Henley Business School

University of Reading

"There's a reason why we do that here.

It's because we believe it's their decision; not yours."

The impact on leaders, when organisations become

Employee Owned.

By

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To Ruth Gadd

A wonderful mother and lifelong supporter.

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The Executive Summary

This study focuses on the impact on an organisation's leadership when it transitions its ownership structure into Employee Ownership (EO). Well known examples of EO are the John Lewis Partnership, Make Architects and ARUP Management Consultancy. The objective has been to understand what impact the transition has on the leaders who find themselves no longer leading employees but now leading employee owners.

The core literature reviews: EO; focusing on leadership types; the question of ownership; change and behavioural relationship explored through transactional analysis.

The review of current thinking led logically to adopting a semi structured qualitative research methodological approach. This approach provided an opportunity to gather data from a very diverse mixture of organisations from small to large, within a variety of sectors. These included retail, consultancy, engineering, construction, printing, design services, health care, food production, and financial services.

Sixteen senior leaders or previous owner leaders, agreed to be interviewed for up to an hour each. Fourteen senior leaders were selected from eight organisations which had transitioned, or were transitioning, into EO. In addition, two senior leaders were selected as they had chosen to join different yet established and well known employee owned originations.

All of the interviews were recorded and transcribed. These were then reviewed to distil common themes. In addition the recordings were replayed to cross reference the visual data gathering with an auditory approach.

A significant finding was that the transition is not a simple linear process. Rather the role of the previous owner in first instigating and leading the change itself, often alters once the legal transition has occurred. As previous owners relinquish control, the new leadership has to be well prepared to then instigate the changes required. In addition, the lack of a single definition of EO requires the organisation to create its own definition, which underpins the narrative for change.

The main recommendations deal with the need for clarity around the organisations definition of EO; the role of the previous owner and the type of leadership approaches that will be most effective in achieving increased psychological ownership.

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1.   Introduction

1.1   Background and problem definition

1.1.1   The issue

For organisations to successfully transition into EO and gain the potential advantages this offers, it is essential that the leadership is equipped with the appropriate skills and capabilities to deliver this. From experience, practice, and evidence gained from others involved in supporting these organisational changes, there appears to be specific and unique challenges that leaders have to wrestle with when their organisation's ownership changes into an EO model.

1.1.2   Background

The world is changing at an increasing rate. The recent Brexit result, the rise of extreme parties across Europe and the election of a populist, anti-establishment president in the USA, indicates people were not happy with the ruling elites. Traditional institutions are coming under renewed scrutiny by an ever more savvy and insecure populous, all made more challenging by a climate of austerity. 'Achieve more for less' is no longer a change mantra, it's a way of life. For organisational leadership, their world is ever more challenging. This is well termed (VUCA) volatile, uncertain, complex and ambiguous (Mc Nulty, 2015).

Politicians are seeking new, efficient and transparent ways of delivering both public services and ethical business. Businesses are being encouraged to drive improved governance, accountability and service. EO has been recognised and supported by its proponents as one model which may deliver this change.

It is worth noting that this form of organisational ownership and governance which largely evolved from the late 20th to the 21st century is based in a 'western' culture. Interestingly, its popularity flourishes or demises in relation to political

climate (Kranz and Steger, 2016). The impact of the wider system would suggest that systemic thinking will play its part in the likely success of this model.

This is the theory that everything exists within a system, if we want to change a result we have to change the system. Change has be introduced systemically and not piece meal to achieve a different outcome (Bartlett, 2001).

In 2012, EO businesses accounted for 4% of the UK's GDP, figure published on the Employee Ownership Association (EOA) website (EOA, undated). These businesses include well-known names like, the John Lewis Partnership (JLP), Arup and Make. In 2014, the Coalition Government introduced the Finance Bill 2014 to encourage organisations to convert to EO. The purpose of this was to provide incentives to encourage the growth of the employee-owned sector. The Nuttall Report (Nuttall, 2012) outlines the advantages in productivity, accountability and resilience of employee-owned organisations. There are persuasive arguments that a link to ownership alters employees or employee owner's behaviour in a positive way, although there is no indication as to 'how' this is achieved. Arguably, the assumption is when you have a stake in something, you behave differently.

There is no official government recorded number of EO businesses in the UK, neither is there a legal definition of an EO organisation. However, the EOA, the only major EO membership body within the UK, believes anything above a 15% stake of ownership drives a different behaviour by employees and sets that as the benchmark for organisations to become a member of the EOA. EO occurs across a range of industries and sectors.

1.1.3   What is EO

Whilst there is no legal definition, "EO means a significant and meaningful stake in a business for all its employees" (Department for Business Innovation & Skills, 2013:5).

There are three types of EO structures, these are where:

- A proportion of shares are held in 'trust' on behalf of the employees

- Shares are directly owned by the employees

- A mixture of both exists

The John Lewis Partnership (JLP) is the largest EO business in the UK, employing over 91,500 'Partners'; Partners, being the term JLP use to describe their employees. In reality they are neither legal owners nor partners, as all shares are held in trust on behalf of the employees. However JLP uses the term to create an 'emotional bond' between the employees and the business. An emotional bond believed to drive greater engagement and therefore productivity as engaged employees outperform their disengaged counterparts (Shuck and Reio, 2011).

The JLP EO model was created in April 1950, when its founder, John Spedan Lewis finally handed over control to the employees, a process that took over 21 years to complete. His action suggests he believed strongly it was not only fairer to the vagaries of capitalism, but could act as a foil against the rise of Communism. His book 'Fairer Shares'; subtitled, 'A possible advance in civilisation and perhaps the only alternative to Communism', provides the narrative for his experiment in industrial democracy (Lewis, 1954).

> Private capitalism, with its immense advantages for present human nature has been distorted by suicidally foolish selfishness. Cooperative production, so far as it went would not end private capitalism. It would merely end that distortion.
>
> (Lewis, 1954:156)

Lewis had identified the relationship between ownership and behaviours. There is a significant social and political parallel between the 1930's, when Lewis first developed his ideas around EO and the current times. His view, contradicted by

those on the left, from the Fabians to Marxists, who saw the democratic model being undermined by this Capitalist System (Kranz and Steger, 2016). Whilst government sponsored reports, like the 'Nuttall Review' (Nuttall, 2012) may be vulnerable to the claim of political bias, other research journals also confirm the argument of performance improvement of employee owned businesses. A wide study of the data across a range of organisations concluded that small yet significant advantages exist (Kim and Patel, 2017).

There are those who argue the data on EO or versions of it are prone to failure (Kranz and Steger, 2016). There may again have been 'left' leaning political bias within their report. J Gadd Associates (JGA) experience and practice, within a leading EO business, evidences the difference. For example, one often quoted indicator is staff turnover was much lower than industry average - there may be factors other than EO that impacts this statistic.

1.2   The Challenge

During time in the John Lewis Partnership, it was observed that when senior leaders joined the JLP, their transition experience could be described as splitting into two camps; those who found the transition into an EO business straight forward, readily understanding and demonstrating the behaviours expected of co-owned leaders and those who found it much more challenging.

JGA practice has observed that leaders within transitioning organisations, irrespective of the previous ownership model (public ownership, private partnership, and family business), are presenting almost identical challenges for resolution. They raise some or all of the following challenges, heavily emphasising that it is the EO model that is causing the complication:

- Employees are not 'behaving like employee owners.'
- Managers share concern about now being 'told what to do' by their staff.

- The Leadership Team/Board/Executive have not all bought into it, i.e. 'This was not our decision'.
- The previous 'owner' still attempts to run the business.

These transitional challenges merit further investigation to improve our understanding of why this occurs and what steps can be taken to improve the process.

These observations have been reinforced by practice insights from a leading expert in the field of EO, Graeme Nuttall OBE. Nuttall is a Partner at Fieldfisher LLP, an independent government advisor and author of 'Sharing Success: the Nuttall Review of EO' (Nuttall, 2012). The Nuttall report sets out the case for encouraging EO within the UK economy. Nuttall also advises companies and organisations on the legal aspects of transitioning into an EO organisation. During an explorative discussion with Graeme Nuttall on leadership challenges within transitioning organisations, he stated "I do the legal, not the behavioural" (personal communication) - this statement indicates the importance of understanding behavioural change.

Nuttall has observed varied degrees of successful transitions and factors which may influence this. The role the ex-owners play appears significant. He has observed if they can let go and move away, the new leadership pick up the mantel and run the organisation as best they can. Depending on the EO model created, it is possible for the previous owners to retain some direct share holdings and still try to run the organisation, or take a role as a trustee to try to influence the organisation from a Non-Executive position. This suggests the importance of understanding ownership at both a legal and psychological level.

Nuttall also observed that the leadership is noticeably more resistance to change within the business when it transforms into an EO organisation compared to a trade sale, takeover, or management buyout. This suggests a link to the manager's challenge above, about being told what to do. There may be a concern that as

employees become 'owners', it reduces or alters the power balance with the senior leaders, making it challenging for them to accept the new EO model. If the EO changes are not clearly explained, it is reasonable to argue that both the employees and leaders, within EO transitioning organisations, will interpret their relationship to the organisation differently.

Nuttall's experience raises several key areas that will be reviewed in the literature to gain insight in what may be occurring during these transitions: Leadership Behavioural Change, EO/ Emotional Ownership, Change and Systemic thinking.

1.3   Project focus and objectives

The focus of the project is to understand the impact on 'Leadership' during the period of organisational transitioning into EO. In this context the term 'Leadership' refers to senior 'executive' decision makers, typically Board or 'Head of' level, who have clear accountability for an area of the organisation. It will not include the adjective definition that anyone can 'show' leadership within an organisation. This distinction is important as it can be argued, in an employee owned organisation, 'everyone' should demonstrate leadership in the organisation they 'own'.

1.3.1   The Scope

The scope of the investigation will be on the behavioural impact for senior leaders as witnessed by their line managers or described by themselves. The research will not delve into aspects of the leader's behaviour on their subordinates. Nor will it analyse any organisational performance data in an attempt to link cause and effect. For the purpose of this study, the assumption is that EO benefits the organisation.

1.3.2 The objective

The objective is to understand what the impact on leaders is when their organisations transition into EO. It is important to know what role the previous owner plays in preparing them for the succession and how they see the change to the origination impacting on their leadership approach.

1.4 The terms of reference

This projects aligns with Henley's terms of reference building on my coaching knowledge and helping me gain greater knowledge, insight and competence in the science of behavioural change (Henley Business School, 2012).

1.5 Sponsor

JGA will sponsor the project. This will ensure the research and findings will remain true to the purpose and free from undue external sponsor requirement. However there is a risk that self-sponsoring may increase bias. As part of the JGA business offer is predicated on the belief that EO is a better business model, there is an increased likelihood that when reviewing the data, emphasis will be given to input that supports this position. To mitigate this, a journal will be kept and used to reflect, checking for signs of bias. The outcome will be tested by those within the sector.

1.6 Personal objective for the Management Challenge

The primary focus for the MC is to build a reputation as an expert in leadership transition within the Employee Owned space. Whilst not trying to replicate the JLP model into client businesses, the original teachings of John Spendan Lewis to share "Gain, Knowledge and Power" (Lewis, 1954:25) underpins these conversations. Or more simply put by Max Fordham "A responsibility sharing scheme … Fit to be an employee, fit to be a Partner" (Fordham, 2017).

Over the course of my Henley MSc studies I have shifted my focus away from individual coaching towards behavioural change, with the aim of making my client's transitions as successful as they can be. This underpins my original reasons for completing an MSc at Henley. "Attending the programme plays to my preference for practical benefit as I acquire new skills" (Gadd: 2014). I can now use my knowledge of behavioural models and coaching techniques to interpret what might be occurring during the period of organisational transition.

Undertaking the MC will allow me to develop my skills of conducting rigorous research. The opportunity to use qualitative research offers the chance to further develop my listening and interviewing skills. It will also enhance my project management and most importantly demonstrate my ability to structure evidence based arguments. This will prove invaluable for my type of consultancy, where challenging opinions often have to be feedback to clients.

1.7   Report structure

The report comprises of the following six parts:

1. Review of Current Thinking
2. The Investigation
3. Findings from the Investigation
4. Conclusions and Recommendations
5. Reflections
6. The Bibliography and References

1.7.1   Review of current thinking

Due to the specific nature of this project, there is very little direct research into the impact on leadership during organisational transition into EO. However, this subject covers many facets of the areas covered within the MSc on Coaching and Behavioural Change. This is reflected in the wide range of sources for the literature review used to help shape the investigation and includes; academic papers, books journals, and Henley Business School course materials.

1.7.2   The investigation

Due to the limited data within this field, a qualitative research approach was adopted (Hair et al, 2017) using inductive interviews (Saunders et al, 2012). A sample of 16 'senior leaders' or 'owner's leaders' were interviewed about their transitioning experience. They were selected from a range of sectors to minimise the impact of any sector influence.

All bar two were involved in organisations which had been or were going through the process of transitioning. The object was to collate data which could be codified and then analysed to establish any themes or patterns. The remaining two were selected as they had opted to join established EO organisations. Their inclusion was important to both cross reference and test any emergent themes and to check for researcher bias. The purpose was to understand how the process of transition equips the senior leaders to lead in co-owned organisations.

1.7.3   Findings from the investigation

 The results will be analysed using the data collected from the interviews by a thematic coding approach. This will focus on comparing and contrasting the experiences of leadership in EO environments (Boyatzis, 1995).

1.7.4   Conclusions and Recommendations

The conclusions follow the findings of the investigation to both demonstrate the rationale behind the recommendations and highlight the areas for further investigation.

1.7.5   Reflections

This section reviewed how the experience has influenced and developed me. It is based on personal reflection, notes from the supervisory sessions and personal journal reflections. It identifies specific areas where bias was noted and how the research could be improved upon.

2.   Review of current thinking

2.1   The introduction

The vast majority of the literature examining EO deals with the case for or against EO as a successful business model. This arguably in part, reflects the size of the sector. There is no readily available empirical research into the behavioural impact on leadership when organisations transition into EO. There are two papers directly relevant to this study; one MSc (Wong, 2013) examining behaviours and the psychology of ownership. The other, an unpublished report discusses the types of leadership styles required for success leadership of employee owners (Elsner, unpublished). Starting with these papers will help to inform which further literature to study.

2.1.1   Organisational Citizenship Behaviours

Wong's study focuses on the relationship or correlation between the concepts of EO, Organisational Citizenship Behaviours (OCB) and Psychological Ownership (PO). This approach makes the case that through understanding the organisational goals and having clarity about how to play their part, employees may well go the extra mile (Wong, 2013). A strong case can be made that this is a given in a co-owned business.

This concept has been well formed over the past 30 years. Organ's studies conclude that OCB is an intentional choice by the employee. "In our view, an employee's motivation to engage in OCB is determined by how much the employee wants to engage in the behaviour" (Organ et al, 2006:93). Their studies indicate the type of behaviours the employer can display to encourage OCB.

More recent research into cognitive behaviours which can both increase or diminish OCB (Methot et al, 2017) would support an argument, that attachment to the concept like 'ownership' could well be a key OCB driver, for both the employee

owners as well as their leaders. Wong's study highlights the link of OCB within an EO business and the risk of failure if they forget to explore the impact on the triggers (e.g. this could be applied to an organisation in transition to EO), particularly where it demonstrates a high level of OCB behaviour (Wong, 2013). If this is not appreciated by the leadership, it could arguably increase the levels of anxiety within the leadership team.

2.1.2   Psychological Ownership

Psychological Ownership (PO), is where employees feel they own a piece of the organisation's target (Pierce and Jusilla, 2011). This means an employee feels a sense of ownership towards their organisation, they believe they can influence their work, truly understand their company and consider they have invested themselves into the organisation. The evidence suggests that this leads to a higher level of job satisfaction. The argument then follows that high job satisfaction will lead to improved job performance (Van Dyne and Pierce, 2004).

Accepting the case that, "Psychological ownership will be positively related to employee performance" (Van Dyne and Pierce, 2004:446), it follows that PO can be seen as an advantage in any organisation. However, arguably more likely to occur in an EO one, where the benefits of increased performance / success, will be distributed amongst the co-owner employees. It would seem reasonable to assume if the benefits of EO were clearly outlined to the employees, this would create an increase in PO within organisations transiting into EO; although this could not be guaranteed.

Unfortunately, whilst the link between EO and increased PO is logical, there has not been any empirical work on the process of developing ownership feelings, therefore how to increase PO is not really understood (Brown et al, 2014). This may prove significant. Arguably, if there is an increased expectation placed on the leadership, that by becoming EO the co-owning employees will improve their

contributions, yet the leaders are unsure how to achieve it, this expectation might have a significant impact on the leadership's confidence following their transition into EO.

A recent review of the research, examining the empirical data and how to measure psychological ownership, outlined the focus to "promote employee retention, discretionary effort, performance and wellbeing … in which employees relate to, or feel psychologically attached to their organisation" (Dawkins et al, 2017:163). This description arguably aligns with being an employee owner. However, it also highlights the direct contradiction between the two types of EO models; those owned in trust and those where there is some form of direct share ownership.

The fact that as a trust exists for the benefit of the trustees, i.e., the employees, it is arguable that this is almost solely reliant on PO to ensure that the 'owner' type behaviours are experienced within the organisation; they have no personal financial investment to risk within the organisation to receive a reward, i.e., a dividend. Whereas having a greater connection through direct ownership, it could be argued, means the ownership behaviour, need not be psychological. They do actually 'own' a part, will benefit from any dividend payments and have legal ownership rights. The question arises as to whether this 'connection' also increases their desire to stay in the organisation and impact their discretionary effort?

Whilst this link between being an employee owner, who is now a beneficiary of a trust, can be used to drive the PO behaviours, it arguable adds another layer of complication for the leaders. They now have to interpret how to lead the beneficiary employee owners. It also raises a fundamental question, which is arguably at the heart of understanding this MC: who is working for whom?

2.2 Leadership

Effective leadership is now accepted as one of the most important factors required for an organisation to survive and thrive. In this chapter we examine how the literature informs our thinking about leadership theory in relation to leadership during transition into EO.

2.2.1 Leadership styles

"Leadership is like beauty; it's hard to define, but you know it when you see it" (Bennis, 1989:11). With leadership style being accredited so widely within the literature, publications now combine many aspects to help make sense of leadership for others. One of the latest has reviewed studies over the past 100 years and has codified the data into five leadership Archetypes.

- Architect
- Motivator
- Connector
- Implementer
- Catalyser

(Cameron and Green, 2017)

They take these and cross reference them against others leadership theories creating "An overall map of leadership territory" (Cameron and Green, 2017:120). Most noticeable, in relation to EO is the reference to transformational and transactional leadership as developed by Bass (Cameron and Green: 2017). Understanding the difference between these will be important.

In an early approach, Hickman collated the ideas of contributors from different disciplines of leadership and describes the role of leadership as critical in order for contemporary organisations to develop to the right culture (Hickman, 1998). It has to be "Competent, purposeful, intelligent, and caring." (Hickman, 1998:8). The foundations are based on developing human capacity with their actions,

supporting their values and ethics. This argument clearly aligns with those leaders tasked with engaging others as employee owners.

Whilst the work also covers the complete range of disciplines, from servant, corporate identity, management, bureaucracy, change, strategy, etc., it also references transformational leadership by Burns, who preceded Bass (Hickman, 1998).

According to Burns, Transformational Leadership is quite different to traditional Transactional Leadership. Transactional Leadership works on the basis that a person makes contact with another for the purpose of exchanging things of value. It could be argued more, that in non EO organisations the exchange of labour for money is simply transitional. Burns suggests that Transformational Leadership approaches the relationship with a completely different take; being grounded in how a leader values power and the interaction with those being led. At first this is stimulated by the need for recognition from those being led, the followers; in this research the 'owning' employee owners. This then develops further through being aligned to the aspirations of the followers and is attuned to their values and beliefs. The result is advancement through collective purpose (Burns, 2010).

There is a case to suggest that this motivation of the collective purpose, aligns with the arguments for EO. Where its inherent purpose is to share the benefit, e.g., share: "Gain, Knowledge and Power" (Lewis, 1954:25).

In their discussion on the innovative leadership theories Hersey and Blanchard (1996) explain how the early theories of a relatively two dimensional approach 'task' and 'relationship' proved to be too simple, which itself can been seen to align to transactional and transformational leadership. They go on to explain that effective leadership styles are much more multifaceted with successful leaders adapting their approach to both the situation and the capability of those they are leading.

Hershey and Blanchard (1996) were keen to demonstrate that even this simple model can be validated. In crisis focused organisations like the Police, evidence shows high task is most applicable. Whilst transitioning an organisation into EO would rarely be described as a crisis. The owner or owners of the business arguably might need to demonstrate a significant task style when presenting their decision to create an EO business. Whilst not the most effective for engaging the leadership team, it can help to create a clear burning bridge between the past and the present. Informing employees that the ownership is changing, they will become an EO by a certain date and what needs to be in place by when, will certainly focus the minds of the employees.

This need to first inform and then transition ownership and control can be further refined by exploring the situational leadership style, which was developed over time and classified into four identifiable quadrants. They are developed around the maturity of the workers with the task.

- Telling or directing
- Selling or coaching
- Participate or supporting
- Delegating

(Hersey and Blanchard, 1996:44)

Following a similar logic, the literature offers other models of leadership, for example in 'The Styles of Leadership: A Critical Review' (Khan et al, 2015), they talk about five leadership types. These can all exist to some level within in any organisation although cultural, demographic or social-economic factors will all have a bearing on which style is prevalent or preferable.

- Autocratic
- Democratic
- Laissez Faire
- Bureaucratic
- Situational

(Khan et al, 2015:90)

Burns work had been further refined into four transformational, separate components: Although again it is argued that organisations are likely to have cultures that are characterised by both transformational and transactional leadership.

- Idealized influence
- Inspirational motivation
- Intellectual stimulation
- Individualized consideration

(Bass and Avolio, 2011)

This raises interesting questions for leading organisations transitioning into EO. How does the leader acquire the skills for transformational leadership? How will they access the employee's aspirations in order to align with the values and beliefs? Both these questions are limited to an assumption that a transformational leadership approach is present. This gives rise to the question, if it is present, then are there other factors that are impacting on the leadership transitioning the organisation?

As discussed previously, EO organisations are as varied as non-EO ones. Therefore the expectation around a successful EO leadership style will not be limited to a simple equation of A + B = C; where:

- A, Is the EO model
- B, Is the leadership approach
- C, Is a successful transition

This argument therefore suggests another element of leadership is important, that of the followers. The literature clearly discusses that leadership is not done to people. Followers are just as important because each one will reject or accept the leader (Hersey and Blanchard, 1996). This suggests that for the leadership to adopt the right approach, they have to answer two questions:

- What do I need to tell the employees about the transition in EO?
- Do I understand their capability to engage with the process?

The complex nature of transitioning an organisation into EO would indicate that no one approach would be appropriate for situations. Therefore, a leader having a full grasp on the organisation will be important. As the leadership theories have evolved over the years, the approach has been to focus on the followers as the method to improve leadership (Hersey and Blanchard, 1996). There is a strong argument this approach would be helpful for both new employee owners and leaders alike during an organisation's transition into EO.

2.2.2   Changing leaders

As we have seen the literature informs us of the importance of leadership. This suggests that there is risk attached to changes in leadership. There are arguably few greater changes to an organisation than that of owner leaders relinquishing ownership and control. Recent literature highlights the high failure rate within the USA amongst new CEO's. A third to a half of new CEO's fail within 18 months (Ciampa, 2016). Although the study is not related to EO, the reasons offered as to why this is so high could also apply to an EO business. These will arguably offer insight into additional dimensions when overlaid with the challenges that new EO leaders face they:

- They don't read the political situation well enough to build necessary relationships and coalitions
- They don't achieve the cultural changes their strategic and operational agendas require
- They overestimate the willingness or the capacity of the people they inherit to abandon old habits and behaviours

(Ciampa, 2016:63)

Whilst all three points can apply to an EO transition, arguably the 2nd and 3rd will have greater significance as the cultural changes and subsequent behavioural expectations attached to EO appears greater.

The findings go on to explain that this can be exacerbated by the new Board's failure to grasp the nature and impact on the existing company habits, politics, culture and behaviour; therefore the potential challenges all will face. The proposed solution is to prepare the organisation for a change under the new leader (Ciampa, 2016). The logic of this is clear. However, within the EO space it raises two further questions:

- Is there a specific leadership style which is better suited to employee owned organisations?
- How well briefed / prepared are the leaders when the organisations ownership model radically changes into an EO?

The literature would indicate the importance of understanding the democratic environment (Ciampa, 2016; Kranz and Steger, 2016), which could be argued by implication, would suit a western style culture and therefore an employee owned organisation.

2.2.3   Leadership present in Employee O organisations

The Elsner Report (Elsner, 2014) on leadership styles within EO business concluded that there were common leadership traits within these businesses:

1. A greater sense of accountability
2. Closer to frontline employees
3. High levels of honesty
4. Leadership is more devolved
5. Balance between profit and people

(Elsner, 2014:18)

These five traits support the argument that transformational leadership will most likely assist leaders transitioning their organisation, with emphasis on a more democratic and coaching approach.

2.2.4   Unlikely successful EO leadership traits

Finally Burns further distinguishes between 'leaders' and 'power wielders'. 'Leaders' meet the need of their followers; unlike 'power wielders' whose sole purpose is the excursion of power for their own goals. He exampled Gandhi as a 'leader', who aligned with his followers values, and compared him with Hitler, as a 'power wielder', manipulating people for his own aims (Burns, 2010). Whilst extreme examples, it neatly examples two distant approaches to power.

Arguably a 'power wielder' would meet many of the psychological definitions of a sociopath, a key element being a lack of empathy (Loewen, undated). This type of leadership may well sit and thrive within highly aggressive organisations. Accepting that a more democratic style is best suited to EO organisations, they are unlikely to sit well in a model which requires accountability from the leadership to the co-owning employees; where a greater amount of empathy or understanding of their own ambiguous role would be an advantage.

2.2.5   Emotional Intelligence leadership

In addition to leadership types, more recent literature focuses on leadership styles placing greater emphasis on a leader's Emotional Intelligence (EI) as a key determinant for successful leadership, Goleman's (2004) theory shows that EI is the essence of all good leadership. His theory builds upon the scientific studies that reviewed understanding of emotions based on classroom data. As his chart explains EI is broken down into key components: reflecting emotions, to promote intellect growth and emotions; understanding emotions to employ emotional knowledge; emotional thinking, to focus attention on what matters; the perception, having the ability to identify emotions from their physical feelings.

Table 1: Understanding the emotional intelligence components

	Definition	Hallmarks
Self-Awareness	the ability to recognize and understand your moods, emotions, and drives, as well as their effect on others	self-confidence realistic self-assessment self-deprecating sense of humor
Self-Regulation	the ability to control or redirect disruptive impulses and moods the propensity to suspend judgment – to think before acting	trustworthiness and integrity comfort with ambiguity openness to change
Motivation	a passion to work for reasons that go beyond money or status a propensity to pursue goals with energy and persistence	strong drive to achieve optimism, even in the face of failure organizational commitment
Empathy	the ability to understand the emotional makeup of other people skill in treating people according to their emotional reactions	expertise in building and retaining talent cross-cultural sensitivity service to clients and customers
Social Skill	proficiency in managing relationships and building networks an ability to find common ground and build rapport	effectiveness in leading change persuasiveness expertise in building and leading teams

(Goleman, 2004:6)

The chart indicates, the ability to understand self and others are the key elements of EI and would logically be advantageous to any transformational leader. Whilst the literature portrays compelling arguments for the place of EI as a valuable tool within the capabilities of organisational leadership (Harris, 1992), there is however no specific link to EO organisations. However, accepting that EO has the additional complication of understanding the relationship between the employee owners and the leadership, where a greater degree of 'employee engagement' is expected as part of the transition into EO, there is a compelling case that a higher level of EI will be required in leaders who are taking EO organisations through transition.

2.3   Logical levels

As we are looking at the implications of significant change, both for the organisations and the impact this has on the employees, it will be helpful to refer to a model that will align with and help understand at what level the changes occur. 'Logical levels', as developed by Robert Dilts (2014), building on Gregory Bateson, an anthropologist's work, offers up a simple model. Dilts first applied his labels in 1987, describing them as the ABC of Neuro Linguistic Programming (NLP)

Table 2: The ABC of NLP

what I	**A**m	A	Identity
what I am	**B**elieve	B	Beliefs and values
what I	**C**apable of	C	Capabilities
what I	**D**o	D	Behaviour
My	**E**nvironment	E	Environment

(Adapted from Dilts, 2014)

"'Logical levels' can be used by coaches to help individuals understand what's important to people at different levels." (Bossons, et al: 2012:191). In this context it raises the opportunity to help leaders make sense of the new ownership structure and at what level the changes impact the organisation. For the purpose of this research, data was reviewed against these levels.

Whilst NLP is not without its critics, it is widely practiced and used as a method to categorise 'levels' of change. Much of the criticism is focused on the two founders, John Grinder and Richard Bandler, the latter a charismatic multi-millionaire with a belief that its use could heal all types of ills. (Burt, 2009).

2.4   Role of the owner

2.4.1   Systemic thinking

A trade sale or management buyout, it can be argued will simply replace one set of owners with another. It can also be argued that transitioning the organisation into an EO one is fundamentally different. EO transition creates a complex new dynamic system; that of direct or indirect shared ownership. Either model inherently links additional benefit to the owners who are also the employees. It is therefore reasonable to argue that the EO route is potentially more complex for the new leadership team to cope with if they have no previous experience of EO.

2.4.2   Impact on the owners

Accepting the argument that organisations exist within a system and that those transitioning into EO will initially become more complex, then understanding the effect this will have on the original owner and the role they play during transitions into EO, will help to explain the impact this may have on the leadership.

It is useful to first explore what happens to the 'owners' during transition. Whilst there is no available literature on owners who transition the businesses into EO, there is some research on those selling family businesses. This research lays out a clear case of the potential psychological effects when an owner / leader sells their business, what role will they play in the future, how will they fill their time, etc. (Beauregard, 2011).

Although other data is limited, by implication, similarity exists that an EO organisation like John Lewis, could be described as a paternalist family business (Lewis, 1954). It is reasonable therefore to extrapolate some parallels from the sale of a family business. It can then be argued that the psychological impact experienced by owners who transition or sell their organisation into an EO model, may well be replicated by those experienced by owners relinquishing or selling family businesses; a sense of loss or bereavement. Indeed research in this field of family business secession, found many owners expressed strong psychological fear when thinking about the prospect of leaving their companies (Beauregard, 2011).

- Fear of an unknown future
- Owning and running your company gives your life meaning and purpose
- Leaving will lead to loss of social status
- Leaving will lead to loss of identity
- No vision of what to do in your new life
- Leaving feels like "a black hole"
- Thinking about leaving feels like "death"

(Beauregard, 2011:11)

Whilst accepting the logic that for owners, the impact of 'relinquishing control' through trade sale or transitioning the organisation into an EO structure may feel similar up to the point of sale; arguably the impact on the EO organisation's leadership will be fundamentally different to that experienced by those undergoing a trade sale. In a trade sale the leadership will not be dealing with the added dimension of transitioning the organisation into EO.

It is likely that this may be further complicated if the departing owner continues to have a role within the new EO organisations, or their presence leaves a cultural legacy, potentially causing additional challenges for new leadership.

2.5   Transactional Analysis

The constant mention of 'family' or 'parent' suggests it is reasonable to view these changes through Transitional Analysis (TA), a concept first created by of Eric Berne in the 1950's (Berne, 1961).

In addition to the transactional and transformational leadership study produced by Burns, discussed earlier, he also worked on TA (Burns, 2010). This theory is viewed as a study and explanation to help us make sense of human interactions and behaviours. It has been used as a tool to help us know how to relate to one another (James and Jongeward, 1969). Arguably the impact of a significant change of ownership to an EO model, will have an increasingly stressful effect on all those involved. TA will offer one explanation as to what might be happening for either the owner's or their leadership team.

TA theory explains how our interactions are based on our ego states. There are three which combine to make our personalities; Parent, Adult, Child. Parent is built of past experiences made up of our thoughts, feelings, and behaviours learnt from our Parents; these further splits into two parts the 'nurturing' or the 'critical' Parent. Child state is again made up of thoughts, feeling and memories

experienced as a child. This part also splits into two, the 'free child' and the 'adapted child'. The final state, where we logically work through the data by thinking through what they see and hear is the Adult. The theory is that any time we will be in one of these states; understanding this allow us to make informed choices about our behaviour or our transactions (Solomon, 2003). Accepting this theory may well help explain some of the reactions experienced by leaders during the organisations transitioning into EO.

Figure 1: Definitions of ego states

Parent Ego State
Behaviours, thoughts and feelings copied from parents or parent figures

Adult Ego State
Behaviours, thoughts and feelings which are direct responses to the here and now

Child Ego State
Behaviours, thoughts and feelings replayed from childhood

(Newton, 2017: Ego States)

Accepting the premise of a 'transaction', prompts further understanding of the impact of TA in these dynamic relations. It could be argued that many of the organisations are transitioning from a 'controlling' ownership, potentially seen as a 'Parent' figure and transferring the ownership onto the employees, potentially seen as the 'Child'.

As the leaders of EO organisations will be leading their employees, who are also the owners, TA may well inform our understanding as to the impact the transition has upon the leaders, offering us an additional insight into the data.

The literature discusses TA's role in positive stakeholder engagement (Pettit, 1976). The findings reinforce that when a person conveys a message, they will behave from one of the ego states, Parent, Adult or Child; as will the recipient.

The chosen state will have an important impact on the stakeholders and their ability to engage positively with the change (Drogai et al, 2011). Whilst Drogai's study covers broader stakeholder interactions, it could be argued that this will equally apply within an EO transition.

This very behaviour was witnessed in practice. When working with an executive team to help their understanding of the transition and plan for their new roles of leading employee owners; one of the Directors shouted out 'we did not ask for this!' This petulant child behaviour is an example of a 'cross transaction' and could possibly illustrate where the communication had broken down (Drogai et al, 2011).

Figure 2: An example of cross transaction

SENDER   RECIEVER

Parent   Parent

Adult   Adult

Child   Child

.
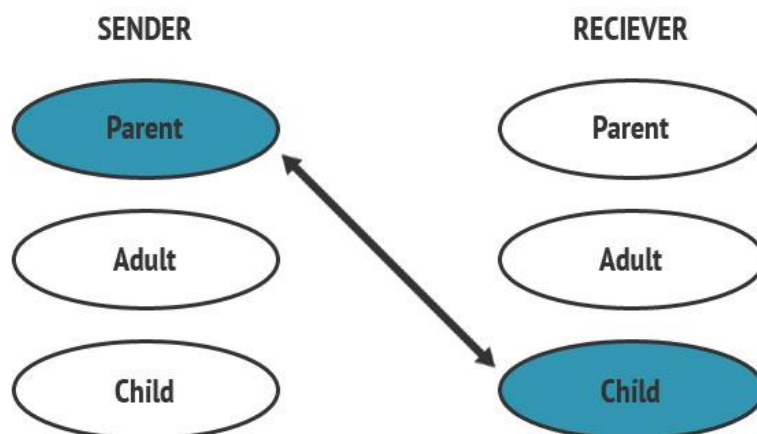
(Steiner, 2012: Cross Transactions)

In the above example, if the owner (Adult) had been present and responded as a 'Parent', e.g. replying 'you never want to take responsibility', this would have likely escalated the situation. However, if they adopted an adult response and asked 'what are your concerns about the transition of ownership', they may well have been able to offer an explanation from which the director could have responded in an adult manner. As indicated below.

Figure 3: An example of adult interaction

SENDER   RECIEVER

Parent   Parent

Adult ← → Adult

Child   Child
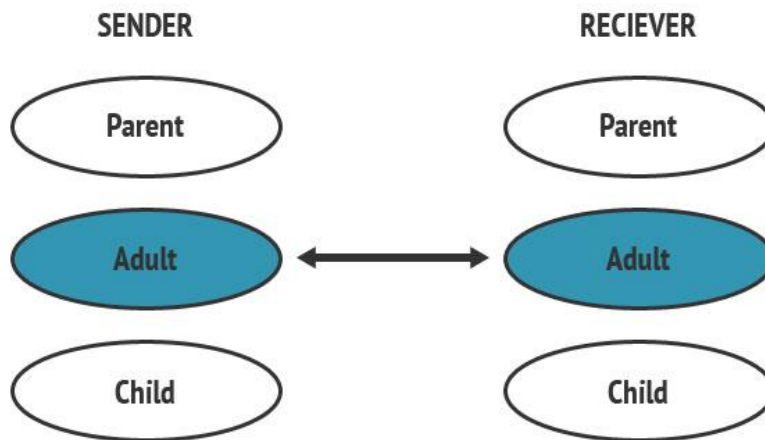
(Steiner, 2012: Complementary Transactions)

Having accepted that these interactions can be viewed through a TA lens, it can be argued that the dynamic impact is significantly increased in cases of organisations transitioning into an EO model. If we view the owner as the 'Parent', this role changes significantly and requires replacement once the owner 'moves on'. They either leave (the owners move on) or at least transfer power over to the new 'owners', the employees or 'Child', thus metaphorically either leaving 'home' or moving into the annex. This would require the 'Child', the employees, to become the 'Adult', the 'new owners'. This will most likely lead to an increased state of anxiety for all.

2.6   Change

Having reviewed both leadership and ownership, the argument has developed that transitioning an organisation into EO is a significant and multifaceted change. It is right to see what the literature tells us about change. The Kubler-Ross simple change curve my well explain some of the reactions leaders face.

Chart 1: Kubler-Ross change curve
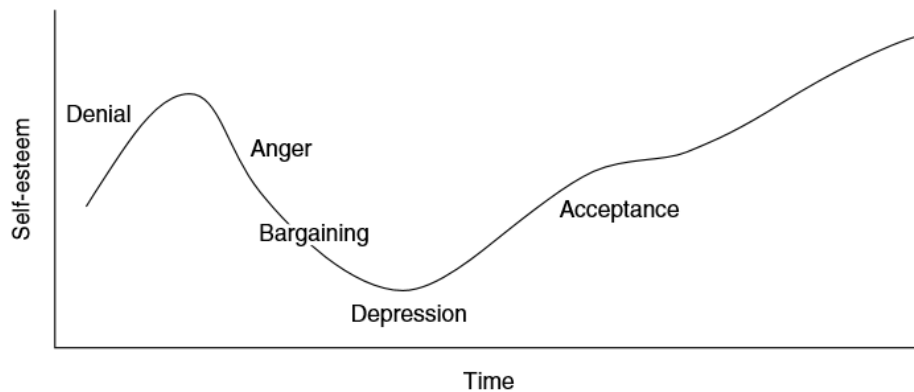
(Cameron and Green, 2015:32)

However, the complex multi layered reality that leaders are faced with each day, (Anastasia, 2015) indicates this model will only provide limited however useful insight into the potential impact for the individuals involved in the change.

A more complex model was developed by Satir, shown below, during her work with families. "Also highlights two key elements that disturb or move an individual's experience along" (Cameron and Green, 2015:35). Could these arguably be equated to the changes faced by leaders within EO organisations; if the foreign element is equated to the announcement that the owner is selling the business and transforming the idea, that organisation is becoming employee owned?

Chart 2: Virginia Satir change model
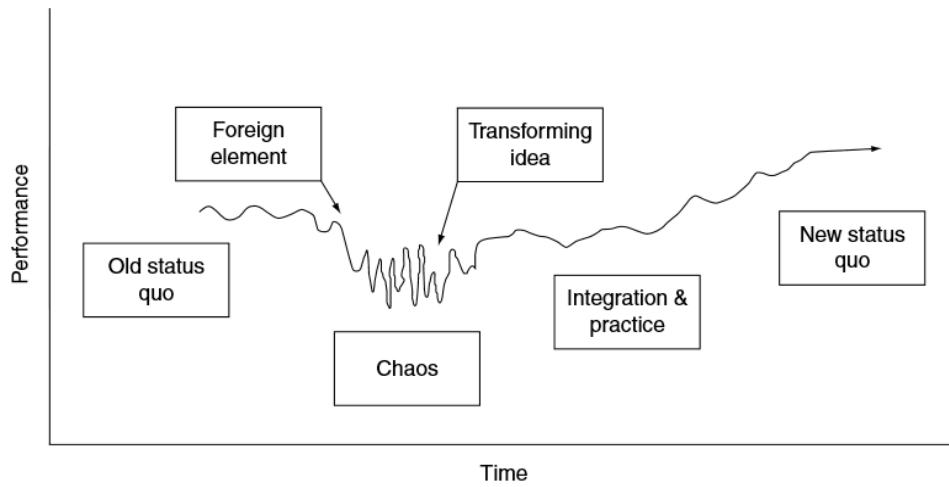
(Cameron and Green, 2015:35)

The language around EO appears to indicate a commonality of behavioural challenges, which would manifest itself by changing the way leaders have to behave within an EO business. This is a competence which arguably needs to be acquired. Noel Burch's four stages of competence is a helpful model to indicate how this can occur.

Figure 4 : Learning models
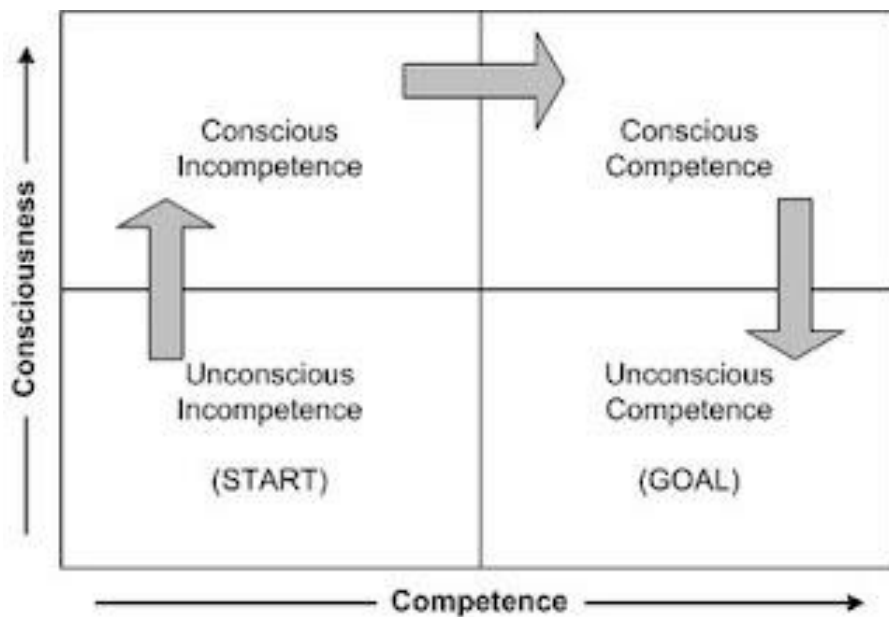
(Tri, undated)

With the EO model being so rare, it is reasonable to suggest that leading employee owners is a different and uncommon experience. Lacking awareness to master this could delay acquiring the required competence. As literature suggests, the element of consciousness may well play an even more significant part in a successful transition (Adams, 2016), access to a clear definition of EO and what is expected may appear significant.

2.6.1   Readiness for change

Being prepared for an ownership change, particularly into a model which is little understood, would imply there is an increased requirement that the organisation creates readiness for change. Arguably it needs to consider, in greater detail, the impact on leadership behaviours? The research suggests that readiness is a key factor for success (Armenakis, 1993).

The literature also describes how the alignment between the leader behaviour and the follower's readiness will impact on the success of the change (Hersey, et al: 2001). Again we see the importance of follower in relation to leadership.

2.7   Conclusion

With so little data specifically related to the area of impact on leadership when organisations transition into EO, the current thinking indicated that the investigation should explore the following areas to establish any themes or patterns which would help to explain the challenges leaders face and to help our understanding of the impact of this transition:

- Transition, change and readiness
- Leadership and behaviours
- Understanding of EO

3.   Investigation Design

3.1   Introduction

Building on the current thinking, this chapter describes the investigation rational, strategy and methodology for collecting and interpreting the data. It deals with why the approach was taken, what alternative could have been used and the reason for discounting them. It concludes with the limitations of the adopted approach.

3.2   Research question (objectives of research)

The role of the desk research phase was to inform the first hand investigation. With so little specific current research on the question of the impact on the leadership when organisations become EO, the literature review provoked more questions than answers. Those questions formed the structure of the review.

3.2.1   Object of the investigation

With the literature review highlighting the many inter-locking factors that could be at play, the general focus question (Saunders et al, 2012) was to understand what is the impact on a leader's behaviour when EO becomes the organisation's ownership model. Which if any of these factors are important during these transitions?

The purpose of this was to gain any insights which will help future leaders embrace the change in an organisation's ownership structure, in order they achieve a successful transition more easily than appears to occur in practice. This will enable them to leverage the advantage of EO for themselves and their organisation.

The research focused on two categories of people where a progressive sampling approach was adopted (Hair et al, 2007). Those who:

1. Held 'Senior Leadership' positions having executive accountability within an organisation; defined here as holding a senior Director or 'Head of' position.
2. Previously held an 'Owner, Leadership' position within the organisation; they held a full or substantive, direct financial holding within the organisation, without whose agreement the organisation could not be sold.

3.3 Research (Investigation) design

As very little specific data currently exists within this field and little is really understood about this question, what research there is, is incomplete, therefore a qualitive research approach was considered to be the most appropriate; inductive reasoning was used (Hair et al, 2007). This allowed a fairly flexible approach to be used to gathering the data which will ensure themes and categories will merge from the data, (Patton, 2002). From here, the theory could be built up. (Hair et al, 2007).

With so little research in this area an alternative phenomenological approach could have been used; studying the phenomena of human experiences: "or how things appear in our experiences, the way we experience things, and therefore the meaning things have in our experience … examine conscious experiences from the first person … perceptions, thoughts, desires memories …" (Hair et al, 2007:289). This was discounted as the research suggested that enough converging themes existed for inductive reasoning. Careful consideration was also given to an hermeneutics approach where the subjects would be invited to share their experiences in a potential linear fashion, "to understand and explain human behaviour based on an analysis of stories people tell about themselves" (Hair et al, 2007:289). It was felt this could have proved too challenging to prepare the participants in the art of storytelling within their agreed hour slots, with the risk of raising their stress less and impacting their ability to share their experiences.

However, during the introduction stage of the interview, the interviewees were invited to 'share their story'.

If more time had been available, a mixed method approach using a quantitative survey would have been preferable. This would have added additional depth to the analysis, allowing a further opportunity to check the emergent themes and triangulate them against the data, possibly enhancing the outcome of the research (Hair et al, 2007).

As a semi-structured approach was adopted, it was important for the interviewer to create a good rapport with the interviewee. Great rapport comes by unconditionally accepting the client's world without judgment, helping to fully appreciate their emotional world (Rogers 2012). In preparing for the interviews, it helped to consider the existence of different personality preferences around how people think or feel and how they interact and handle data; where they are sensing or intuitive. Myers-Briggs Type Indicator (MBTI) preference was carefully considered in preparation of the questions used to help manage any variance in the interviewee's expectations. "The Myers-Briggs type indicator (MBTI) assessment is a psychometric test that assesses … the way people perceive the world" (Bossons et al, 2012:83). Although MBTI is not without its critics, particularly from those within the professional psychology community (Lloyd, 2012). Its use as a recognised tool, validated its choice as a way to ensure the preferences of the interviewees was considered to maximise capturing relevant data.

One final, yet noteworthy point for choosing the semi-structured inductive approach is it plays to the strengths of the researcher (Henley, 2012). As qualified and experienced coach, many of the skills required for great coaching align well with this approach. The ability to question, listen and summarise (Bossons et al, 2012) and the importance of building rapport (Hardingham et al, 2004) aligns with the skill required for interviewing.

3.4   Interviewee preparation

Prior to the interviews, the interviewees were first contacted by phone or email to outline the research objective and seek their initial agreement to participate. This was followed up with an information and consent sheet, which allowed the reflectors time to come back with any questions about the process; none did.

The semi-structured process was fully explained at the start of the interview. Interviewees were told that it was their own experience that was of interest, they were not speaking on behalf of their organisations and that crucially, there were no 'right' or 'wrong' answers. This was underpinned by the explanatory mail sent out prior to the meeting.

The interview process was built around the five areas reviewed in the literature:
- Transition
- Change
- Behaviours
- Leadership
- EO

Each subject had two or three questions to prompt the conversation; supplementary ones where introduced to assist the flow of the conversation if required, (Appendix 1). These were used to structure a conversation. If the interviewee covered any of the other areas during their answers, they were not revisited. This ensured the conversation flowed naturally. Confidence grew as more interviews were completed. Towards the end of the interviews, the question sheet was simply glanced at as a double check.

All interviewees where sent an information sheet and consent form prior to the interview, (Appendix 2). An additional copy was taken along to the interview. Face to face interviews were selected in preference to Skype or by telephone. This was to ensure that maximum focus and presence with minimal interference was achieved. The interviewee was requested to book a private room free from

interruption. This would aid the 'chemistry' of the session. "When one person meets another and they naturally give each other what they need and the chemistry works." (Hardingham et al, 2004:70). Removing all possible interruptions increases the likelihood of this occurring. All but one complied, due to a room booking error, resulting in their session being held in a bar. Although not too busy, there was some background music noise. This did cause some challenges for transcribing; some data was lost. Following this incident a polite reminder was sent out to the remaining interviewees to ensure a secure place was acquired. No further issues arose.

Each interview was recorded and transcribed. (Appendix 3 – Please note this transcription has been anonymised using 'XX' to replace any reference which may have identified the source). These were supported by note taking during the interview. To help mitigate against interview bias, a right hand column was inserted in the note book. Every time the interviewer either felt a strong agreement or a wish to challenge what had been said, a couple of words were noted down in this column. This action ensured presence was maintained throughout the process. "When you are interested in, curious about, riveted by, what they will say next, you do not want to interrupt them" (Kline, 2015:36).

In addition to the notes taken, a journal was kept of each interview. In it were recorded any thoughts or feelings the interviewer had before the meeting and after it. This was also used to record any learnings and was re-read before the following interview. This helped to support the learning process of inductive interviewing, (Appendix 4).

3.5   Selection criteria

Due to the limitations of time and budget the interviews had to be within three hours travel from Henley. This did restrict the research to organisations based in the Midlands, South West and London, which may have limited the diversity of the

participants. All but one of the interviewees were white and all but one was male. No conclusion or assumptions were drawn from this. No recording of the age profile was taken as it was assumed to have no bearing on this research.

Sixteen interviews were conducted across ten organisations. The selected organisations covered a wide range of sectors: retail, consultancy, engineering, construction, printing, design services, health care, food production, and financial services. This would ensure that the research applied to a variety of settings (Saunders et al, 2012).

All but two interviewees were selected from organisations who were transitioning or had transitioned into EO within the past four years. These two remaining interviewees were selected as they had chosen to join well known and long established EO organisations. This was to check for alternative data which might indicate any bias towards interpreting the data from the transitioning/ed group.

3.6   The analytical approach

An adapted version of Bryman's four step for analysing the qualitive data was used: (Bryman, A. 2001)

1. Getting a sense of the data
2. Preparing the data
3. Coding the data
4. Analysis

3.6.1   Getting a sense of the data

The initial approach was to combine the total output from all the interviews, removing all the research comments and questions (just under 36,000 words) and run them through TAG-cloud word clouding software, the top 60 most used words were selected with the following exclusions: 'xx', denoting undefined words; a brand name and 'it' as there was no significance to this word in relation to the study. This provided a frequency of the most used words.

Figure 5: Word cloud, interview data
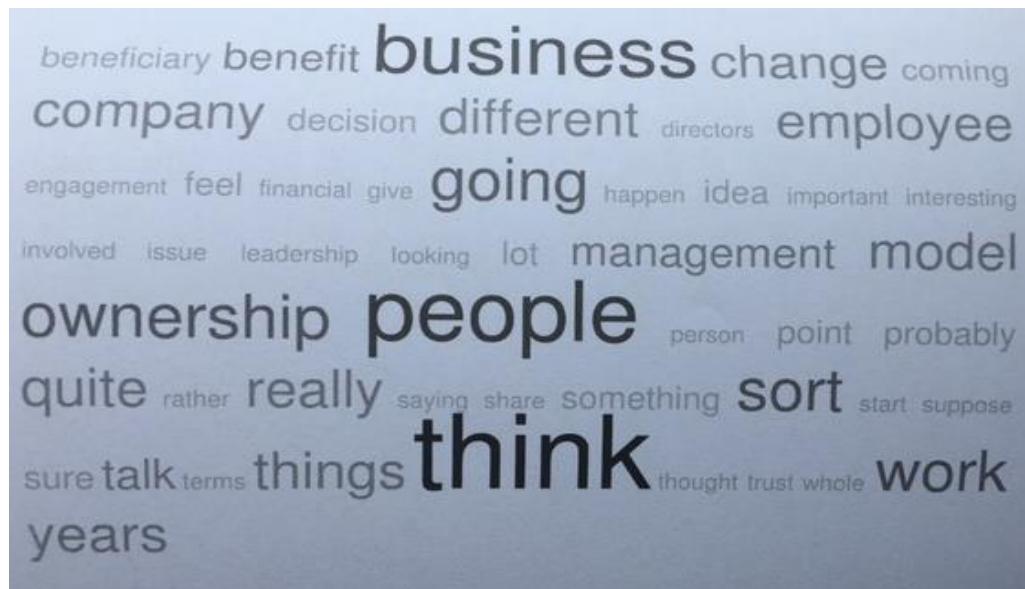
3.6.2 Preparing the data

All the interviews were then all re-read, key words, expressions or phases were identified, highlighted and collated. In addition, the audio recordings were then replayed allowing for additional note taking and to compare/reinforce or challenge notes taken during the read through. The notes taken during the interviews were also reviewed. The culmination of the three approaches provided some triangulation of the themes. These were then mind mapped.

3.6.3 Coding the data

Labels were applied to the data and logical grouping in relation to the research was created. The mind map was then used to create logical groups. It became apparent the language indicated a strong correlation with logical levels (Dilts, 2014), a further plotting of this was produced to indicate where the change was most noticeably felt.

Figure 6: Research mind map
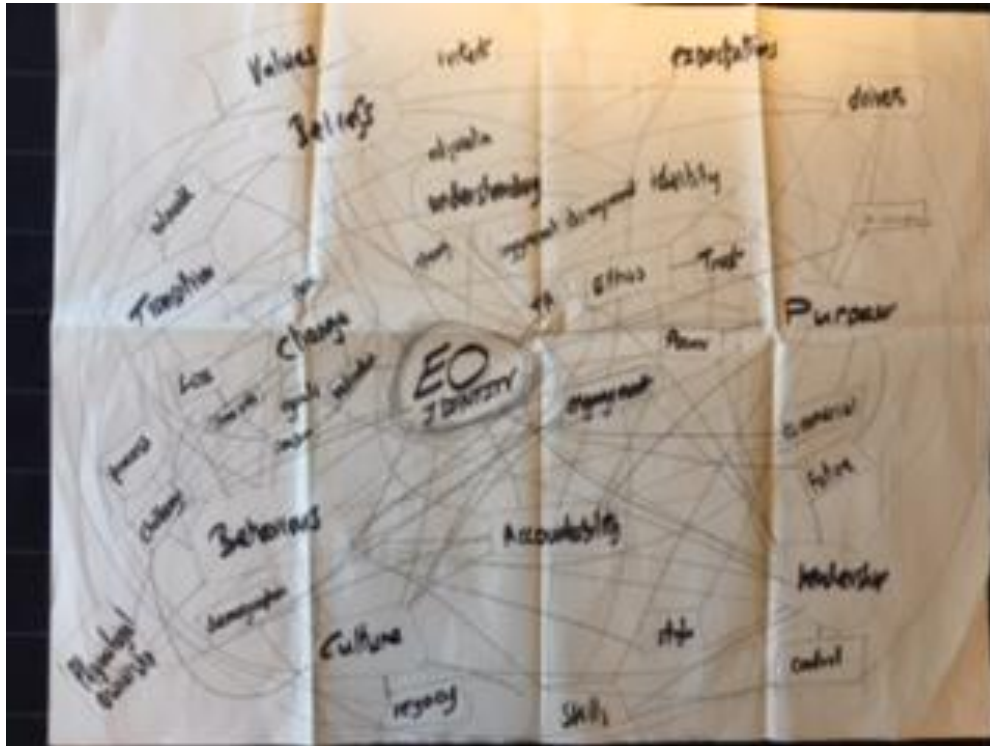
3.6.4   Analysis

The data was then reviewed to draw out patterns in experience, highlighting major areas from the interviewee's experience.

3.7   Limitations

The requirement to limit travel time to a three hour radius from Henley, restricted the data set to the South of England. This restriction will have excluded any possible regional variation in approach which could have influenced the data. For example in Scotland, where the Scottish Government, through the Regional Advisory Board, support organisations with succession planning (Scottish Enterprise, 2015).

3.8   Conclusion

This chapter described the full process undertaken in preparation and execution of the research and analysis of the data. It explained why an inductive reasoning method was selected (Hair et al, 2007) and other methods had been discounted. It covered the selection criteria of the interviewees and reviewed how this process could have been improved, and acknowledged its limitations.

4. Investigation Findings and Analysis

4.1 Introduction

This chapter describes the findings of the research and analyses these against the current thinking. Where new concepts evolved, further review of the literature was undertaken. The findings were then reviewed by looking at the preparation for the transition and what this revealed about peoples beliefs regarding EO and change. It goes on to report the role of leadership during the transition phase and outlines the evidence around how the assumptions about EO impact on the leader's ability to support the change.

The first step to reporting back was to examine the understanding of those interviewed about the transition into EO and how this impacted their leadership's expectations. As seen in the review of current thinking, the literature indicates that preparedness for change has a significant impact on the chances of success. It can be argued that the changes in ownership of this type, which create the expectation of employees behaving differently, with increased psychological ownership and a greater demand to be involved, will inevitably have an impact on the leadership and the style they choose to adopt. We will come to this later.

4.2 The evidence

4.2.1 The motivation

The evidence gathered, showed how unclear or varied the thinking was around any impact on the leadership as the organisations transition into EO. It was apparent from the interviews that the owner's pre-eminent focus was on realising the motivation for moving into EO. In all the commercial businesses this was driven by succession needs. In the health care 'spin-out' this was driven by a need to take control for delivering their contracted service. These factors became the central tenet of the communication. Therefore, most of the energy was invested

into the process of transition, both legal and financial. These next two comments illustrate this from different perspectives.

> The transition was very good in terms of identifying individuals that needed to be part of the business as the business ownership transferred … we hadn't given those individuals clear insight into what the model was, how it operated ... (Food Production Director)

This example distinguishes between process of 'business' preparation, i.e. having the right people in place, however not the process of bringing EO to life. It could be argued that without a clear understanding of how the new EO organisation was going to operate, the leader's judgment that the right people had been appointed, suggests that the interviewee also believed it was to be business as usual.

From the comment below, about another business transition, we can see that there was an understanding that something was going to change, however not how the leadership would be expected to enact this. This statement arguably includes a measure of EI.

> I think the message was clear. I think the implications of it weren't well understood. I wouldn't say that I fully understood it. I would say that I understood where no else did. (Senior Design leader)

From the sample set, not one owner interviewed was driven to maximise their market values. It would be a mistake to conclude this is never an issue when owners select EO as an option. (Practice evidence some examples where a particularly niche business, employing limited or highly skilled individuals and where finding a trade sale or management buyout is almost impossible, can lead to the conclusion that the EO option will be the most lucrative way to extract shareholder value.) This may explain why one main factor shared during the interviews in favour of EO was predominantly around legacy of the brand and its

values. The owner stated that EO was a significant way to secure long term consistent behaviours and security of employment for the existing employees.

The EO option was seen as a mechanism to 'protect' these values by reducing the opportunity of a take-over, hostile or otherwise. Take-overs were universally seen as bad; there was a shared belief take-overs eroded all that had been created, through efficiency drives, amalgamation or closures. The personal values and beliefs of the owners clearly outbid their opportunity to maximise the profit. Arguably this could also be seen to raise their expectations about how the new employee owners would react to their 'generous' decision. They could be expected to not just appreciate this 'generous' decision, but understand the need to step up and take ownership. However this overwhelmingly proved not to be the case.

> It's not just the minute you sign that you become employee owned; oh it's all going to be fine because employees are all co-owners and understand it and they are going to be very motivated, it doesn't work like that at all. You need to work at it really hard. (MD, manufacturing)

There was little evidence of much preparation being given to the leadership on the impact of the transition and leading employee owners. Interestingly this was replicated in the lack of EO preparation provided to new leaders joining well established EO organisations. This possibly suggests assumptions are made around EO.

 A good example about what this lack of understanding means, is best illustrated by this leader who chose to work in an established EO business.

> And like a sage he said to me, well you do know that you work for them right. Bloody hell, he is absolutely right, you can't really see those things before you get in, because you cannot feel them. (Retail Director)

The data suggests a lack of understanding about the potential impact of the transition to the organisation and how this could impact on the identity of employees becoming 'employee owners'. As we have heard, little support was provided for the leaders; this is arguable significant. A lack of clarity equals confusion and mistrust (Bass, 2011). However, there was no evidence to suggest, if another form of ownership had been chosen, any more or less attention would have been given to the impact on the organisation. Arguably, what potentially makes this significant, is the rarity of this model and therefore the lack of available reference points or support leaders could access themselves.

In another example, the lack of clarity about EO was not just limited to leaders within transitioning organisations or those joining an established EO organisation, it also existed at the highest level within an established organisation.

> Sorry there was a really important issue in this, which does relate to EO, was that without any question, the Chairman did not understand EO in relation to the business. They had told me … don't worry about EO it is just like any other business. (CEO Data Processing)

The previous quote, also illustrates the importance of EI highlighted from the literature review. In addition, this theme of a lack clarity about what EO means, is further reinforced by the following comments made around the assumption of how the behaviours would change. Note the implication of lack of change for leadership.

> So, the big benefit for me will be that people feel like they are participating, they influence decisions … I'm not sure there would be a massive change from a leadership perspective. I think business will carry on doing much of what is does now. (Owner Director)

However, for some others it was seen almost as a negative: "As far as I could see it from here, it was just a set of behaviours that were probably not terribly helpful." (CEO Architects). Whilst this was the most negative comment, this ambivalence, almost hostility would suggest little sense of any 'ownership' of the change. This theme was repeated, in this example from an almost ethereal view.

> I didn't really have any real thoughts about it. I didn't know what it really entailed. I sort of got a feeling that maybe the ethos wasn't so much about EO, but the owner cared very much about the people. So it felt sort of a family affair. (MD Engineering Group)

This reference to a family could reinforce the case about TA, as the accepted norm of a family having parents and children. The implication here was the caring owner had a paternal or maternal approach.

The evidence builds a picture that suggests each transition is unique. The variety of responses reinforces this argument, or more accurately the views of those involved in the transition. Another example demonstrates an acceptance that the business will change over time. "At that moment, I think, I sort of see it as business as usual, but accepting that business as usual will evolve in ten years in terms of new leadership." (Owner Managing Partner)

It could be more accurately argued, that the beliefs shared about the unique nature of their experiences equates to a lack of shared understanding or clarity around the impact of transitioning into EO. This was not due to lack of effort, more a case of 'assumptive thinking'. Assumptive Thinking (AT); defined for this purpose; as an individual's assumption on a universal understanding of EO. These predetermined yet unshared views of the EO, allows people to function within their own set of beliefs and behaviours which unintentionally misalign with those assumed by others operating within the organisation. "I think the assumption here

was that people would get how to do it." (Senior leader). In the absence of any discussion, AT is a clear description of this process.

It can then be argued that strong AT will have the effect of rending the need for much leadership EO preparation redundant, as in this example; notice the use of the word 'hope'. "You hope I suppose that attitudes of the people and the workforce would change because of EO, because of being part of a different sort of organisation." (Ex-Owner Director). This next quote indicates the person had a clear picture in their mind or AT about what would change as a result of the organisation becoming EO. "Then the other thing with EO, is not everybody gets it. Most people get it, but not everyone gets it because people don't like change." (Ex-Owner Director). The justification for lack of understanding, is around change.

Another clear example of AT:

> My phrase, probably a good phrase that I'll possibly later regret. One of them was, we are all equal and I'm your humble servant… I don't think they understood what EO was and I can see its difficulties; it's like you take it for given. (Ex-Owner Director)

The ex-owner demonstrates a clear understanding of how the transition will change their relationship with the employees, whilst identifying this understanding has not been replicated by the employees. This also raises the question around a leadership approach, to state 'servant', could be viewed as a transformational style (Burns, 2010).

For others, their AT takes the form of a simile, "oh we'd like to be like John Lewis", (Senior Leader). There was no explanation of what this means, just an assumption around behaviours or the 'experience' of working within John Lewis.

With the amount of data that reinforces the AT argument, it is right to question what impact this could have on the organisation, as it will arguably impact the leader's ability to deal with any reaction. This following example provides an indication that their AT is reinforced or highlighted by employee reaction. During a small celebration organised to witness the creation of the EO trust, the owner was surprised by how underwhelmed everyone was.

> Thanks so very much for the champagne, and they went straight back to work as if nothing had happened. It was a complete non-event … I'd hope that they might have responded a bit more out of curiosity, might have said, 'well what does this actually mean?' (Ex-Owner Director)

Again we see the word 'hope' used. With the benefit of hindsight, the AT argument is reinforced as another leader reflected on how their transition could have been handled differently.

> Maybe what we didn't do in hindsight, is to put enough focus on the communication side of it and what employee owned business would look like going forward. And how we deal with the engagement side, particularly the engagement side of the management team. (Managing Director, Professional Services)

This observation also raises the question of preparedness for change, which as discussed could be heavily influenced by AT. This next quote provides clear data on the need for good preparation, acknowledged by both the leaders and the previous owners.

> If there was an insight that the old owners shared, it was that it wasn't handed over particularly well, and I don't think it was. (Production Director)

This reflective example underpins the argument about AT. If the previous owner's believe they are clear in their own mind what the transition into EO means to them, whilst it is not be proven they assume that others will get it, the data indicates that little is done to share this. However, in addition to AT or besides it, there could simply have been an issue of poor communication as shared in this example.

> Engaging with people earlier on, about what EO means and why we have gone down the EO route; there was miscommunication and misunderstanding. People thought they were shareholders. (Managing Director)

4.2.2   Leadership

The varied assumptions about what EO is and what affect it will have on an organisation's leadership going forward, reinforced the need to understand the role of leaders within the transition. The question is which, if any, styles of leadership were demonstrated during the transition and did this alter during the process; were some better suited to support it?

Contradictory evidence emerged during the interviews about changes to leadership behaviours and decision making following transition into EO. Here we hear how the impact of an organisation being 'owned' by the employees negatively affects the leader's ability to make tough business decisions. "It -EO- had definitely influenced why we had not got rid of enough people previously." (CEO Professional Services)

A more subtle explanation, which again could be argued demonstrates AT, is shared here.

> I think it was more top down beforehand and less top down afterwards. And I think part of the behaviour afterwards might have been; I'm not sure whether it was the leadership creating a void ... We are not going to get involved because if we did it would be just the same as before. (Previous Owner)

There was a clear recognition that something had to change in the previous owner's behaviour following the transition to allow new leadership to emerge. The approach taken was to stop leading, in the hope that the gap created would encourage new leadership to emerge from within.

Contrary to this argument, several examples highlighted that an autocratic command and control approach to leadership, was a key factor in how these businesses ran before and this was not expected to change. Here are five specific examples:

> But the employee benefit model basically had benign dictatorship embedded in the trust. And we operate like a benign dictatorship anyway. And so what we did was to formalise the sort of paternalist attitude. (Ex-Owner Director)

> I think we have always believed in the importance of strong leadership, in the importance of there being decision's being taken … Whatever our product ends up being is; that it is strong leadership that gets you there. (Owner Director)

> There is one very strong voice amongst the owners and what he says goes. (Owner Director)

You can't involve everybody in the decision. Yeah and the right way to run it is probably the way you ran it before. (Owner Director)

I don't think the ownership model has changed our accountability with staff and in the way that we interact with staff. (Director)

Note all but one of these examples came from either current owners or ex-owner directors. This would suggest their experience of owning and running the business has strongly influenced their belief around leadership. In this example, there is a clear expectation that others will follow their style. *"I tend to take an interest in the various aspects of the business. So that's the way I like to work and the way I expect other people to work."* (Owners Director)

As the new ownership structure is established, examples appeared that suggested the expectations around appropriate behaviour changed. This could indicate a shift of power from the previous owner to the employee owners, highlighted that the previous acceptance of the owner's behaviours will alter: "So respect, not respect, there is always respect; the tolerance of his -previous owner- behaviour is less than it used to be" (Senior Leader).

This shift is again illustrated here, "You need to be brave about it -EO- because it would be very easy to try and remain more autocratic about it." (Ex Owner Director). The use of the word brave would perhaps indicate an understanding and openness to change directly contradicting the earlier approaches. This opens up the way to a more consultative, adult / adult approach, which is also shared in this example.

I think leaders in xx are expected to be quite consultative and to point out the sense of what they are proposing, rather than saying, well this is what you have to do, get on and do it. (Senior Project Manager)

This more collegial approach was further evidenced and suggests an expectation of being more a part of the organisation; therefore increasing their PO; "Meaning for our senior team making them feel part of something, rather just employees" (Owner Director Professional Services).

This next example goes further portraying a sense of urgency, which Kotter argues is the first of eight accelerators to successful change (Kotter, 2014).

> I think it's given a slightly longer term view of the business ... the business recognises that staff have got an important part to play in the future. I can't wait to get them more involved in running the business. (Director)

4.2.3   Change in communication

The previous point indicated the leader's need to alter their engagement through communication, which is further expressed in these quotes and a move from tell, sell and consult (Burns, 2010). "I suppose understanding how far we take that, how we inform rather consult … I don't think we are going to completely reinvent ourselves through EO." (Owner Director). And again in this example a recognition how EO has impacted on their leadership approach; impacting their behaviour. "I probably wouldn't have done it with everyone in the room all in one go … I would have done a more hierarchical fashion and start with the board." (CEO).

This is further developed into an argument that EO creates a greater need for employee owners to have their say, to hold leaders to account, in essence the organisation become more political. "I think relationships become more political under EO … we are talking about decision making becoming more democratic" (Ex Owner Director)

With this accountability arguably comes responsibility as these two examples illustrate.

> The decision making process is different - it gives - the reason for doing the greater good … you still have to be careful and considered … I haven't jumped through any more hoops than I would normally do … the whole gamete of the decision is the same, it's the communication that is different. (Ex-Owner Director)

> I think EO changes how you see people fit within the organisation. I just couldn't justify bringing someone in that potentially would be seen as quite selfish, in it for themselves. (Ex-Owner)

This final example demonstrated the increased sense of responsibility and also portrays both their PO as well as their own EI.

4.3   Conclusions and recommendations

This chapter draws together the current thinking, with evidence from the findings and analysis, into a logical conclusion and set of recommendations. These aim to answer the issue of this MC: To understand what is the impact on a leader's behaviour when EO becomes the organisation's ownership model.

4.3.1   Conclusions

As discussed in the introduction, EO is a concept that has no legal statues. An EO organisation can be made up of direct share ownership, a trust model; where the shares are held in trust on behalf of the employees, (this has to be a majority holding to qualify for tax advantages) or a mixture of the two. The model is estimated to be about only £30 billion UK GDP (Employee Ownership Association, Undated) covering most sectors, the likelihood that an owner or one of their

leaders will have been involved in an EO transition before is extremely remote. This is an important factor when considering the question; how is a leader prepared for leadership in a fundamentally different organisation?

This lack of experience or meaningful explanation about the impact that the choices for EO will have on the leadership of an organisation, leads to significant assumptions. The report evidence examples of how AT impacts on the owners, their leaders and arguably the organisation. Whilst there is a strong case to argue that the psychological ownership of the employees will increase as they see they have a 'stake' in the organisations, the data gathered suggests this is not clearly communicated and is simply assumed or worse, miscommunicated e.g. phases are used like 'we'll all be making decisions', when this is not the case. The intention was to encourage increased levels of consultation or participation.

One important impact of AT, is it appears to reduce the planning and readiness for change. It can be taken that many organisations fail to prepare for change (Armenakis, 1993). However, arguable the evidence suggests that the potential impact of a transition on an organisation into the relatively unknown model of EO means the risk of leadership failure could be even higher. This in turn, can be counter argued that the expectation of being employee owners will ensure enough people rally around to prevent this happening. Is this too a demonstration of AT?

Another important factor on the impact on leadership is how the governance will alter. With the trust model, employees become 'de facto -owners', the organisation is no longer run for the sole benefit of the previous owners, it is now run for the benefit, in part for the employees (the size of the part depends on the model). This can have a significant psychological impact on the leadership teams, as the board's shareholders are now the employees. The data indicates that the importance of this change cannot be underestimated both at a practical level and an emotional or psychological level on the leadership team.

The impact on the outgoing 'owners' (outgoing, does not indicate they will leave the organisation, often many retain some role during the period of transition, however they will most likely relinquish control or power) appears significant. There appeared little evidence that much planning had been considered as to the impact on their role as leaders within an EO business. In fact, some owners and leaders, were under the misconception that they would carry on as previously; in the case of creating an Employee Ownership Trust, this could be in breach of HMRC Rules (HMRC, 2017). In other cases, it was clearly stated that the new leadership would continue to run the organisation in the same way as the previous administration; predicting EO would have little marginal impact.

The evidence also indicates in some cases an alternative and an evidently misguided belief that the new 'employee owners' would fill the leadership space vacated by the previous owners, or that the employees would automatically behave like owners. These assumptions appeared to have a detrimental impact on the transition process. Whilst well intended, they were due to a lack of understanding which resulted in poor engagement with the leadership about the impact of the change in ownership to the organisation.

The research evidenced that transitioning an organisation has multiple impacts on organisations, which if not understood, can cause confusion and difficulties for the leadership teams. One important factor which arguably the data would indicate is not appreciated, is that the owner will initially 'sponsor' the transition; yet it will be up to the new leadership team to complete the cultural change once the organisation has become employee owned. With the literature evidencing that one of the highest failures for new CEO's of companies in the US was a lack of understanding the existing culture, (Ciampa, 2016) it is reasonable to argue that such a change in culture, if not well managed, will cause a challenge for the leadership as well as the organisations.

Building on this, there appeared little evidence of organisational preparations for the psychological impact of the EO; this reinforces the AT argument. Leaders did not appear to be supported with any change models, either for themselves or their employee owners. The evidence suggests that the majority of the preparation is around the legal changes and financial implications for the exiting owners. The data indicated that prior to the transition the management style is often transactional or 'parent / child'; if you behave as requested by person A then you receive B. The evidence suggests that the removal, or change of role for the 'parent', appears to leave the leadership unprepared for running an organisation of employee owners.

In EO organisations the relationship is expected to be different. The reasonable assumption is 'we are all in this together', as the employee owners stand to gain directly from the success of the organisation, although this may not always be financial. In the not for profit mutuals, it can have greater input into how clients are treated. This reasonable assumption of being 'all in it together' if not translated into support through education or training about the new rights and responsibilities of being a co-owner, arguably leaves the leadership in a difficult place. This was particularly evident where the transition had been 'sold' on the basis that employees will gain more as employee owners. Failure to grasp this point appears to leave some leaders floundering or in denial.

Whilst EO, as a legal concept, has been covered in the introduction and the pivotal role of PO has been reviewed in relation to EO; it is worth looking at the impact on both owners and the leadership of the change of governance.

If we take change of ownership, governance and the impact on a transactional relationship that occurs as a result of transitioning, we can draw a model that illustrates the challenge for leaders. Let's compare a leader's relationships with their employees in a 'normal' organisation and one in an EO organisation. Take a 'standard' employment behavioural agreement, not the legal definition, the

employee and the leader create a transactional relationship. (The leader themselves also has a transactional relationship with the owner). The employee agrees to perform a task in exchange for a payment. The hierarchy and accountability is clear. Following an ownership transition into a form of EO, the employee becomes either directly or the de facto owner; employee-owner.

The following chart illustrates how governance changes, will arguably impact on the leader's emotional relationship with the organisation / employee owners. The left hand illustrates a traditional ownership hierarchy, with instruction passing down the chain of command. The right hand indicates the added complexity of combining employees as owners; in this we see they both receive and give direction. Understanding and being equipped to handle this as a leader would arguably significantly increase the likelihood of achieving successful transition into EO, through increasing PO.

Figure 7: Governance comparison.
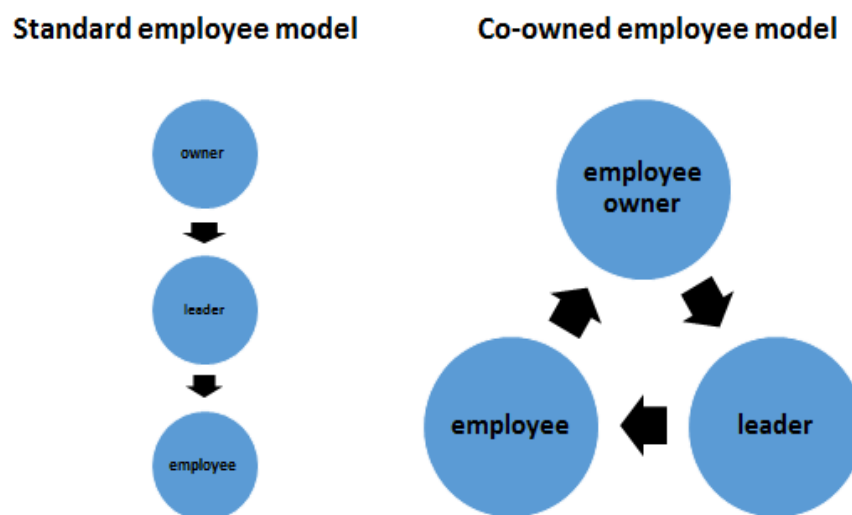
There appears a reluctance by the owners to engage the leaders too early for fear of unnerving them, compounded by little support being provided to help the leadership transition the organisation. There was evidence of an overwhelming belief that the exiting owners were 'doing the right thing', in most cases selling

their organisation's below market value, so as not to straddle the co-owned business with debt. However, in certain cases this premise can be counter argued that as a significant number of Employee Ownership Trust conversations are owner funded, bought out over time, it is self-interest not to straddle the organisation with too much debt.

4.3.2   Recommendations

The conclusions expose the areas of risk and challenge for leaders within organisations that are transitioning. This will vary significantly depending on the size, type and 'condition' of the organisation beforehand. They are:

- Clarity about the process of transition and role of the owner/s
- Readiness for change in EO
- Communication
- Leadership style

The role that the owners play up to, during and beyond the transition, is crucial. To ensure the leadership is properly prepared, the owners need to be fully briefed about the potential impact on themselves and their organisation of becoming EO. In addition, they need to gain or have access to the skills required to help their leadership transition the organisation into EO. They need to prepare themselves for the future. Clarity about their role is essential for all.

They can map this themselves or engage professional coaching/mentoring support as required. A good appreciation of the change curve in relation to loss, would be advisable (Cameron and Green, 2015) This will be more important if they are the transition leads as they will lose overall control of a business they may hold so close.
Readiness for change is essential. The leaders need to be fully briefed and understand the impact of the changes in terms of governance and culture. Using an adaptation of the logical levels would be one place to start (Dilts, 2014). As the identity of the organisation now changes from a family business, whose purpose

was to make profit for the family through the sale of a product or service; to one where the identity is now employee-owned (partly or fully) whose purpose is to benefit the employee owners through the provision of the product or service.

They will also need to understand what affects this will have on their 'Values' and 'Beliefs'. For example, is there a belief that employee owners will be allowed to access financial data and ask questions? Potentially adopting an open book accounting approach (Stack and Burlingham, 2013). If so, how will this be made available? What support will be given to managers who now find they are being held to account by their managers and potentially their teams? This falls within the 'Skills' level. The skill of both the employees and the leader to have meaningful conversation about the organisations performance. How they have this conversation, in a constructive and collaborative way moves into the 'Behavioural' level.

Not only will the leadership need to be equipped to engage their employees as employee owners, the employees will likewise need to understand their leaders are also employee owners. Explaining how this change in relationship will benefit all and the rights and responsibilities that follow, will ensure the leadership can have meaningful dialogue. Finally, thought will need to be given to any impact to the 'Environment' in which they work.

Other change or systemic models could be used to discuss the change providing they cover what impact of becoming employee-owned will have on the whole system.

Once the approach to these challenges / changes has been agreed, planning the type and style of the communication is required. It is possible that not all of the answers will have been agreed by the time of any announcement. It will help the leaders to be clear about their style, 'Tell', 'Sell' or 'Consult' (Burns, 2010).

Part of the message will be transactional. Here the owner leaders will simply tell the staff what is happening, when and why. Other areas will benefit on a transformational style, where they wish to engage with employees; for example co-creating the type of democratic framework will work best.

Training and education are an essential part in transitioning the organisations. It is import to be able to equip the potential employee owners to understand.

- What it means to be an employing owner?
- How it will impact on their rights and responsibilities?

The start point in supporting the leaders, is for the owner to have clarity about the EO transition purpose they will likely follow in their journey into EO. This diagram has been created to demonstrate the transition can be seen as consisting of three unique elements. The reality is it is unlikely to be this linear, however it will be helpful to understand what to expect for themselves and their organisation. Sharing this with the owner will improve their readiness for change.

Figure 8: EO transition chart

4.4 Final conclusion

Knowledge is key. The overwhelming argument that comes through the literature review and research data indicates that enabling the leadership to understand and be able to describe what EO will means to the new organisation, is paramount.

For this to occur, it is essential that the role of the previous owners is clearly agreed and that the new leadership team are equipped with the appropriate leadership skills to lead employee owners.

As transitioning into EO is a rare occurrence within the UK, investment is needed to support the original owner understand the personal impact the change will have on them, as well as their organisation. Once ready, the owner can then support the leadership team prepare the organisation for the change in governance and the impact this will have on its people; to ensure a successful transition.

5.   Reflection

5.1   Introduction

Having completed the research, reached my conclusions and given my recommendations, this section goes on to cover my reflections of the MC experience; the process and recommendations for further research. I also cover my learnings in reflection of my personal objective. This has been formed as an output of creating the MC and influenced by my learning log.

5.2   Reflections

The advantage of planning out the MC allowed me to fit my research around a very busy period of growth for my business. However, this clarity also bought with it pressure on how little 'free time' there would be should anything not go to plan.

My caution at losing any interviewees once the process started along with wishing to ensure I interviewed a varied sample, meant I ended up having 16 interviews. This arguably provided too much repeated data, which never the less needed to be reviewed. This is recognised as "information overload" (Cameron and Price, 2009:382). However, I felt that the different perspectives of owners versus leaders required more than the minimum recommended by Henley; "As a rule Henley recommends a minimum sample size of about 12 in-depth interviews" (Henley Business School, 2012:Section8,81).

Once I had completed all the interviews, I discounted the thought of disregarding any of them, to avoid the chance of hidden bias influencing which ones I rejected. I could have removed three interviews from the not for profit sector, limiting the study to the commercial world only, however interestingly their data appeared to mirror and support that from the commercial sector. This is a useful finding that would have been missed had they been excluded.

My plan was to pilot the interview with a colleague. This was to both test the process and questions, as well as allowing me to experience the feeling of a research interview. They were aware that this was a pilot and we planned for it to follow on from another meeting. Unfortunately due to an overrun of this first meeting, we ran out of time for the pilot. I believe sharing the 'pilot' nature of the interview played down its importance, making it feel like an 'add-on'. If I was to repeat the process I would treat the pilot with the same care as provided with all my interviews.

Due to the higher number of interviews and the tight time line I decided not to rerun the pilot; I had learned the importance around setting context. This was achieved with the interviewees through following the Henley guidance (Henley Business School, 2012). In addition as a confident coach I felt comfortable conducting an inductive interview, as the interview approach and questions would allow for any required flex to achieve a successful outcome. On reflection, repeating the pilot interview would not have added much delay to the process, although I am not sure I would have made any adjustment to the questions used.

5.3   My Management Challenge Learnings

Having never completed a degree before, I found the disciplined approach of the MC process both helpful and challenging. In hindsight I would have spent more time understanding the process required to complete the MSc. I found reading other completed MSc's was immensely helpful in my learning. I believe my learning could have been accelerated had I read more of them at the start of the process.

Learning the process of data gathering and its analysis was immensely interesting. However, the process was to elicit useful data to address the question, not to become a professional researcher. These certainly met one of my personal objectives to understand the process of research more effectively.

Keeping a learning log helped me to learn and adjust my approach to the interviews as I acquired more data. Most noticeably, overall my questioning became specific and less conversational. I was still able to maintain rapport during the interview. I believe this was a culmination of a professional process, creating the appropriate research context and reinforcing a clear contract at the start of the interview. In addition and quite unexpectedly, I believe I have improved my listening skills. Removed from the need to offer feedback, comment or offer an observation as often is required in my professional practice, I felt free to listen at a greater depth. I also increased the awareness and understanding of my own bias through the exercise of noting my thoughts on the right hand side of my interview notes. I recognise these increased the stronger my feelings are on a subject.

From a professional perspective, I now have a wealth of data which has reinforced my practice and tested my personal experience. This allows me to position my professional service with greater certainty and confidence. Since completing the analysis, I have spoken with clients and referred directly to the findings and conclusions of my study. I believe this has led to an improved outcome for their own transition journey, which is immensely satisfying.

5.4   Further studies

As mentioned in the report, the limited exploration of this area provides the opportunities for further wide ranging research. The various types of employee owned models could be examined more closely to understand:

- What is the impact having financial stake in a business you work in?
- What is the systemic impact on all employees when an organisation transitions into EO?
- Is there is a difference in behaviours between a transitioning, a not-for-profit transition and profit motivated one?

It may also be valuable to explore which type of coaching or mentoring interventions are most effective in supporting individuals who are leading the organisational change to EO.

6. Reference list

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6.4 Acronym definitions

Acronym	Definition
EI	Emotional Intelligence
EO	Employee Ownership
JGA	J Gadd Associates
JLP	John Lewis Partnership
MC	Management Challenge
NLP	Neuro Linguistic Programming
OCB	Organisational Citizenship Behaviours
PM	Project Managers
PO	Psychological Ownership
TA	Transactional Analysis

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8. Appendices

Appendix 1: Interview questions

Questions for MC interviews –

Transition

Tell me about your experience leading up to the transition of your organisation?
Describe to me the process of preparation you went through to enable the transition?

Change

What did you notice most about the move into EO?
How was the impact of the change on the previous owner/ CEO described during the conversation around conversion?
What discussions took place about the 'new world?'

Behaviour

Can you please share an example or two of any differences you noticed about the organisations behaviours following the conversion?
What expectations did you have about your behaviour to other employee owners?

Leadership

What expectations did you have about how you would be held to account?
What where your expectations about the employee owners interaction with yourself and fellow leaders?
What type of questions where the leadership asked and did these alter over time?

EO

Share with me what EO means to you.
Has this changed over time for you?

Appendix 2: Research information sheet and consent form

Information Sheet

Title of research project: Understanding the impact on leadership when organisations transition into employee owned.

This research project investigates the impact on the leadership as their organisation moves from one ownership model into EO. The purpose is to understand this impact, enabling organisations to support their leadership, ensuring the most positive transition.

The research forms part of my MBA/MSc/academic qualification at Henley Business School at the University of Reading.

Part of the research involves interviewing people who like yourself have either experienced the transition directly, or have closely witnessed the impact on those who have, and for this reason, I would like to invite you to take part.

Thank you for agreeing to participate in an interview. It will last about 60 minutes. During the interview, I will ask you questions on your personal experience and/or observations on the leaders who have experienced the transition. You can choose not to answer any particular questions, and you are free to withdraw from the study at any time.

With your permission, I would like to record and take notes for later analysis. The data will be kept securely and destroyed after the completion of the project. At every stage, your identity will remain confidential. Your name and identifying information will not be included in the final report. A copy of the completed *summary of findings* will be available on request.

The project has been subject to ethical review in accordance with the procedures specified by the University of Reading Research Ethics Committee, and has been given a favourable ethical opinion for conduct.

If you have any further questions about the project, please feel free to contact me at the email address below.

Name of researcher: Jeremy Gadd

Email address: jeremy@jgadd.co.uk

Date: 10/11/2016

Consent Form

Title of research project: Understanding the impact on leadership when organisations transition into employee owned.

1. I have read and had explained to me by Jeremy Gadd the information sheet relating to the project, and any questions have been answered to my satisfaction.

2. I agree to the arrangements described in the information sheet in so far as they relate to my participation.

3. I understand that my participation is entirely voluntary, and that I may withdraw from the project at any time.

4. I agree to the interview being *audio* recorded.

5. I have received a copy of this consent form and of the accompanying information sheet.

6. I am aged 18 or older.

Name of participant: …………………………………………………………………………………......

Signed: …………………………………………………………………………………………………….

Date: ……………………………………………………………………………………………………..

Appendix 3: Anonymised sample from an interview

Who	Script	Notes
J	Ok, so that's clearly a difference in behaviour, say from a PLC or something.	
A	Yes: because they will just look at the money and then slice of the cash if that's what they were chasing. And I think there are other things. I quite like the idea of in decision making; what is the employee owners? Because sometimes you do look at clear decisions and think, well that's a good idea, or that's a bad idea: I can't think of any examples now, but it's one of the things that weighs in the back of your mind as to that idea. It weighs on you when you make a decision.	
J	So, it's even in the back of your mind? Just there.	
A	Oh, yes. I think there's a benefit. But the question I can't answer is that different from me just being hopefully a nice person running an XX or running a PLC. I have never had that experience.	
J	You have never had that experience. So it could just be what you are like in this organisation as opposed to…	
A	Yes, I just think the answer is probably survival to be honest, that's probably more like it. I feel very moral. I come as someone who is actually much more gut feeling rather than calculating things and to me benefit is actually a gut feeling, and if I don't actually have to work out to hard, then I don't have to…it's good, because I can make a decision quite quickly. It confuses other people in the office, because they go, well how did you make that decision. You just get out of bed and think, well, you know, don't ask me. (Laughs) I just have.	
J	Technical question, do you have, or does the organisation have any kind of governing rules or what it means to be a xx; or how decisions should be made in the new context?	
A	No, so we have a Trust Deed. The Trust Deed has xx points about the XX They are not strong, they are not used to on a daily basis, they are not referred to on a weekly basis, they are not referred to on a yearly basis, but every so often people just come out with them and it's time to review them. So, as a document, I don't think that they are well used at all. As the time of the conversion a document was produced. I have never seen it since.	
J	And was that the Trust Deed, or was that a different document?	
A	No, there was the Trust Deed, and that is the legal piece, and there was also a one pager. These are the sort of xx commandments of the trustee. There then came a booklet in fact that that didn't get much air play, and I am not actually sure whether new joiners actually get anything like that.	
J	Who created that booklet? Where did that booklet…?	

A	Pass – but I imagine it came from XX and XX. From the leadership, so that was a top down piece.
J	And in your memory, so it didn't travel far or get used much. Do you know what its purpose was?
A	I think it was an honest attempt to try and inform what the set up now meant. But I can't remember whether it was much more than a sort of procedural…or whether it was try to get to a sort of moral, ethics and behaviour… I think from memory it was much more about procedural, but I can't remember I am afraid. That shows you how much.
J	That's great, thank you. So, as you kind of look back now and reflect back, what advice would you offer to those were setting this up that time ago? If you could go back in a time machine, classic time machine. And say, actually to make this a success you need to be…
A	I think the two things were, the key thing here was the gap. I think once the gap…there will always be a gap…I think. You can't stop it because you've gone from a top down to a completely different structure and I think that there's the ones that know and the ones that don't know...maybe, and I am join a gap here and maybe there's a small group here and a big group here and the gap may be somewhere else in different organisations. And I think something to bridge that gap. People who didn't have authority or an obligation and have been given it. I think it is really important that they are helped in managing that obligation. And I think that they are given, they become a xx, but I think they have that obligation back to the company, to not crash the car sort of thing, but you need to tell people how to not crash the car, or make the best car you can, or drive it as best as you can.

Appendix 4: Personal log

Interviewee	How I felt	What I noticed	Lesson for next time
1	Had a bug, not feeling 100%	Spent time building rapport and reassuring them about the process and confidentially	Repeat the process, worth investing the time
		I was conscious of checking my next question, not always asking him to elaborate where it would have been helpful	Leave space for the interviewee to elaborate or ask a supplementary question if required.
		Noticed I appeared to agree with xx when they said something I agreed with.	Create additional column on the interview notes to capture bias or reaction
2	Felt relaxed, looking forward to it	XX looked relaxed, although rapport was broken when the previous owner interrupted	Take time to rebuild rapport as required
		Again I noticed when XX discussed things about the transition I agreed with, I nodded in agreement	Write down on the point in the right hand column
		I felt frustrated two thirds of the way through, it all sounded too good to be true. Was it?	Recognise this and ask more searching supplementary q's to test the answers
5	Feeling buoyed up by the interviews to date	XX appeared to answer questions from the perspective of his relationship with his manager, partly as they have few direct reports	Ask for their observations of how other managers acted in addition to their own experience
7	Very relaxed	XX very quiet and measured man, changed once he shared finding out how badly positioned the company was.	Note other external factors which may influence their thoughts
		He felt EO had little bearing on the company	Try to understand what would be different for EO to have a bearing on the company to gain greater insight in what EO means for them.
10	Feeling a little tired, from the previous interview		Do not try to complete interviews too close together on the same day.

			Take a walk between them.
		XX felt the transition process was tiring as he was as doing a lot of it on his own, before the announcements	Do not assume what made the process tiring, ask what would have made it less so
		He felt the staff would get it	Look out for these assumptions
12	Relaxed		Clarity of XX role as a benign dictator	Could have push more about how EO would make a difference to this behaviour
		XX expected that people will behave differently	Enquire what drives these belief so strongly?