some ‘bottom-up’ pressure.
7. **EMPLOYEE OWNERSHIP SHOULD BE A PART OF THE GOVERNMENTS ‘WELLBEING’ GOALS.**

John Swinney referred to ‘Wellbeing’ in his address to the recent John Lewis sponsored, Employee Ownership meeting. The Scottish government *shanarri* indicators of well-being for children are equally applicable to adults and are outstandingly met in the employee ownership model:

**Safe** – in control of the way their business and workplace operates.

**Healthy** – involvement in their workplace future means better mental health and less anomie.

**Achieving** – the efforts of all are required within employee ownership. Clansman has found, peers are tougher on skivers than traditional employers!! All learn about the realities of running a business even in a tough climate.

**Nurtured** - everyone who buys into the employee ownership culture feels empowered by it.

**Active** – everyone is involved

**Respected** – there is much, much less ‘us and them’ - ‘everyone has the opportunity to contribute and be respected for their opinion

**Responsible** - it is their company and all feel responsible for it

**Included** – all are accepted as full members of the employee owned company

"We want our (children) adults to be successful learners, confident individuals, effective contributors and responsible citizens “ .. how better than with employee ownership.

Dick Philbrick  19 Jan 2016