



MOVING TO EMPLOYEE OWNERSHIP
Managing your transition effectively

MOVING TO EMPLOYEE OWNERSHIP – WHERE TO START?

No two transitions to employee ownership are the same. However, there are certain practical questions that every organisation considering moving to employee ownership should be asking:

Are you clear why you want to be employee owned?

- Is it to address a succession challenge?
- To drive change through the organisation?
- To protect and preserve a unique business or culture?

Whatever the reasons, each will influence a number of key decisions around the transition.

Is moving to employee ownership sustainable?

- Does the organisation have what it needs to sustain itself?

Before embarking on a transition, organisations may need to consider their leadership, management, working capital and other key components that make up the DNA of a successful and sustainable organisation.

Is there a willing seller / founder and is there a deal that works for them?

There is no deal if the current owners are not willing to transfer ownership.

How will you engage with all the key stakeholders in the organisation?

As well as the current owners, you need to consider how you will engage with the other stakeholders in the organisation. This usually includes the employees, but clients, customers, service users, lenders, associates and other parties may be important.



Are there leaders and stakeholders in the organisation who believe in the proposed structure?

Without this, you will struggle to make a success of your transition. However, you do not (and probably will not) need to have everyone on board with the change.

What ownership structure best meets your organisation's needs?

Employee ownership can take a number of forms:

- Indirect ownership via a Trust
- Direct ownership of shares
- A hybrid model blending both



What governance structure best meets your organisation's needs?

A change in ownership may require changes to your existing governance structure.

At the very least, you are likely to have a new owner or group of owners who will be entitled to be involved in shareholder decisions. Should they be involved in other decisions?

How do you plan to implement the transition?

A number of formalities will form part of the transition process. These will include some legal documentation and potentially shareholder, board and trustee meetings. Planning around these often time sensitive milestones is important.

CREATING A PROJECT PLAN FOR THE TRANSITION IS ESSENTIAL

Your project plan can be extremely flexible, and will depend on your organisation's specific needs. We set out a sample plan below:

MONTHS
1&2

Confirm the structure of the deal with the current owners and Board. i.e. price, financing, security etc.

MONTH
3

Host an all-employee workshop to introduce the employee ownership business model and its benefits for both employees and the business. Define the role of the Project Team that will facilitate the transition.

MONTHS
5&6

Project Team meetings to answer key questions around the transition (such as who the Trustees should be, should employees be able to own shares etc.)

Elect or appoint the members of the Project Team. Have a more detailed session with the Project Team to outline the key questions that they need to answer.

MONTH
4

MONTH
7

Another all-employee meeting to update on progress, outline the role of Trustee Directors and launch the Trustee Director election / appointment process (if relevant).

MONTH
8

Elect / appoint Trustee Directors and host a training session to help them understand roles and responsibilities.

A CRITICAL ELEMENT THROUGHOUT ANY PROJECT PLAN IS AMPLE TIME

Whilst it is up to you to determine how fast or slow you would like to move through a transition, bear in mind that committing sufficient time to the process helps achieve a smooth transition for all involved.

Baxendale can support organisations working through any part of the transition. You are not the first organisation to confront these decisions and we have a tried and tested process to take you smoothly from initial discussions through to completion and beyond.

MONTH
9

Completion of the transition



HOW WE CAN SUPPORT YOU

Baxendale delivers start-to-finish support through a specialist team that has unmatched levels of expertise, drawing on legal and commercial experience working with some of the UK's best known EO organisations, from the John Lewis Partnership to Childbase. Our specialism is tailored to both private sector businesses and public sector teams and our services include:

- Support to understand strategic options and identify the best approach
- Design and implementation of EO structures, including new company vehicles and employee trusts
- Legal and tax advice around transition and set up
- Fair valuation of your business and sourcing of external funding if required
- Creation of full and detailed business cases, including dynamic financial models
- Market analysis and growth strategies to ensure commercial success
- Support to put in place EO and mutual governance including elected councils
- Engagement support to help each and every member of an organisation feel like an owner
- Unique expertise in mutual joint venture procurements

BAXENDALE

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"The introduction of employee ownership has had a positive impact across the practice, while also securing the future ownership of the business. It was an ideal choice for us."

– DENISE BENNETTS, DIRECTOR, BENNETTS ASSOCIATES