Case Study 6.3

Loch Fyne Oysters

The founders of Loch Fyne Oysters seem on the face of it an unlikely pair: Johnny Noble, a wine merchant and owner of the Ardkinglas estate on the shores of the loch, and Andy Lane, a marine biologist and a passionate environmentalist. Johnny Noble and Andy Lane met in a pub in the local village near Loch Fyne and it was there that they came up with the concept of Loch Fyne Oysters. The pair began farming oysters in 1979 and painstakingly built up the business throughout the intervening decades. In the early 2000s, the business was generating turnover in the millions and employed over one hundred people. Both founders had begun discussing succession strategies and were interested in selling the company to the employees as one of several possible options. However, they had some reservations about this option, namely the costs that employees would have to bear if they were to purchase the company themselves (the eventual sale price equated to £32,400 per employee) and they were also concerned about realising the value of their efforts in building the business from scratch.[1]

Thankfully, a solution was found where the company could be sold to the employees for a fair price. Sadly, this solution was found only after the death of Johnny Noble (it was this event that forced Andy Lane to implement a succession strategy). The company was sold to the employees using an EBT; the trust borrowed £3.5m in debt (£1.5m from the bank and £2m from the Baxi Partnership).[2] Fifty per cent of the shares were then deposited in the trust while the other fifty per cent were distributed amongst the employees. It was a fundamental tenet of the share distribution that every employee was to participate in the ownership of shares (this was funded using a portion of the company's profit).[3]

This combination of using a trust and individual shareholdings has a number of advantages that have benefited the company. First, the company is likely to remain employee-owned in perpetuity since fifty per cent of the shares are locked into the trust, with no provision for them to be distributed amongst employees. Second, the trust enabled the employees to purchase the company without having to supply any of their own capital (something they never would have been able to afford). Third, the distribution of shares to employees tends to unlock a deeper sense of ownership amongst employees as there are tangible benefits associated with holding shares directly. Finally, every employee in the company was able to participate in the ownership of the shares by using a portion of annual profits to purchase the shares and then distribute them to employees.

[1] D. Erdal, *Local Heroes: How Loch Fyne Oysters Embraced Employee Ownership and Business Success* (London: Penguin Group, 2008), p. 175.

[2] Baxi Partnership is a loan fund for prospective employee-owned companies. Baxi supplies capital for employee takeovers in the form of debt and also offers support services and training. The story of Baxi Partnership itself is a fascinating one and can be accessed at *http://www.baxipartnership.co.uk/about-us/the-baxi-story/*.

[3] Erdal, *Local Heroes,* p. 181.