

# Employee Ownership Trust Readiness Checklist

**ManagementXP**



## Index

	Page
Owner Goals & Succession Intentions	3
Business Structure & Shareholding	4
Financial Health & Viability	5
Workforce & Engagement Readiness	6
Cultural & Strategic Fit	7
Governance & Operational Maturity	8
Readiness for Transition Process	9
Summary	10
Recommended Next Steps	11 - 12

This guide is for general informational purposes only and does not constitute legal, financial, or professional advice. Users are responsible for ensuring compliance with all applicable laws, including but not limited to GDPR, consumer protection laws, and equality regulations. ManmanagementXP Ltd accepts no liability for any actions taken based on this guide.

## SECTION 1: Owner Goals & Succession Intentions

## Checklist Questions

1	Does the owner want to retain the company's legacy and culture post-exit?	
2	Is a gradual exit (vs. an immediate sale) desirable?	
3	Is avoiding external buyers (e.g., private equity or trade sale) a priority?	
4	Is the owner motivated by employee welfare and long-term sustainability?	

### Proforma Notes:

What are the owner's key motivations for exploring employee ownership?

What is their ideal timeframe for transition?

Are there other stakeholders (co-owners, family, board) whose views influence the exit plan?

## SECTION 2: Business Structure & Shareholding

### Checklist Questions

1	Is the business privately held?	
2	Is the ownership structure simple (e.g., sole owner or aligned small group)?	
3	Can at least 51% of shares be transferred to the trust?	
4	Are all shareholders aligned on pursuing EOT?	

### Proforma Notes:

Are all shareholders aligned on pursuing EOT?

Are there any restrictions in the Articles or shareholder agreements?

Would vendor financing or retained ownership (e.g., 49%) be considered?

## SECTION 3: Financial Health & Viability

## Checklist Questions

1	Has the business been consistently profitable over the past 3+ years?	
2	Does it generate free cash flow sufficient to support share purchase and bonuses?	
3	Are cash reserves or vendor financing options available?	
4	Is the business lightly leveraged or financially stable?	
5	Has a business valuation been obtained or considered?	

### Proforma Notes:

EBITDA margin and net profit trends over the last 3 years:

Available free cash flow (post capex and tax):

Current cash position vs. anticipated share sale cost:

Would external debt be needed? Has it been explored?

## SECTION 4: Workforce & Engagement Readiness

### Checklist Questions

1	Does the business have 10–150 employees?	
2	Are employees skilled, engaged, and culturally invested in the business?	
3	Is there a low turnover rate or long average tenure?	
4	Is the team likely to value shared ownership or a bonus scheme?	

### Proforma Notes:

Describe the employee mix (roles, seniority, distribution):

How would you describe morale and engagement right now?

Have there been any consultations or sounding boards with staff on ownership ideas?

## SECTION 5: Cultural & Strategic Fit

## Checklist Questions

1	Does the company prioritise ethical practice, employee wellbeing, or customer-first values?	
2	Is collaborative decision-making already part of the culture?	
3	Would transparency in profit-sharing and performance metrics be welcomed?	

### Proforma Notes:

What are the business's stated mission and values?

How are decisions typically made—centralised or consultative?

Are there any past examples of employee engagement or ownership initiatives?

## SECTION 6: Governance & Operational Maturity

## Checklist Questions

1	Are there capable leaders below the founder(s) to support operational continuity?	
2	Is the business prepared to adopt trustee-led oversight and governance structures?	
3	Are systems in place for clear financial reporting and compliance?	
4	Will the owner(s) accept independent trustee involvement in strategy?	

### Proforma Notes:

Who are the key leaders, and what succession plans are in place?

Is there openness to employee or external trustees sitting on a board?

Are quarterly reporting and staff communications part of existing practice?



## SECTION 7: Readiness for Transition Process

### Checklist Questions

1	Has the business budgeted for EOT legal, tax, and valuation advice?	
2	Is the owner prepared for a 3 – 6 months process?	
3	Is the business willing to undergo cultural change (shared ownership mindset)?	
4	Is there appetite to run employee briefings and onboarding workshops?	

### Proforma Notes:

Anticipated budget range for setup:

What professional advisors (lawyer, accountant, financial) are already engaged?

Are there major changes or uncertainties coming (e.g., exit of key clients, new product launches)?

# Summary

<b>Business Status:</b>	
Well-Suited for EOT Transition	<input type="checkbox"/>
Potentially Suitable – Requires further financial/cultural alignment	<input type="checkbox"/>
Not Currently Suitable	<input type="checkbox"/>

## Recommended Next Steps:

### 1. Conduct Detailed Business Valuation

Purpose: Establish a fair market value for the shares to be sold to the EOT.

Requirements:

- Engage an independent, qualified business valuer.
- Prepare 3–5 years of financial statements.
- Provide forecasts, asset schedules, and key client data.
- Review sector-specific earnings multiples and apply valuation methodology (often EBITDA multiple).

Led By: Financial advisor or independent valuer

Output: Written business valuation report (used to set the EOT share purchase price)

### 2. Financial Modelling of Trust Commitments

Purpose: Assess the business's ability to fund the EOT over time without risking cash flow or growth.

Requirements:

- Model future free cash flow (5–10 year horizon).
- Include share purchase repayments, trustee expenses, and employee bonuses (up to £3,600 per year).
- Stress test against downturn scenarios (e.g. loss of key clients).
- Consider different financing options: vendor finance, bank loans, or hybrid models.

Led By: Financial consultant or in-house finance lead

Output: Financial model (Excel or advisory report) showing affordability of the EOT structure

### 3. Employee Engagement Scoping

Purpose: Assess employee appetite for ownership and prepare them for cultural change.

Requirements:

- Run workshops, surveys, or focus groups.
- Communicate the purpose of an EOT and what it means for staff (rights, benefits, responsibilities).
- Identify employee champions who can support the transition.
- Gauge readiness for shared governance, bonus culture, and long-term thinking.

Led By: Internal HR or external change consultant

Output: Summary of employee feedback and engagement plan (can feed into trustee selection and comms strategy)

#### 4. Draft Timeline and Cost Plan

Purpose: Create a practical roadmap and budget for the EOT transition.

Requirements:

- Build a Gantt chart or step-by-step plan (typically 3–6 months).
- List key milestones: valuation, trust deed, sale agreement, trustee recruitment, employee comms, completion.
- Estimate professional costs: legal, tax, valuation, trust setup, and governance training.
- Allocate internal time/resources and identify critical dependencies.

Led By: Business owner or project lead with support from advisors

Output: Implementation plan and cost summary (used to guide board and stakeholder sign-off)

#### 5. Introduce Independent Trustee Role

Purpose: Ensure good governance and impartial oversight of the EOT.

Requirements:

- Identify candidate(s) with relevant skills (governance, finance, legal, employee advocacy).
- Ensure they are independent: no current or past financial or familial ties to the business.
- Provide onboarding on company structure, culture, and EOT duties.
- Define their role within the trustee board (often alongside employee and founder reps).

Led By: Founder or interim trust board

Output: Appointment of independent trustee with agreed terms and responsibilities (included in trust deed or trustee board policy)



[www.MannagementXP.com](http://www.MannagementXP.com)