With the innovative power of more than 220 owners

How iteratec promotes entrepreneurial co-determination with a cooperative model and thus creates a high-innovation culture.
"WE WANTED TO PROVIDE AN ENVIRONMENT WHERE EVERY EMPLOYEE HAS EVERY OPPORTUNITY TO ADVANCE THE COMPANY IN HIS OR HER OWN WAY"

Klaus Eberhardt
With the innovative power of more than 220 owners

*How iteratec promotes entrepreneurial co-determination with a cooperative model and thus creates a high-innovation culture*

In their search for a successor model, the two founders of the software and technology company iteratec GmbH took an unusual route: instead of handing over their shares to the next generation or selling the company, they made their own employees owners. Baden-Württemberg: Connected (bwcon) reports on why the cooperative model fits perfectly with the corporate culture and how it creates a highly innovative environment through entrepreneurial co-determination.

How can you hand over a company after more than 20 years of successful management without jeopardising the culture that has grown up within it and the collegial cooperation? This was the challenge Klaus Eberhardt and Mark Goerke, the two founders of iteratec GmbH, faced in 2018. The software and technology company, which today has around 400 employees and 100 students, develops digital solutions for customers such as Daimler, Otto and Deutsche Bahn. As a multiple award-winning employer, iteratec is particularly proud of its corporate culture.

"Since our founding, we have tried to do a few things differently from other companies," explains Klaus Eberhardt. "For example, by consciously avoiding quantitative growth targets and living the principle of servant leadership."

All this was to be preserved at all costs when the company was handed over, which is why a sale of the company was out of the question for the two founders, despite numerous takeover offers from large system houses. Other, classic succession models also had their weaknesses. In a partner model with a management buyout, for example, a few managers would have had to take on a lot of debt. In a foundation, on the other hand, control would be in the hands of people with no direct connection to the core business. In short, a new idea was needed.

"In the end, the solution was relatively simple," explains co-founder Mark Goerke. "If you want to preserve the culture of a company, you have to hand it over to the people who know it best - and those are your own employees." Thus the idea of a cooperative, iteratec nurdemteam eG, was born.
"The model is not very common among German companies," says Goerke. "But for us it seemed to fit perfectly." Every employee can become a member of the cooperative by paying a contribution. Membership ends when the employee leaves the company. Operational management remains with the GmbH. This is to ensure quick decisions and continuity for the clients.

iteratec GmbH and iteratec nurdemteam eG exist in parallel. The sale of the GmbH to the cooperative is taking place gradually. Initially, the eG already acquired 49 percent of iteratec GmbH in order to service the loan for it with the corresponding profit share. After six to seven years, the remaining 51 percent will be transferred to the cooperative. The owners determined the company value on the basis of industry-standard key figures, but then halved the purchase price again so that the eG could actually pay off the loan. "In all our considerations, the focus was always on keeping the company as it is for the employees," Klaus Eberhardt emphasises.

When the two founders presented this model to their staff at the annual staff workshop, the reactions were overwhelming. This enthusiasm has continued to this day: The cooperative now has more than 220 members - besides Klaus Eberhardt and Mark Goerke, 9 other employees are involved as elected representatives on the board of directors and supervisory board, in addition to their normal jobs.

CORPORATE CO-DETERMINATION REQUIRES TRANSPARENCY

One of them is Michael Gebhart. The project area manager from Stuttgart is a board member of iteratec nurdemteam eG and closely accompanied the foundation process. He knows that adopting articles of association and visiting a notary are not enough:

"A cooperative requires an enormously high degree of entrepreneurial co-responsibility when it comes to deciding on important issues such as the use of profits or the appointment of the management".
There has already been a first such voting case: In December last year, the members of the cooperative elected the previous head of the Munich location, Stefan Rauch, as managing director. The founders, who still held the majority, had made his appointment dependent on the vote of the cooperative members. A novelty for all involved.

"In order for the members to be able to make qualified decisions in cases like these, it is indispensable to communicate very transparently and openly outside the general assembly," emphasises Michael Gebhart.

For this purpose, we use different formats, such as the 'Dialogue in the Evening', where the management takes questions from the employees via video conference."

A high level of participation and effective decision-making is ensured in these formats through the use of innovative methods such as Liberating Structures. The in-house agile coaches moderate the meetings in a targeted manner.

**THE COOPERATIVE AS AN INNOVATION HUB**

The participation of employees in decision-making processes and the independent further development of the organisation has a long tradition at iteratec anyway. Even before the founding of the cooperative, the company relied in many places on self-organised initiatives instead of classic top-down targets. For example, cross-location 'communities' drive the further development of topics such as agile working, IT architectures or DevOps through internal workshops and continuous exchange between in-house experts.

"Much of what makes us a company today, what we are able to do or the projects we have won, can be traced back to the voluntary commitment of our colleagues. "Klaus Eberhardt explains. "We are very proud of this entrepreneurial, self-organised action of our employees*. "

With the cooperative, the founders hope, this positive development should continue, as the employees are responsible for their own company as co-owners. Through the intrinsic motivation of the more than 220 owners, the cooperative would become a kind of huge innovation hub - that is the vision. "We wanted to provide an environment where every employee has every opportunity to advance the company in his or her own way" explains Eberhardt.

**TIME FOR FREE INNOVATION - THE INNO FREI DAYS**

This is also reflected in the Innovation Free Days. This is a fixed time allotment of five days a year that each employee has at his or her disposal to devote to his or her own projects for which little time is otherwise available in addition to client projects.

There are no content-related guidelines, structural guidelines or targets set by the management. Ideally, small teams are formed, even across locations. Many of the resulting projects are now in use as internal applications at iteratec, are freely available as open source projects or have even developed into customer solutions.
"We have the ambition to turn our customers into digital champions. Innovative thinking and the permanent development of our skills are the decisive success factor for us as a technology company," Klaus Eberhardt describes the motivation behind the day. "With the Innovation Free Days, we have found a very good way to drive innovation independently, beyond the constraints of the project business."

DECENTRAVOTE - FROM INTERNAL VOTING SOLUTION TO PRODUCT MATURITY

The example of the DecentraVote voting software also shows how the cooperative can become a platform for innovative ideas in practice. The blockchain-based solution for virtual meetings was originally developed by a team at the Vienna iteratec site. The goal was to enable efficient, secure and transparent decision-making at the cooperative’s general meetings. In the meantime, the system is distributed as an independent solution and has already been used several times in the context of virtual general meetings, among others for the Sicherheitsnetzwerk München e.V. as well as the Blockchain Bayern e.V..

"When such a transfer of innovation takes place between the cooperative and our daily business, it is of course a special stroke of luck. Because it shows the employees how we can use innovations that are created in the cooperative for our daily business. "Michael Gebhart emphasises. "It is precisely situations like this that should encourage us all to push forward with new ideas in order to use the enormous potential of the entire team."

SOLIDARITY IN THE CRISIS - THE ITERATEC HOLIDAY DONATION

The employees take responsibility not only for technological development, but also for their colleagues: When, in spring 2020, the closure of schools and day-care centres led to an immense increase in the care workload for many colleagues and they had to take unplanned leave, the employees set up the 'iteratec Solidarity Fund'. There, all permanent iteratec employees could waive part of their holiday entitlement in favour of affected colleagues and contribute this time to the fund in the form of holiday days. Since the start of the campaign, more than 400 donated days of leave have been collected in this way and distributed to those affected in the course of the year.

"I am very pleased that such an initiative has emerged from the workforce and am proud that so many donors have participated" says Klaus Eberhardt. "The example shows how well our cooperative model works, with colleagues taking responsibility as co-owners and demonstrating solidarity."
CONCLUSION - THE CONDITIONS MUST BE RIGHT

More than two years after the start of the cooperative, iteratec draws a positive conclusion. They have received a lot of praise and recognition for their courageous step so far, explains eG board member Michael Gebhart. Not only from their own employees, but also from other entrepreneurs who face similar challenges when it comes to succession.

"For us, the cooperative is an absolute model of success, because with it we have found a way to preserve what makes us as a company and at the same time to strengthen our innovative power even further" says Gebhart.

However, corporate co-determination is not a foregone conclusion: "It is not enough to simply make employees shareholders and suddenly all employees think like entrepreneurs. "Only if the corporate culture is right and the structures in the company support genuine participation can the model be a success. Creating, promoting and developing this culture is the central challenge that all 220 owners of the iteratec nuremteam cooperative constantly have to face.

ABOUT ITERATEC

With more than 1,000 successful projects, iteratec is one of the leading experts for digital product innovation, software and architecture development and digital infrastructures.

As an end-to-end partner for the digital transformation of companies and public sector organisations, iteratec harnesses the potential of digital technologies and secures long-term competitive advantages for its customers in increasingly digital market environments. The services offered range from joint innovation development and the technical implementation of customised software solutions and system landscapes to their operation and continuous further development as well as the empowerment of organisations through training and agile methods. In addition to leading medium-sized companies, iteratec’s customers include DAX-listed corporations and various institutions from the public sector.

Founded in Munich in 1996, iteratec currently employs around 400 permanent staff and 100 students at seven locations in Germany, Austria and Poland. Since 2019, a large part of the workforce has held a stake in iteratec GmbH via a cooperative.
Baden-Württemberg: Connected e.V. (bwcon) is the leading business initiative for the promotion of high-tech industries in Baden-Württemberg with offices in Stuttgart, Freiburg, Horb and Villingen-Schwenningen. bwcon was founded in 1997 and has around 700 members. The main objective of bwcon is to promote key technologies to strengthen the economic development of the region. The focus is on information and communication technologies (ICT) as drivers of innovation in the areas of mobility, production, health and energy. bwcon creates a unique platform for cross-sector cooperation between developers, users and investors.

For more information, please visit www.bwcon.de

The latest events can be found at www.events.bwcon.de

Baden-Württemberg: Connected (bwcon)

Contact
Yasmin Abu Dorrah
PR and Communications Manager
bwcon GmbH

E-mail abudorrah@bwcon.de

www.bwcon.de