

Employee Ownership Scheme Trends

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Why employee ownership schemes are exploding

(and not for the reasons you might think).

Are you a business owner looking to build productivity, resilience, employee engagement and retention in a tricky financial climate? Or perhaps you're planning your exit strategy and considering selling up?

If you've answered 'yes' to one or both of those questions, there's another option that may not immediately spring to mind: transitioning to an employee ownership scheme where employees become the beneficiaries of shares in the business, giving all team members a stake in its long-term success.

At Paradigm Norton, we've been employee-owned¹ for seven years. Our journey has been driven by our commitment to 'build for the future' – one of our core values.

And we're in good company. John Lewis² may be the most well-known employee-owned organisation, but other businesses like Aardman³, Riverford⁴ and Richer Sounds⁵ have all adopted this model too.



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What is employee ownership?

Fundamentally, **employee ownership schemes**⁶ allow employees to have a beneficial ownership in the business, meaning they have a stake in its future success and can have a say in the way it's run. Unsurprisingly, this leads to employees enjoying a far more meaningful relationship with their employer, likely resulting in more engagement, more productivity and motivating them to stay longer with the company, too. For founders, employee ownership is increasingly being seen as the primary option for exiting without selling.

How does employee ownership work?

Through an **employee ownership model**⁴, trustees are appointed who are legally responsible for ensuring the business is run for the benefit of the new owners – the employees. The trustees provide checks and balances to the board, are consulted on all major issues and are the guardians of the culture and values of the business.

Transitioning to an employee ownership scheme can be an attractive alternative to a traditional buyout or merger. A trade sale can compromise the values of the business and lead to mass redundancies, parts of the business being 'sold off', and clients jumping ship. Conversely, employee ownership schemes offer long-term continuity for both clients and the team which can lead to better retention, productivity and job satisfaction.

It's a great way of protecting and future-proofing the business that you've worked so hard to build, maintaining its name, culture, legacy and values long after you've exited.

When the time comes for existing owners to move on or retire, the business stays the same while the owners are paid out over time.

Employee ownership is a growing business trend.

With over 840 members, the **EOA**⁷ (Employee Owned Association) says there are now over 2470 employee-owned businesses in the UK, and this number is growing rapidly, as demonstrated by the chart below.

The **EOA's Annual Conference**⁸ is a good place to get a sense of the growth and excitement surrounding employee ownership. In 2018 there were around 700 delegates; in 2024 this rose to around 860, with 2025's conference seeing the same high attendance.

⁴ riverford.co.uk/ethics-and-ethos/employee-ownership

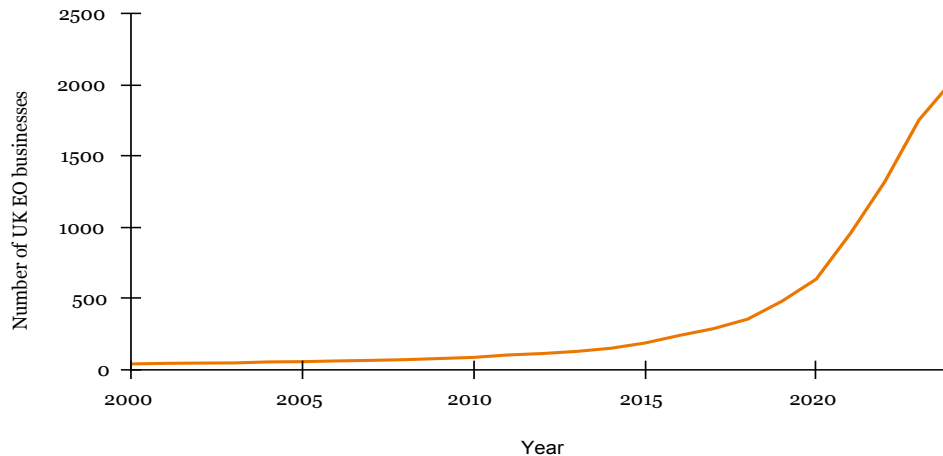
⁵ richersounds.com/the-richer-way

⁶ gov.uk/employee-ownership

⁷ employeeownership.co.uk

⁸ employeeownership.co.uk/Site/Site/content/eoa-annual-conference.aspx

Number of employee-owned businesses in the UK



There's been a sharp increase in employee-owned businesses, particularly since 2020
 [Sources: [EOA](#) and [White Rose Centre for Employee Ownership](#)⁹]

Although the 2025 Autumn Budget reduced [Capital Gains Tax](#)¹⁰ relief from 100% to 50%, our Head of EO, Barry Horner, sees this not as a setback, but as a potential positive for the long-term health and integrity of employee ownership.

Read: [Why the Overnight EOT Tax Change Might Be a Good Thing](#)¹¹



Why are so many UK businesses embracing employee ownership?

It was commonly assumed that the primary driver for joining an employee ownership scheme is to take advantage of tax breaks, but we're here to tell you that there is much more to the story than this. Yes, tax breaks are possible under this model, but it's the many other advantages of employee ownership which are causing a sharp rise in interest from businesses across the UK.

Our CEO Barry Horner spoke at the 2024 EOA Annual Conference and during his session, he surveyed a group of around 80 business owners, all of whom were either considering transitioning to an employee ownership scheme, or already had. He asked attendees to rank the factors driving their EO transition decision, and the most popular motivation was to **protect the business for the long term**. You'll notice that tax breaks weren't mentioned at all!

⁹ business.leeds.ac.uk/research-wreoc/news

¹⁰ gov.uk/government/publications/capital-gains-tax-employee-ownership-trusts/capital-gains-tax-employee-ownership-trusts-relief-reduction

¹¹ paradigmnorton.co.uk/paradigm-thinking/why-the-overnight-eot-tax-change-might-be-a-good-thing/

Please rank these factors in driving your EO transition decision:

Rank	Factor
1	Protect the business for the long term
2	Maintain independence and culture
3	Facilitate founder exit
4	Reward employee talent
5	Grow the business in new directions
6	Increase productivity
7	Cashflow management

What are the *benefits* of employee ownership?

If tax breaks aren't the leading benefit of employee ownership, what are the real reasons for its spike in popularity?

Resilience, independence and the possibility of future profit sharing are some of the common advantages of becoming employee-owned.

Let's explore the main benefits of employee ownership:

A positive Shift in Company Culture

- Employee ownership creates a stronger sense of shared purpose, where people feel genuinely invested in the business and empowered to contribute, collaborate and challenge for the better. 83% of those surveyed in the [EOA's People Powered Growth Report¹²](#) reported increased employee engagement and motivation and 73% reported increased job satisfaction.

Improved Business Performance and Long-term Stability - The [EOA's Robust Growth Champions report¹³](#) states that EOB's are over 50% more likely to be what they call 'robust growth champions'. This means they consistently deliver growth in sales, profit or headcount, while

at the same time maintaining strong balance sheets. Employee-owned firms were also found to be five times less likely to make redundancies during economic challenges, demonstrating long-term stability and employee retention, according to the People Powered Growth Report.

Potential for Financial Gains for Employees

- Alongside having a direct stake in the business, employees can benefit from a tax-free profit share of up to £3,600 per year, allowing them to directly share in the company's success.

Stronger Business Performance and Productivity

- EO businesses are more likely to generate profit¹⁴, with non EOB's more likely to report negative profit growth. EOB's are also 8–12%

¹² employeeownership.co.uk/Site/content/News-and-Insights/EO-Knowledge-Programme/EO-Knowledge-Programme-executive-summary.aspx

¹³ employeeownership.co.uk/Site/content/News-and-Insights/Research/Robust-Growth-Champions.aspx

¹⁴ heyzine.com/flip-book/Robust-Growth-Champions.html#page/8

more productive and invest more in their people, innovation and communities.

Higher Employee Engagement and Entrepreneurial Mindsets -

Moving to an employee-owned model can help increase employees' entrepreneurial mindsets¹⁵. It's not all down to the cold, hard statistics, though. Clients and employees who value your company's culture and mission are more likely to remain loyal, with 50% of EOBs more likely to have increased investment in Research and Development (R&D) than non-EOBs.

Enhanced Reputation, Trust and Brand Loyalty - Much like having B Corp¹⁶ status, being employee-owned sends out a clear message to your customer base and the wider economy: you are a company that cares about its future, its people and its long-term sustainability. This reputational benefit may not be measurable, but it goes a long way towards reinforcing positive perceptions of your brand.

What are the disadvantages of employee ownership?

Employee ownership schemes certainly aren't for everyone, and at Paradigm Norton we take our clients through a detailed **financial planning**¹⁷ process to help them decide if it's a viable option for them.

Let's explore some of the disadvantages of becoming employee-owned:

Financial Payouts Take Time - The transition to employee ownership takes time and careful thought, and anyone looking for an immediate financial payout within a few months will be disappointed. The proceeds of sale from employee ownership are spread over a longer period, which might not feel as attractive as getting an immediate lump sum from a trade sale.

Cash Management Strain - Cash management can also create tension

between current and future shareholders (especially when it comes to reinvesting in the business), as the business needs to pay out the value of the shares over time.

CGT Relief Reduction - The reduction of Capital Gains Tax relief from 100% to 50% in the 2025 Autumn Budget has shifted the landscape for founders, with most now paying an effective tax rate of around 12%. What was once a zero-tax outcome has become a tangible liability. It's unsurprising that many feel compelled to stay involved and "protect" the business long enough to meet deferred consideration and tax obligations.

Leadership Succession Gaps - It's worth flagging that while employee ownership will resolve ownership succession, it won't address leadership succession. Leadership succession planning is a distinct process that should be considered separately from the transition to employee ownership to ensure business continuity.

¹⁵ [independent.co.uk/news/business/e2e-100/employees-entrepreneurial-owners-finance-growth-b2568763.html](https://www.independent.co.uk/news/business/e2e-100/employees-entrepreneurial-owners-finance-growth-b2568763.html)

¹⁶ [paradigmnorton.co.uk/about/b-corporation/](https://www.paradigmnorton.co.uk/about/b-corporation/)

¹⁷ [paradigmnorton.co.uk/financial-planning/](https://www.paradigmnorton.co.uk/financial-planning/)

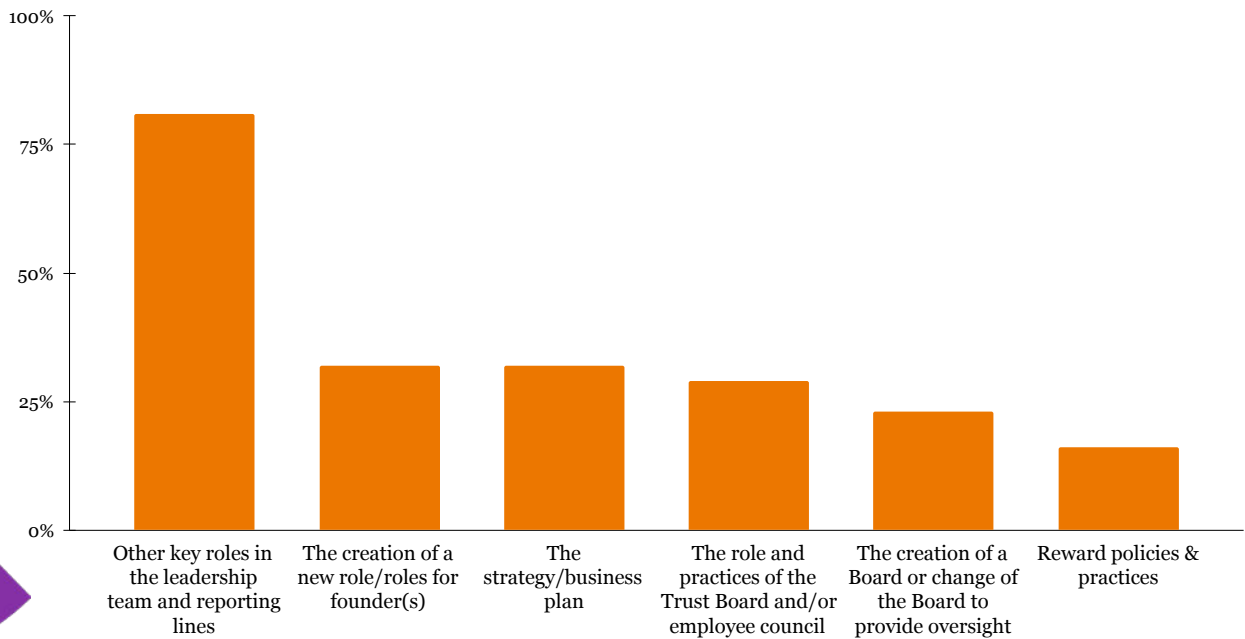


Founder exits and leadership succession.

Our transition to employee ownership took a great deal of time and headspace (our inboxes were constantly filled with complex legal documents and valuations). Once we had successfully moved to the new model, only then did we begin to consider our leadership succession planning, including the recruitment of a new CEO. That meant that we could give it our full attention and go through a thorough recruitment process, so we had far more confidence in our hiring decisions.

It's important that any new leader coming into the business feels supported and able to succeed. Barry asked EOA Conference delegates what should happen to help a new CEO thrive in their role, and overwhelmingly they said that other key roles and reporting lines must be reviewed. Leadership succession planning should consider all key roles within the business, and not just those of the CEO/founder.

What would need to change in your business to enable a new CEO to be effective? (please select all that are relevant)



Data collected by Barry Horner from the EOA Conference delegates in 2024.

It's crucial to find the right leader who will be able to guide the business into its future. An established business that's growing and maturing may well need a different style of leader, so consider the attributes that your new leader/s may need (which might be very different from the ones you have now). EOA Conference delegates were asked to rank a series of CEO 'personas' in order of importance of what they need at their current stage of growth, and top of the list was a CEO focused on people and culture, closely followed by a leader who is focused on results.

CEO Personas


People Champion	focused on people and culture
Commercial Executor	focused on results
Corporate Entrepreneur	focused on improving operations
Financial Value Driver	focused on shareholder return
Innovative Inventor	focused on shiny new products/services
Global Missionary	focused on using the firm to change the world
Corporate Ambassador	focused on societal impact
Conscious Capitalist	focused on ensuring the business does no harm

What does the *future* have in store for employee ownership?

Businesses are transitioning to employee ownership schemes at **record rates**¹⁸ and this is showing no signs of slowing down. We're anticipating that employee-owned businesses are going to be at the forefront of driving green initiatives and sustainability practices, along with robust diversity, equity and inclusion (DEI) initiatives. Alongside this, we expect that platforms for managing communications and plans around employee ownership will become more sophisticated and more widely adopted.

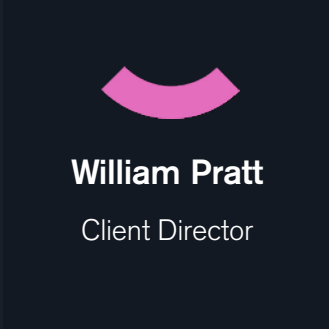
If an employee ownership scheme is an option that you're exploring and you'd like some advice from financial planners who understand how it works and have been through the process themselves, then we're here to help. **Get in touch to find out more**¹⁹




Barry Horner
Head of EO
Business Development



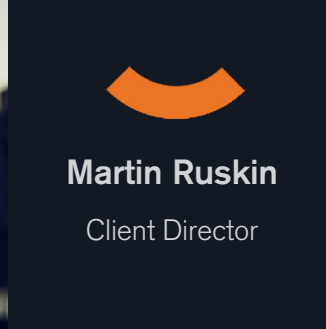

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