Employee-owned Entrepreneurship: Lessons from and for Scottish SMEs

Independent report
by Martin Stucki

February 2024

Author: Martin Stucki, Executive MBA (University of Edinburgh), MSc (ETH Zurich)
Email: martin@stucki.co.uk
Website: https://martinstucki.co.uk
LinkedIn: https://www.linkedin.com/in/martinstucki

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Acronyms

AoA	Articles of Association
CDS	Co-operative Development Scotland (part of Scottish Enterprise, SG)
CE	Corporate Entrepreneurship
CEO	Chief Executive Officer
CG	Corporate Governance
EBT	Employee Benefit Trust
EMI	Executive Management Incentive (scheme)
EO	Employee Ownership
EOA	Employee Ownership Association (UK)
EOB	Employee-owned Business
EOT	Employee Ownership Trust, a particular type of EBT
EP	Employee Participation
FRC	Financial Reporting Council (UK)
HMRC	HM Revenue & Customs (UKG)
MBA	Master of Business Administration
NSET	National Strategy for Economic Transformation (Scotland)
NCEO	National Center for Employee Ownership (United States)
NUTS	Nomenclature of Territorial Units for Statistics
O&G	Oil and gas (sector)
R&D	Research and Development
SMEs	Small and Medium Enterprises
SfEO	Scotland for Employee Ownership
SG	Scottish Government
SIP	Share Incentive Plan
UK	United Kingdom
UKG	UK Government

Executive summary

In Scotland, employee-owned businesses (EOBs) are growing in number, in line with the national government's target to pass the mark of 500 EOBs by 2030. Although it remains conventional for public bodies, lenders, management consultants, and academia to think about EOBs primarily as socially driven and egalitarian types of organisations, it cannot be ignored that they are first and foremost for-profit businesses that need to be entrepreneurially oriented to succeed within competitive industries. Accordingly, this report deals with the following question: What specific advice should be given to existing and future EOBs on how to enhance their entrepreneurial orientation, thus future-proofing their contribution to economic prosperity?

The report draws on original research and data collected mainly through in-depth interviews and observations within selected Scotland-based EOBs, in addition to inputs from senior practitioners. Engaging with two main fields of literature – employee ownership and entrepreneurship – the analysis of the report's findings is structured around three focus areas that have emerged as most topical when assessing the entrepreneurial orientation of the EOBs under study. The first is the centrality of entrepreneurial leadership as the locus and driving force behind the firms' entrepreneurial drive, i.e. their propensity and ability to undertake new entry initiatives on the basis of entrepreneurial proactiveness, innovativeness, and risk-taking. The second area concerns the various strategic management processes through which the firms' entrepreneurial intent is formed, decided, implemented, and monitored. Thirdly, employee participation also impacts on the firms' entrepreneurial orientation, both positively and negatively, by influencing their governance, leadership, and strategy.

Based on the analysis of its empirical findings, the report makes three matching recommendations to current and future EOBs. First, to recognise entrepreneurial leadership as a critical organisational capability, and as such invest in the development and continuity of adequate leadership competencies, including in terms of succession planning. Second, to explicitly define the processes supporting the firm's corporate entrepreneurial strategy, and ensure to uphold their vitality. Third, to review the firm's governance, participation, and reward arrangements at regular intervals, ensuring they are aligned with, and conducive to, the firm's entrepreneurial strategy.

Finally, this report offers some suggestions to the main public bodies fostering employee ownership in Scotland. The first one is to revise their own view and positioning about EO in the context of the government's new national economic strategy. The second suggestion is to engage in awareness-raising activities on the importance for EOBs to develop and sustain a robust entrepreneurial orientation, for instance through communication materials and resources which could build on this report's findings. Finally, tailored support to established EOBs could eventually be built up as a complement to the current priority by public bodies of promoting the transition of conventional businesses to EO.

1. Introduction

Every business aspiring to remain successful and independent must be entrepreneurially oriented, even more so when it is employee-owned. This affirmation sums up any understanding of what appears to be an imperative at stake for the sustainability of Scottish employee-owned businesses (EOBs), i.e. independent for-profit organisations distinctively majority-owned by their own workforce. Based on independent research conducted between December 2022 and May 2023, this report[1] examines the entrepreneurial orientation of successful Scottish EOBs to draw key lessons for the sector.

Today, governments, lenders, business management consultants, and academia tend to think about EOBs primarily as socially driven and egalitarian types of organisations, closely related to, or assimilated with, social enterprises and co-operatives. This is exemplified by the Scottish Government's recent consultation on new Community Wealth Building legislation aiming to develop "more local and inclusive enterprises […], including social enterprises, employee-owned firms and co-operatives" (SG, 2023:7). This predominant (con)fusion was also made apparent by most EOB-insiders interviewed for this study, referring to discussions they often find themselves in with outsiders.

If EOBs indeed do consider themselves – and proudly so – as a socially progressive type of organisation in which "employees own a substantial stake, and have a meaningful voice" (EOA, 2018:5), they are first and foremost for-profit businesses required to be entrepreneurially oriented and successful if they are to survive and thrive within competitive industries. Considering that:

> "The entrepreneurial orientation of a firm is demonstrated by the extent to which the top managers are inclined to take business-related risks (the risk-taking dimension), to favour change and innovation in order to obtain a competitive advantage for their firm (the innovation dimension), and to compete aggressively with other firms (the proactive dimension)" (Covin & Slevin, 1988:218),

the question arises how EOBs can best deal with the internal implications of a meaningful entrepreneurial orientation, with a workforce holding a controlling interest over the company direction.

[1] An earlier version of this report was submitted in August 2023 to the University of Edinburgh Business School in partial fulfilment of the requirements for an Executive MBA degree. After successful completion of this postgraduate programme, the author was prompted to produce this marginally adapted and de-anonymised version to enable the sharing of its contents with interested readers.

In Scotland, this issue is gaining in importance for advocates and supporters of employee ownership (EO),[2] especially with the recent adoption of a *National Strategy for Economic Transformation* (NSET) that proclaims the Scottish Government's ambition to "establish Scotland as a world-class entrepreneurial nation" by 2032 (SG, 2022:16). In particular, the following question is becoming crucial: What specific advice should be given to existing and future EOBs on how to enhance their entrepreneurial orientation, thus future-proofing their contribution to economic prosperity?

This question has guided my investigations as well as the writing of this report, which draws on the vast and original data generously offered by over twenty EOB-insiders active throughout Scotland. To achieve this, this report is structured as follows. Chapter 2 provides some background on employee ownership and Scottish EOBs, as well as selected insights from the sprawling literature on entrepreneurship, which, combined, help frame my work. Within this framework, the methodology devised for the study is outlined in chapter 3. In chapter 4, the key findings are presented and analysed; leading to recommendations discussed in chapter 5.

2. Literature review

The intention of this literature review is not to build a comprehensive bibliography, but rather to engage with the most relevant reference documents that are useful to situate, ground, and guide my investigations and analyses. I concentrate on two thematic areas, each connected to multiple strands of literature. With the primary intent to properly delineate my "playground", the first thematic area I develop is employee ownership, particularly focussing on Scottish EOBs. Developed next, the second area concerns entrepreneurship.

Employee ownership & Scottish employee-owned businesses

The National Center for Employee Ownership[3] defines EO as "any arrangement in which a company's employees own shares in their company or the right to the value of shares in their company" (NCEO, 2023). In practice, EO can materialise through various levels of ownership – from an insignificant level of equity value attributed to a minority of employees to full ownership shared by the entire workforce – and various shareholding forms: direct shareholding, indirect shareholding (e.g. via an employee benefit trust), or a combination of the two (i.e. hybrid shareholding forms).

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[2] Amongst such EO advocates and supporters are:

- 'Scotland for Employee Ownership' (SfEO), the national Industry Leadership Group established by the Scottish Government in 2018 (SG, 2018).
- 'Co-operative Development Scotland' (CDS), part of Scottish Enterprise, a service funded by the Scottish Government to support company growth through EO and cooperative business models;
- 'Employee Ownership Association' (EOA), the largest body representing organisations which are employee owned or transitioning to EO across the UK;
- Business practitioners (consultants, lawyers, accountants, etc.) supporting the EO sector.

[3] Based in the United States, the NCEO is the world's largest non-profit organisation supporting EO.

As already introduced, I consider EOBs as independent for-profit organisations with the distinctiveness to be *majority-owned* by their workforce. This is consistent with Gregory Dow's definition of a "firm where ultimate control is held by [its] labor suppliers", with the slight nuance however that I do *not* categorically oppose an EOB with a "capital-managed firm" (Dow, 2018:4). In theory, this definition encompasses countless organisational arrangements if one considers all possible combinations "based on the three ownership rights: to control, to profits and to capital gains" (Mygind & Poulsen, 2021:137).

In the UK, the generally accepted common feature of all EOBs is "a controlling stake […] held by or on behalf of all employees", whereby "the employees' stake must underpin organisational structures that promote employee engagement" (Nuttall, 2012:20). The latter specification is regarded as fundamental in the UK, since it is "in this way [that] employee ownership can be seen as a business model in its own right" (Ibid). This has organisational and managerial implications reaching far beyond the now conventional remit of corporate governance (FRC, 2018), which I will investigate further in my analysis. Additionally, practitioners in the UK usually adopt a further criterion meant to exclude sole traders and directors-only companies, with "a cut-off of 5 employees for EOBs" (Robinson & Pendleton, 2022a).

Under these specifications, the number of EOBs is rapidly growing in the UK, from 370 firms in June 2019 to 1,030 in June 2022 (Robinson & Pendleton, 2019, 2022b) and an estimated 1,300 EOBs in December 2022 (EOA, 2023). Within the UK, Scotland is one of the highest growth regions, with a 13% increase in EOBs in the year leading up to June 2022 (SE, 2022). In December 2022, Co-operative Development Scotland (CDS) accounted for 206 EOBs[4] active across Scotland, of which 157 were locally headquartered (CDS, 2022). This measures against the national Government's aim to reach 500 EOBs in Scotland by 2030 (SG, 2021), a target which guides CDS' mission to raise awareness and support businesses transition to EO. Based on their experience, CDS representatives qualify this as "an ambitious target" (interview D2, see Appendix), in cognizance that 108,280 private sector employing businesses were registered in Scotland in March 2021 – of which 3,845 firms with 50 to 249 employees, and only 2,375 *non*-SMEs, i.e. firms with 250 or more employees (SG, 2021:7-8). Incidentally, the Government's NSET, while primarily centred on promoting entrepreneurship, signals an intention to "review […] how best to significantly increase the number of social enterprises, employee-owned businesses and cooperatives" (SG, 2022:36).

Over the past decade, government support for EO has been rooted in "criticism of shareholder capitalism" (Lampel et al., 2014:66) in the aftermath of the financial crisis of 2007-08 (e.g. Clegg, 2012; Doherty et al., 2014; Pendleton & Robinson, 2017). Specifically, government support is grounded on "research [that] suggests that employee ownership […] can: provide a catalyst for greater employee commitment, engagement and well-being; […] lead to higher productivity and profitability […]; [give] business greater resilience through times of economic difficulties" (UKG, 2013:3). A further benefit of EO is also emphasised, particularly in Scotland:

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[4] This tally includes 28 active workers' cooperatives, of which 27 are registered in Scotland. Workers' cooperatives are a particular type of EOBs that must adhere to the identity, values, and egalitarian principles defined by the International Cooperative Alliance.

"EOBs tend to be more […] rooted in their communities", which provides the SG with a strong rationale to promote EO since "it roots business in Scotland" (SE, 2022, 2023).

Government support for EO materialises in the form of awareness raising activities and dedicated business support services, delivered in Scotland by CDS. Beyond this, the most effective support (McDougall, 2022) comes from two significant UK-wide tax incentives enacted in 2014 (Finance Act 2014 s 37). The first one is full relief from capital gains tax on the disposals of shares in companies that are majority-owned by an EO trust (EOT) – i.e. an all-employee benefit trust holding more that 50% equity in the trading company on behalf of the employees – which primarily incentivises exiting founders to consider EO over alternatives such as a trade sale. The second incentive is an annual exemption from income tax for up to £3,600 per employment on a qualifying bonus paid to all employees on equal terms. As explicitly stated in the Budget 2013, these tax incentives are a direct response "to recommendations from the Nuttall Review[5] […] to encourage employee ownership" (HM Treasury, 2013:44).

As a result, CDS' 2022 census revealed that 98% of Scottish EOBs have set up an EOT – overall with a 90% average level of EO – and over 80% of them have transitioned to EO from 2014 onward (Robinson & Pendleton, 2022a). Not only signalling that the EOB sector in the UK has become an "EOT monoculture" (Nuttall, 2023 29:03-29:10), these figures also suggest that tax benefits for individuals are a key driver behind the rising number of EOBs. While this *is* the intended effect of such incentives, and although tax-motives are not incompatible per se with socially progressive aspirations, this realisation certainly supports the rationale to approach EOBs first and foremost as "capitalist firms", i.e. not as "laborist firms" (Dow, 2003:3), hence avoiding potential analytical pitfalls that could result from conceiving EOBs primarily as socially driven and egalitarian types of organisations.

Entrepreneurial orientation & corporate entrepreneurship

The second thematic area of this literature review is entrepreneurship, with a focus on dimensions relevant for EOBs. Faced with myriads of alternatives – "there is no agreed definition of entrepreneurship" (Greene, 2020) – I opt for Professor Stevenson's so-called 'working definition' that "entrepreneurship is the pursuit of opportunity beyond resources controlled" (in Eisenmann, 2013), a definition that emphasises "the decision to exploit entrepreneurial opportunities" (Scott & Venkataraman, 2000:221) identified beyond the reach of initial capabilities.

While a large amount of entrepreneurship research focusses on individual entrepreneurs (e.g. Daspit et al., 2021; McMullen & Shepherd, 2006; Murnieks et al., 2020), the start of a new

[5] Published in July 2012, the Nuttall Review is an independent review on employee ownership commissioned by the UK Government (UKG)'s Department for Business, Innovation and Skills. The report "explains the obstacles to promoting employee-owned companies and sets out a framework for knocking them down. [It also makes] recommendations to government on how to promote employee ownership" (UKG, 2012b). The report is named after its main author, Graeme Nuttall OBE. His report was met with "a resounding welcome for the review and the integrity of Graeme's findings with commitment from Government and a wide range of stakeholders to take forward his recommendations" (UKG, 2012a).

business (e.g. Davidsson et al., 2020; Kolvereid & Isaksen, 2006; Townsend et al., 2010) or "entrepreneurial ecosystems" (e.g. Cao & Shi, 2021; Stam & van de Ven, 2021; Wurth et al., 2022), my review narrows the scope to the entrepreneurship literature pertinent to *existing businesses* since EOBs are rarely start-ups. Furthermore, I focus on entrepreneurship *at an organisational level* given my intent to explore the internal implications within EOBs.

Covin and Slevin's 'entrepreneurial orientation' is a first useful firm-level "construct that reflects the extent to which firms are innovative, proactive, and risk taking in their behavior and management philosophies" (Anderson et al., 2009:218). Consistent with this definition, a more recent and clarifying conceptualisation – to which Jeffrey Covin again contributed – emphasises the "three fundamental ways in which entrepreneurship can be manifest as an organizational attribute: as top management style [i.e. goals, dominant logic, communication], organizational configuration [i.e. processes, routines, culture], and new entry initiatives" (Wales et al., 2020:644), whereby the latter refer to the development of new products/services and/or new markets. This conception is useful as it points to three organisational dimensions where a firm's entrepreneurial orientation should become apparent, thus indicating how to locate and assess it.

Another important and useful construct is David Teece's three foundational "dynamic capabilities [of an entrepreneurial firm] to sense and shape opportunities […], to seize opportunities, and to [reconfigure accordingly] the business enterprise's tangible and intangible assets" (2007:1319), that further helps to situate and gauge core entrepreneurial processes and abilities. One should note that Teece, like Covin, primarily locates these capabilities within the firm's top management, in contrast to Sharma and Chrisman in their seminal definition of 'corporate entrepreneurship', i.e. "the process whereby an individual or a group of individuals, in association with an existing organization, create a new organization or instigate renewal or innovation within that organization" (1999:17). This matches Kuratko et al.'s more recent view of corporate entrepreneurship "as an environment where the entrepreneurial mindset of individuals is sought after, supported, and nurtured for the purpose of carrying out innovative activities" (2021:132).

This conception of corporate entrepreneurship highlights that, while any new entrepreneurial initiative is ultimately pursued by, and as, an organisation, they necessarily originate from individuals – who must not necessarily be top managers. Particularly within EOBs, this nuance seems of relevance. The locus of a firm's entrepreneurial orientation should not be assumed to be limited to the top management, nor should internal tensions potentially arising from a firm's entrepreneurial orientation be overlooked; on the contrary, these should be specifically explored. In this regard, Urbano et al. propose a useful distinction between the following three corporate entrepreneurship dimensions: (1) *intrapreneurship* (or bottom-up entrepreneurship), where the focus is on entrepreneurial employee(s), in contrast to top-down entrepreneurship, where the focus is on the firm engaging either in (2) *corporate venturing*, i.e. adding new business to the firm, or (3) *strategic entrepreneurship*, i.e. engaging in organisational rejuvenation and/or strategic renewal (Urbano et al., 2022).

With these concepts in mind, I looked for previous research on the entrepreneurial orientation of EOBs, ideally in contexts allowing meaningful analogies with Scotland. Looking first within

Scotland, a report commissioned by Scottish Enterprise on *The Growth of Employee Owned Businesses in Scotland* (McQuaid et al., 2013), based on data collected from twelve EOBs, evidenced that "the [growth] performance of EOBs was [mostly positive and] generally superior" to individual peers matched by size and sector (Ibid:7). However, the authors reported mixed "findings regarding the role of employee ownership in enabling or restricting growth" (Ibid:61), with increasing levels of engagement but slower decision-making due to employee involvement, and issues to access finance because of banks failing to understand EO. It is difficult to appreciate the extent to which these findings[6] are still relevant today, especially as they predate the foundational Finance Act 2014. Also commissioned by Scottish Enterprise, a recent study on the resilience of Scottish EOBs report that 23.5% of them experienced turnover growth during the Covid-19 pandemic, compared to 15.9% of all Scottish SMEs (Summers & Bratanova, 2021).

These findings align with most of the research done over the years, in various contexts, indicating that EOBs tend to outperform conventional firms in terms of productivity and resilience (e.g. Rosen & Quarrey, 1987; Blasi et al., 2013, 2016; Han Kim et al., 2014). O'Boyle et al. even found, through a meta-analysis of 102 studies representing 56,984 firms from around the world, that "the effects of employee ownership are not significantly different for efficiency or growth-related outcomes" (2016:439). However, little attention has been paid to corporate entrepreneurship (with)in EOBs[7], as shown by the latest structured literature review specifically conducted on EOBs (Mirabel, 2021). Even less research has been carried out on the internal implications of an affirmed entrepreneurial orientation upheld by/within EOBs. Of interest, the few references found on this specific topic are primarily advocacy and/or advisory reports pertaining to grey literature, as published by the NCEO (Rosen, 2019; Rosen & Rodgers, 2011). Typically, they promote open-book leadership and employee involvement in strategic planning to foster innovation (Ibid), however with little evidence from independent research exploring or demonstrating the entrepreneurial efficacy of specific organisational configurations.

3. Methodology

The key elements of the method devised to deliver this study are presented in this chapter, covering core methodological choices, data identification and collection, as well as analysis and use of findings.

Core methodological choices

First, why did I *not* pursue a quantitative approach? Quantitative methods are certainly of interest to gauge businesses in relation to their entrepreneurial orientation and competitiveness

[6] Based on the same dataset, an article was later published in the Fraser of Allander Institute Economic Commentary (Brown et al., 2014).

[7] Rarely cited, Garrett's article "Does Employee Ownership Increase Innovation" (2010) is a rare exception. However, like most studies on EO, it includes mostly firms with minority levels of EO.

via indicators such as R&D expenditures, innovation-based revenues and/or profitability, sales into new markets, etc. However, comprehensive *and* reliable quantitative data are difficult to come by, additionally burdened by complex and – from a personal viewpoint – hardly satisfying issues around their comparability. Furthermore, at the time I was reflecting on the methodology for this study, a publicly funded research[8] had just been commissioned on the economic performance of Scottish EOBs. Uninterested in engaging in competing efforts, I saw this instead as an opportunity to contribute in a complementary way to the understanding of Scottish EOBs, and opted for a primarily qualitative approach – my first methodological choice.

Furthermore, based on my personal experience[9], I tend to view a business as a necessarily unique and everchanging combination of people, aspirations, and circumstances. Thus, my second methodological choice was to adopt an interpretivist perspective. Under this research philosophy, reality is viewed as a complex and subjective construct made meaningful through the understanding of events expressed by actors and/or observers involved (Saunders et al., 2019). This implies a "reality" that can only be imperfectly captured, best approached through multiple perspectives and in cognizance of the personal biases of every participant involved, including myself as the researcher (Ibid). This perspective supports an *inductive* approach, whereby assumptions are inferred from reflecting upon the data collected via open explorations.

Data identification and collection

Consequently, the qualitative method I opted for primarily relied on accessing and analysing personal insights shared by different individuals involved in a selection of active and a priori entrepreneurial EOBs. Reasoning that I should find entrepreneurial firms within successfully *growing* EOBs, and that individuals from such EOBs would be keen to participate in my research, my first task became to identify a selection of a priori growing EOBs. Mediating between intellectual curiosity, sample representativity (e.g. Boddy, 2016), and time constraints, my initial plan was to interview eight to ten people from about four EOBs.

Starting from the list of all 206 Scottish EOBs identified by CDS in December 2022 (CDS, 2022), I decided to filter out workers' cooperatives (a minority and singular form of EOB, stagnating in numbers) and focus on EOBs headquartered in Scotland (considering ease of access as well as the future – perceived – relevance of any findings) and then only on those that have become EOBs no later than 2018 (i.e. with a meaningful experience of EO, including before any impact from the Covid-19 pandemic). For the remaining 45 firms, I then searched and matched publicly available data about their workforce and financials over the last five years (source: FAME database), to identify those with an above-average growth. From the resulting shortlist of 8 EOBs[10] indicating an overall growth of at least 20% over the last five years (using

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[8] At the time of writing, the results of this research are not yet available.

[9] In a knowledge-based, internationally active, and fast-growing SME (with a team of 130 people today, by end of 2023), my professional experience spans over twenty years, more than half of which as CEO.

[10] According to the latest available data in the FAME database (consulted in December 2022), each of these 8 EOBs used to employ between 20 to 98 staff.

employee number, as turnover was mostly unavailable), and after a superficial screening of their website in search of further cues pointing towards an active entrepreneurial orientation, I selected 6 primary targets covering a diversified range of industries, spanning from heavily asset-based manufacturing to people-based consulting firms.

At this point, Co-operative Development Scotland graciously provided some help by sending a short email to put me in touch with the Chief executive of each targeted EOB, four of which rapidly responded. Taking it from there, I was able to organise interviews with key people within three Scottish EOBs who generously shared what in effect forms the main body of primary data on which this study is grounded. In addition to presenting individual interviewees, Table 1 below provides key information about the three EOBs (thereafter referred to as Firm-A, Firm-B, and Firm-C), where possible with indications to help situate them within the Scottish EOB sector (Robinson & Pendleton, 2022a).

For each selected EOB, I was able to arrange in-depth interviews with their CEO[11] and at least one employee elected by the workforce to hold a formal role within the firm's governance system. I made a point to visit each firm in person (main office) to get a feel about their specific context. Since Firm-A has been employee-owned for over 20 years, I further arranged to interview six members from across the organisation – one based overseas – with a view to deepen my understanding of their entrepreneurial drive and behaviour, including how it might have evolved over time, in a rapidly growing firm. With the help of a guiding framework derived from the literature review, I led each interview as a semi-structured discussion, at times sharing elements or views from my own experience to illustrate a point or provoke a reaction, or simply because it felt appropriate in the flow of the discussion, providing meaning or value for both the interviewee and myself. At the start of each interview, I made sure to explicitly mention: my professional activity (see footnote 9); a personal bias in favour of EO that I would qualify as "moderate"; and a direct self-interest to learn about EO, as I was at that time leading the process to transition my own firm into EO. For each firm, moreover, I had access to publicly available information (website, data from Companies House, media interviews, podcasts, etc.) as well as internal documents (organisation chart, charter, strategy, etc.) obtained from their CEO.

Beside my investigations within these three EOBs, I had the opportunity to join a delegation of about 30 business managers on a two-day learning journey organised by CDS in February 2023 (Wardrope, 2023). This allowed me to participate in interactive sessions with the CEO of seven EOBs, three of which coinciding with my initial short-list. In this report, I avoid directly quoting any of the proceedings not covered by prior informed consent, unless these were subsequently made publicly available (Ibid; Leslie, 2023). Nevertheless, some of the key findings and lessons from that journey are reflected in this report, supported by field notes.

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[11] I have opted to make reasonable efforts to anonymise all individuals and firms, despite having received informed consent from all interviewees to be mentioned by name (see Appendix).

Identification	Firm-A	Firm-B	Firm-C	Scottish EOB sector
Founded	Before 1950	1990	2007	**Census 2022**
EOB since? After Finance Act 2014? Circumstances	2002 No Exit of Managing Owners	2018 Yes Exit of Founder/Owner	2017 Yes Exit of Founder/Owner	>80% from 2014 onwards >70% since 2017
Main office location (NUTS region)	North Eastern Scotland (UKM5)	South Western Scotland (UKM3)	Eastern Scotland (UKM2)	42.8% Eastern Scotland 33.5% South West, 7.5% North East, 15.6% Highlands & Islands
Nature of business	Manufacture	Manufacture	Professional, scientific & technical (PST) activities	20.2% PST activities, 19.3% Manufacturing, 14.3% Wholesale & retail, 10.9% Information & Comm.
Industry	Diversified	Industrial production	Diversified (mainly O&G)	
Capital vs brain-intensive	Capital-intensive	Capital-intensive	Brain-intensive	
Employees, overall	132	28	24	Average: 42 employees, Median: 23 employees
Employee-Owners, i.e. EOT beneficiaries	62	28	24	
Empl.-Owners based overseas	6	1	9	
Shares held by an EOT	80-85%	100%	>95%	98% EOT, 85% EOT only
Direct shares (or beneficial rights) owned by employees	15-20% (EBT)	about 25% (SIP)	10-20% (SIP)	17% with direct ownership (by employees) present
All-employee Share Incentive Plan (SIP)	No (EBT no longer active, phasing down)	Yes	Yes, but in question	13% operate a SIP
Executive Management Incentive (EMI) scheme	No	Yes	No	16% operate an EMI scheme
Previous owner's remaining vested interest (equity or loan)	No	Yes (vendor loan repayment)	Yes (<5% shares & vendor loan repayment)	
EOT Board, composition	3 Trustees = 2 elected Employees + 1 Independant	5 Trustees = 1 elected Employee + 2 Independant + 1 Exec. Director (MD) + 1 Non-Exec Dir (Founder)	4 Trustees = 1 elected Employee + 1 Independant + 2 Trustees appointed by Founder (incl. themself)	
Trustee mandate duration	3 years, renewable once	4 years, renewable once	3 years, renewable once	
Company Board, composition	6 Directors = 1 Executive Chair + 2 Executive Dir. + 2 Employee Dir. + 1 Independant *Note:* *All members elected by staff, incl. Exec Directors*	5 Directors = 1 Non-Exec Chair (Founder) 4 Executive Dir. *No Employee Director*	5 Directors = 1 Independant Chair + 1 Executive Dir. (MD) + 1 Employee Dir. + 2 Dir. appointed by Founder (Exec Managers)	58% with Employee Director on Company Board
Executive Management Team, composition	5 Members = 3 Exec Directors + 2 Managers	8 Members = 4 Executive Dir. + 4 Managers	4 Members = 1 Exec Director (MD) + 3 Managers	

Table 1 – Key descriptors of the three Scottish EOBs under study (sources: interviews, websites, AoAs)

Analysis and use of findings

Each interview was voice-recorded and transcribed with the help of software. I then analysed all transcripts, field notes, and other key data collected (see Appendix), searching for organisational features that appear key in either enabling or constraining each EOB's entrepreneurial orientation, using a force field analysis (e.g. Burnes & Cooke, 2013) to identify common themes and issues of relevance across the three EOBs. At this point, I confronted my preliminary list of themes and issues with those spontaneously mentioned by the five CEOs of other EOBs during their intervention on the learning journey – all of whom I was also able to personally interact with. To further consolidate my work and its relevance for Scottish SMEs, I shared my preliminary findings with two senior experts, each with over ten years of specific experience in supporting Scottish firms transition and succeed as EOBs: Carole Leslie, independent consultant at Ownership Associates, and Glen Dott, specialist advisor at CDS.

To some degree, this process helped consolidate my findings and situate their relevance in a perspective extending beyond the remit of the three EOB-case studies. However, I refrain from peremptorily generalising my diagnosis and the inferred recommendations, in line with the inductive approach and qualitative method adopted for this study.

4. Findings

To introduce this chapter in which I present and analyse the main findings from my research, it is useful to make the following three remarks. First, the three main EOBs I had the chance to explore in depth prove to be entrepreneurial, as I had hoped for, and significantly so. In effect, each firm demonstrates substantial levels of efforts and resources invested in the sustained pursuit of new revenue streams. All three EOBs are firmly engaged in the development of new products/services as well as expanding sales and operations into new markets, including overseas. While I have collected material to evidence this, the analysis below provides elements if and where this relates specifically to my argument. Second, no matter how entrepreneurial and profitable these EOBs are, the findings drawn from these case studies do not lead to a directly replicable recipe. Indeed, and for each of them, my investigations reveal both positive and negative aspects, from which there is equally to learn from. Third, my explorations into the inner workings of these entrepreneurial EOBs offer, as expected, a complex and untidy picture, with multiple moving parts. Inherent in the (qualitative) analysis of any organisation, and even more critically so when the ambition is to infer relevant lessons, it is important to keep in mind that the findings presented in this chapter are a necessary simplification.

To present and analyse my key findings, I opt to structure these around the three focus areas that have emerged as most topical when assessing the entrepreneurial orientation of each EOB under study, considering their current situation and trajectory. The first focus area is *entrepreneurial leadership* as the locus and driving force behind their entrepreneurial orientation. The second area focusses on the *strategic management processes* through which the firm's entrepreneurial drive forms and sustains. The third focus area is *employee participation* as in how and how much employees (can) influence their firm's entrepreneurial orientation. One should note however that these three analytical focus areas are interconnected and partly overlapping, and are thus best considered as part of a whole. On a more practical note, given the extensive data I have collected, the source of company-specific information used hereafter is referenced via the alphanumeric code assigned to each contribution, as listed in the appendix.

Entrepreneurial leadership

Entrepreneurial leadership is the first area that emerges as both a key element to analyse the entrepreneurial orientation of the three EOBs, as well as a potential concern for their sustainability. In all cases, I found an entrepreneurial leadership undoubtedly situated within their company board, more precisely and almost exclusively concentrated in the hands of their CEO and possibly one other senior director. This is not to say that there are no differences in the three firms' entrepreneurial leadership, mostly found in the circumstances of how these key individuals came into their leadership role, their personal abilities and motivations, and the extent to which they involve others in forming and adhering to their entrepreneurial vision – a point further developed in this chapter's last section. Another key finding is that the *personal* value-add brought by these key individuals in leading their firm's entrepreneurial drive, although seemingly acknowledged and appreciated overall, mostly fails to be recognised and dealt with as a necessary core *organisational* capability. I now develop these points, looking at each firm successively.

Firm-A is led by three experienced executive directors who have been in place for over 20 years, precisely since the company became one of the pioneering EOBs in Scotland. As acknowledged by the workforce (A4, A5), these three individuals are well-respected, credited for successfully running and growing the business, a credibility reinforced by the award of prestigious public accolades prominently displayed on the company website and in the main office reception area. More accurately, the trio's entrepreneurial leadership is primarily associated with the CEO and the sales director, while the third ED is perceived to be "more introverted" (A6) and focused on the daily running of operations. Besides their personal track-record, their entrepreneurial leadership also appears rooted in, and strengthened by, the circumstances through which the company became employee-owned. It is a widely known fact, internally, that they negotiated the transition to EO and took over the reins as "saviours" of the company, after its previous owners – the last-standing representatives of a multi-generational legacy family business – had publicly announced its closure, on the back of a dwindling market.

These initial circumstances still matter today. Since 2002, Firm-A's vivid entrepreneurial orientation appears much fuelled by the repeatedly expressed need to find ways to compensate for irremediably declining sales on their historic market (A1a, A1b, A2d) – a decline I could feel first-hand during my visit as days before one of their last historic UK-based clients announced the closure of a production facility located nearby. Over the last two decades, this harsh reality was instrumental in driving Firm-A's leadership team on "a constant and almost feverish search" (A3) for alternative revenue streams. This led them to mobilise company resources on multiple diversification attempts, constantly pushing the company out of its comfort zone. Overall, their entrepreneurial leadership and efforts were clearly successful, with revenues multiplied ten-fold over the period, built up to 70% export, and a legacy product line making up less than 20% of Firm-A's turnover in 2022, down from 100% in 2002 (A1b).

Ingrained in Firm-A's narrative and culture (A4), this sense of urgency not only motivates the executive team's entrepreneurial drive but is also regularly exploited by them as a "natural" justification for the many new entry initiatives taken by the firm – and the risks they necessarily involve (A3, A4). As one should expect, not every venture proved successful. Based in the Northeast, the executive team tried to diversify into the oil and gas (O&G) industry, investing in the setup of a dedicated subsidiary that had to be deactivated following the 2014-2015 downturn (Stacey, 2015). However, it is overseas that they led the company to take the highest risks. Illustrative of the level of entrepreneurial risk taken by Firm-A is their business venture in the Middle East, entering a contract worth over the company's annual turnover at the time whereby the company itself could at best deliver 20% of the production (A1c). Through successive steps and opportunities, this drive led them to set up a subsidiary overseas, take over a foreign company, and buy 50% equity in another firm abroad, the latter with twice as many employees as in Scotland (A1a).

In terms of Firm-A's strong entrepreneurial orientation and growth, the executive directors' inclination to take risks, coupled with their well-established and concentrated form of leadership, is certainly an asset. However, it is also a liability for their organisation which would need to be addressed much more radically than today (A1c, A6). As I will develop in the subsequent sections, Firm-A's entrepreneurial orientation is mostly shaped by casual internal processes, which makes the company very dependent on the personal priorities, knowledge, experience, and gravitas of the senior executive team. In average, the senior executives embodying Firm-A's entrepreneurial leadership are now about sixty years of age, and little is in place for their managerial succession, let alone for their entrepreneurial succession.

In Firm-B, entrepreneurial leadership is primarily held and embodied by the CEO, who joined the company to relieve the founder of their executive duties simultaneously to the firm's transition to EO (B1a) – a synchronous double transition also observed in Firm-A. An experienced business leader, Firm-B's current CEO proudly bears responsibility for the firm's strategic vision and drives it forward with an empathic and asserted leadership style. Generously praised by shop floor workers (B2a), the CEO's leadership and legitimacy are associated with the direct benefits brought about by EO as well as their managerial skills and experience, in stark contrast to the founder's, whose leadership was that of a "genius product inventor" but "somewhat messy" manager (B1a). Chosen by the founder, the current CEO's impact is tangibly and positively perceived through the professionalism they brought to Firm-B's management, primarily by sorting out and revamping existing elements of value shaped by the founder but poorly served by informality and disorder. A simple but telling illustration is their new charter, affirming the firm's vision, mission, and values, captured on a single page signed by all employees and displayed in their meeting room. A more substantial example is the complete refurbishment of their premises, now allowing to welcome prospective clients without fear of putting them off.

Significantly, the CEO's entrepreneurial drive is strongly motivated by the perceived opportunity to exploit and capture maximal value from the "revolutionary products" invented by their predecessor, “which were not promoted as much and as well as they should have been” (B1a). Incentivised by a long-term Executive Management Incentive (EMI) scheme dependant on the share price[12] increase, the CEO’s impetus to generate as much profitable growth as possible is also motivated by a desire to repay the outstanding (and confidentially held) vendor loan earlier than agreed (B1a). An occasion to gain additional recognition from the team and the founder – who still sits on both the EOT-board *and* the company board, chairing the latter – the CEO also explicitly views this repayment as a prerequisite before any option can be envisaged for employees to participate in the firm’s strategic direction (see more details on this point in the last section below).

Firm-C’s entrepreneurial leadership is unequivocally in the hands of their seasoned CEO, hired specifically to grow the business after having successfully led a private equity owned company. They form a dynamic duo with a seasoned independent chair, both of whom joined the company some years after the founder had transferred a majority of their shares in an EOT, a transaction internally perceived as primarily “motivated by personal tax benefits, certainly not by a belief in the merits of employee ownership” (C2). Whereas the founder is remembered for being “autocratic” (C1a) and for tightly controlling every aspect of the business, the current CEO is held in high regard for their open leadership style, their ability to listen and value everyone’s inputs, for having “decluttered the organisation of unnecessary and, frankly, counterproductive rules”, and for their straightforward “open-door and open-book” management practices (C2).

Firm-C provides a fascinating example to illustrate what entrepreneurial leadership is, and how essential it is for a firm’s entrepreneurial orientation. A specialised consulting firm initially built to serve the O&G industry, they pay high salaries to attract and retain highly educated professionals. As the CEO says, “the business can be very cash generative in good times”, but “revenue streams can stop very quickly when large contracts are delivered or, of course, in downturns, [which are frequent] given the boom-and-bust nature of the [O&G] industry” (C1a). This is precisely what Firm-C ran into at the beginning of the Covid-19 pandemic. Unable to travel to deliver their services and with clients suspending projects, the company would generate almost no revenue for several months. While the business entered the pandemic with significant cash reserves, the CEO and the founder – then still a company director – clashed over the course of action.

> “We did slow some things down [but] we didn't get rid of anybody. We decided: “No, we'll keep the team”. And we'll use this time to basically develop the products and services. […] The whole point of bringing me in was to try and drive some growth. So, I was very conscious we would be using some of the shareholders’ funds. [But the founder has a] very different mentality, very different approach to these things... The founder would have very much […] cut costs, cut staff, cut salaries, […] cut [our] cloth basically to meet [our] short term revenue. So, at that stage [the founder] put two options through [on registered charges and] took [over one] million pounds out of the business. [The founder] basically was saying:

[12] Employee-owners are not aware of the EMI scheme, nor about the share price.

> "No, you are not burning shareholder funds through this downturn. And if you are not willing to cut costs in order to protect these reserves, then I'm just going to take them", and that's exactly what happened. We ended up having to get a coronavirus business interruption loan just to help us bridge through that period. But within nine months, we were back up." (CEO Firm-C, C1a).

This episode exemplifies how the entrepreneurial mindset of individuals in leadership roles impacts on an organisation's ability to proactively take calculated risks, innovate, and invest in its future, also in the face of high uncertainty. As this example also shows, entrepreneurial leadership is no less important to an EOB than to any other type of organisation. As a matter of fact, had the founder not transferred a majority stake in the EOT three years earlier, in effect handing over control over the business, the founder would probably have had their way against the CEO. This also points to the importance of organisational arrangements and processes, further developed in the subsequent sections.

For now, to conclude this section, this last example also serves to reinforce a key finding cutting across all three EOBs. If entrepreneurial leadership is indeed exercised by few individuals holding key roles, each in specific circumstances, it is crucial to recognise entrepreneurial leadership first and foremost as a core *organisational* capability required by any business to grow or simply sustain the challenges of time. Currently, while passively acknowledged and appreciated by most of their colleagues, the value-add brought by these key individuals in leading their firm's entrepreneurial orientation appears to be primarily conceived as a personal attribute expected from anyone in an executive role. Sensed across all three EOBs – albeit to a lesser extent in Firm-C – it is a significant risk to undervalue or overlook entrepreneurial leadership as a capability that is collectively vital for the organisation. Since entrepreneurial leadership is difficult to build, acquire, and/or replace (Schoemaker et al., 2018), it requires specific attention and planning to ensure that entrepreneurial leadership is in sufficient supply within each EOB. The need to realise this is probably true for many Scottish EOBs, since most are currently led by the first generation of post-EO leaders – if not still by pre-EO managers. Specifically questioned about this hypothesis, Carole Leslie confirmed that, in her view, "entrepreneurial leadership and succession could indeed become a serious issue" for most Scottish EOBs (D1).

Strategic management processes

A second area that stands out from my analysis encompasses the strategic processes through which the firm's entrepreneurial intent is formed, decided, implemented, and monitored, in brief how the corporate entrepreneurial strategy (CES) is managed. With reference to Teece (2007), I focus here primarily on the processes and tools in place to: a) sense new business opportunities (i.e. environmental scanning, opportunity and risk appraisal); b) seize them (i.e. decision-making, strategy reformulation); and c) reconfigure/adapt the business accordingly (i.e. strategy implementation, resource allocation, evaluation and control). While I already touch on the degree to which employees are involved, this dimension will be specifically developed in this chapter's next and last section.

At the outset, it is worth highlighting two common features observed in all three EOBs. As their strong entrepreneurial leadership is concentrated in the hands of one or two senior directors, there is no surprise that these key individuals play a major role at every stage and level of their firm's entrepreneurial strategy. Also, sharing a similarly strong entrepreneurial mindset, all three CEOs have introduced and/or significantly expanded a business development function within their organisation, having hired dedicated professionals to continuously search for, and develop, new entry opportunities (A1c, A2d, B1a, C1a). Beyond these two common features however, substantial differences can be observed in the level of precision and vitality with which entrepreneurial processes are defined and maintained. I opt to focus here on Firm-A and Firm-C successively, deeming these two contrasting cases to be of highest interest.

Though mostly unwritten, the overarching entrepreneurial priority within Firm-A seems to be clear for all, tentatively summarised as "We need to undertake everything we can to identify and exploit new opportunities to diversify". According to their elected representatives, employees are well aware of the senior executives' strong focus on pursuing new ventures (A4, A5). However, if the sense of urgency behind Firm-A's entrepreneurial orientation seems clearly expressed and understood, the reason why the firm has committed what is perceived to be substantial resources in the pursuit of certain ventures appears unclear for a significant proportion of the workforce (A4, A5, A6). Importantly, key initiatives and investments are depicted as resulting mainly from "decisions […] primarily based on [the] gut feeling" of the two leading executives (A3). This is a source of occasional frustrations within the extended management team, some pointing to insufficiently structured processes to properly delineate investments and assess risks (Ibid).

Similarly, several interviewees expressed the view that operational implications of new ventures are minimally spelled out (A3, A4, A6). Employee representatives indicated that the information shared by the management is delivered mostly orally and in an unsystematic manner, lacking in providing "adequate and regular information about some of the most risky ventures *they* are pursuing" (A3). Where employees are formally to be consulted ahead of major decisions, it appears to some that senior executives implicitly expect to be supported on the back of their personal credibility, experience, and enthusiasm, more than on the basis of compelling evidence (A3, A6). A key advantage of more systematic management processes was also pointed out by their business development manager:

> "Typically, when you start a new venture, you usually make a loss before you make a profit. So, getting through the research, the development, over to the new product and all the way to profit, that can be a two-to-five-year journey. And it can become a problem because employees are seeing the costs and they don't necessary look further down to see what's beyond. That's also where a more formal business case development process would be really useful." (A3)

With regard to monitoring processes, even though every significant new venture is essentially project-managed, Firm-A does not have a systematic risk management system in place and, ultimately, their entrepreneurial success is measured in aggregate via the company's bottom line. Overall, Firm-A's strong entrepreneurial orientation contrasts with rather sparse and casual management processes, especially when compared to their significant growth rate and footprint, potentially contributing to "an increasing number of questions […] being asked again and again during [their] monthly meetings" (A6).

In contrast, Firm-C's business development is supported by well-defined processes and tools, exemplified by their explicit strategic plan, a robust annual business cycle, and a structured monitoring system, systematically documented and accessible to all within the organisation (C1a, C2). I go on to successively explore these three components. First, the context and process that led to Firm-C's now adopted strategic plan are of interest, described here by their CEO:

> "The whole point of bringing me in was to try and drive some growth. So, I was very conscious that we would be using some of the shareholders' funds […] to fuel that. […] I am increasing the overhead in the business to drive growth, […] sales and marketing functions have more […] support, bringing in more engineering staff, etc. [But with] increasing overhead, we're obviously at a higher risk. If the [O&G] market drops, we're burning cash an awful lot quicker. So, what do you do […] to help smooth out some of the peaks and troughs in the business? [Following] discussions around resilience […] with the chairman and the board, we organised a strategy day […] with the board, the [EOT] trustees, [and] an external consultant. And we came up with "let's build an engine two, guys!", [i.e.] another revenue stream not linked to [O&G], [and] a plan to identify what [it should] look like [based on one-on-one discussions the CEO went on to have with every employee], and then [consolidate, launch, and] run that entire [development] process […], with the team, i.e. the beneficiaries." (C1a)

In addition to making the trade-off between wealth creation (growth, diversification) and wealth preservation (shareholder funds) apparent – a classic dilemma – this example shows how Firm-C's entrepreneurial intent was translated into an explicit strategic plan, now known and owned by the entire workforce according to both the CEO and the employee director (C1a, C2). The implementation of this strategic plan is supported by Firm-C's annual business cycle, another process of key interest, here again depicted by their CEO:

> "Every year, we use quarter four to develop a business plan, [presented for approval] at the December board meeting so that we can kick off the new year with an approved plan. In [it], there's always investments, sales development, etc. to keep the momentum going […]. Of course, we are also investing time and money to develop our "second engine". [This is all] funded through the profit-and-loss [account], using some profitability from the following year […], or we use some shareholder funds, some of the cash reserves that we have […]. And then, as usual: what do we need for working capital, what do we need to invest to drive the business forward in terms of growth, and what have we got in excess? That is distributable reserves. […] I will then go back to the board in March […], with a proposal to pay a dividend to shareholders [i.e. the employees]. Once approved […], we will usually pay in June." (C1a)

Purposefully conceived and driven, this annual business cycle is further supported by Firm-C's systematic monitoring system, equally purposeful:

> "One of the things that I think is really, really important in an employee-owned business […] is absolute transparency on how the business is doing, what the plans are, what the financials are. […] We circulate a beneficiaries' financial update every month, […] an

> extract of the management account, showing how we're tracking against plan. It shows our cash reserves. It shows exactly what and how we're doing as a business. There's nine different graphs and charts on it. And I also have our full team meeting every two months that will [provide] full transparency on financials, issues, risks, challenges, opportunities. We do these in-person and via [videoconference], and we record them so if there's guys […] who can't dial in, they can catch up at a later date, because they are all recorded and archived." (C1a)

While Firm-A and Firm-C are both undoubtedly entrepreneurially oriented and growing, the management processes underlying their entrepreneurial strategy differ significantly in the degree with which they are currently systematised. In awareness that the needs and circumstances of every business are unique and everchanging, a range of factors contribute to the observed differences. To identify just three such factors, first, the leaders' mindset and longevity in office probably do play a role. Second, the size and physical dispersion of a firm's workforce certainly weigh on the complexity of a firm's entrepreneurial processes, structurally and functionally. Third, as a manufacturing company, Firm-A is an asset-intensive business whereas Firm-C is a knowledge-based business mostly employing highly educated consultants: it appears plausible that the latter's workforce could have higher expectations and/or capabilities to contribute to complex business management issues.

At any rate, although robust processes and tools are in place within Firm-C for its entrepreneurial strategy to be explicitly defined, collectively shared, and systematically monitored, the firm's entrepreneurial orientation and corporate strategy also appear to be owned and supported by a large majority of employees. My observations also tend to indicate that where such processes appear to be more loosely defined and/or less firmly upheld, the employees' understanding of, and support to, the firm's entrepreneurial drive and strategy appear weaker. Incidentally, from a workforce's viewpoint, the opportunity to contribute to the firm's entrepreneurial strategy appears to be undermined when the relevant management processes lack in clarity, visibility, and/or robustness, a situation that in turn may constrain individual motivation and increase the firm's dependency on the senior leadership.

Employee participation

Most organisations consider their employees among their most important stakeholders and assets. For EOBs, this is possibly even more so the case as their workforce (i.e. employees-as-workers) ultimately holds, by definition, the legal right to collectively control the firm, as employee-owners. Consequently, one should expect that EOB-employees have access to "ways and means through which [they may], formally and/or informally, collectively and/or individually, […] influence organizational affairs relating to issues that affect their work, their interests, and interests of managers and owners", referring here to Wilkinson et al.'s definition of employee voice (2020:5). This broad definition encompasses the various forms of employee participation (EP) that contribute to organisational decision-making, including financial participation, i.e. the "mechanism by which employees are provided with a stake in the performance or ownership of an organization" (Kessler, 2010:338). EP is primarily a human resource management concept; however, in the case of an EOB, EP can be conceived, I argue, to include most arrangements pertaining to the traditionally distinct domain of corporate governance (CG), considering the employees' dual status as workers and (majority) owners.

Investigating employee participation within EOBs is of key interest here as EP-related configurations and practices may impact, positively or negatively, on a firm's entrepreneurial orientation, i.e. its propensity and ability to undertake new entry initiatives on the basis of entrepreneurial proactiveness, innovativeness, and risk-taking. To guide my analysis of EP within the three EOBs under investigation, I opt to explore the following three aspects, looking at the processes available and/or exploited to: a) influence the firm's CG and leadership; b) shape the firm's entrepreneurial orientation and strategy; and c) incentivise and/or reward employees and managers.

Firm-A showcases what a progressive range of EP arrangements may look like, in addition to also revealing the need to continuously care for these, and regularly rethink them. A brief overview of the main components enabling EP within Firm-A is worth providing. Looking first at governance arrangements, employees possess a high degree of control over the company board, exemplified by their formal right to elect two employee directors and two employee trustees, and preapprove any large investment or borrowing exceeding £200,000 (source: Firm-A's AoA, 2012). Perhaps even more significantly, all board members are submitted to a (re-)election by the entire workforce every three years, a rule also applicable to executive directors.

Looking next at the main avenues available for employees to directly influence Firm-A's entrepreneurial strategy, a key element enshrined in the articles of association (AoA) is the employee meeting that must be convened at least monthly by the managing director, where "there shall be full, open disclosure of all information relevant to the development of the business as a successful enterprise in employee ownership with a partnership culture" (source: AoA, 2012). These meetings are structured by senior managers' interventions reporting on operations and business development, followed by an opportunity for all employees to raise questions or make suggestions, at an operational or more strategic level. Encouraged by the managers' open leadership style, "certain questions or issues can at times trigger quite lively or intense discussions" (A4), which "are not always easy to handle" and "can take quite a bit of time" (A2d).

Finally, Firm-A's reward system is rather straightforward and egalitarian. In a good year, every employee may receive an equal bonus (i.e. no individual bonuses). Moreover, apart from a job role change, any proposition to increase fixed remuneration is openly discussed with the staff and, if approved, the same percentage increase applies to all salaries/wages, the management's included (i.e. no individual pay rises). Combined, these mechanisms provide for a potentially vivid EP and an open organisational culture, in which the managing director takes pride, citing as a key benefit a work "engagement level […] certainly well above average, [that] clearly helps to make things happen" (A1a).

However, contrasting views are also expressed, e.g. by the business development manager: "Once we have identified a good opportunity, then you [must] go through the whole employee thing, and […] it can look really muddy […] when there's so many voices that got differing opinions. […] That's the hard part that I see in employee ownership. You have to take everybody with you" (A3). One of Firm-A's employee trustees – and former employee director – recognises that dissonant voices can at times be loud and slowing the firm's entrepreneurial orientation, especially when and where key investments appear slow at delivering the expected return. That said, they constructively point out that certain discussions might be softened, shortened, or even avoided by more systematic communications by the management, who now "seem to dedicate less time and care than they used to in the preparation and animation of […] employee meetings" (A4).

Firm-A's over twenty year experience with EO is indeed also of interest to highlight the potentially evolving nature of most arrangements pertaining to EP/CG, as well as the trade-off they imply. Whereas employee meetings used to take place weekly for over a decade, their frequency was reduced to a monthly occurrence at the beginning of the Covid-19 pandemic, a rhythm maintained thereafter since "weekly meetings are just too costly", as one manager puts it (A3). The trade-off between operational efficiency and higher EP level is made apparent when confronting this judgment with the above-mentioned perception relayed by employee representatives of a loosening connection with the firm's leaders and entrepreneurial strategy (A4, A6). Importantly, this trade-off reveals a complex and potentially stressful balancing act for the management, who is currently experiencing – and busy mitigating – adverse circumstances and delays on large overseas investments decided some years ago, before costs and uncertainties rose following Brexit, the Covid-19 pandemic, and the war in Ukraine.

Interestingly, Firm-A's two employee trustees have recently initiated a dialogue with the company board about this perceived deterioration in internal communications and, with the board's support, they are now examining ways to enhance EP – as a two-way process – to better serve both the employee-owners and the company. A first tangible evolution has been to appoint an external EO-expert as an independent EOT trustee, with the specific mission to support the employee trustees in their effort to foster better EP, e.g. via more rigorously structured processes (A4). In parallel, the board is also reflecting on potential reforms, for instance to have the board appoint executive directors rather than to have them elected by the workforce (A1e).

In comparison, the more recently employee-owned Firm-B's EP appears minimal, both in form and practice. A single employee is elected to serve as an employee trustee on the EOT-board, along with two external senior professionals appointed by the company chief executive. No employee director sits on the company board, chaired by the founder and former owner who, in effect, remains a "person with significant control" (UK Government, 2022). In practice, the strong leadership exercised by the CEO – in close collaboration with and under the personal control of their predecessor – leaves little room for noteworthy employee contributions to the firm's entrepreneurial orientation.

However, this does not seem to cause any frustration within the workforce. On the contrary, employees and managers come across as strongly engaged based on the high level of enthusiasm I was able to experience first-hand while visiting the shop floor, as well as through interviews and informal discussions with a total of six members of staff. This is easily understandable as the still relatively recent move to EO is perceived to have brought very tangible improvements and benefits to the entire workforce, with renovated facilities, a marketing overhaul fuelling a new sense of pride, a tax-free equity share gifted to every employee, as well as the introduction of an annual tax-free bonus.

Firm-B appears highly successful and profitable, on the back of which the confidence in the leadership duo is very high (B2a). In this context, the employee trustee senses “no reason to look over the [company] board’s shoulder” (Ibid). This low degree of EP and control exerted by Firm-B’s employee-owners results from the CG arrangements designed and run by the chair and their successor, i.e. the current CEO, both with a similarly strong entrepreneurial mindset. When asked about the opportunity to develop ways to enhance EP in support of their entrepreneurial strategy, the CEO made their viewpoint very clear:

> “Is it necessary? I don't believe it is, because so many companies operate without it. But is it desirable? Perhaps it is desirable… I think that answering this question is for another day. I would suggest, certainly from the board’s perspective, or certainly from mine, that our position would be [that] this will be a question once the deferred consideration, [i.e.] once the vendor loan is paid, because for now, the executive board is focused on sustained growth that enables us to clear the vendor loan. Once that confidential and sensitive matter for the founder and for me personally is closed, then that gives the company as a whole a bit more autonomy. Once that's clear, then it becomes much easier for us to share performance indicators like profit, like cash generation, etc. and share that confidential information beyond the board to everybody, because it then becomes essentially their money.” (B1a)

While the last affirmation is debatable[13], Firm-B shows that, five years into EO, an EOB can be entrepreneurially oriented and successful without much EP, and that strong employee engagement can be achieved without necessarily relying on a high level of EP. However, the sustainability of Firm-B’s currently minimal EP configurations and practices is questionable. These appear heavily reliant on imperatively positive financial results year after year, on which the employees’ complete trust in the firm’s leadership directly depends. Here again, an organisational trade-off is made apparent between the need/desire to protect the confidentiality of the initial EO-transaction agreement and the opportunity to develop more sustainable EP/CG practices. Without judging the secrecy path chosen by Firm-B’s leaders, one can anticipate that the minimum level of EP/CG arrangements and know-how built within the firm constitutes an organisational risk that might have to be addressed sooner or later given the cyclical nature of their industry – and the life cycle of any entrepreneurial venture.

In contrast, and as already alluded to, Firm-C provides an instructive illustration of how sound EP/CG arrangements can help build/strengthen the firm’s entrepreneurial orientation and resilience by adequately involving employees at every level and step of the entrepreneurial process. Looking first at structural arrangements, Firm-C employees are endowed with significant control over the firm’s governance system. They vote to elect an EOT-trustee and

[13] As the EOT holds more than 50% of the firm’s equity, employees already hold the legal right to ultimately control the firm.

an employee director, knowing that “a decision of the [company board] is taken […] when all […] directors unanimously agree” (source: Firm-C’s AoA, 2020).

At a more functional level, employees play an integral part in the definition and implementation of their firm’s entrepreneurial strategy, as they are consulted on key options and decisions, and regularly informed about the implementation of the annual business plan and all ongoing initiatives, in a systematic way. As a matter of fact, most new entry initiatives engaged since the CEO joined the firm (after the transition to EO) emanated from ideas raised by the staff (C1a). Similarly, contributions from employees were instrumental in the recently adopted strategic plan, after broad and thoughtful internal consultations (Ibid).

With the support of an independent chair with substantial business experience, the CEO sees great value in fostering a culture of idea sharing and transparency as a way to support both individual motivation and a sense of belonging within the company (Ibid). Appreciative of the CEO’s impact, the employee director shares a highly positive view of the changes introduced, in stark contrast with previous ways under the founder (C2). Most interestingly, it is really when tensions arose between the founder and other board members following the CEO’s lead, about three years after the firm had formally transitioned to EO, that employees had the opportunity to get full cognizance about what EO means and the potentially fundamental implications for them and the company. Ultimately, Firm-C’s EP/CG arrangements and practices empowered collective support and proved instrumental for the CEO’s entrepreneurial line of conduct to prevail against the founder’s risk minimising approach.

To conclude my analysis of EP/CG’s impact on a firm’s entrepreneurial orientation, reward systems deserve some attention since current arrangements, while very different across the three EOBs, generate discussions in all three firms, specifically around variable pay. At present, cash flow/profit permitting, each EOB exploits the possibility to disburse tax-free all-employee bonuses, within the limits and strict equality requirements set by the British Government (UKG, 2023). Each firm also operates a share incentive plan open to all employees. Unlike in the other two EOBs, Firm-A’s reward system stops here at present, although individual performance-pay is increasingly becoming a topic and concern to attract and retain talent (A1c, A2d).

Firm-B managers are provided with a company car and most of them also benefit from a seemingly attractive enterprise management incentive scheme (B1a). However, I was not able to get a full and clear picture about Firm-B’s management reward scheme, sensing it to be a sensitive topic kept under tight control by the senior leadership. In contrast, Firm-C pays performance-related annual bonuses to individual employees on a transparent basis, as the CEO is “very keen to properly incentivising and rewarding the individuals who are driving growth within the business” (C1a). And “even if this is a difficult conversation to have”, Firm-C’s CEO is/was preparing “discussions with the EOT-trustees and the staff with the aim to set up another growth-based share incentive scheme” reserved to high-worth individuals the business needs to attract and retain to compete and grow (Ibid).

In sum, these findings confirm that reward arrangements are an important, sensitive, and dynamic topic within all three firms, disproving any assumption that this would not be the case within an EOB. Specifically, variable pay is indeed conceived as a key EP-component susceptible to drive motivation and engagement in support of the company's entrepreneurial strategy, also where the latter is quasi-exclusively leadership-driven. Even within Firm-A there are calls to exploit the incentivising potential of performance-pay to support the firm's competitiveness; the CEO does not rule out amendments to their thus far highly egalitarian reward system (A1c).

5. Recommendations

In this concluding chapter, I formulate a set of recommendations geared towards individual Scottish businesses, primarily SMEs, be they already employee-owned or considering EO, thus responding to my core research question about the specific advice they should be provided to enhance their entrepreneurial orientation. In doing so, I also formulate some suggestions addressed to the main public entities actively promoting and supporting EO in Scotland. Inferred from my qualitative investigations and findings presented in the previous chapter, these recommendations and suggestions should be considered as a preliminary basis for further knowledge exchange with relevant stakeholders.

At the outset, it is worth re-stating the obvious: every business needs to recognise, as an organisation, that a level of innovativeness, proactiveness, and risk-taking – i.e. a level of entrepreneurial orientation – is necessary to build and maintain a sustained competitive advantage (Barney, 1991). This fundamental requirement applies to EOBs as to any other type of business competing within an industry. As a result, my recommendations may appear generic – and they could indeed have some validity for non-EO firms. However, I formulate them as a direct response to the most significant issues and opportunities specifically identified through my investigations on and within Scottish EOBs.

Aware of the limits and caution called for by any generalisation, I formulate three key recommendations, for which a rationale and some details are provided in the subsequent sections:

1) Recognise entrepreneurial leadership as a critical organisational capability, and as such invest in the development and continuity of adequate entrepreneurial leadership;
2) Explicitly define the key processes supporting the firm's entrepreneurial strategy, and ensure to uphold their vitality;
3) Review the governance, employee participation, and reward arrangements at regular intervals, ensuring they are aligned with, and conducive to, the firm's entrepreneurial strategy.

Entrepreneurial leadership & succession planning

My study shows the critical role a few individuals play in personally leading and embodying "their" firm's entrepreneurial orientation, no matter the level of employee participation. They are doubly instrumental for the company since it is them, first, who predominantly define and decide the entrepreneurial vision/strategy for their organisation and, second, who allocate and manage resources accordingly. As already noted, this is an asset as well as a risk for the organisation since it increases the firm's dependency on these few individuals.

As highlighted in the literature review, entrepreneurial leadership is a key building block of a firm's entrepreneurial orientation, conventionally associated with the top management team. However, it is also important to recognise that entrepreneurial leadership is more than a skillset mastered by, or expected from, senior executives. Under an organisational viewpoint, entrepreneurial leadership should instead be conceived as the sum of all leadership capabilities the firm requires to define and implement its entrepreneurial strategy, identify and seize opportunities, and reshape the business accordingly. A dynamic capability (e.g. Koryak et al., 2015), entrepreneurial leadership does indeed mostly rely on personal competencies brought and held by individuals. However, a key advantage in explicitly identifying entrepreneurial leadership as the sum of a firm's requirements, detached from current office holders, is to help recognise the actual needs of the organisation. In doing so, the relevant stakeholders should be able to better realise the importance of entrepreneurial leadership for the organisation and, as a result, be incentivised to initiate and/or support the development and continuity of entrepreneurial leadership through any adequate means, e.g. appraisal, planning, training, hiring.

For most EOBs, and certainly for the three I was able to investigate in depth, this should also help raise awareness on the issue of leadership succession. As we have seen, most EOBs have become employee-owned when their (founding) owner-manager, individually or as a team, exited the business or made plans to do so. This generated a significant change and risk for most SMEs, a first hurdle that had to be successfully overcome as an EOB. For most Scottish EOBs, this is probably still work-in-progress today, as the transition to EO is recent. In this context, are employee-owners aware that they should already start thinking about, or play a part in initiating, the next leadership transition? From what I have been able to observe, there is a good chance that this is not the case. This constitutes an important risk for Scottish EOBs. Indeed, unlike the pre-EO owner-manager, the executive(s) who took over the leadership after the transition to EO do(es) not have a "natural" or strong personal incentive/concern to find a successor, since they do not have to find a buyer ahead of their own exit. Equally, employee-owners do not seem to easily realise that it might be up to them (or their representatives) to anticipate and give the necessary impetus to plan for leadership succession. Hence this first recommendation.

Furthermore, one should "recognize that succession is not just about the CEO. Every critical position needs a succession plan" (Rosen, 2019:34). As such, entrepreneurial leadership should be an integral part of succession planning[14], i.e "the process of identifying and developing potential future leaders and senior managers, as well as individuals, to fill business-critical roles" (CIPD, 2021). On this basis, Scottish EOBs' boards should review their leadership requirements – with a particular focus on *entrepreneurial* leadership – and, where necessary, devise plans to ensure the development and continuity of adequate leadership competencies.

In her interview, Carole Leslie shared this view that (entrepreneurial) leadership is a major issue for EOBs in Scotland, also alluding to a need of a "right kind" of leadership:

> "Indeed, leadership is one of the major dangers that we are facing as an EO community, because it's really difficult to get the right kind of leaders, and we're not doing enough to develop internal competency. If we had more people thinking like entrepreneurs, I believe it would be much easier. But I can see it becoming a problem in a few [employee-owned] companies right now, who are getting in a situation where the only way for them to get onto the next stage is a sale to a bigger company… Because the leadership just isn't good enough." (D1).

Although I did not explore further the different types of leadership nor their particular suitability to enhance the entrepreneurial orientation of EOBs, it seems appropriate to conclude this section by Rosen's call for "humble leadership [as] a key to creating the sense of psychological safety that enables employee engagement in generating and implementing ideas" (2019:29) – noting that humility is now seen as a key quality of any agile leader, not just within EOBs (see for instance Neubauer et al., 2017).

Strategic entrepreneurial processes & communication

As just highlighted, for a firm to be entrepreneurially oriented and active, the right leader(s) and leadership are required to take and follow through with the necessary decisions – and risks – enabling the firm to proactively pursue new entry initiatives, innovate, and drive the business forward. However, as no leader is omniscient and all-powerful, their ability to entrepreneurially steer the business significantly relies on the support they can generate and command within the organisation. Consequently, the management processes on which the effectiveness of a firm's entrepreneurial strategy relies need to be adequately designed, exploited, and continuously improved, which in essence forms my second key recommendation.

To have a chance to succeed, entrepreneurial efforts must be grounded on a sound understanding and adequate combination of multiple dimensions, such as a market's (future) needs, the ever-changing competitive landscape, the organisation's ability to create and capture profitable value beyond its current remit, and the firm's realistic potential to evolve, be it in a gradual or more radical way. Inherently complex, such requirements are difficult to master

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[14] Discussed with Glen Dott (D2), the decision to concentrate CDS' marketing efforts on the succession planning issues facing business founders appears pragmatic. However, ironically perhaps, this angle does not address the succession planning issues facing EOBs.

simultaneously by any decision-maker – arguably even more so for leaders of running SMEs if and where their personal involvement in day-to-day operations is critical for the company's going concern. To navigate such complexity, business leaders typically spearhead the definition, promotion, and implementation of a corporate strategy whose purpose is to orient the firm's development, set goals and priorities to allocate resources, foster internal buy-in and alignment, and potentially attract additional resources, e.g. new recruits, partners, allies, opportunities, funding.

There is no unique blueprint for the development and materialisation of such corporate strategy, which can span from a "deliberate strategy" textbook approach to a more adaptative "emergent strategy" (Mintzberg, 1978), or combinations of the two (McCarthy & Leavy, 2000). My key recommendation here is that EOBs *explicitly* define and *collectively* own their strategic intent as an entrepreneurially oriented firm, in effect what Ireland et al. call a 'corporate entrepreneurial strategy', manifested through "an entrepreneurial strategic vision, a pro-entrepreneurship organizational architecture, and entrepreneurial processes and behaviors [ultimately] exhibited across the organizational hierarchy" (2009:25).

By such definition, and fundamentally, a corporate entrepreneurial strategy is much more than a statement adopted at one point by a company board; ideally, such a strategy should continuously shape a firm's structure, culture, and actions. For this, the cyclical organisational processes serving to explicitly define, implement, and revise a firm's entrepreneurial strategy are of foremost importance to materialise and sustain its entrepreneurial orientation. In practical terms, this means that any EOB should ensure that the firm is adequately equipped with, and actually moving forward on the basis of, such processes. Typical self-assessment questions such as the following could help a firm identify whether and where improvements may be needed:

- Are the firm's entrepreneurial goals and priorities explicitly defined? Are these known and owned by the workforce?
- Is it clear when, how, and by whom the firm's entrepreneurial strategy can or must be revised? Does the firm regularly or continuously (re)scan its environment?
- Does the firm have clear strategies and resources in place to ensure operations and capabilities evolve to sustain its entrepreneurial vision? How does the firm monitor and continuously reassess risks associated with its strategic options?
- Does the firm strategically invest in R&D? Does the firm have clearly defined processes and tools to identify, gauge and engage in new opportunities for product/service innovation and/or market development?
- In effect, how does the firm ensure, encourage, and manage feedback, continuous learning, creative thinking, experimentation, and intrapreneurship?
- In their internal communications, does the leadership consistently refer to the firm's entrepreneurial strategy? Do they systematically report on the development of key entrepreneurial initiatives – even when faced with difficulty, disappointment, or failure? Do they openly and continuously discuss, in a structured manner, opportunities and risks associated to the firm's entrepreneurial vision and undertakings?

Ultimately, my recommendation to EOBs is to ensure that the key processes supporting the firm's entrepreneurial strategy are well defined, and their vitality is continuously upheld. In this regard, the importance of internal communications in ensuring that the entrepreneurial strategy is *collectively* owned within the organisation cannot be stressed enough. By internal communications, I mean all-channel, top-down, bottom-up *and* non-hierarchical communications within the firm, exemplified and promoted by its leadership. As a matter of fact – and by the above definition – a corporate strategy can only truly materialise if adequate firm-wide communications put the firm's entrepreneurial intent into effect, enabling and shaping all related processes and behaviours.

Why formulate this as a key recommendation for Scottish EOBs? By design, the firms I selected for my investigations are entrepreneurially oriented and successful, and my observations tend to confirm that their entrepreneurial drive and growth correlates not only with a strong leadership but also with a clearly identifiable firm-wide entrepreneurial strategy. My observations also indicate that where such a strategy is explicit and at the heart of most, if not all, internal communications, the level of understanding, adherence, and support to the firm's entrepreneurial intent and orientation seems greatly enhanced within the workforce.

Furthermore, as most Scottish EOBs have recently moved to EO, a transition typically facilitated by a well-established and steady business model, this recommendation seems timely to ensure that every EOB does recognise the necessity – sooner or later – to either retain or regain their entrepreneurial orientation, i.e. their capacity to be innovative, proactive, and risk-taking. Depending on the particular situation of each EOB, following this recommendation may offer additional benefits, e.g. to initiate or revive internal discussions about entrepreneurial opportunities and risks (whereby it might be useful to recall that hopes to avoid any risks by refraining to invest in future – i.e. uncertain – revenue streams also constitutes a risk for the business), or enhance motivation, psychological ownership, and engagement via a clear and shared understanding of the firm's entrepreneurial vision, goals, priorities, and processes. Relevant for any organisation, such dimensions seem particularly important for EOBs, as highlighted in the next section.

Governance, employee participation & reward arrangements

Ultimately, employees of any EOB are entitled and even expected to exert a level of control over their company, as they collectively hold this legal right – usually via an EOT – as do the majority owners of any business. In practice, this control rests on the set of organisational configurations and practices, formal and informal, that together shape the employee participation/corporate governance (EP/CG) arrangements of the firm. As my data and analysis suggest, unsurprisingly so, there is no such thing as one set of ideal and definitive EP/CG arrangements suitable to all EOBs. Every business is characterised by a unique and complex combination of such arrangements that, at any one time, result from multiple factors and trade-offs, intentional or not. My findings also indicate that EP/CG arrangements can indeed influence a firm's entrepreneurial orientation, whereby certain aspects can be felt to either constrain or strengthen it, depending on the degree of alignment they help provide between senior leaders and employees – as workers *and* beneficial owners – in support of the firm's entrepreneurial strategy. I also suggest that, as companies evolve – which is especially to be expected from entrepreneurial firms – EP/CG arrangements may also need to evolve over time.

On this basis, my third key recommendation is for EOBs to review at regular intervals the arrangements that, together, materialise and support the firm's corporate governance, employee participation and reward schemes, with the aim to ensure they are and remain aligned with, and conducive to, the company's entrepreneurial strategy. To complement this recommendation, I opt to share some thoughts on selected issues directly inspired by my observations, hoping they may be of use when reflecting on EP/CG schemes.

The directors of an EOB occupy an uncomfortable position as they are to lead and manage a workforce who, ultimately, hold a controlling interest and power over them. This is factually true. However, it is also true that the directors of any type of business must compose with multiple stakeholders and interests, and increasingly so (Amis et al., 2020). As such, from a board's viewpoint, the fact that a company's employees and majority-owners form one single group of stakeholders can be considered as a significant opportunity and advantage any EOB should fully exploit. Indeed, while synergistic economies may result from the management of one instead of two streams of bidirectional communications, employees may be easier to rally behind a sound entrepreneurial vision or initiative, in comparison to external shareholders, as they are better acquainted with the firm's circumstances and capabilities.

That said, it is certainly challenging for any business leader to continuously inspire and motivate others to follow and support them in the pursuit of a shared purpose, requiring adequate communications and incentives amongst many aspects. However, there is much to gain since ample evidence indicates that the employees' ability, motivation, and opportunity to contribute to their firm's undertakings (cf. Appelbaum et al.'s AMO model, 2000) usually lead to higher individual and aggregated performance (e.g. Obeidat et al., 2016). Furthermore, sustainable entrepreneurship may be achieved if one considers that in an EOB any distributable profit can be exploited to reinforce employee engagement as well as the firm's entrepreneurial strategy, minimising the "leaks" otherwise necessary to reward external shareholders not directly contributing to the firm's entrepreneurial intent.

As with any organisational system, imperfect by nature, ensuring the suitability and vitality of EP/CG arrangements requires time and effort from managers and employees, as well as potentially difficult but unavoidable trade-offs, e.g. about: attribution of responsibilities; delimitation of powers and responsibilities (e.g. strategic versus operational versus tactical management); access to sensitive data; incentive and reward schemes, especially around performance-pay. To address this complexity, and as demonstrated by Firm-C, EOBs might clearly benefit from electing/appointing one or two experienced independent non-executive directors with a role in "monitoring the performance of management and the financial reporting process, the review of risk and controls, and (through committee work) the remuneration of top executives" (NEDA, 2022:56), while ensuring "that a balance of power is achieved, in which the executive directors are not dominant and all-powerful" (Ibid:12).

At any rate, EP/CG arrangements are instrumental in enabling a firm's entrepreneurial orientation. If they are adequately designed, dutifully exploited, and regularly reviewed, supported by collective accountability and self-discipline standards best embedded in the firm's core values, sound EP/CG arrangements are likely to yield high returns, also in the form of innovation ideas, constructive feedback, trust, work engagement, belonging, pride, etc.

As we have seen, at one point in time, EOBs can be more or less socially progressive if this can be measured by the depth and strength of their EP/CG configurations and practices. We have also seen EOBs first and foremost engaged to deliver for-profit value in demanding environments, subject to the same risks and competitive forces (Porter, 2008), facing similar challenges and trade-offs as any other competitor, be they employee-owned or not. For anyone interested in EO, this is a trivial yet fundamental observation. Today, the British and Scottish Governments' commitments "to supporting employee-owned companies […] and encouraging companies to transition to employee ownership" (UKG, 2023) appear focused on the potential to "generate community wealth [by] more inclusive and democratically owned enterprises" (SG, 2023:7-8), on the premise of a (more) labour-centred wealth distribution. In this context, the above observation serves as a reminder that before any wealth distribution, wealth must first be created. Thus, like any other for-profit organisation, an EOB must be profitable to exist as a viable business today and, fundamentally, an EOB must be entrepreneurially oriented to potentially thrive and sustain into the future.

Suggestions to the Scottish and British Governments, Scottish Enterprise, Co-operative Development Scotland, and Scotland for Employee Ownership

To complement these recommendations, I offer some suggestions specifically addressed to the main public entities involved in supporting EO in Scotland, based on the knowledge gained through my research and personal reflections. Intended to be thought-provoking, these suggestions are grounded in the understanding that these entities are focused on growing the number of EOBs to reach the SG's target of 500 by 2030, and that their current support is primarily targeting business owners looking for an exit, as exemplified by EO's current depiction on Scottish Enterprise's webpage (SE, 2023). While the rationale for this approach is easily understandable, an unintended consequence is that this focus hardly appears to support the SG's NSET to "establish Scotland as a world-class entrepreneurial nation" (SG, 2022:16).

On this basis, my first suggestion is for these key stakeholders to revise their own view and depiction of employee ownership to ensure that the entrepreneurial potential of EOBs is not overlooked; on the contrary, EOBs should be considered front and centre in the delivery of Scotland's National Strategy for Economic Transformation. To illustrate this suggestion, one question: in the recently published *Scottish Entrepreneurial Ecosystem Guide* (SE, 2023a), why does Co-operative Development Scotland[15] not appear as one of the active "Entrepreneurial Support Organisations"?

[15] Incidentally, since CDS is a major flag-bearer of EO across the nation, why does the organisation's own name/brand not reflect their core mission to support the development of EO?

My second suggestion is for these public entities to consider how to support (current and future) EOBs in raising awareness on the crucial importance for them to develop and sustain a robust entrepreneurial orientation. Dedicated communication materials could be prepared and promoted to advocate the importance of an entrepreneurial orientation for every EOB, building on this report's key recommendations and, ideally, supplemented by a simple yet effective self-assessment questionnaire that would enable a rough diagnosis of a firm's entrepreneurial level and identify key areas of attention/improvement. This could serve to generate and/or support firm-internal debates on entrepreneurship and competitiveness, highlighting best practices and pointing to relevant support and useful resources.[16]

These first two suggestions support my third and final one, which is to gradually build up support to established EOBs as a complement to, and eventually as an alternative to, the current focus on promoting and supporting *transitions* to EO. Indeed, as time goes, the continued growth in (the number of) EOBs might best be supported by the continued entrepreneurial growth *of* (individual) Scottish EOBs. In fact, showcasing the entrepreneurial orientation and success of EOBs such as the ones I had the privilege to study for this report is probably an effective way to advocate employee ownership as a business model fit for a sustainable future.

Martin Stucki
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[16] Such resources can be provided by Scottish Enterprise, Co-operative Development Scotland or any other relevant organisations, e.g. via leadership development programmes offered by Scottish Business Schools, the Employee Ownership Association, or any other relevant stakeholders.

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Appendix

Identification of the main individual contributions

Interviewees / contributors	Main role(s)	Individual contributions	Format, Date
FIRM-A, manufacturing engineering			
A1	Managing Director	A1a	Initial online meeting, 27 January 2023
		A1b [*]	Online interview, 31 January 2023
		A1c [*]	Online interview, 13 February 2023
		A1d (same source as A2b)	In situ presentation and Q&A, 28 February 2023
		A1e	Casual discussion over diner, 28 February 2023
		A1f (same source as A2d)	CDS Podcast
A2	Sales Director	A1a	Casual discussion during HQ/site visit, 28 February 2023
		A2b (same source as A1d)	In situ presentation and Q&A, 28 February 2023
		A2c	Casual discussion over a drink, 2 March 2023
		A2d [*]	Online interview, 6 March 2023
		A2e (same source as A1f)	CDS Podcast
A3	Business Develop. Manager	A3 [*]	In situ interview, 27 February 2023
A4	Employee Trustee	A4 [*]	In situ interview, 27 February 2023
A5	Employee Trustee	A5 [*]	Online interview, 6 March 2023
A6	Employee Director	A6 [*]	Online interview, 3 March 2023
A7	Employee (workshop)	A7	Casual discussion during HQ/site visit, 28 February 2023

[*] Interview recorded for the purpose of transcription (with prior informed consent).

Interviewees / contributors	Main role(s)	Individual contributions	Format, Date
FIRM-B, industrial production			
B1	Managing Director, EOT Trustee	B1a [*]	Online meeting, 17 February 2023
		B1b [*] (same source as B2b)	In situ group interview, 14 February 2023
		B1c (same source as B3)	CDS Podcast
B2	Employee Trustee	B2a [*]	In situ interview, 14 February 2023
		B2b [*] (same source as B1b)	In situ group Interview, 14 February 2023
B3	Founder, Non-Exec Chair, EOT Trustee	B3 (same source as B1c)	CDS Podcast
A4	Employee Trustee	A4 [*]	In situ interview, 27 February 2023
A5	Employee Trustee	A5 [*]	Online interview, 6 March 2023
A6	Employee Director	A6 [*]	Online interview, 3 March 2023
A7	Employee (workshop)	A7	Casual discussion during HQ/site visit, 28 February 2023
FIRM-C, consulting engineering			
C1	Managing Director	C1a [*]	Online interview, 10 February 2023
		C1b	In situ presentation & Q&A, 1 March 2023
Contributions from other EOBs			
D3	Managing Director (manufacturing)	D3	Live presentation & Q&A, 28 February 2023
D4	Managing Director (manufacturing)	D4	Live presentation & Q&A, 1 March 2023
D5	Managing Director (IT development)	D5	Live presentation & Q&A, 1 March 2023
Other individual contributions			
Carole Leslie	Senior independent consultant/advisor specialised in EO	D1 [*]	Online interview, 3 March 2023
Glen Dott	Specialist Advisor in EO at CDS	D2 [*]	Online interview, 2 March 2023
Graeme Nuttall OBE	Senior Advisor specialised in EO	D6	Live online CDS Webinar, 22 February 2023

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