

**Life is interdependent.** Transition to Employee Ownership. Bring work to life.



**Your weekly blog on all things EO**  
with Barry Horner

Episode 18 | Series 1

## **EO Unvarnished - The ‘Multiple Hats’ Governance Paradox**

The EO Know How Unvarnished series is a resource providing the practical ‘warts-and-all’ reality of running an employee-owned business, moving beyond the theory to tackle the messy operational challenges of the model.

When a company transitions to Employee Ownership (EO), a key message often communicated is a promise of a ‘culture of empowerment.’ What is often missed out however is that empowerment frequently looks like a junior administrator sitting across a boardroom table from the Managing Director, tasked with holding them to account.

This is the ‘Multiple Hats Paradox’, and if you don’t manage it effectively, it can hinder the effective running of the business.

### **The Identity Crisis. Employee vs. Owner**

In a traditional company, the hierarchy is typically pretty much a one-way street. You have a boss; they have a boss; eventually, there is a shareholder.

In an Employee Ownership Trust (EOT), that street becomes a roundabout!

An individual might now hold three distinct roles simultaneously:

- 1. Employee Team Member - The ‘Day Job’ Hat.** They have tasks, deadlines, and a line manager to answer to.
- 2. The Beneficial Owner - ‘Profit’ Hat.** They have a right to a share of the profits and a say in the long-term health of the firm.
- 3. The Trustee/Partner Voice Rep - The “Steward” Hat.** They sit on the Trust Board, overseeing the Board of Directors to ensure the company is being run in the best interests of all employee owners.

### **The Conflict: “I’m your boss, but you are my boss”**

The unvarnished truth is that this can create an immediate, difficult power dynamic. Imagine a junior developer who was reprimanded for a late project on Monday. On Wednesday, that same individual sits on the Trust Board and reviews the Managing Director’s strategic plans or signs off on their pay rise.

Without clear boundaries, two things can happen:

- **Management Paralysis.** Directors become afraid to manage firmly because they fear that the employee owners (via the Trust) will retaliate.
- **The ‘Grievance’ Trap.** Employee owners mistakenly believe that being an ‘owner’ means the Trust Board is a place to settle personal scores or complain about the office coffee.

### **The Invisible Barrier: Creating Psychological Safety**

You can have the most perfectly crafted trust deed in the world, but if your less senior employees are terrified to speak up in a boardroom, your governance becomes totally ineffective.

In a traditional firm, if you challenge the MD, you are “difficult.” In an EO firm, if you challenge the MD as a Trustee, you might feel like a “traitor” to the person who still signs your department’s holiday requests.

This is where the Multiple Hats Paradox gets emotional.

Psychological safety is the difference between an EO firm that evolves and an EO firm

that implodes because no one felt safe enough to say the “Emperor has no clothes.”

*Unvarnished Insight. Empowerment without safety isn't a gift; it's a burden. If you give someone a seat at the table but don't give them a shield, don't be surprised when they stay silent.*

### **The Challenge: Avoiding Management by Committee**

The most dangerous by-product of the Multiple Hats Paradox is the drift toward Management by Committee.

Employee ownership is not a direct democracy where every decision - from the brand of stationery to the new CRM - is voted on by everyone. If the ‘Employee Voice’ group starts overstepping into operational management, the business loses its agility.

The Trust is there to provide oversight, not interference.

### **The Unvarnished Rule of Thumb**

- **The Trading Board** runs the business (The “How”).
- **The Trust Board** ensures the business is being run well (The “What” and “Why”).
- **The Employee** does the work that makes the business possible and profitable.

### **How to Make the ‘Multiple Hats’ paradox Work**

To survive this paradox, your transition to Employee Ownership needs more than legal documents, but rather it needs role clarity.

- **Define the appropriate ‘Hat’ at the start of every meeting.** Literally. Start Trust meetings by saying, “We are all wearing our Steward hats now. Our personal roles in the office stay at the door.”
- **Constitutional Clarity.** Draft a ‘Delegation of Authority’ document that explicitly states what the Trading Board can do without asking the Trust. What is the extent of their role and remit. Such a document creates clarity and the ability to manage the business in an unrestricted way.
- **Training for Trustees.** Select and appoint people willing to learn how to read a P&L and understand the difference between operational management and fiduciary duty.

- **The Independent Trustee as an Anchor.** Every EOT should have at least one Independent Trustee (someone from outside the business). Because they don't report to the MD, they can ask the difficult questions that an internal employee might be reluctant to raise. They provide the cover for the internal team to speak up.
- **The Anonymous 'Safe Channel'** The Trust Board should not just rely on what they hear in the canteen. There must be a formal, anonymous mechanism - distinct from standard HR grievance procedures - where employee owners can flag concerns directly to the Trustees. If an employee thinks a director is steering the ship onto the rocks, they shouldn't have to risk their career to say so. Quarterly 'Sense Pulses' that go directly to the Trust Chair, bypassing the Trading Board entirely, can be the solution here.

### **The Bottom Line**

Employee ownership doesn't remove the hierarchy, but rather it just makes the people at the top of the hierarchy accountable to the people at the bottom. If the shift in responsibilities isn't managed well, taking on multiple roles can become difficult to sustain over time.

However, if you can navigate this paradox with transparency and role clarity, it can transform into your greatest competitive advantage. When the hierarchy is underpinned by genuine accountability, the 'Multiple Hats' cease to be a burden and instead become a sophisticated system of checks and balances that protects the firm's future.

Doing this well means moving beyond the "nice to have" theory of empowerment and into the "must-have" reality of a high-trust, high-performance engine - where every individual, regardless of their day job, is professionally equipped to act as a guardian of the firm's purpose.

**To find out more, contact [Barry Horner](#).**

*This article is distributed for educational purposes and should not be considered investment advice or a recommendation of any particular security, strategy, or investment product. Tax Planning is not regulated by the Financial Conduct Authority.*

Paradigm Norton Financial Planning Ltd is authorised and regulated by the Financial Conduct Authority. FCA register number is 455083. Registered address: Paradigm House, Macrae Road, Ham Green, BS20 0DD.