

LEADING OWNERS

Does it take a different kind of leadership to successfully lead an employee-owned company?

FIND OUT WHAT FOURTEEN EMPLOYEE-OWNERS IN
FIVE SUCCESSFUL EMPLOYEE-OWNED COMPANIES HAVE TO SAY

Richard Elsner, November 2014



PIVOTAL
MOMENT

Introduction

What was the purpose of this enquiry?

Soon after setting up Pivotal Moment as an EO firm in 2013, I became interested in the question: ***Does successful leadership of an EO company differ from successful leadership in a non-EO company?***

Answering the question mattered to me as a manager. But also, as someone who has worked in the field of leadership development for some time, I have become interested in whether different contexts (such as non-employee-owned private sector, employee-owned private sector, public sector) require different practices of leadership to bring about success. I believed the answer should logically be “yes”, but I could not be sure without doing some investigations. And if the answer turned out to be “yes”, in what way would successful leadership in an EO firm differ from leadership in other contexts?

How did the enquiry happen?

I brought my questions to Deb Oxley and to Iain Hasdell, respectively Director of Membership and CEO of the Employee Ownership Association, who approached a diverse group of EOA member companies to see if they would take part: Construction and design engineer Golder Associates, fastener manufacturer Gripple, health service provider CSH-Surrey, retailer John Lewis and architect Make. The five companies accepted to participate, and arranged that I interview one customer-facing employee, one human resources manager and one senior executive.

The interviews took place in the week of 20 - 24 October 2014, in Nottingham, Sheffield, London and Epsom.

What does this report contain?

Next you will now find a record of fourteen one-hour interviews, one page per interview, approximately three per company. These summaries have been checked and validated by each interviewee, who spoke in his or her personal capacity. What you will read are the words chosen by each of the people interviewed. In the course of each interview, I did not reveal what others interviewed beforehand had told me. Therefore, the similarities you will find in the summaries of the interviews suggested to me that there are some shared perceptions across the five companies visited as to what successful leadership in an EO firm is about. At the end, I have added some conclusions I drew from these interviews.

Postscript to the introduction

On the morning of the 20th of October, before boarding a train from London St. Pancras International to Nottingham, I decided to buy a cap. I first visited two shops in the St.Pancras station arcade without finding what I wanted or being overwhelmed by the quality of service I was offered. Then I fell upon the John Lewis shop. I entered and I was greeted by a shop assistant who gave me a relaxed and unfussy welcome and helped me to find the caps in the menswear section. She pointed out a mirror where I

could double-check the impact I was likely to have on the world with my cap. I liked what I saw and proceeded to the till. There I paid for the cap, and feeling happy with my purchase and with the service I had been given, asked the lady at the till: "Is John Lewis a pleasant place to work? If so, why"

Without a moment's hesitation or self-questioning, she replied: "*Yes, It is pleasant to work here. I think it is because we all have the same goal in John Lewis. We all want to be the very best we can be. It feels like you are working for yourself*". I took out a pen and pad and wrote down what she had said.

I left the shop and boarded my train. So began my week interviewing employee-owners about successful leadership in EO companies...

Ross Binfield

Partner, Furniture department, John Lewis Oxford Street,

"I am 19 and have been at John Lewis for 11 months. At first, it was not what I expected. I was not sure at the beginning what to make of the culture here. Is it for real, I wondered? After being around for a while, I was co-opted into the store's 'Brand Ambassador' celebrations, and I got to interact with managers at the very highest level. I began to think 'I kind of get this!'"

"I had been working at Domino's for a while before I joined JLP. There, you just don't care, you give customers this or that, what does it matter?! It is somebody else's business. Here at JLP, it is my business, and I care!"

"The culture at John Lewis boils down to one word: Honesty. Anyone can call out anyone! If a Partner wishes to challenge this or that statement or policy from management, he can use the Gazette or the Chronicle and just go for it: 'I don't believe what you say! Prove it!' Nothing is hidden from the Partners. Management knows that if they have the trust of the Partners, then the business will run perfectly. The whole place runs on trust and honesty. I can speak to anyone. Nobody is afraid. It is as simple as that."

"I completely believe in the Partnership, 100%. In some quarters in the store, I have heard that some people, perhaps some older Partners, are only at 90%, This is just down to the fast pace of change that the retail sector is currently experiencing, which has been challenging for some other Partners . From what I have heard, this is not being ignored by senior management. They want this 100% as well."

"At Oxford Street, it feels like a big family. I have heard that it is the same in the other stores. If we could merge all the stores into a bigger family, which would be perfect!" This has been attempted in with the 150 celebrations and will hopefully continue!

"We are working to change our sales policy, so that we close more sales in the future. We are working on giving more 'soft' messages to customers, like 'Would you like to make that purchase today?' which gives them a gentle nudge without any hard sell. When we started this conversation, I told you that I had wanted to be an actor when I was younger. I really love retail - it's kind of like acting".

"We are equal here. I can trust the decisions taken by managers without trying to second-guess them. It's about well-earned trust."

Martin Hartley

Site and Team Leader, Gripple Ltd.

“When I joined Gripple two and half years ago, I was appointed Team Leader to rescue a team which was performing badly. I was thrown in to the deep end. It was truly ‘sink or swim’. I knew nothing about the machines, the products or about the team. But I knew how to lead manufacturing teams, and that was what was needed.”

“Being a good leader does not mean that I need to know everything. Rather, I need to work with my people in such a way that I get the knowledge of everyone around me. They have all the ideas. They know what the problems are. I listen to them describe these problems and encourage them to solve them. Our MD Ian Farquhar does the same with me. He plants a seed in my head. Then I try to decide what he really wants...”

“I don’t think there is much difference between being a good leader in a non-EO company and being a good leader in an EO company. It’s all about knowing your team, knowing what makes them tick and inspiring them. It’s also about remembering that a team member’s husband had an operation last week, and asking her how he is getting on...”

“If a team member challenges what I say, I explain why I think as I do, and listen to their opinion. I think that as a leader I need to try and see things from the team member’s point of view, to understand their issues. This usually reveals what I need to take into account to change their position. It does not work every time however. It is about give-and-take. Sometimes I need to be strict though when it is not getting solved fast enough.”

“If I made a mistake at my previous employer, I would have been crucified. At Gripple, if you make a mistake, you are asked what you are going to do differently next time. I prefer the Gripple way!”

“I have been asked to take on a site leader role now, which means handling some tricky staff problems. I am learning to head these off as early as I can, and to tackle them by installing procedures which are as fair to all concerned as I can make them. That can mean supporting the interests of a whole team as well as those of a person who is having a hard time of it.”

“When I left my previous employer, I had two job offers. I chose the Gripple offer although the other one came with considerably more money. My friends know that. Still many of them have been pestering me to help them get a job here.”

“I just love this company. I am not here for the money. It is all about happiness. It could not be the same ethos without it being an EO company. In other (non-EO) places, you are always filling someone else’s pocket. It is different here. I never feel that I coming to work to collect my pay packet.”

“If EO companies are so wonderful, why aren’t there more of them? I am not sure. Greed, maybe?”

Rebecca Hodkinson

Senior Environmental Consultant & UK QA Manager, Golder Associates

“Having worked in two non-EO firms before I joined Golder, I can see the distinctiveness of the leadership and culture we have here. Basically, employees have lot more flexibility in how and when they work. They have much more autonomy to get the job done as they believe it should be done. There is a lot more trust among all of us that everyone wants to do the very best job they can for the client. People are expected to manage their working hours, and flexibility is provided, as long as the needs of the client and Golder are met. We have a very low need to control, because the owners feel accountable.”

“We have a very open and flat structure, with no visible hierarchy. Of course, we need managers to lead the various groups and technical disciplines, and to manage people, but it is very “light touch” here. The four senior managers, who form the Operations Team, are very approachable, as are the Management Team. As an employee, you know you will be heard, and indeed are expected and encouraged to speak up.”

“We work in an open plan office, with all levels mixed in together. The company feels more like a family, with its members looking out for each other. People do not hang onto work selfishly, for themselves. The needs of the client come first.

“We started a mentoring scheme a few years back, giving the option to employees to choose a mentor from among the 60+ people who volunteered for this role. I was really pleased to hear that one of the more junior members of staff had the pluck to ask the MD to be his mentor, and that the latter accepted with pleasure.”

“The company’s strategy is assembled by the Management Team following an extensive process of consultation with the owners. The more junior level of employee/owners is able to make its views known to the more senior employee/owners, who can communicate this to the Management Team.”

“Good leadership requires clearly-defined roles at the top. People need to know to whom to go for what, and they do. Good leadership throughout the firm also requires clearly-defined routes of communication. We have had to work on this, and have improved.”

“As a People Manager, one of my key roles is to be a conduit of information and messages from the levels above me to the people I manage, and from them back up to my managers. I have regular 1-2-1s with my people, which enables me to support them in their role”

“The firm places a high value on family life and makes it easy on people to fulfil their obligations towards children and parents. This is a real example of the company living its value of being caring, by which we mean to respect and care about our people, clients, communities and the environment “

Anne Taylor

Physiotherapist and Team Leader, CSH Surrey

“As managers, we recruit people who want to invest and take ownership, in the fullest sense of the word – to make the company work the very best it can. We have moved away from purely clinically-based interviews, and focus now as much on candidates’ inner qualities of honesty, empathy and integrity. We believe that behaviours stemming from these qualities overwhelmingly shape the quality of the patient experience.”

“Leaders in an EO company cannot operate in a two-tiered structure, with them above and employees below. A good leader needs to lead by living the same behaviours and principles as everyone else. It is not just a question of being co-owned. It’s about being well-run, and that requires common standards for all.”

“As leaders, we must be held accountable by our co-owners, and we must hold them to account as well. When we became co-owned 8 years ago, a two-way communication process called ‘The Voice’ was established. By using it, groups of co-owners can take queries and issues directly to the Directors and to the Board of CSH Surrey. If as a co-owner I use ‘The Voice’, I have a way to get an issue dealt with. It is an excellent way to hold our leaders to account, and to give them visibility of what is going on in the organization.”

“In the NHS, on which we depend, budgets are always being cut. Times are getting tougher and tougher. However, in an EO like CSH Surrey, co-owners look for alternatives to become more efficient and thereby to cut running costs without cutting staff numbers. We are constantly looking for ways to make the company more efficient, so that we have it for the long term. But, while we streamline here and there, we do not make compromises on the quality of the patient experience. All of us clinical staff want to work in health care because we want to help patients.”

“A lot of what I have talked about is just good management practice, which obviously can be seen in some non-EO companies and in the public sector as well. The difference in an EO company is the massive degree of accountability which all staff feel to make it work. We all have a vested interest in it working”

“After we had established CSH Surrey as an EO company, we worked this greater accountability through into all our activities. At first, I thought there was only financial gain to being in an EO, but now I can see the other positive aspects that arise from it. In particular, the accountability for the company’s performance and the ability to affect change can contribute to a sense of satisfaction. Before, when working in a PCT, the attitude of co-workers was that ‘we are being done to’; such feelings are rare around here. In our EO company, we know that our future depends on us.”

James Taylor

Architect, Make Architects

“I have been thinking about some of the issues that your research question raises for some time. In the office we have always talked about our EO status as one of the primary distinguishing features of our business. Our EO ethos has allowed an interesting structure and a very special working culture to develop. Fundamentally, I think it is our culture, the way we do business, which helps set us apart.”

“We have a very flat management structure. I see it a bit like a village of people in which you have a group of like minded people but with different skills and personalities and all able to work together in a fluid way to get the job done. We build teams around projects and clients, not under managers. We put the right team forward for each job, letting teams form naturally, rather than always having the same people work under the same manager. This brings added value to our clients - teams are primarily focused on the needs of the project and client, not their manager. As far as I am aware, there are not that many other EO companies out there that moved away from conventional hierarchical management structures. It is the fluid way we work with each other, and how this creates a better service for our clients that makes our company interesting. We have no titles here, which I think really benefits the service we offer - it is about making sure we have an environment where the ideas that best serve the project win through. We are meritocratic at Make - I like the idea that everyone is constantly trying to improve and build their professional reputation within the office. Working at Make will never be about chasing a promotion or a new job title in order to rest on your laurels. This is a great thing. “

“Respecting each other and communication is key. Saying we find solutions by communicating might sound like an obvious statement, but I really think most practices in non-EO firms still operate very top-down with narrow decision making processes that stifle creative opportunity. Our more fluid approach, where more variables are considered might from the outside seem messy, but a communication-rich environment is definitely the most efficient way of finding great ideas. Especially now because about one third of our architects are based out of the office on site, there is a risk that communication reduces and we lose the glue which makes it all work. To counter that, we make sure on Friday afternoons everyone comes back to the office, to the mother ship, to meet and converse and socialize. I think it is a very important moment in the week.”

“It would be wrong to be asked about leadership and not mention Makes’ founding partner, Ken Shuttleworth. He set Make up as an EO firm, and is pivotal in reinforcing the working culture we have. He leads by example - he is hard working, knows the job of the architect through and through, and tackles everything with enthusiastic curiosity. For me, the skill of leading people at make is made easy by the fact they are so engaged in the work. We really try to get the right resource (i.e.architects) in the right place (i.e. projects), and I try to lead by example with a light touch. What I really enjoy is seeing young people moving up through the process, growing in experience and responsibility. It really does happen naturally, as people in the firm appreciate their specific skills and interests and they learn how to apply these on projects. “

Emily Firth

Human Resources Manager, Golder Associates

“Leadership is defined and expressed by how we behave, our values and our vision. In an employee owned firm such as Golder, our culture holds that profits and business goals must not be given priority over our people. Values and culture eat strategy for breakfast here.”

“Our leaders are the custodians of our culture and values. Our employees need to feel purpose and a psychological connection to the company. Providing purpose enables our people to be the best that they can be, pursuing a purpose which suits their unique strengths and potential and aligning this with the needs of the business. Creating a sense of community/team is critical, as an employee owned firm. We feel we are ‘One Golder’, with something meaningful that connects us together, in a similar sense to a group of football supporters. With a sense of purpose and community, people can exercise the autonomy and excellence we (and they) want them to have to do their job as they see fit.

Soon after coming to Golder as HR Manager four years ago, I came to the view that the structure we had was not helping us to grow or evolve to that next level of business maturity. Over time the firm had appointed many of its best technical experts to people management roles which were fitting when we were small; but our people demographic had changed and expectations from our people were different. Employee engagement had stagnated and morale had become low. We needed to tackle this challenge head on, but in a way which valued the unique contribution of everyone and was coherent with our value of respect and care for our people. With the support of the senior management of the firm, all of our 90 people managers were profiled to gather objective data about their suitability for a newly defined role of People Manager; then with coaching and discussion, we helped them to consider the data and to decide with us what the best role for them would be. Some of our people managers decided by themselves that they were in fact more suited to other alternative roles. Others were well suited to the role and committed to fulfilling it. The end result was that we moved from a structure of 90+ People Managers to 40 People Managers. This occurred during a three-month period.”

“The results of the change are encouraging. Most employees now have regular 1-2-1’s with their People Manager, and morale and engagement have noticeably improved. Our service team structure reports that teamwork, communication and sharing of ideas has become very good. Additionally, since the changes were introduced, we have unfortunately had to undertake some cost savings in some areas. Because of the changes we made, people have taken less time to recover. Prior, there would be wide-scale discontent and disengagement, but using the structure of People Managers to disseminate communication has enabled our employees to understand the changes; in some cases people have acknowledged that whilst it’s not positive news there is a better understanding of the rationale”.

“In many non-EO businesses, people are an expendable resource. In an EO firm, however, people are here for the long-term. If they are unhappy, they cannot be shipped out. You have to make the best of the resources you have. We have shown through the People Manager changes we made that in fact we had the people management skill we needed in the firm already, but were not using it appropriately.

Traditional methods of interviews and judging individuals based on prior performance in different roles wouldn't have got us to the same conclusion. It has been really interesting to learn new information and engage with our People Managers discussing information that might have otherwise remained hidden. Through undertaking a change project to evolve our People Management approach, we have also been able to look to identify opportunities for people to pursue roles which are more closely aligned to their strengths and career ambitions. We focus now on appreciating differences between people and aligning their personal ambitions with the needs of the business."

Camilla Neave

Make People, Make Architects

“The leaders of the Make business share a number of beliefs: That people in the business should not be competing with each other; that people will make mistakes, from which they will learn; that people need freedom to be able to develop; that transparency is the right policy, about everything except the most personal. The Make leaders truly believe in these things – They have all worked in non-EO companies before, and know what they do not wish to reproduce here.”

“How do the leaders spread this philosophy to everyone in the business? They make communicating a big thing. For example, six months ago, they decided to set up ‘Make Forum’, a rotating group of 15 or so volunteer members who meet monthly for a couple of hours, to debate any and every question about the business. The group includes people at site offices as well, so that they feel truly part of the firm. Minutes are taken and a report is given face-to-face to our chairman Ken Shuttleworth.”

“The fact that there is no hierarchy here is very different and refreshing. The founders did not want people to feel they were working for one person at the top who reaped all the reward. We have a structure which is project based, so everyone knows their role. It means everyone can try things and take responsibility they are comfortable with. Make is still evolving and will continue to do so through talking to everyone and understanding any concerns people may have. For example the forum asked how salaries are determined; as a result I gave a presentation about the process and how this has developed over the past couple of years to be more inclusive and not a taboo subject which can’t be discussed.”

“What advice would I give a non-EO company which is considering becoming EO? I think that non-EO companies have to be very clear why they wish to become EO, and to be sure that it is right for them. Therefore, they must know what their values are.”

“They have to be prepared to establish a culture where leaders listen to what owners say, and are prepared to take heed and follow. They have to make communications a key activity. They have to be ready to talk to their staff, and to really understand their fears as well as their hopes.”

“The default position in an EO company is trust. Leaders have to trust people, and believe that their motivation is not to extract money from the company. Leaders have to be prepared to sustain the company’s future, by establishing bodies to keep the spirit alive, much as we have done with ‘Make Forum’”

“What kind of person do I think would be unfit to work in an EO company? I think I would not want to hire people who are self-centered, selfish and out for what they can get, at others’ expense; or who are insistent on the satisfaction of their own needs and preferences, rather than the team’s; It is largely about a concern for fairness. This environment doesn’t suit everyone, which is fine – when it works it is very rewarding.”

Shwetha Rao

Human Resources Manager, CSH Surrey

“I have worked in both non-EO firms and in an EO firm. In the former, leadership tends to sit with the leaders, at the top. In an EO company, like CSH-Surrey, leadership starts at the bottom, and is demonstrated at every level. It is the culture here which makes that possible.”

“We have a structure, which provides that at different levels employees have specific and well-defined decision-making powers. I am expected, at my level, to make certain decisions, convey my thoughts upwards and downwards, and to lead myself and others, within an overarching direction senior leadership has given the firm.”

“There are statutory constraints as to what is allowable in the health sector. Within a culture of total respect of these, we trust that every employee will do the best they can. They have lots of freedom. It is their manager’s job to keep tabs on the quality of their delivery, and to address performance issues if and when these arise.”

“We have an open culture, where working in partnership with other co-owners is the norm. We usually work within teams to achieve an outcome, making decisions as these are required, rather than waiting for instructions to come to us from above. “

“From the start, the leaders of the firm made communication up and down the organisation a matter of utmost importance. Through “The Voice” process, and everyday interaction, people do have an equal voice and they take the opportunity to make their opinions known. There is no need for a ‘suggestions box’ here!”

“The leaders have given very strong values to the organisation. We must always have in mind that patient care is at the core of why we are here. A commitment to ‘giving it all’ is what we are about. When recruiting, we look for people whose behaviour reveals that this is also core to them, and who get a sense of deep satisfaction from delivering that care. I like to think that I get recruitment right at least 70% of the time. Otherwise we would have a retention problem we do not have.”

“Leaders never let the owners forget that an EO firm is a business. Sometimes engagement can have its drawbacks. Consulting and giving feedback can take time. The other side of co-ownership is that some people feel that as a co-owner they can do whatever they want, or refuse to do things the business needs to have done. The leadership position is to stress, through dialogue and persuasion, that we all need to make concessions here and there to ensure that the needs of the business are protected. That means that people need to accept, sometimes reluctantly, that changes need to be made for the greater good. That is the tougher side of leadership here, but absolutely necessary.”

“ People take pride in being part of co-ownership. If there is a sense of status, it is of being part of the community. You feel valued, as part of an organisation you believe in. As a co-owner, you are not just an employee.”

Phil Vickers

Human Resources Business Partner, John Lewis Oxford Street,

“We believe in ‘people first’ management at John Lewis Partnership, based on the conviction that if you follow this principle you will give better customer service. In profit-oriented companies, people inevitably tend to come 2nd. Here, we have no external shareholders demanding a certain level of return.”

“Good people-management is not exclusive to EO companies like JLP, however. There are plenty of happy employees at Apple, Google... Some non-EO companies can be good at inspiring and developing their people. I wonder sometimes how deep their concern for their customers is.”

“Good leaders in both non-EO and EO companies are necessarily great communicators, strong and visible managers, who set clear expectations, often with a personable touch. Where leaders in EO companies like JLP are distinct is in how much they empower co-owners. Ultimately the best performance a business can get happens where authority is devolved to the lowest possible level. Here, a partner on the floor can (and will) make significant decisions which enhance the customer experience (like giving immediate refunds), because they consider John Lewis to be their business. They have the autonomy which comes with ownership. And rightfully they are trusted by their managers that they will always try to make a good decision, for the customer and for the business.”

“Trust in senior management is high in the store. Has this trust ever been put at risk? There have been a number of occasions in the past few years when senior management has ‘grasped the nettle’ of major transformation to protect the store’s medium-term viability. Three or four years ago, for example, they announced their intention to start exploring new ways of delivering HR services to store managers. Because there was no hidden agenda, and all viable options were open for consideration, trust was never endangered or put at risk. Senior managers were clear with partners that they did not have a plan, only a goal. It took three years of discussion, consultation and organisational re-design to arrive at the new structure we have now, which is based on HR specialists providing telephone or e-mail support from a central HR team in our headquarters and HR Business Partners (like me) in each major store providing face-to-face support to the senior team. It wasn’t a pain-free process, as some very experienced partners were let go in the process, but we made sure we did it in the right way.”

“What kind of people do we wish to attract to John Lewis? We are looking for people with pleasant personalities, who have an ability to get on with others, who want to engage with the business at a wider and deeper level. They must want to participate in the democratic management we have.”

“We want the customer experience to remain an excellent one in John Lewis, and we know that we can improve our sales without resorting to a ‘hard sell’. Our commitment to the company and the branch is total, but that does not mean that we need to become tough and hard. One of our core values is to be successful commercially but without this success being to the detriment of others, be they customers or partners.”

Cara Bamford

Architect, Make Architects

“What is distinct about the way we lead here? We are more collaborative and less dictatorial, for starters. That allows for a better recognition of someone’s value and contribution. The way we work together and with our clients is very iterative, involving many different levels of discussion as we move a project forward. There are lots of different moldings. The quality of our work for clients therefore depends directly on our ability to bring each of our contributions to those discussions on every project.”

Increasingly building projects are getting more complex with more demanding delivery requirements. To meet these changing demands collaboration is more and more important utilizing different skills within a single office as well as those in a broader team. I think we at Make are really good at encouraging participation from all team members and harnessing the collaborative energy that it brings. It makes the team stronger and better than the sum of its parts.

“The fact that we are all in this together, that if we do well, we all do well, and of course conversely, if we do badly, we all do badly, matters to me. I very rarely think about this, if I am frank, but when I have a bad day, it is comforting to know there is a team supporting you and that we are all in this together!”

“In the Make context, leaders are people with special amounts of experience, confidence, warmth, charisma, salesmanship, and the ability to listen and hear what is being said. People have to feel that you care for them, genuinely. It’s a family thing. You want to have a decent time together, get on well and have fun.”

“Is there a pecking order all the same here? Yes, there are some people higher in the food chain, if you will. In the main these are the four Directors who were here at the start and others who came early. But some people who came later are seen as very important in the firm as well. Basically you rise up in the firm through the experience and skills you have gained by working on projects. Personally, titles mean nothing to me. It’s all about whether you do a good job. The absence of titles helps me to focus on the work.”

“My advice to a company considering becoming EO would be that, after the start-up phase when everyone needs to be involved in everything, you need to let go and trust people to get on with specialist roles. You can’t do everything all the time. People must be empowered to do a job and be trusted to deliver. An EO company creates trust, but also require trust for it to work. It would be counter-productive to try to control empowered people doing so many things autonomously.”

“I like working collaboratively and the type of projects that brings. I have no desire to be out on my own, and have always wanted to work with others. To be happy and successful in a firm like Make, you have like working with people, and to be pleasant to work with. Because of the way we are organized, and of the kind of people we are, people work a lot with each other, and build a lot of trust and respect in each other. We have a low turnover of people and have a family atmosphere. This delivers a lot of value to clients.”

Andy Davies

Chairman, GLIDE Ltd. – Company set up by the founder of Gripple as a kind of ‘cultural holding company and custodian of gifted shares’ to maintain the principles on which the business was founded, for future generations.

“Good leaders in an EO company need to have a strong conviction in the ‘cause’, to instill this cause in others, and maintain its credibility in the workforce and externally over the long-term. The leader also needs to ensure that the management style changes to accommodate the growth and increasing complexity of the business. To that end, the leader needs to encourage experimentation of new styles of working.”

“The leader needs to ensure that leadership is ‘divested’ throughout the business, so that the leaders move the business in the same direction to the same agenda.”

“The leader needs to allow mistakes to be made, and to create a culture which welcomes innovation. That culture needs to be resilient and strong, so that the workforce of owners responds flexibly when times are hard. In 1995 and again in 2007, for different reasons, we hit some hard times. In each case, the owners accepted without complaint a pay cut to help the business through. They shared the leadership’s commitment to tighten belts rather than make people redundant. We had not one single complaint. The people got it immediately.”

“We can divest leadership with confidence because we recruit people who are active and want to be part of the business, to take responsibility to help the business achieve its goals. We look for people who will listen to colleagues and act upon what they hear. We have to empower team leaders to listen to their teams, act on their suggestions, and explain why something should or cannot be done.”

“We recruit the kind of people whom we can foresee will rise up through the business and eventually run it, or start a company for us in another country. We shall grow organically, not by acquisition. “

“A key behaviour in the business is to challenge, upwards and downwards, by asking questions like : ‘Why do you do that? How does that help us?’ These challenges need to be intelligent and enquiring, rather than aggressive.”

“Our greatest asset is our people. Sure the product is important, but it does not sell itself. It is the people who make the business happen and endure. We need people of passion, of belief”

“EO businesses will last longer than non-EO businesses if they innovate more and faster, work from within, develop their people more, select the right people, accept mistakes as normal, and give people the freedom to explore”

Robert Hallam

Head of Democratic Engagement, John Lewis

“Being a successful leader in an EO firm such as ours may require more humility than in a non-EO company. Achieving performance in an EO company requires balancing individual achievement with the greater good, and that takes humility. It stretches a business to create an environment where both are rewarded, rather than individual achievement alone.”

“Employee engagement may have fewer specific KPI’s, it is often less tangible and immediately measurable than commercial performance. But getting leaders to invest in the cultural space is absolutely critical to the EO firm. Without the willingness to put the required energy into continuously listening to Partners, the leader may miss hearing the influential gem that could make all the difference”

“Leaders have to want to invest in the cultural heart of the business. They provide what we may call the ‘fuel tank of discretionary effort’ which makes the Partner experience of working at John Lewis and the customer experience of shopping at John Lewis an exceptional one. Only if the leaders display this discretionary effort in our relationships with Partners will the Partners then display it with customers”

“Our Democratic Engagement framework has a substantial budget by outside standards. We invest continuously in opportunities for teams to influence and we support leaders to encourage honest discussion because we know that over time it proves its value to the organisation. Influence must be a continuous strand, so it becomes the thread which joins together the whole integrity of our business.”

“What could be our undoing at John Lewis? Firstly, we would be at risk if we believed our own heritage is sufficient and became complacent. We have to keep pushing ourselves hard. Secondly, we could be vulnerable if we recruited too many leaders with strong technical expertise, but insufficient appetite to invest in our model. We must not take our eye off the cultural piece by bringing in expertise solely focused on commercial achievement. Fortunately our Constitution provides an anchor of resilience”

“Leaders must act ethically, demonstrate fairness, secure in the belief that they have done the right thing for the business, whatever the circumstances. Sometimes that means taking tough decisions, at other times it means taking decisions which to outsiders could seem overly generous. Leaders get an inner strength from doing what is right and that may act as a strong platform for sustainability.”

“Through the many levels of democratic engagement we have, we ensure the voice of the Partners is heard all the way through the business. In fact, elected Partner representatives on one of the governing authorities have the power to bring a resolution to unseat the Chairman if they feel he has failed to fulfil his responsibilities. Feedback and influence may not always be fast, but when it lands, it has the potential to make a real difference.”

“Leading in an EO is all about balancing the culture and the commercial business needs, about making decisions which privilege neither one nor the other factor, but which over time give equal weighting to both.”

Simon Littlefield

Clinical Manager Community Inpatients, Outpatients and Urgent Care, CSH Surrey

“Here leaders believe that co-owners must be in control of how results are achieved. The ‘how’ needs to be determined by the people doing the work. We own the work we do, rather than the organization doing so.”

“This is possible because there is a lot more trust here that people will deliver what is expected of them, in their own way. This is not false, or a sham. We really believe that people want the best for the organisation and will do their best. I fundamentally believe that people are good. That shapes how I look at people, talk with them and manage them.”

“Leaders here collectively believe in the system we have built since becoming EO, which contributes massively to the spirit of the organisation.”

“My direct reports all deal with people in their own way. I get them to play to their strengths, because there is no one way to do anything. When something is not going as I thought it should, contrary to what my direct reports and I had agreed, I can get really hacked off. I tell them directly that they are not doing what we agreed and what my expectations were. I will normally enquire with them whether they think these expectations were too high. Usually, after an exchange, things get back on the rails.”

“One must be able to make mistakes, and not get murdered for it. Recently I made a serious mistake. I went straight to the MD and owned up. She understood what had happened and why, and she accepted that I would act differently in the future.”

“Here co-owners have the power to raise whatever issue they might have directly with senior management, through ‘The Voice’ process. Compared to previous places I have worked, I really feel I have a voice here, and that my opinions count. As long as I continue to feel heard, and continue to believe that the values here are being respected, I will be happy.”

“Leaders must not be dictatorial, driving people to performance. I am sure that co-owners do not feel an external pressure to deliver, by being barked at daily, or feeling their jobs are under threat.”

“I love working here. It’s the best place I have worked in. We don’t work for profit, as every surplus we make gets ploughed back into the business.”

“What do I most look for when recruiting a manager? What matters most to me is their personality, how they present themselves when they walk through the door. Are they happy and confident, or morose and selfish?”

“In an EO company you may get the same results as in a non-EO company, but you do it in a better way, and you give the patient a better experience. That’s the goal, isn’t it?”

Chris McDonald

Principal, Member of the Management Team (UK) – responsible for Technical Development and Business Development - Golder Associates

“I genuinely prefer *not* to work for an external owner. EO gives me, and everyone else, autonomy to do my job the best way I know how - I organize my time, shape my work and can shape my career. This autonomy is reflected in our Vision Statement. In a small way, I can also shape Golder.”

“We have a business strategy and obviously need leaders and managers to get things done, but we are not overtly hierarchical. Day-to-day, I see my client as my boss and the pace is set by the projects we are doing, so I feel responsible to my client and to the project team in equal measure. All our Managers understand this is where our primary commitment lies.”

“Most Golder people have engineering or scientific roots, and have taken on managerial or leadership roles as a natural career progression, particularly if they have a flair for it. People become appointed to these roles through formal global consultative processes, but as nearly 60% of our staff are owners, it is also important that managers and leaders have a mandate (or ‘*social license*’) from their colleagues.”

“It is perfectly acceptable for people to move in and out of managerial or leadership roles, running with the baton for a period of time (a few years, say), before passing it on. You are not precluded from these roles if you are not an owner, but ownership enhances your ‘*social license*’.”

“A leader in an EO firm must work even harder to ensure that we are all pulling on the same rope. With ownership and autonomy comes tremendous enthusiasm and huge discretionary effort, but it must sometimes be *sensitively* marshalled in line with our global strategy and business plan.”

“There is only us and we are truly accountable for our successes and failures. My biggest challenge is to help create a company which can be passed down to the next generations of owners – i.e. someone to buy my shares when I retire!”

“Some people have ‘power’ by virtue of the roles they occupy, but actually most things get done through long-earned influence and working hard at engagement. Owners have a high expectation to understand the ‘Why?’”

“We are a global company across 38 different countries, EO is the glue that binds us and through which our strategy and behaviors are set, but it can also make us slower to react and more conservative.”

“All Golder people buy the same shares. We are ‘One Golder’ and therefore all committed to the success of each project, whatever the client and wherever the location. Actually, it’s taken us a long time to realise that our clients value our EO too!”

Conclusions

So, having had these conversations, do I think there is something distinctive about successful leadership in these EO companies?

I do. Having spoken face-to-face with these fourteen people, I saw some strikingly common but distinct traits of leadership, which I attribute to the fact that these companies are employee-owned.

Here are five traits which ran through the conversations, usually explicitly, sometimes implicitly, which I believe distinguish leadership in EO firms from leadership in non-EO firms.

1. Because employee-owners feel ownership of the firm, a **greater sense of accountability** runs through an EO firm, from top to bottom. Employee-owners are given greater accountability for results by managers, and managers are regularly held to account by employee-owners for the policies and strategies of the company.
2. Because EO companies are less hierarchical than non-EO firms, the leaders occupying senior management roles are **closer to frontline employees** dealing with customers and clients, and therefore better informed about the business and its current performance in the marketplace. The relative absence of hierarchy encourages open communication in an EO firm, characterized by a **high level of honesty**.
3. **Leadership is more devolved** in EO companies than in non-EO companies. This devolution involves giving of real autonomy to the person doing the work. Because of this devolution (and the greater sense of ownership which frontline employees have) EO companies can deliver a greatly-enhanced customer experience.
4. Leadership in an EO firm seeks to achieve a **workable balance between profit and people**. By that I mean the balance between the commercial objectives of the firm and the needs and wants of its customers (and its employee-owners). This balance is not fixed once and for all, but shifts emphasis from one side to the other, depending on circumstances. The EO firms I met do believe that to be sustainable they must not choose one side over the other. Too much priority to sales and profit will depress the customer experience over time; too much priority to customer or employee-owner needs will depress financial performance over time. To obtain this balance by the firm overall, every employee-owner needs to balance profit and people in their decisions on a daily basis.
5. Leadership is subtly but deeply **ethical** in an EO firm. Being 'ethical' means working from the inner conviction that a firm's purpose must be to create better and happier lives for all whom it touches. The finality of business cannot be business itself. Business needs to contribute to society and to the environment, much as without society and the environment a business could not exist. Personally, I have come to believe that EO firms offer the promise of a much more sustainable form of capitalism.

In this preliminary enquiry, I found these leadership traits in all five EO companies. It is possible to argue that the same traits could in theory be found in a non-EO company. In theory, I would agree, but not in practice. The reality is that these five traits are rarely found in non-EO companies. When they are, they tend not to last. Do you remember the empowerment movement of the 1990's? It turned out to be a fad, and for explainable reasons.

My hypothesis is that the major shareholders, Boards and senior executives of non-EO companies fear that this kind of leadership would imperil the profitability of their firms. I believe they think that leaving so much decision-making power in the hands of employee-owners, who continuously seek to balance profit and people, would lead to a loss of competitiveness and to the eventual collapse of their firm. As if balance meant mediocrity or impermanence! Is this belief confirmed by the performance of the five firms I visited? Not for one moment.

In passing, I asked one of the people I interviewed why he thought that fewer non-EO companies have adopted the EO model than might be expected, given its power. His answer was: *"They can't adopt our model because they can't break out of the old one"*. The structural and cultural change required to become an EO firm (like one of the five I interviewed) would be a mountain too high to climb for some large non-EO firms, if the will to climb it was even there.

I am enormously grateful to the EOA and to the five companies and to their employee-owners for having given me the opportunity to explore the question of leadership in an EO firm. I am intrigued as to where this enquiry might go next. I would be interested to know whether you share my insights or have different ones. You may contact me at richard.elsner@pivotal-moment.eu

Richard Elsner
12.11.14

