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Employee ownership model ‘shows greater resilience’

Research published today finds that companies owned by their employees are more resilient than conventionally structured companies, outperforming the market during the downturn and demonstrating a lower risk of business failure.

The report *Model Growth: Do employee-owned businesses deliver sustainable performance?* was commissioned by the John Lewis Partnership and is based on research by Cass Business School, including an in-depth survey of senior executives and analysis of the financial data of over 250 companies.

The research finds that the employee ownership model offers particular advantages to small and medium-sized businesses and in knowledge and skill-intensive sectors, where employee-owned companies significantly outperform competitors. Employee-owned firms also create new jobs more quickly and add more value to output and human capital than conventionally structured businesses, whilst demonstrating the same levels of profitability.

Professor Joseph Lampel, one of the report’s authors, comments:

“Resilience - the ability of firms to sustain employment and growth during difficult economic conditions - has been neglected as a crucial aspect of company performance over the past two decades. Instead, business strategy and public policy have been dominated by an unremitting focus on maximising share value. In the current economic conditions, business leaders and policy makers should be looking again at the resilience associated with the employee ownership model - and how it could benefit the economy as a whole.”

The report also identifies barriers to the growth of employee-owned companies. It finds that some have difficulties obtaining favourable financing from institutions that are more accustomed to dealing with listed companies, and that they also face more regulatory and policy challenges than businesses with other ownership structures.

The report is written by Professor Joseph Lampel and Dr Ajay Bhalla from Cass Business School and Dr Pushkar Jha from Newcastle University Business School. It was produced with the support of the Employee Ownership Association, which represents nearly 100 companies wholly or substantially owned by their employees, including the John Lewis Partnership.

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Model Growth: Do employee-owned businesses deliver sustainable performance? by Prof Joseph Lampel, Dr Ajay Bhalla and Dr Pushkar Jha is published on Wednesday 10th February 2010. For copies of the report please email sam_hinton_smith@johnlewis.co.uk

The John Lewis Partnership - The John Lewis Partnership operates 29 John Lewis shops across the UK (28 department stores and one John Lewis at home), johnlewis.com, 222 Waitrose supermarkets and Greenbee.com, a direct services company. The business has an annual turnover of over £6.9bn. It is the UK’s largest example of worker co-ownership where all 69,000 staff are Partners in the business.
www.johnlewispartnership.co.uk

Employee Ownership Association - The Employee Ownership Association is the voice of co-owned business in the UK, representing a sector of the economy now worth an estimated £25 billion in combined annual turnover. A network of approaching a hundred companies where employees own anything from a substantial to controlling stake in the business, EOA’s members include the John Lewis Partnership; other long established co-owned companies such as Scott Bader, Tullis Russell and Swann-Morton; global corporations such as Arup, Unipart and Mott MacDonald; other major enterprises such as eaga, Pertemps, Wilkin & Son and Blackwell; and a range of smaller companies from a wide spread of sectors.
www.employeeownership.co.uk