Employee Ownership Association

The voice of co-owned business

CASE STUDY

Eaga

MAIN BUSINESS

Residential energy efficiency services

ANNUAL TUROVER

£482.6 million

NUMBER OF EMPLOYEES

4,000

WEB ADDRESS

www.eaga.com

eaga is a global provider of residential improvement projects, particularly in the field of energy efficiency. It is primarily UK-based but has recently opened new businesses in India and Canada. Turnover increased by 36% to £482.6 million in the year to the end of May 2007 and the company has around 4,000 Partners (employees).

The public sector bodies commissioning eaga view its employee ownership structure as a benefit, and something they can use it to demonstrate value to both politicians and tax payers – "engaged employees mean high quality services", according to Ross Armstrong, eaga's Director of Corporate and Government Affairs.

Current chief executive, John Clough MBE, and others formed eaga in 1990 as a non-profit distributing organisation to deliver the Government's fuel poverty programmes. In 2000, the structure of these programmes changed, and eaga decided to shift its focus to service delivery rather than management, and to change to a wholly employee owned (EO) company.

eaga modelled itself on the John Lewis Partnership (JLP) when it became employee owned, replicating this organisation's democracy structures in order to "put the company's destiny in employees' hands", according to Ross Armstrong.

eaga established an employee benefit trust (EBT) and transferred share ownership from directors and a handful of other shareholders. It als established an independent charitable trust to fund research into fuel poverty and wider energy issues. During full employee ownership between 2000 and mid-2007, profits were distributed in two ways:

- as a multiple of salary to Partners; and
- as a payment into the charitable trust (the company has donated £3.1 million since its inception).

A large proportion of eaga's business was tied up in a single contract by the end of 2006, with no guarantee that this would continue in the medium term. The business needed to diversify, so sought a source of additional capital. In June 2007, eaga floated just under 50% of the business on the Stock Exchange, keeping 51% in the hands of employees and managers (around 38% remains in the EBT and 13% in the hands of managers).

Every employee, regardless of service, was also given shares from a £104 million pot, with the result that many received several thousand pounds worth of shares. It was felt that “those that built the business should benefit from the process of floatation”, Armstrong adds.

eaga is committed to taking the EO model into the FTSE environment: “We’re a FTSE 250 company now, and other organisations are beginning to notice how our increased levels of engagement drive performance, and are starting to redefine how they structure their businesses”, Ross Armstrong believes, adding that it is a “real ambition” of the chief executive, John Clough, to change the approach of other listed companies. Many of the new investors acquired during flotation made the investment because they see eaga as “offering something more than the ‘me too’ proposition”, he believes.

The company has used a £30 million “war chest” gained during the floatation to diversify through acquisition, acquiring four businesses in 2007, including two external wall insulators.

A Partners’ Council provides staff with the opportunity to take up performance, HR or communications issues with the executive board. eaga operates a set of values alongside EO, for example, “acting as part of a winning team”, on which individuals are assessed during regular performance management.

Contact us at info@employeeownership.co.uk; 020 7022 1960

www.employeeownership.co.uk