NOVEMBER 2026

FOUNDERS WISDOM

Learning from those who lived it. Shaping what comes next.

TELOS PARTNERS

CONTENTS

Contents 2

Purpose of the report 3

Business sectors and size of businesses represented 3

Methodology 4

Beyond the Founder: Lessons in Ownership and Succession 5

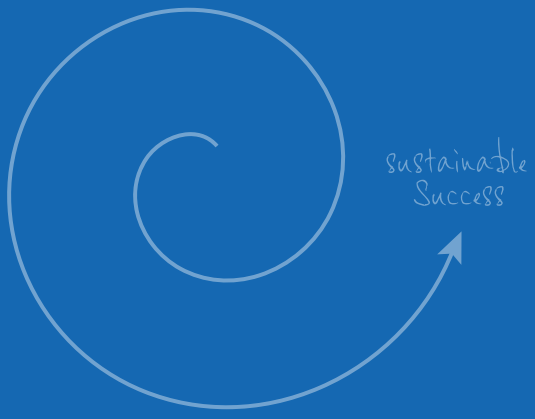
- Why employee ownership? 5
- Protecting the culture and legacy of the business 5
- People and purpose matter more than financial value 5
- Founders must genuinely let go: a liberating but hard transition 5
- Leadership succession: the most important and most difficult challenge 6
- Employee Ownership does not automatically create an ownership mindset 7
- Communication must be continuous 7
- Governance needs clarity, balance and external challenge 8
- The transition should be carefully planned 8

Conclusion 10

Key Questions for Founders 11

Keys insights 11

Acknowledgements 11



PURPOSE OF THE REPORT

The report is intended to capture the experiences of business founders (16 contributed) who have transitioned their companies to employee ownership. It draws together their reflections on:

- why they chose employee ownership rather than the alternatives; a trade sale, a management buy-out, private equity, a merger or closure
- how they relinquished control and stepped back from their businesses
- succession and the appointment of new leaders
- preserving the culture after transition
- engaging employees as genuine co-owners
- what worked well, what proved difficult and what they would do differently
- practical lessons for other founders and their successors.

It is designed as a practical, experience-based resource, rather than an academic study, to help founders considering employee ownership and leaders taking over employee-owned businesses.

BUSINESS SECTORS AND SIZE OF BUSINESSES REPRESENTED

The contributors came from a diverse range of sectors, including:

- Food and organic produce
- Film, animation and media production
- Professional and business consultancy
- Travel, attractions and e-commerce
- Legal services
- Financial planning, investment and wealth management
- Construction and project management
- Events and venue production
- Technology, software and defence-related services
- Manufacturing and engineering
- Consultancy.

The businesses ranged from small specialist companies with around 12 employees to much larger organisations employing several hundred people. Overall, the group represented small and medium-sized founder-led businesses, as well as several larger established organisations. This gave the report perspectives from companies at different stages of growth, maturity and succession.

The stories reveal a diverse group of founders from different industries who followed different routes into employee ownership, but who share a strong commitment to protecting their businesses, people, culture and wider purpose. Most regarded employee ownership as a more responsible and personally satisfying alternative to a trade sale or private equity transaction.

It is important to note that all participants of the study are keen advocates of employee ownership and shared their insights from their personal perspective. This does not mean their transition into employee ownership was either easy or always successful.

METHODOLOGY

This report is compiled through a qualitative data approach, where storytelling and experience sharing was encouraged to create conversation in a face-to-face environment. These conversations were recorded to collect themes attributed to the experience gained by owners selling their business into employee ownership via the EOT model. This was made possible by the 2014 Finance Act.

In addition, three virtual conversations were undertaken by those keen to participate but unable to attend in person.

BEYOND THE FOUNDER: LESSONS IN OWNERSHIP AND SUCCESSION

Why employee ownership?

Protecting the culture and legacy of the business

The strongest shared motivation of the founders was the desire to preserve what made each business distinctive. Founders feared that a conventional sale would weaken the culture, remove jobs, relocate operations or reduce the company to a financial asset.

Employee Ownership was therefore viewed as a way to:

- protect the independence and identity of the business
- maintain employment and local roots
- safeguard customer and supplier relationships
- preserve values beyond the founder's tenure
- give the business the best chance of long-term continuity
- share reward with those who have built it.

The founders consistently placed the future of the organisation and its people above securing the highest possible sale price.

> *"...And looking at the alternatives to employee ownership – in other words, a trade sale or private equity – you see how that culture is going to be destroyed."*

People and purpose matter more than financial value

A recurring theme was that money mattered but was not the principal measure of success. While financial value was important, people, purpose, continuity and personal integrity mattered more, with several founders accepting an amount below than they might have received through a private equity or trade sale because employee ownership felt more aligned with their values.

The discussion repeatedly returned to questions such as:

- How much money is genuinely enough?
- How much should be left in the business?
- What will support the company's long-term sustainability?
- What legacy does the founder want to leave?

> *"Money matters, but life matters more."*

Founders must genuinely let go: a liberating but hard transition

Many founders described the transition as liberating. Moving ownership into a trust reduced the personal burden of being solely responsible for the organisation and created confidence that the business would survive without them.

At the same time, relinquishing control was emotionally and practically difficult. Common challenges included:

- frustration when decisions took longer
- watching successors make mistakes the founder could foresee
- losing formal authority while retaining strong views
- discovering that the founder's presence still influenced the room
- uncertainty about when to advise and when to stay silent
- adjusting to no longer being the person to whom everyone looked for answers.

Founders followed different approaches. Some left immediately, while others gradually reduced their involvement or retained positions as chairs, trustees, ambassadors, mentors or advisers.

"I knew that I would find it really, really difficult to be a part owner. I knew I needed a new MD.... So I had to get out – all or nothing."

Many founders underestimated their own contribution and only realised during or after the transition how much of the organisation's growth, judgement and energy had depended on them.

"I think the one thing... is that you underestimate your own value....You underestimate it because it's natural."

Founders brought capabilities that were difficult to replace, including:

- instinctively spotting opportunities and risks
- winning work and maintaining key relationships
- understanding customers
- reading the story behind financial information
- making quick decisions with incomplete information
- challenging unnecessary cost or bureaucracy
- providing entrepreneurial energy.

Because these abilities often felt natural, founders had sometimes assumed that others would automatically replicate them.

Several stories referred to a founder's wishes document or statement of purpose. These can help trustees understand:

- why the business exists
- what should be protected
- the founder's intentions regarding independence, people and place
- the principles that should guide future decisions.

However, founders recognised that these wishes should not prevent the organisation adapting to future circumstances. The challenge is to make them specific enough to be meaningful but flexible enough to remain relevant. Whilst creating the 'wishes' or purpose documents was not always easy, many found the process useful, valuable or even cathartic. Founders can be focused more on the practical demands of succession than its emotional impact, although this may become more significant as they fully step away. For some, they only recognised this with the passage of time. Others were very clear about the valuable role independent coaching played to help them shape their future identity and plans beyond full-time leadership.

Leadership succession: the most important and most difficult challenge

The future success of an employee-owned business depends less on the ownership mechanism itself and more on whether leadership succession is managed successfully. Identifying and preparing the next leader emerged as one of the hardest parts of the journey. Strong technical specialists or managers did not always want to become chief executives, while those most eager for the role were not always the strongest candidates.

"The journey to succession is a struggle and it's so important. You have to keep going until you get it right."

Where internal candidates are not ready or available, founders should retain enough time to recruit externally. However, external leadership appointments produce mixed results. Several failed because the incoming person:

- did not understand the culture
- introduced excessive bureaucracy
- came from a very different corporate environment
- lacked financial or entrepreneurial capability
- failed to engage with the operational detail of the business.

Successful succession requires someone who understands the organisation's culture and has sound commercial judgement, strong leadership skills and entrepreneurial drive. The successor does not need to lead in the same way as the founder, as running and growing an established business requires different skills from starting one. Founders can become frustrated when successors do not display the same energy or instinct that they themselves brought to the business.

Potential successors should be identified early and given time to develop through mentoring, professional development and support from experienced non-executive directors. Long-serving internal candidates bring valuable knowledge of the business, its clients and its culture, but may need wider commercial experience and exposure to different ways of working.

Employee Ownership does not automatically create an ownership mindset

A major finding was that transferring ownership does not mean employees immediately begin to think or behave like owners.

Common misunderstandings included the belief that employee ownership meant:

- a cooperative in which everyone votes on every decision
- automatic entitlement to higher bonuses
- freedom without corresponding accountability
- immediate financial benefit despite the seller debt still being repaid.

Founders had expected employees to see obvious connections between everyday behaviour and business performance – controlling costs, reducing waste, serving customers well and helping colleagues, but this did not happen consistently.

> *"They understood the concept, but many of them didn't actually feel like owners."*

Some employees embraced the opportunity and flourished. Others remained focused on their individual job or were not interested in ownership. Participants suggested that this is normal: engagement is likely to follow a broad spectrum rather than being universal.

The conversations challenged the idea that employee ownership is inherently "soft" or lacking in commercial discipline. In some businesses it increased:

- peer accountability
- willingness to address underperformance
- financial awareness
- collective responsibility
- employee participation
- commitment to longer-term success.

However, founders emphasised that employee ownership must still support strong leadership, timely decisions and commercial performance.

Communication must be continuous

One of the clearest lessons was that a single launch event or explanation is not enough.

The meaning of employee ownership has to be repeated, reinforced and demonstrated over many years.

Effective communication needs to explain:

- why the transition happened
- what employee ownership does and does not mean
- how governance and decision-making work
- the relationship between performance and reward
- why seller debt must be repaid
- how employees can influence the business
- what responsibilities accompany ownership.

"Just constant communication... So you have to keep telling them why it's so important."

Once the model is established, organisations should communicate openly about finances, governance and what milestones and expressions like "Financial Freedom Day" actually mean. Employees should understand that completing payments to the founders does not mean all subsequent profits are immediately available for distribution.

New joiners also need to be introduced to the model. In fact, all processes, policies and procedures should be reviewed through the lens of employee ownership.

Managing expectations is essential because employees may assume that employee ownership will bring immediate financial rewards, greater influence and rapid change. If the transition's debt, timescale and practical meaning are not explained clearly and repeatedly, disappointment can lead to mistrust, resentment and disengagement.

Several founders felt that the leadership team, not only the trust board or employee representatives, must take responsibility for keeping employee ownership alive.

Governance needs clarity, balance and external challenge

Founders highlighted the importance of clearly distinguishing between:

- the trust board
- the operating board
- management responsibilities
- employee councils or representative groups
- individual employment matters.

Without clarity, employees may bypass their managers or expect trustees to intervene in operational grievances.

Independent trustees and non-executive directors were seen as particularly valuable when they brought specific expertise, constructive challenge and an external perspective. They could also help compensate for the loss of the founder's experience without undermining the successor.

"Those are the kind of externals who just bring a different perspective and remind you...By the way, have you thought about this, that and the other?"

Founders also benefited from speaking to other employee-owned businesses and using experienced professional advisers who could explain the legal, tax and financial mechanics. Founders who had already made the transition provided insight into the human and practical realities.

The group felt that potential sellers should "speak to the neighbours" exploring different models and hearing several first-hand experiences before designing their own transition.

The transition should be carefully planned

There was no single successful approach. Some businesses announced the transition well in advance, while others announced it on completion. Some founders left immediately while others remained involved. Some appointed internally, while others successfully recruited externally.

The appropriate approach depended on the organisation's culture, size, sector, workforce and customer relationships. The common advice was to:

- avoid rushing
- explore several ownership and succession structures
- involve important stakeholders early
- understand who may lose out or feel overlooked
- retain sufficient working capital

- avoid overburdening the business with seller payments
- gradually transfer responsibility to an identified leadership team
- learn from founders who have already completed the journey.

"Be patient, don't rush it. We took three years from first seriously talking about it... and three years didn't seem like an excessive amount of time."

A founder may retain a limited trustee, advisory or mentoring role after stepping back, but the role should be clearly defined and should not prevent the new leaders from taking control.

CONCLUSION

In conclusion, employee ownership can provide founders with a credible route to succession that protects culture, independence, people and purpose. It can also give founders a sense of freedom and create opportunities for employees to grow.

However, employee ownership is not a transaction that automatically transforms behaviour. Its success depends on:

1. Cultural readiness before the transition
2. A strong, deliberate and carefully prepared successor
3. Continuous communication and education
4. Clear governance and accountability
5. Realistic expectations about financial benefits
6. Protection of entrepreneurial energy and customer focus
7. Patient, visible reinforcement of what ownership means
8. A thoughtful and appropriately timed founder exit.

The legal transfer of ownership is only the first step. Lasting success depends on transferring leadership, embedding an ownership culture and retaining the entrepreneurial spirit that made the business successful.

KEY QUESTIONS FOR FOUNDERS

Questions that every founder considering employee ownership should ask themselves:

1. What do I want my legacy to be?
2. What role do I want to play once the business is employee-owned?
3. What value do I bring to the business and how will it be replaced when I'm no longer involved?
4. Who will succeed me? What support do they need?
5. Who else will be involved in the process of transitioning to employee ownership?
6. Who will be responsible for ensuring that everyone in the business understands what it means to be an employee owner? What support do they need?
7. What else will I do with my time once the business is employee owned?
8. Do I have the support I need?

KEY INSIGHTS

The transaction process is intense. However, the support of good financial and legal counsel makes this easy. The biggest challenge comes in getting the communication right: what's happening when, why, how, and what is expected of everyone going forwards.

"Everything changes but it all remains the same"

- Plan ahead and prepare yourself for the transition.
- Understand the business valuation and your personal financial needs.
- Plan for succession and prepare the next generation of leaders.
- Communicate continuously: explain what is happening, where, why, when and how.
- Develop an employee ownership mindset.

ACKNOWLEDGEMENTS

We extend our sincere thanks to everyone who generously contributed their time, experience and insights to this report at the meeting in London on 29 September 2026 and to the founders who contributed virtually following the meeting.

- Barry Horner
- Charlie Raincock
- Chris Barrington Brown
- Chris Blackburn
- Chris Turner
- David Sproxton
- David Wise
- Graeme Nuttall
- Guy Singh Watson
- Jamie Ollivere
- Janet Cooper OBE
- Kay Cook
- Malcolm Wilson
- Mark Turner
- Olly Brendon
- Tony Yarrow

We are also grateful to Neil Palmer at Fieldfisher for generously hosting the session and for his support in making it possible.

If you would like to read more on succession, please click on the link to our article: **The Art of Succession_Digital.pdf**

This report was compiled by Jeremy Gadd, Alex Bloom and Peter Ward.

THINK
BELIEVE
ACT

WWW.TELOSPARTNERS.COM

© Telos Partners LLP 2026

TELOS
PARTNERS