

# Case study: Employee Ownership at B Corp Loyco

Loyco operates in the field of administrative services, including Human Resources, Insurance, Accounting and Tax, Risk Management, Public Procurement, Marketing, and IT. With 130 employees and over 600 customers to its credit, the company has grown rapidly since its creation in 2013.

Initially a traditional organization, it quickly adopted strong human-centered values. It certified itself as a B Corp as early as 2015, making it a pioneer of the impact company community in Switzerland. The company was elected in the Employees category in 2016 and 2017 as part of Best For the World. It achieved 17.3 points in the Governance section for its 2019 certification, while the average score obtained by Swiss companies completing this section of the B Impact Assessment is 7.3 points. The B Impact Assessment used for B Corp certification integrates the potential positive impact of these *ownership* structures and provides resources for companies seeking to build inclusion.

Loyco is driven by the strong values of benevolence, exploration, trust, and enthusiasm. Transparency has always been a priority, including in financial matters. In 2018, following internal reflections, the company took the decision to dismantle its management and implement its own organizational model, Loycocracy, inspired by @Holacracy. This model is based on horizontal working relationships and the distribution of responsibilities between Loycomates, as Loyco employees are called, and is formalized in the Loycocratic Constitution.

An essential aspect of Loycocracy is employee participation in decision-making. From the outset, Loyco has adopted the principle of internal ownership, intending to include as many willing employees as possible. The aim is for the company, its strategic direction, its values, and therefore its actions, to be in the hands of the people who make up the company. Gradually reinforced, in particular through Loycocracy, this culture of employee ownership and shared responsibility encourages a strong sense of involvement and belonging on the part of all stakeholders, whether shareholders or not.

## Testimonials from Loycomates:

- Why did you become a Loyco shareholder?
  - *"To feel a bit 'at home' working at Loyco."*
  - *"Participate in and influence the strategic life of the company."*
- What does it mean to be a Loyco shareholder?
  - *"Committing to the future of the company."*

- *"Believe in Loyco's future and adhere to its values."*
- What do you think of Loyco's shareholder structure?
  - *"Loyco's shareholder base is designed to be inclusive and accessible. It offers the opportunity to push our horizontal management model even further."*
  - *"It's very open, organized in a way that suits Loyco."*

## 1. Building the foundations: the history of Loyco's employee ownership model

Employee ownership, introduced at the company's inception, has evolved throughout the company's growth, passing through several significant stages.

- **Early years:** In 2013, Loyco was founded by 25 initial shareholders, with a commitment to employee involvement in company ownership. Loyco operates under a traditional organizational structure while being guided by strong values. The aim is to build a shareholders' base composed mainly of Loycomates and directors who share similar values. In the early years, some Loycomates were trained to Holacracy, an approach that encourages self-organization.
- **Pre-Loycocracy:** In 2016, values continued to assert themselves, and Loyco began a decisive turning point with the Teal group's creation. Inspired by the eponymous Teal organization, which advocates worker self-management, this internal group focuses on the organization of teams and the company. At the same time, a team of volunteers dedicated to happiness at work was set up to review workstation ergonomics, training and premises. This period is also characterized by structural changes within certain teams, with tests aimed at encouraging shared responsibilities rather than traditional horizontal management.
- **Loycocracy implementation:** In 2018, previous reflections took shape with the introduction of Loycocracy and the adoption of the Loycocratic Constitution. The dismantling of management paves the way for the emergence of coordination circles and the principle of shared "support" roles to support company operations. At the same time, the evolution of jurisprudence has led to a review of the principles governing shareholding within the company. Aimed at moderating the increase in share value and ensuring that the valuation formula is representative of the company's maturity, the formula is reviewed, the previous one being adapted to a young company. In 2021, thanks to its communications on the subject, Loyco attracted other companies' attention and began offering governance consulting services, particularly in this area.
- **Evolution & Maturity:** In 2022 and 2023, Loyco lowered its shareholding thresholds, enabling employees to obtain shares after 4 to 5 months of service, compared with one year previously, and after 2,000 francs, compared with 6,000. In 2023, Loyco's 10th

anniversary year, the company's Loycocratic Constitution is revised in a more didactic form. For the first time, dividends were paid as part of the company's shareholding structure.

The evolution of the model reflects a long-standing desire to involve employees as central players in the company's decision-making process and to make employee ownership increasingly accessible to all.

## 2. Shareholder model: Loyco's structure and operations

In 2023, Loyco will have 53 shareholders, of whom 49 are Loycomates, and four are external shareholder-investors. Among the external shareholders, three are long-standing partners, while one was selected for its experience and commitment to Loyco's values. Employee-shareholders hold 67% of the company's capital, while investor-shareholders hold 33%. A shareholders' agreement governs the shareholder structure.

To remunerate shares, Loyco has set up a dividend payment system based on the third-third-third principle, whereby the company retains one-third of earnings for future investment, one-third is distributed to employees, and one-third goes to shareholders. A fixed formula that integrates economic net assets and earnings before interest, taxes, depreciation, and amortization (EBITDA) determines the overall share value.

Quarterly meetings are organized before Board meetings, enabling shareholder-employees to discuss the topics on the agenda and ask questions to the directors in advance. Everyone is encouraged to express their opinions and concerns through a Teams channel or directly to a moderator.

For matters submitted to the Annual General Meeting, the company has introduced the principle of double majority voting, which requires both a majority in terms of shares and persons. This guarantees fair representation of all shareholders, regardless of the number of shares held. Shareholder-investors have the same access as shareholder-employees, and fairness of roles is valued.

To promote this, Loyco provides various opportunities to discuss share ownership, encouraging transparency and internal exchange. Discussions on shareholding and governance are organized during greening sessions before sales cycles or during team meetings. The subject is even broached during job interviews. As for coordination, a Loycomate is in charge of administrative management and promoting shareholding within the company.

For access to shares, Loyco offers annual share sales opening cycles. Employees with 4 to 5 months seniority in the company have access to these shares, with an initial investment of 2,000 francs. To facilitate access, the company offers employees the possibility of taking out a

loan covering up to half the investment sum. This option is offered to employees accessing the shares for the first time, at the legal rates of the canton or state, over a period of a few years. When a Loycomate shareholder leaves the company, they must sell the shares. The shares are first offered for redemption by Loyco, then to non-shareholding employees, then to shareholder-employees with the fewest shares.

### 3. Commitment and empowerment: the benefits and impact of employee ownership

Employee ownership has brought many benefits, some expected, others unexpected, which go beyond the financial aspects. Shareholder-employees develop a sense of belonging to a company where they are the real decision-makers, going beyond the simple notion of financial investment.

Transparency and the opportunity to participate in decision-making translate into both short- and long-term motivation, enabling employees to see themselves as genuine stakeholders in the company, beyond their day-to-day activities. This heightened awareness of their role encourages active participation in the company's life.

Loyco's values are visible daily, making employees comfortable discussing strategic decisions. For example, employees could actively discuss the decision to create a new application or set up a public procurement team.

The shareholding model encourages both individual and collective commitment, fostering exchanges between team members. Employees are encouraged to feel free and legitimate to express themselves, ask questions, and challenge decisions made by shareholders, the Board of Directors and teams. This shareholding model makes it easier to understand structural choices and selected projects. The result is greater acceptance within the teams, with a clear acceleration in the buy-in process for both shareholders and non-shareholders, with the former taking on the role of ambassadors and popularizers of strategic and operational choices.

Secondly, the presence of a large majority of in-house staff in the company's shareholder structure helps to avoid questionable decisions on strategic projects, thanks to employees' knowledge of the internal context and their acquired expertise. In addition, project management is made easier, as is the management of change, since project leaders have a duty to question and respond to potential misgivings before decisions are taken.

Employee ownership is also an advantage in terms of talent attraction and internal retention. Although share ownership in itself is not the primary decision criterion for candidates, its presentation at job interviews is an important differentiator.

The development of this model has also led to the development of new in-house skills in the field of corporate governance, enabling Loyco to broaden its activities. This approach inspires

other companies, particularly family-run businesses, who are also looking to evolve their model.

Opening up the capital to shareholder-investors brought in additional expertise and challenged certain aspects of the company, particularly in the IT field. Unexpected collaboration was extremely positive, and went beyond the simple role of the Board of Directors.

Finally, employee ownership has prompted the organization to clarify which issues are subject to shareholder vote, and which are the responsibility of teams or the Board of Directors. Although there was some initial confusion and tension at this level, this prompted Loyco to organize voting processes better and clearly define expectations. Formalization is one of the main expectations, as stakeholders need documentation ranging from voting notices to follow-up and participation notes.

#### 4. Learning from the Loyco process: obstacles, next steps and tips

##### Obstacles and solutions

Loyco's experience in implementing its employee ownership model has revealed certain limitations, but practical solutions identified with collective intelligence have improved the model and its benefits for the company and its employees.

Firstly, although few legal limits were observed, Loyco had to guarantee the legal feasibility of the double majority voting model. The company, therefore, called on the services of a professional in the field, a lawyer, and in-house expertise.

Subsequently, the company had to face up to and accept different levels of involvement from both shareholder-employees and non-shareholder-employees. From this experience, the company has learned that forcing employees to become shareholders is not essential, as some are satisfied in their roles without additional involvement. Reluctance is not an indicator of a lack of commitment. Over time, it has become accepted to trust individual choices to work together towards a common goal.

Nonetheless, Loyco has sought to understand the specific obstacles to shareholding by conducting a survey. As a result, more accessible investment thresholds were set, in particular to address the economic barriers raised by young profiles. The survey also identified the need to forecast share resales and buy-backs over the medium term, for the next ten years.

Next, Loyco had to find solutions to enable all shareholders to feel free and legitimate to participate in discussions and encourage dialogue. A solution was found in the form of an anonymous chat room to encourage people to speak out. In addition, more information was provided before the meetings to enable employees to prepare themselves and feel more at ease in expressing themselves. The company wants to avoid the perception of shareholder status as a reserved privilege. Loyco aims to make share ownership accessible to all employees and to ensure that former shareholders are open to the arrival of new ones.

### New stages

Concerning recent milestones, in May 2023, Loyco subdivided the shares into much smaller units of a few francs each to broaden the possibilities and increase the liquidity of the shareholder base.

The company plans to offer these shares as a new form of remuneration, replacing annual salary increases and creating a new type of incentive. Thus, one of Loyco's objectives is to have a large majority of shareholder-employees.

Loyco will also introduce new measures related to access to information and transparency, including themed lunches to provide shareholders with the knowledge they need to make informed decisions, such as a session on finance with the presentation of financial accounts.

Finally, long-term planning of the structure and evolution of the shareholder base for 10 to 20 years, is also on the agenda to anticipate the retirement of certain shareholders and founders. This involves thinking about how to sell the shares of departing shareholders, and recruiting new external shareholders if necessary. The aim is to ensure the company's financial and shareholder continuity.

#### Loyco's key tips for companies wishing to move towards employee ownership:

- Ask the question of values and why: it's essential to identify the company's values and mission and to understand the underlying motivations behind the adoption of such a model and how it will nurture these values.
- Involve all relevant players: it's crucial to structure the model by including existing shareholders, employees and management, to ensure effective participation and collaboration, as well as everyone's understanding of an inherently complex subject.
- Communicate transparently: it's essential to be realistic about the level of transparency required at each stage of the process, ensuring that information is shared clearly and honestly. The company must be open to sharing sensitive data with employees and shareholders and, therefore, with most of the company.
- Draw inspiration from similar experiences: consulting other companies that have already implemented an employee ownership model, and obtaining expert advice (e.g. legal), helps to prepare the ground and reassure any reluctant parties.

- Don't rush the process: take the time needed to ensure the model is well-suited to the company and meets its needs. Loyco suggests one year is a minimum timeframe for appropriate discussions with the players involved.
- Coordinate and plan: designate a person responsible for coordinating the actions and implementation of the model, while anticipating potential problems and paying particular attention to legal aspects.
- Clearly define voting areas: it is advisable to clearly define the subjects on which shareholders are called upon to vote, keeping decisions where the expertise is most relevant, notably in the operational teams. However, retaining a certain degree of agility is important to avoid cumbersome decision-making.