

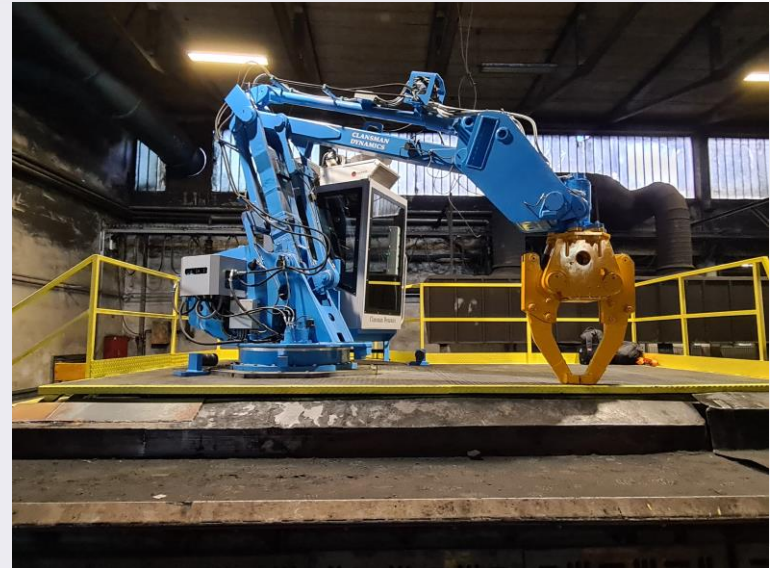
Employee Ownership Learning Journey

28th & 29th February 2024

Andrew Allan – Managing Director

Company Profile

- Established in 1994
- Employee Owned since 2009
- Manufacturing business
- 95% exports
- Sales in 50 countries
- 70 employees



+GF+



Schlumberger



NAVISTAR



DAIMLER



FLENDER



Company Startup

- Established in 1994
- 3 shareholders / opportunists in a shed in Bellshill
- Highly motivated – small team, own money at risk!
- Competitors all part of large well-established groups
- Knew the problems of competitors' equipment
- Reliability was key!
- By 1996 – 1 shareholder resigned & refinanced
- Threw everything at an exhibition in Italy and got a lucky break with Daimler order

2008

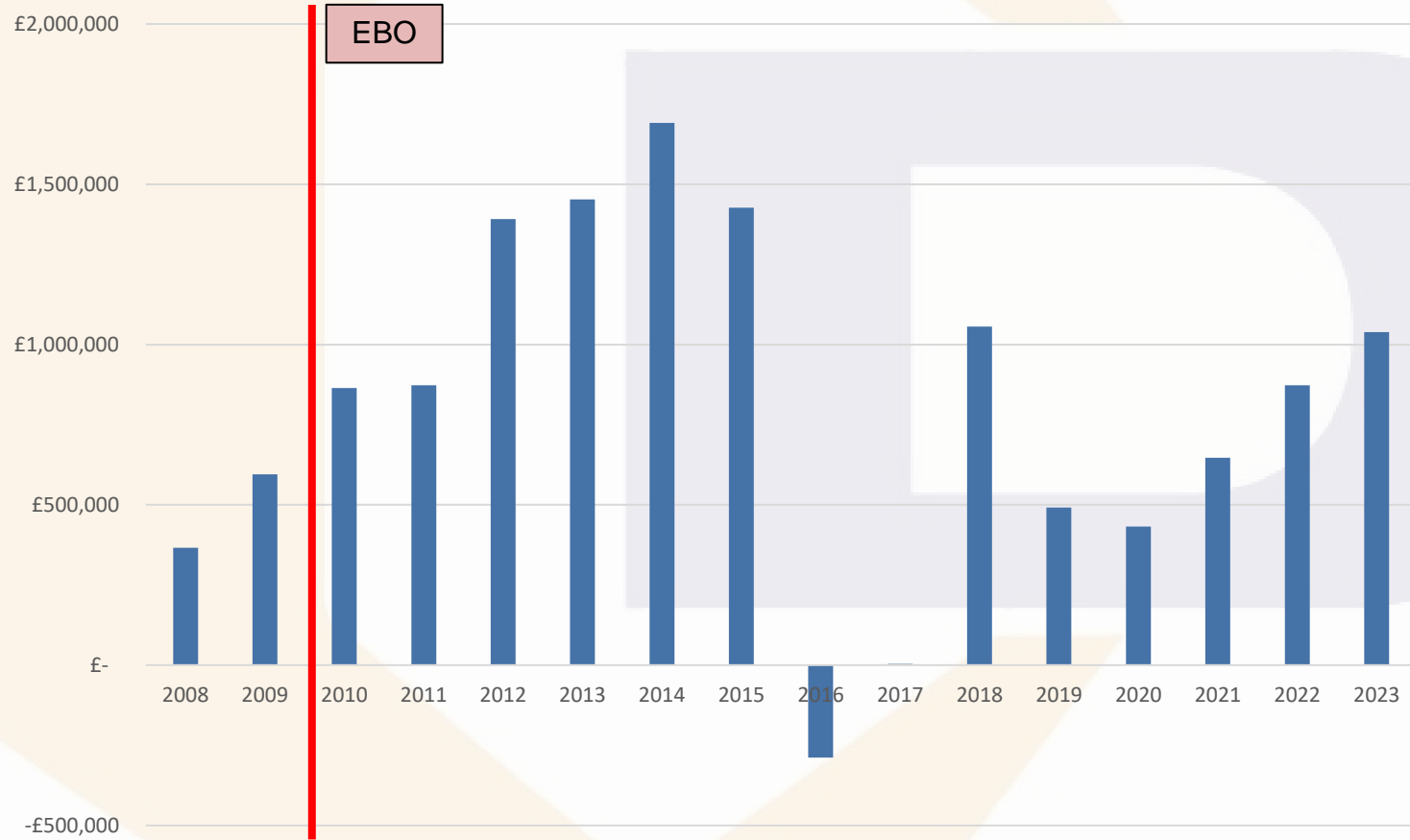
- ~ €7.5m in sales
- Strong order book
- 95% export
- Sales in 32 countries
- 30 employees
- Single majority shareholder
- Succession?



What happened at Clansman?

- Rejected bids worth multiple times value of the company
- Employee Ownership chosen
- Why?
 - Promotes long term decision making & long-term jobs
 - Secures engineering work in the West of Scotland
 - Encourages entrepreneurial thinking
- Showed employees clear future for company
- 90% of employees committed to buying 10% of shares
- December 2009 company bought by employees

Profit



Structure at Clansman



Trust

“The Trust exists for the long-term benefit of the current and future employees of Clansman Dynamics Ltd; as a profitable and innovative employee-owned business located in Scotland. The beneficiaries will have the benefit of meaningful, enjoyable work and the ability to share fairly in the wealth they create.”

Trust

- Founder Trustee (or successor / appointee)
- External Trustee
- 2 x Elected Employee Trustees
- Monitor Board performance and hold to account
- Work in partnership with the Board
- Must hold >50% of shares
- Quarterly Meetings

Board of Directors

- External Chair (appointed by the Trust)
- 3 x Executive Directors
- 2 x Elected Employee Directors
- Employee directors have the same responsibilities and participation as executive directors
- 3-year rotation
- Monthly meetings

How do employees have a say?

- Board / Trust positions
- Pizza Meetings – ask anything!
- Suggestion boxes
- Open door policy and feedback!
- AGM – 1 person, 1 vote (not proportional to shareholding)
- Authority delegation matrix

Share Ownership at Clansman

- Hybrid Model – EOT + Direct Ownership
- The trust must always hold >50% of the shares
- SIP shares purchased monthly (tax efficient)
 - Matching Shares & Dividend Shares
- Foundation shares from gross salary
- No individual employee can hold more than 5% of the total shares
- Share valuation based on Net Asset Value of the company or company profit + cash
 - Calculated by auditors

	Number of Shares	Percentage
Employee Benefit Trust	1,130,330	77.6%
SIP Shares	243,837	16.7%
Foundation Shares	81,902	5.6%
Total	1,456,069	

Financial Rewards

- “The beneficiaries will have the benefit of meaningful, enjoyable work and the ability to share fairly in the wealth they create.”
- Share the profits amongst the employees / shareholders
- EO Bonus – Shared equally amongst all employees
 - Up to £3,600 tax free
- Dividend – Trust normally waives its right
- Typical year:
 - 40% of profit before tax allocated to bonus & dividends
 - 50% of this is allocated to EO Bonus
 - 50% of this is allocated to dividends

My Thoughts

- EO is not a magic bullet
- An unsuccessful conventional business will still be unsuccessful if it goes EO without change
- EO cannot:
 - Overcome bad management
 - Overcome bad finances
 - Overcome a bad product
 - Overcome a skills shortage
 - Magic financial investment
- EO can:
 - Make a well-run business into a great one
 - Create job satisfaction
 - Provide equality and fairness
 - Empower employees to have a say in their future
 - Offer long-term job security

My Thoughts

- EO is not all champagne and caviar
- Employees remember their rights, but often forget their responsibilities
- It can elongate decision making
- You still need to run a business
- Don't be tempted to only focus on the negatives
- Leadership must be by example
- Communication is #1 priority
- Can open up many opportunities
- Can be an excellent marketing tool