

15 Scott Bader Company Limited

As an employee-owned company, Scott Bader Company demonstrates how democratic structures and participatory governance practices can be successfully incorporated within a international multi-million pound successful business.

What it Does

Scott Bader Company Limited (Scott Bader) is an international polymer company operating in nine countries with a network of agents and distributors around the world. The Company manufactures and markets synthetic resins for use in the marine, transport, construction and chemical containment industries as well as polymers for industrial coatings, building and decoration, graphic arts and textiles. Its products, for example go into Renault and Aston Martin cars and into Hammerite primer systems.

In 2000 the Scott Bader Group comprised:

- Scott Bader Commonwealth Limited, England.
- Scott Bader Company Limited, England.
- Scott Bader UK Limited.
- Scott Bader SA, France.
- Scott Bader Middle East Limited, Dubai, UAE.
- Scott Bader Composites EURL, France.
- Scott Bader (Proprietary), South Africa.
- Scott Bader Scandinavia AB, Sweden.
- Scott Bader Eastern Europe sro, Czech Republic.
- Chromos Tvornica Smolad, Croatia.
- Scott Bader Inc, USA.
- Scott Bader Iberica, Spain.

How it Came About

Ernest Bader founded Scott Bader as a private company in 1921 which was built up from scratch. He and other shareholders believed that a world where capital employed labour was not sustainable; rather labour should employ capital to help eliminate social injustice and waste. This would mean capitalism would have to be fundamentally restructured. In 1951 they gifted the company to its employees, present and future. The shares of Scott Bader were placed in The Scott Bader Commonwealth, a registered charity and Company Limited by Guarantee, which provided trustee status and collective ownership. It is a membership organisation and employees of Scott Bader are eligible to become members.

Governance Structure

Scott Bader is a representative democratic company based upon the principle of a diffusion of power. The governance structure helps to ensure that no one body wields too much power at the expense of others. Figure 1 shows the governance structure.

Each of the bodies has a distinct set of responsibilities, which are outlined below.

The **members** own the Company in common and are the ultimate authority. They meet quarterly, as do the various boards.

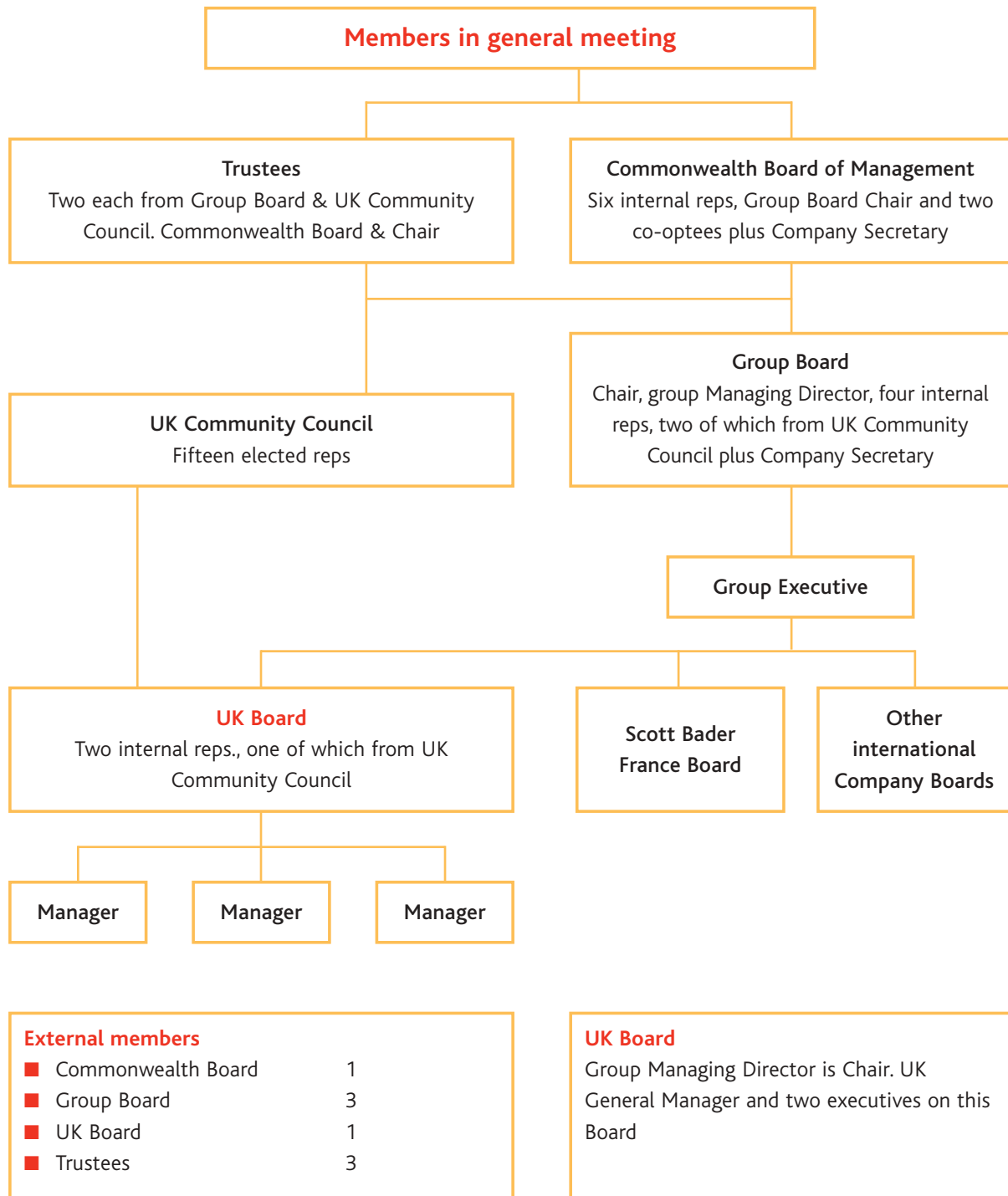
The **Trustees** have heavy external representation and are not involved in the day to day running of the organisation. Rather, they are seen as the 'long-stop' to ensure that Scott Bader operates as the founders intended. They must agree any changes to the constitution and have powers to act in a crisis.

The **Commonwealth Board** holds the shares of Scott Bader in trust. It has six

Facts & Figures

- Organisational Type – Employee owned company
- Legal Form – Company Limited by Guarantee
- Date Established – 1921
- Location – Northamptonshire
- Number of Members – 400
- Number of Workers – 650
- Turnover – For the financial year ending December 2001 was £93.6 million.

Figure 1: Governance Structure





As an international corporation, Scott Bader, has developed democratic and participatory governance structures to encourage participation from all sectors of the Company.

elected Directors and loses two each year. Any member can stand for election. Those elected take part in a handover day and are supported by existing members. The Commonwealth Board is the membership organisation and registered charity. Its main responsibilities are philosophical development, providing education on membership, granting and removing membership as well as charitable giving. As a charity, trustees have to ensure they are not too closely involved in operational management or that they question financial and management issues in too much detail. Charity law states their responsibility is to focus on the return and the disposal of funds.

The **Group Board** has the same responsibilities as any other group board in a company, that is strategy and policy for the Group. Two members are elected from the whole membership and two from the UK Community Council. Members take part in training and mentoring in order to bring them up to speed.

The **UK Community Council** represents everyone working in the UK and can discuss any item relating to day-to-day working. Members are elected for a three year term and represent one of fifteen 'constituencies' in the UK which are formed from regional centres and the plants and departments at Wollaston.

Half of the Council stand down every eighteen months. New members have to participate in a two-day induction. The Council meets monthly and has the authority to decide on the ratio between the highest and lowest paid and has to agree the appointment and remuneration of the Chairman, Managing Director and Directors.

It also has responsibility for sports and social programmes and is given a budget to fund social clubs. It can only make recommendations in other areas although it is influential and assists in developing new policies. Management often use it as a sounding board before any changes are carried out. Members of the Council are also elected to the UK Board or the Group Board. Scott Bader is in the process of creating similar elected bodies in their overseas locations and already has an embryonic Council in South Africa.

The **UK Board** has the same responsibilities as any company board and relates solely to the UK operation. Members are elected from the UK membership and from the UK Community Council.

Other **overseas boards** operate as the UK Board but they have yet to introduce elected representation.

Scott Bader has a conventional management structure but this is coupled with the above system of elected bodies and the commitment to promote involvement, and team work.

The management style is open in which all people are freely accessible and accountable. First names are used throughout the organisation – respect has to be earned rather than coming automatically with the position. They practice the principle of diffusion of power by holding informal discussions and consult widely before making a decision. They aim to avoid the divisiveness of voting and prefer to engage in detailed discussions so that consensus can be reached.

The chairs of committees therefore have to play an active role in building a common understanding. Committees also work closely together. For instance, members of the Commonwealth Board and the Group Board also sit on a Joint Board Committee, which deals with membership and educational issues. Although this can take more time at the beginning of a process, it ensures that, once made, a new policy will be widely understood and effectively implemented. An example of this occurred when making changes to their pensions policy which received 100 per cent support following a protracted briefing and discussion stage during which staff completed questionnaires. Finally, the structure also means that managers are no better off than the staff if the company fails unlike in many public limited companies.

Participation Practice

It is expected that everyone working in the Company becomes a member, after working there for 6 months. Before joining they must complete a training programme in the purposes of the Commonwealth. To make this process successful prospective members are interviewed, their line managers are consulted and the Commonwealth Board receives reports before they make a decision on granting membership.

Scott Bader stresses the responsibilities as well as the entitlements of membership. Their participative structures require active participants who are willing to vote in elections and become involved in the democratic governance of the company. Moreover, members are expected to act as trustees of the assets and ensure the company is sustainable for the benefit of future generations, which also means they have to be willing to question leaders. In addition, members are responsible for the philosophy of Scott Bader, which includes supporting the wider community and applying ethical principles to their work:

- Care.
- Equality of opportunity.
- Ethics.
- Involvement.
- No discrimination.
- Respect (human dignity).
- Service.

The Commonwealth Board occasionally rescinds membership for things like theft or abuse of computers. Once a disciplinary period is over employees can apply to become members again. Overseas these responsibilities lie with senior managers.

Non-members are not penalised in any way, and receive the same bonuses as members. However, they cannot vote or stand for any of the governance bodies but they are represented on the Community Council. Retired workers can become associate members, which entitles them to receive information although they have no vote. Some of them play more active roles depending on their abilities and interests, for which they may or may not be paid.

Since 2000, membership has gradually been extended to non-UK locations. Proposals are currently being put to members to make the Group Board an executive board in order to make them more accountable. Agreement to the principle of an international democratic forum to call the Group Board to account is also being sought.

Whilst there is local democracy in Britain, different cultures and ways of working operate abroad and a wider range of structures are expected to develop within a given framework.

Stakeholder Engagement

Their constitution states that "Scott Bader has been founded on the belief that a socially responsible undertaking cannot exist merely in its own interests. It is part of the whole national and international community and, as such it has responsibilities which extend far beyond the factory walls."

The charitable status of the Commonwealth means there is an obligation to the wider community and those less fortunate. Scott Bader is an early example of corporate social responsibility and has donated several million pounds to charity. There is a constitutional requirement to re-invest a minimum of 60 per cent of profits in the business. Of the remaining 40 per cent, a maximum of 20 per cent can be paid as a bonus to staff with an equal or greater amount given to charity. By establishing this guiding principle, Ernest Bader ensured that whenever staff benefited from the profit, they would share with those less fortunate. Substantial sums of money have contributed to water for villages in Africa and India, health care clinics in South America and many projects for the homeless in the UK. At all locations, every effort is made to ensure any new construction complements the surrounding landscapes and takes account of the views of local residents. Staff also become involved in local causes and volunteer their time to do this.

Over the last 10 years they have invested in infrastructure, in order to be more flexible in meeting the changing needs of customers. In the UK a purpose built warehousing and customer facility was built in 1992, a state of the art technical centre opened in 1999, and in 2002 a £6 million new polymer plant was built. There has also been substantial investment in the manufacturing plant overseas to enable Scott Bader to compete in a global market.

Measures of Success

In 2001, the Company became one of the first in the UK to obtain the latest 2000 version of the ISO 9001 quality standard and ISO 14001.

Key to its Success

Scott Bader's independence allows it to control its own destiny. As a collectively owned small Company, it has a distinct business advantage over its competitors. It cannot be taken over and so other companies are more willing to develop partnerships and share their expertise or sensitive information that would be a more risky strategy when dealing with a company vulnerable to a hostile takeover. Furthermore, staff are strongly committed to the Company given their stake in its success.