

The Communication Challenge:  
Making employee ownership matter  
to  
co-owners.....  
.....the story so far for C

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**Background to Clansman Dynamics**

- Started by 3 Engineers in 1994.
- After 3 years and only 3 machines sold, company on a “knife edge”.  
Investment money finished. No new orders.
- Exhibited at Foundry Exhibition in Italy, the tide turned.
- By year 2000, up to 15 employees. All investment houses repaid.  
Original engineers now sole owners; 40%, 40% and 20%.
- 2008: MD now sole owner after retiral of colleagues.

**Why choose to the EBO route?**

- 2009 – MD approaching 60. With an eye to the future and releasing some of his investment.....
- Choices: a) Sell to the highest bidder or b) Give the employees the opportunity to shape their future.
- CDL is 95% export. Any potential suitor most likely European.....risk of stripping assets and intellectual property.
- MD determined to keep the business in the West of Scotland.
- Positive initial response from the employees. EBO process starts.....in conjunction with Baxi Partnership.

- Price agreed for value of CDL (MD “philanthropy”.....)
- Employees raise 10% value
- Buyout facilitated via loans from Bank, Baxi, ICOF and Company Savings.
- EBO process completed in December 2009.
- On course for full pay-back of debtors in 3 years.

**Ownership of Clansman Dynamics**

- 100% Ownership will be held in the EBT (Employee Buyout Trust)
- EBT will always hold min. 50.1% shares
- No employee can hold more than 5% of total shareholding
- SIP (Share Incentive Plan) now set up. Employees can purchase shares (Tax efficient). Free Issue.
- Share Value calculated as a function of Current Year, Previous Year and Projected Profit level.
- “Good Leavers” – Pensioned, Redundancy. Realise the current market value of their shares.
- “Bad Leavers” – any employee leaving of their own volition. Receive share value “as purchased”.

**Communication within CDL Employee Owners**

- Two Employee Directors elected to sit on the Board.
- Monthly Company “Pizza” Meetings attended by all employees. The following items are presented:
  - Financial Position (Balance, Overheads, Spares)
  - Machine Delivery Status
  - R & D and New Product Update
  - Sales Forecast
  - Problems (Customer and Internal)
  - Any other Business.

**The Benefits of Employee Ownership**

- Employees have more “affinity” with the company as they are part owners.
- Clear financial reward for individual / collective input.
- Better understanding of the Company Strategy / Direction. Employees are aware of / understand the risks and can take collective steps to mitigate.
- A clearer understanding of each individuals importance in the success of the company
- Ability to shape our future.

**Is it working for us?.....here’s my view.**

- We are still learning
- Sometimes we get stuck in the minutiae. Bigger Picture?
- Petty grievances

**However.....**

- Transparency of information results in everybody “armed” with information.
- More collective effort.
- More collective spirit.....everybody is accountable at each Pizza meeting. From the MD down.
- Everybody likes to have financial gain – so far we have.

**Cont'd.....**

- All employees want a secure future. At present the future looks good – and we can shape that!
- We have customers from all over the World who come to visit us. Just last week we were complimented on having a “keen, enthusiastic and helpful workforce” – Daimler GmbH, South Africa.

**Conclusion**

The principles of Employee Ownership can benefit any company. For Clansman Dynamics it has ensured, at the very least, the continued operation of our business in East Kilbride. Looking to the future, I believe it will strengthen and benefit the company in a way that would never have been possible under foreign ownership.

We are still “finding our feet”. We will make mistakes. But i firmly believe we have a collective will to succeed.