



Dear Sir/Madam,

Mission Led Business Review Call for Evidence

Thank you for the opportunity to provide a submission in to the above Review.

The EOA provides the following in response to the initial call but unfortunately we have not had the opportunity to attend any of the recent regional events.

Employee ownership – Background

Employee owned business can be found across the economy; in large international, listed markets, in the private limited company marketplace and in the public service mutuals marketplace.

Regardless of their market, these businesses each share the same characteristics; a structure which enables some or all of the equity of the business to be in the hands of all of the employees via participation in either direct share ownership, or indirectly where employees are beneficiaries of a trust *and* they each commit to employee engagement and representation.

The sector is currently estimated to contribute approximately £30bn to GDP annually and is growing at approx. 10% per annum.

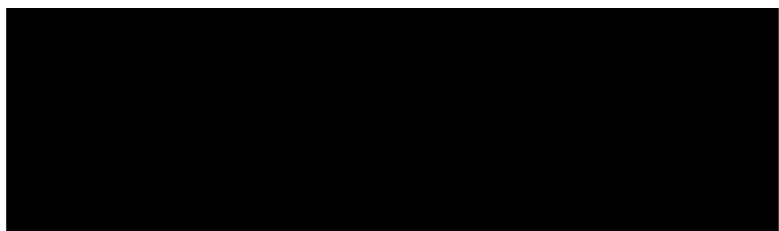
The popularity of the model is particularly prevalent at three stages of the business life-cycle; start up, growth and succession/exit planning.

The sector is characterised by businesses that operate with transparency and openness, undertake high levels of employee engagement and plan and think for the long term. The benefits of employee ownership are evidence through higher levels of productivity and profitability, greater resilience and improved employee wellbeing.

Some of these businesses are not for profit, most are not.

Many, if not most, are committed to the principles of fairness and sharing of reward and success. For those that are not for profit this may mean sharing surplus with local communities or communities of interest. For those that are profit making, this usually means sharing profits with the employee owners and often amongst local communities via charitable activities.

EMPLOYEE
OWNERSHIP
ASSOCIATION



Examples of this behaviour include; Gripple, a South Yorkshire manufacturing business that is employee owned distributes 1% of its profits to charity, or Remploy, a public service spin out that links charitable donations to its values and mission.

Most of these businesses will speak of their 'mission' or 'purpose' as being the driver for success; a long term aim which is most often not financial, but which is about 'why' they exist. Examples of this would be employee-owned, international engineering firm Arup, who state their mission as 'to shape a better world'.

And of course there are examples of businesses that have been created once they have 'spun out' of the public sector, not as social enterprises, but as for-profit limited companies. An example of this would be Remploy, whose mission, which sits at the heart of their business being 'to transform society and the lives of disabled people'.

In very recent times of economic turmoil, employee ownership offers a model of more inclusive capitalism, which can help to rebalance the economy, and has been referenced as such by each political party and many industry commentators.

There is therefore a great deal of synergy between the ambitions of the Mission Led Business Review and the objectives of the employee ownership sector.

What are the practical steps the government and industry do to normalise mission led businesses in the UK (what can be done to support growth in the sector)?

There are a number of challenges associated with Mission Led Businesses which are shared with the employee ownership sector; our challenge is documented as 'mainstreaming employee ownership'.

Hence the following priorities are suggested in order to grow the sector.

Firstly there is a need to develop **greater awareness** of the model.

Ensuring it is part of a wider narrative about how to rebuild and rebalance the UK economy as part of more inclusive capitalism is key. The development of high profile ambassadors in government and the private sector is required to develop credibility and confidence. There also needs to be more effective measures of the sector as it grows, with government helping to gather data, so that the size and growth of the sector can be used to demonstrate its importance and raise awareness.

Secondly there is a need to **evidence success**. Entrepreneurs and business owners will need to see examples of success, businesses that they can relate to as peers, and which therefore help to develop their confidence in their own ability to adopt the model.

A third priority should be to ensure that there is **professional adviser competency**. As a primary source of advice, this group of accountants, lawyers and business advisers need to be equipped to provide relevant advice and support to any owner or entrepreneur and need a checklist of criteria to help them identify opportunities.

A fourth priority is **consistency across government**. It will be critical that all departments are actively supporting the growth of the sector, from BIS to Cabinet Office to HMRC. Inconsistency in the behaviours of different departments is not only frustrating but undermines the ambition of government to grow the sector.

A fifth priority is to ensure that there is **available funding**. High street banks have been slow to realise the opportunity of 'non-standard' business models and require education about these new models of business if they are to be receptive to lending.

Finally, there should be more **promotion and marketing**. Consumer and business markets with a social conscience are highly likely to gravitate towards these businesses but only if they know about them and realise the benefits of trading with them. An industry marque or standard would support this and could help to attract key audiences such as the millennials, both to trade and to work in them.

Offer of support from the EOA

The EOA is the membership body for the employee owned sector and in itself is both not for profit and mission-purposed to develop more employee ownership in the UK.

The synergies between the employee-owned sector and those of the mission led business review are clear and hence the EOA will support the work of the Review in whatever way it can and looks forward to hearing more from the Advisory Panel over the coming months.

Yours sincerely,

