



Department
for Business
Innovation & Skills



Facts about businesses with Employee Ownership



What is Employee Ownership?

Employee ownership is a way of running a business that can work for different sized businesses in sectors as diverse as manufacturing, retail, transport and professional services. It is where employees have both a voice in how the business is run through employee engagement and a stake in the success of the business.

The Department for Business, Innovation and Skills (BIS), supported by industry bodies such as the Employee Ownership Association, Co-operatives UK, Co-operative Development Scotland, the Wales Co-operative Centre, the Federation of Small Businesses and the John Lewis Partnership, are committed to raising awareness of employee ownership as an economically strong and balanced business model.

For more information on employee ownership email:

employeeownership@bis.gsi.gov.uk or visit

<https://www.gov.uk/government/policies/making-companies-more-accountable-to-shareholders-and-the-public/supporting-pages/making-employee-ownership-more-accessible>.

Shareholder returns

Businesses with employee ownership have delivered strong shareholder returns. Since 1992, the Employee Ownership Index (EOI) has outperformed the FTSE All Share by an average of 10% annually. An investment of £100 in the EOI when the index began in January 1992 would at the end of September 2012 have been worth £661 while the same investment in the FTSE All-Share Index would only be worth £244.



FTSE All Share Index
£ 224



Employee Ownership Index
£661

Source: The UK Employee Ownership Index as published by Field Fisher Waterhouse LLP <http://www.employeeownershipindex.co.uk>

Case study 1



The Company started on the Isle of Skye, Scotland in 1983 in the home of the founders John & Gill Wilde. For various reasons the Company re-located to Llandrindod Wells, Mid Wales in 1986. After a series of moves from one rented industrial unit to another, the Company purchased its current home in the year 2000- a 10,000 sq.ft unit with spectacular views over the Welsh countryside.



A few years ago succession planning came to the fore, and many hours were spent considering the options. John & Gill didn't want the Company to close or to be re-located, but wanted the Company to grow and expand along the principles they had already laid down, and to provide job security for the staff. John & Gill's view is that it is the employees that make the Company, so when Employee Ownership was discovered as an option, it was put to the employees and there was a 100% take-up. The EBT (Employee Benefit Trust) was set up in December 2009 and the EBT is slowly acquiring the shares.

Some of the staff have been with Skye for over 15 years and we have very little staff turnover. Skye is run as a family Company with great emphasis placed on creating a happy and relaxed atmosphere. This doesn't mean we aren't all hard-working! Far from it.

Skye designs and manufactures a range of specialist electronic instrumentation for plant and crop science, horticulture, agriculture, environmental monitoring. Skye's expertise lay in the development of a range of light sensors with filtering and associated electronics to look at specific parts of sunlight. These sensors can be tailored to match the exact wavelengths the customers are interested in – from the UV at 250nm to the shortwave infra-red at 2500nm. These sensors are used for Remote Sensing applications, climate change studies, land use evaluation, photosynthesis research, plant growth assessment, lighting conditions related to mammals including humans.

Most of our instruments are calibrated against National Reference Standards. We have dedicated calibration rooms which incorporate reference instruments. Our 'Optical Dark Rooms' house specialist optical calibration equipment which has been calibrated by the National Physical Laboratory.

'Light' represents Skye's main area of sales. Other products in our range include instruments to measure the amount of water available to plants in the soil; a system to assess the demand for water in plants by measuring the plant moisture potential or stress; leaf analysis systems; dataloggers; automatic weather stations.

Case study 1 *...continued*

Our customer base is mainly universities and research institutes, but we have a small and loyal group of customers in the environmental sector, ie local authority Environmental Health Departments, who require an automatic weather station to comply with UK legislation in their landfill sites, quarries, etc. Over 70% of our sales are exported all round the world, either direct to end-users or through our network of dedicated distributors who all see themselves as part of the 'Skye Family'.

Skye is a Company committed to designing quality, high specification products which meet the needs and requirements of the users; to manufacturing top quality instruments which users will be proud of; to providing excellent customer support for free forever.

Skye cares about its customers and its employees and we strive to make this common knowledge.

Benefits of being an Employee Owned company:

- i) **Job security.** There is no external share-holder who can influence any direction, etc. The success (or failure) is down to the employees.
- ii) **Share in the profit.** As a result of our EO model Skye has a profit-sharing scheme, so employees are able to benefit financially.
- iii) **A Voice.** All employees have the opportunity to contribute to any activity of the business. Their views and suggestions are seriously considered and treated professionally.
- iv) **Employee Trustee.** All qualifying employees can stand for election as an EBT Trustee, have a seat on the EBT board and thereby have share-holder responsibilities. There are two Employee Trustees on the EBT Board.
- v) **Company Director.** All employees have the opportunity to become a Director of the Company, should they so choose. It is envisaged that future Directors will come from the employee base.
- vi) **Rural Location.** There are limited job opportunities in rural areas that aren't connected to tourism and agriculture. Transferring Skye to be an Employee-Owned Company enables a high tech business to remain and grow in the area and to be able to continue to offer specialist careers to future generations.

Accolades:

- In 2013 we are celebrating 30 years.
- Penny Riley incorporated the Skye MiniMet Weather Station in her design for the UK Horticulture Stand in 2012 and won a gold medal.
- 2011 Finalist in the Powys Small Business Award.

Company Name:
Skye Instruments Ltd

Location:
Llandrindod Wells, Powys Wales

No. of employees: 20

Website:
www.skyeinstruments.com



Case Study 2



PrimePac Solutions Ltd, is a worker co-operative that fills bottles, sachets and tubes for clients, including leading brands in the health and personal care sector.

Plant, equipment and experience at PrimePac gives the capability of packing and manufacturing many formats and pack sizes for many different sectors. Prime Pac plant and equipment is capable of packing anything from 5mg powder sachets to 1 litre glass bottles. The company has 27000 ft² of production floor, workshops, laboratory, storage and office space.

The company was formed when their parent company decided to withdraw from Wales. With manufacturing jobs on the decline staff were keen to preserve their livelihoods and keep jobs in the local area. The initial group of 19 invested redundancy payments into setting up the new business with employee ownership and put together a business plan based on low volumes and high margins. The business began trading in October 2005.

Since 2007, PrimePac Solutions Ltd has seen a year on year increase in both turnover and budget. Its turnover has increased from £370k in 2006 to £3.8million in 2012. The firm has paid out dividends to shareholders greater than the amount they invested at the start.

Benefits of being an Employee Owned company:

'Establishing our business cooperatively means that all employees feel that they can become masters of their own destiny and develop our company into a real success story for South Wales'. Steve Meredith, Managing Director of PrimePac Solutions Ltd.

Accolades:

- In 2012, Primepac Solutions won the prestigious Productivity and Performance Award at the national Employee Ownership Conference in Birmingham. The award showcases the most dramatic and powerful examples of employee-owned organisations driving up levels of productivity to deliver improved performance, and leading to exemplary outcomes in a particular field.
- MD Steve Meredith commented, *"This award is recognition that Primepac Solutions is a successful business that is driven by the commitment and input of its owners/ employees. It is a successful co-operative business thriving in difficult trading conditions against other more traditional business approaches"*.



Company Name: **PrimePac Solutions Ltd**

Location: Ebbw Vale, South Wales

No. of employees:

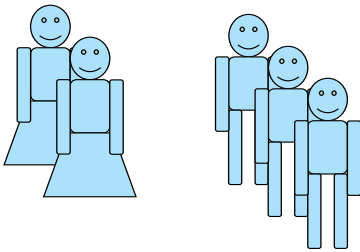
22 permanent staff; Approx 15 temporary staff.

Website: <http://www.primepacsolutions.co.uk/>

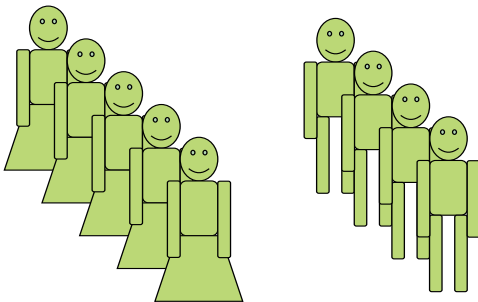
Resilience and stability amongst businesses with employee ownership

Employment Growth

Between 2008 and 2009, employment in businesses with employee ownership grew 12.9% compared to 2.7% in businesses without employee ownership. Given a similar rate of growth over the past five years, an average business with employee ownership would employ over 60% more people than a business without employee ownership, if both started with the same number of employees.



Employee growth in a business without employee ownership



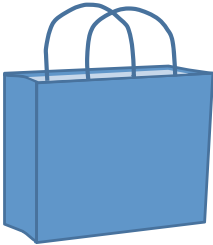
Employee growth of 60% more in a business with employee ownership

Source: Lampel, J; Bhalla, A. and Jha, P. (2010). Model growth: Do employee-owned businesses deliver sustainable performance.

<http://www.employeeownership.co.uk/publications/model-growth-do-employee-owned-businesses-deliver-sustainable-performance/>

Sales Growth

Between 2008 and 2009, sales in businesses with employee ownership grew 11.1% compared to 0.6% in businesses without employee ownership. Given a similar rate of growth over the past five years, then sales in the average business with employee ownership would be 64% higher than in a business without employee ownership, if both started with the same volume of sales.



**Sales growth in a business
without employee
ownership**

**Sales growth of 64%
more in a business with
employee ownership**



Source: Lampel, J; Bhalla, A. and Jha, P. (2010). Model growth: Do employee-owned businesses deliver sustainable performance.

<http://www.employeeownership.co.uk/publications/model-growth-do-employee-ownedbusinesses-deliver-sustainable-performance/>

Case Study 3



SUNDERLAND HOME
CARE ASSOCIATES (20-20) Ltd.

Sunderland Home Care Associates Ltd started life as a workers cooperative in 1994. We had a contract with Sunderland Council



to provide 450 hours of care per week at £6 per hour. We changed our structure to being an employee owned company in 1998, so that our workers could get some just reward in the form of shares. The shares were worth £2.80 each then and now they are worth £8.80 each. The Board of Directors are elected by the workers. We decided at an early stage to get big. We wanted people to take employee ownership seriously. So we grew from 22 people delivering 450 hours of care per week to 450 people delivering over 10,000 hours of care per week. We provide a personal care service to older, vulnerable people, have a branch in South Tyneside, we support people with learning disabilities, we have a cafe and employ people with learning disabilities, we provide 24 hour care in an extra care complex, we provide academic support to disabled students at Sunderland University and Mentors to Sunderland Colleges supporting students with learning disabilities.

Benefits of being an Employee Owned company:

Benefits of employee ownership are many and varied and include commitment; our staff stay around for a long time. It's their company and they are proud of it. We believe that the quality of service is excellent because the company is ours – you are not likely to give a second rate service when the company belongs to you. We have no outside shareholders so everything made in the business stays in the business for the benefit of our workers.

Accolades:

- North East Social Enterprise of the Year 2004
- Overall Winners for Enterprising Solutions Social Enterprise of the Year 2006
- North Social Entrepreneur of the Year 2012



Company Name:
**Sunderland Home Care Associates
(20-20) Ltd**

Location:
The Coop Centre, Whitehouse Road,
Sunderland, SR2 8AH

No. of employees: 450

Website: www.sunderlandhomecare.co.uk

Case Study 4

The experts
in play
SutcliffePlay



Sutcliffe Play is the UK's only Employee Owned playground equipment company. It designs and manufactures all of its equipment from its purpose built factory in Upton, Yorkshire and ships to over 20 countries worldwide.

In April 2010, employees had the opportunity to take ownership of the business from now Chairman Robin Sutcliffe, who since joining the family business had dreamt of one-day handing the reins of the business to its employees.

The company supplies equipment to local authorities, schools, early years settings, leisure facilities and housing developments. It specialises in creating innovative, bespoke, children's outdoor play equipment solutions. The design department has over 20 years' knowledge, and experience, of working closely with customers to develop truly individual play solutions.

The origins of Sutcliffe Play date back over 100 years to Sutcliffe Engineering. As with many industry innovators and pioneers, the family business adapted to changing markets throughout its history.

The company started life in the mining industry with the commitment to improving the safety, welfare and efficiency of miners.

Much has changed in the 100 years since then, but not Sutcliffe Play's absolute focus on innovation, respect for employees, quality and product knowledge.

Over the last century the Sutcliffe name and business focus has been linked to mining, through the manufacture of coal cutters, belt conveyors and impact idlers; with the automotive industry through the production of rubber to metal bondings and with sports through the supply of gym and cricket mats.

The modern day Sutcliffe Play dates back to the early 1980s when Robin Sutcliffe joined the business and the focus was on the development and production of rubber swing seats and safety surfacing. By the mid 90s Sutcliffe Play was established as a market leader in the design and production of swing seats, not just in the UK but across the world.

Case Study 4 *...continued*

Benefits of being an Employee Owned company:

Being Employee Owned has given Sutcliffe Play an edge over competitors in terms of increased co-operation, increased flexibility and motivation from a genuinely engaged workforce to support the business.

It gives Sutcliffe Play an intellectual advantage over its competitors and a unique strength within the marketplace, as employee owned businesses are almost always at the top end of their market and innovation. It gives us the opportunity to take risks, something which Sutcliffe Play already fully advocate.

Everybody in the business is now an owner and a partner, with a vested interest in delivering total quality, ensuring its success. The company culture is open and based around transparency, leading to an open, consultative culture where everyone is encouraged to have their say, take responsibility and work towards a sustainable future.



Accolades:

Recent awards include:

- Yorkshire Fastest 50 – Sutcliffe Play was named one of Yorkshire's fastest growing companies in 2011 and 2012.
- The Philip Baxendale Awards 2011 – Sutcliffe Play was highly commended for excellence in mutual and employee ownership in the Employee Ownership Rising Star category.

Company Name: **Sutcliffe Play**

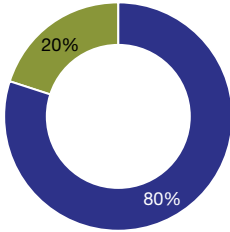
Location: Upton, Pontefract

No. of employees: 67

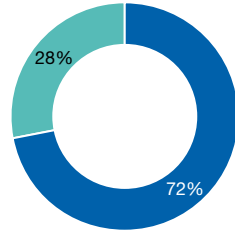
Website: www.sutcliffeplay.co.uk

Employee wellbeing as a business value

Employee Satisfaction



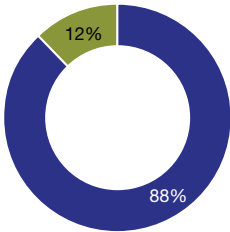
Employee Ownership



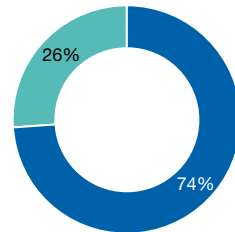
No Employee Ownership

Employee satisfaction with work: 80% of those working in businesses with employee ownership said they were either 'very satisfied' or 'satisfied' with work, compared to only 72% of employees in businesses without employee ownership.

Employee Influence



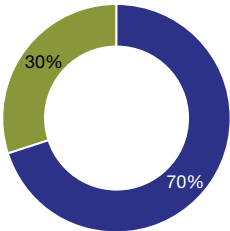
Employee Ownership



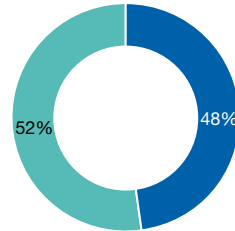
No Employee Ownership

Employee influence over tasks at work: 88% of those working in businesses with employee ownership stated they had 'some' or 'a lot of' control, compared to businesses without employee ownership where only 74% stated they had 'some' or 'a lot of' control.

Employee Engagement



Employee Ownership



No Employee Ownership

Employee engagement with management: 70% of employees in businesses with employee ownership stated that managers were 'good' or 'very good' at seeking their views, compared to 48% of employees in businesses without employee ownership.

Case study 5

CLANSMAN DYNAMICS

Engineering business Clansman Dynamics has grown turnover by more than 60 per cent – from £7m to £11m – since its employee buyout in 2009. Based in East Kilbride, the company is a global leader in robotic handling equipment for forges,

foundries, steelworks and waste processing plants. Clansman exports more than 90 per cent of production to international clients including Volvo, Fiat and Kamaz (Russia's largest truck manufacturing business). It currently employs 38 people – an increase of five since the employee buyout – and is recruiting additional mechanical engineers and shop floor staff.

Dick Philbrick, who founded the business in 1994, has long been a passionate advocate of employee ownership and its benefits. He says: *"I wanted to find a form of ownership that was anti short-termism and would keep the business in Scotland. Employee ownership will allow us to focus on long-term growth, develop an increasing range of technically difficult products and build the business in a highly competitive market."*

Benefits of being an Employee Owned company:

The transition to employee ownership has worked well for the business. In the past three years, sales per employee has increased by 26% and turnover risen by 60%. Customers, especially in the US, approve of the company's employee-owned status.

Greater employee engagement has led to improved productivity, profitability and innovation, including improving the way Clansman orders, stores, inspects and assembles the 2,000 parts required for each machine. The factory assembly area has just been doubled in size, and two new designs of machine are in the pipeline for the company. As Philbrick puts it: *"Everybody now understands that a 5 per cent saving on the £6m a year we spend on parts is a huge sum of money. It means we're now more focused on good financial, as well as technical, solutions."*

Accolades:

- Dick Philbrick, Managing Director of East Kilbride firm Clansman Dynamics Ltd was named as both the IoD Scotland Director of the Year for 2012 in the businesses up to £30m turnover category and the Glasgow and West of Scotland Regional Director of the Year.



- Clansman awarded 2012 Scottish Enterprise Presidents Award for Outstanding Achievement.

Company Name: **Clansman Dynamics**

Location: East Kilbride, Scotland

No. of employees: 38

Website: <http://www.clansmandynamics.com/>



Case Study 6

Tullis Russell 
Employee owned, partnership driven.

Being employee owned makes us different from other companies in our industry: we have a strong emphasis on the empowerment of all employees to work as partners rather than just suppliers, in order to develop and deliver the very best products for our customers. Direct feedback from them tells us that the benefits of employee ownership, being a trusted partner; able to count on us to try harder; taking time to understand their business; being a company they can rely on for the long-term; a company that can make quicker decisions; and a company that finds solutions through genuine innovation is something they attach real value to, and recognise as an integral part of the unique business relationships we develop.



Aerial View, Tullis Russell Markinch 2012.

A unique vision of ownership

In 1986 the Russell family started a ground-breaking process, whereby the ownership of the company would transfer to its employees.

The move towards employee ownership was a decision inspired by the strong personal belief of our then Chairman, David Erdal. David, who was also a member of the Russell family, saw that employee ownership was a healthier, more satisfying company structure for employees and management – and that it would lead to deeper levels of employee engagement and higher levels of customer satisfaction than could be achieved within a traditional shareholder or privately-owned structure. Today, 65 per cent of our shares are now owned directly by employees and indirectly by employee ownership trusts.

Our company has evolved into an innovative employee-owned business with a strong, clear purpose that puts the long-term sustainability of our business and our unique ownership structure at its core. The Company has built an outstanding global reputation for producing high quality paper and boards for use in the graphical, cards, covers and premium packaging markets and for its innovation and world-class expertise in the specialty coating market.

Benefits of being an Employee Owned company:

With over 200 years of history behind us our sights are fixed on the next 200 years and beyond. Our ownership structure lets us take a long-term view without the short-term pressures often imposed by external shareholders. This is reassuring for our customers, suppliers and employees. It means we can plan for the future, think beyond our own business and consider our wider responsibilities, allowing us to take on projects such as our Tullis Russell Environmental Education Centre (T.R.E.E.) opening in summer 2013 and our Biomass CHP project, which will reduce our fossil-fuel carbon emissions by 72% once fully operational in October this year.

Case Study 6 *...continued*

Employee engagement

Chris Parr, CEO of Tullis Russell commenting on the company's culture and ownership structure said:

"Tullis Russell, from its early beginnings, has understood the importance of employee engagement, with early workers' councils dating back to the 1800's. Now employee engagement is as an important and accepted a business driver as the price of raw materials or industry regulation."

"Employee ownership is not the only way to deliver high degrees of employee engagement. But to us, employee ownership is a way of enshrining in our very constitution, the importance of being in it together, succeeding or failing together and sharing risk and reward. Our board of management reports to our employees, not the other way round, and our Employee Ownership Board, made up of elected employee representatives, has a genuine role in the direction of our strategy."

Accolades:

- In December 2012 our Security and Speciality Coating division was recognised for achievements at the forefront of responsible business. The project, which specifically looked at solutions related to water conservation and drought management, received a "Game Changer" award from Business in the Community (BITC).
- This "one off" award was introduced by BITC in order to recognise individuals working behind the scenes to advance the responsible business movement.
- Steve Hedar, operations and supply chain director who received the award, said: *"Sustainability is at the heart of our operation and as such we believe that working in partnership is better for everyone. This includes how we work within the local community and are proud of our achievements in this area"*



Annual Employee Ownership Board Seminar 2013.

Company Name: **Tullis Russell**

Location: Markinch, Scotland

No. of employees: 757

Website: www.tullisrussell.com

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