

Re-purposing UK business

Yesterday afternoon I listened to Will Hutton deliver the fourth annual Robert Oakeshott lecture. Robert was the founding father of the now Employee Ownership Association and the inspiration for many businesses that have embraced employee ownership. Will Hutton is an economist, journalist, author and Principal of Hertford College, Oxford. He has written numerous books, the latest of which is "How Good We Can Be: ending the mercenary society and building a great country" (Little, Brown 2015). Mr Hutton raised several interesting and thought provoking points, but two that really struck a chord for me were that many UK businesses need re-purposing and they also need "anchor owners".

Re-purposing really means that businesses need to have a moral underpinning to guide what they do. This absolutely means they should be profit seeking but not just profit maximising for the benefit of their external shareholders and no one else. As the members of the Social Stock Exchange will attest, it's "where profit meets purpose".

But re-purposed businesses will be even stronger when they have anchor owners – shareholders who want to be investors, not speculators, and want to provide long term support for the growth of the business. With UK pension and insurance funds owning less than 10% of the UK stock market today, this is probably not going to happen amongst FTSE quoted companies. However, perhaps we should take a lead from the German Mittelstand, which is the territory occupied by the backbone of the German economy - small and medium sized businesses. Such businesses are characterised by their prudence, sustainability and stable block, anchor owners.

The good news is that we already have many of these businesses in the UK. They happen to be employee-owned. This provides a deep, block, anchor ownership; they typically have a clear purpose (not just profit maximising); they take the long view and are often measurably more productive than their competitors. Who knows what the future holds, but more employee owned businesses has to be good for the UK economy...