

Outside money can add essential extra power to employee ownership

by David Howden

Wednesday April 12 2023, The Times

Employee ownership is the beating heart of our business, but blending it with external capital has created the real engine for sustainable growth.

The recent fever pitch over the merits of employee ownership transported me back to 1994, when I started what was then the smallest insurance broker in the world. In the early days of my career, through the 1980s, I came into work more than once to find a letter telling me the company I was working for had been sold to a large American firm.

Fed up of being bought and sold like cattle, I set up on my own with two friends and my dog, Flight, and the unashamedly bloody-minded goal to build a business owned by the people that worked in it, one that would never, ever be sold. We had friendship and trust, depth of expertise in the London market, an ambition to build an international business and £25,000 from a seed investor. Those things – along with owning our own business and the energy of youth – meant we could take risks and make the decisions that fledgling businesses have to.

This blended capital model was borne of necessity. We couldn't grow without outside money. I certainly didn't realise then that having core employee ownership alongside external investors would be our main differentiator today, not only for our clients but also as we look to attract the brightest diverse talent.

In 1994 I wrote earnestly to prospects: “Unencumbered as we are with any other clients, I feel we are ideally placed to provide you with truly exceptional service.” Today, I can promise that our 14,500 people serving millions of clients from offices in 50 countries are service-driven, because employee ownership defines our culture. We are one of the largest employee-owned businesses in Britain, with 4,500 employee shareholders, but all staff are encouraged to have an owner's mindset. Common goals and shared equity bring respect and collaboration and put the fun and passion into everything we do. Talented people want to work in that kind of culture, and so our clients get the very best of them.

Our acquisition growth also has been driven by our model. We are a natural home for founder-led businesses, which are attracted to our entrepreneurial culture. It would be fantastic to say “and the rest is history”, but the truth is that every entrepreneur is a serial kisser of frogs. Rather than regret these dalliances, I have them to thank for valuable lessons. I discovered early on that there are different kinds

of investor; those that want to get in and out; and those that understand that as we, the employee shareholders, need to deliver sustainable growth to earn the right to remain independent, there is greater upside in the long term.

Our three minority investors – General Atlantic (2013), CDPQ (2018) and Hg Capital (2021) – recently committed themselves to a further seven years. Have we handed over control? No. They are aligned partners who are a hugely positive influence. They support our drive to broaden employee ownership, because they buy into our culture and long-termism. They know we will never be for sale, that we don't pay dividends and have reaped the rewards of our strategy to reinvest growth. That growth (a compound annual rate of 25 per cent) means they continue to invest; each recently injected an additional £450 million.

Critically they provide us, alongside our debtholders, with the ability to deploy capital at scale, giving us a competitive edge in seizing opportunities, not least in times of challenging capital markets. This balance has allowed us to invest £5 billion in the past 18 months; almost half of that in Britain but also in Europe and the United States.

Today, our final shareholder is our charitable foundation, one of the largest in the UK. Funded by shares given by employee shareholders and the group, it grows as we do. Though this model isn't for everyone, it is our lifeblood and I hope its story can help more businesses on the way to employee ownership.