Scotland's Economic Performance

Mike Stoane Lighting

What are the different models of business ownership in Scotland and what is their importance to Scotland's economy?

Who are we?

Mike Stoane Lighting is a design-led manufacturer of architectural light fittings based in Loanhead, Midlothian. We employ 55 people over two sites in Midlothian and turnover around £4m a year.

Who am I?

I am Emily Alston; I have been a Director of Mike Stoane Lighting since 2007 and helped our founder Mike Stoane project manage our move from a founder owned company to a majority employee owned company in 2014. I also sit on the board of the Employee Ownership Association, which represents organisations which are employee owned or transitioning to employee ownership across the UK.

Our Story:

Mike Stoane Lighting was founded in 1995, and was originally one man, operating out of a lock up in Granton, Edinburgh. Mike had been working as an electrical engineer for Ferranti, who were in administration by this time. He founded the business because he was looking for a better way to make a living, by manufacturing locally on a small scale, quality engineered products that he could be proud of. Notable early projects included the Tun Building at Holyrood and the National Museum of Scotland. All MSL products were, and remain to this day, wholly manufactured in Scotland. We now export worldwide.

By 2010, the business had moved into new industrial premises in Loanhead, Midlothian and was employing 40 people. Although the business went from strength to strength, Mike personally was unhappy and although he was very proud of the business he had built, he felt that his time running it was coming to an end. As is the case for many founder owners; he had given little or no thought to succession. His first option was to offer the business to the other Directors, however by this time the business was worth more than we could possibly finance and in any case, we too had begun to think that we might have lives outside Mike Stoane Lighting one day.

The idea of Employee Ownership came to Mike by a chance meeting with the son of a retired engineer who was helping out with training in our workshop.
Barry worked for Scottish Enterprise and could see the link between the work CDS were doing on Employee Ownership and Mike’s dilemma.

The business had always felt very much like it belonged to all of us, not just to Mike and when the idea of Employee Ownership was suggested to Mike it immediately felt like a natural fit. Mike handed over the role of Managing Director to Dave Hollingsbee in 2012 and we spent two years planning and implementing the move into EO, coinciding with the introduction of the new legislation that brought in the EOT (Employee Ownership Trust) in 2014. EOT allowed us to do what we wanted to do; placing 65% of the shares of the company in trust for the Employees, simply and with tax advantages for both exiting founder and new employee owners.

We have now been Employee Owned for three years. Turnover and staff numbers have increased over this time and we were able to pay our first profit share to Employee Owners in our second year of Employee Ownership, in 2016. We have recently been accepted to be account managed for growth by Scottish Enterprise.

Benefits of our new model of ownership:

1. Our model of ownership kept the business in Scotland. If the business had been sold on the open market the chances are it would have been bought by one of our larger competitors; these companies are all based in mainland Europe and it is not conceivable that we would have been able to retain jobs in Midlothian at current levels, if at all. This is not based on conjecture, there are several examples of similar sized UK lighting companies that have been sold in the time that we have been in operation and the resulting sales have followed this pattern.

   Employee Ownership has retained jobs in Midlothian that would otherwise have been lost.

2. Our model of ownership gives employees a real say in the future of the company and a right to a share of the profits. Our employees share in the successes and the failures of the business. We had a very engaged workforce prior to Employee Ownership and many of MSL Employees have always felt like owners; Employee Ownership has allowed us to retain this feeling of ownership, common to many small businesses, as the business has grown.

   Our employees act like owners, they care about their work and care for the business and we are more successful because of this.
3. Our model of ownership is inclusive. The rights and responsibilities of employees at all levels are the same; these include the right to share in profits and the right to information about the business; as well as the responsibility for our failures and the responsibility to learn about the business and how it works.

   *Our structure aims to be quite flat and not just allow for progression, to facilitate it.*

4. Our model of ownership has given us a strong, fair system of governance. The Employee Ownership Trust is built on principles of equality and fairness. Like many founder run businesses, we did not have many formal systems of governance before the move into Employee Ownership. Our model of ownership has ensured that what is in place is not only robust, fair and fit for purpose and will also see us well into the future.

   *The systems of governance that are now in place support fairness, openness and enable all employees to have a voice.*

5. Our model of ownership has protected the business for the future. Not only did Employee Ownership secure the future of the company when Mike decided to retire; by holding a majority of the company’s shares in an Employee Ownership Trust we have secured the future of the business for the long term, as the current employees of MSL will always be the majority owners.

   *We are now able to grow the company for the future without fears of being sold or concerns about succession.*

6. Our model of ownership supports creativity, research and development. Our employees thrive on the challenges they are set by our customers and our business operates on the cutting edge of new lighting technology. Employee ownership supports innovation at all levels of the company because the employees have a say in the direction of the company and understand how their day to day activities fit into company goals and strategy.

   *We have retained the innovative and entrepreneurial ethos of the company because our employees are the owners, not external shareholders.*
7. Our model of ownership has not only maintained our unique company ethos, it has enhanced it. Mike Stoane Lighting was built on strong principles of quality and sustainable local manufacture. As all the people who helped Mike build the company are its new owners, we have been able to protect our unique company ethos. It has not stopped there though; it is now not just Mike’s values and purpose that drive the company, it is the shared values and purpose of everyone who works here.

Our expectations of each other as colleagues are set and met through shared values and purpose.

8. Our model of ownership is one of the reasons people want to work with us. It has been commented upon by our customers that we have a strong team ethic. Our customers say that working with us is more fun, because of our enthusiasm for what we do and the results are better because of our high level of commitment.

Working with our team is enjoyable because we enjoy our work; this makes our customers loyal to us.

9. Our model of ownership delivered all this and still allowed our exiting founder to leave feeling he had been paid fairly for his shares at market value. The introduction of the Employee Ownership Trust in the Finance Act 2014, following the recommendations in the Nuttall Review allowed our founder, Mike, to sell his shares capital gains tax free, because they were sold into an Employee Ownership Trust.

Our founder was able to hand control of the company over to the employees, to preserve the company he had built and its future, and still leave happy that he had been properly paid for the enormous investment of time and energy that built our business.

Mike Stoane Lighting