

PRELIMINARY REPORT

Making Employee Ownership Work in Denmark: Implementation Lessons from the UK

Report overview

Denmark faces a growing business succession challenge as many SME owners approach retirement in the coming decade. From 1 January 2026, a new legal framework will enable ownership transfers to Employee Ownership Companies (EOCs). Drawing on the United Kingdom's experience, where more than 2,000 business transitions to Employee Ownership Trusts (EOTs) have occurred since 2014, this report analyses implementation dynamics and post-transition firm performance of EOT conversions and sets out recommendations to support uptake of the Danish EOC model.

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The report is commissioned by The Danish Business Authority.

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List of Recommendations

Stimulating early demand and awareness

- 1** Target business owners and their trusted advisors as primary initiators.
- 2** Address owners' strategic and emotional priorities in awareness efforts.
- 3** Conduct targeted awareness campaigns in high-potential sectors.
- 4** Develop and promote 'transition champions' to drive early legitimacy.

Building an ecosystem that enables diffusion

- 5** Develop a professional advisory ecosystem.
- 6** Establish a community of EOCs.
- 7** Provide guidance and support for employees.
- 8** Ensure access to patient and shared financing for EOC transitions.

Ensuring evaluation, learning, and policy adaption

- 9** Implement continuous policy evaluation and model refinement.
- 10** Build mechanisms for institutional memory.
- 11** Establish a national data and research plan.

1. Executive summary

Denmark is in a decisive period for business succession. Over the coming decade, a large number of Danish small and medium-sized enterprises (SMEs) will face ownership transitions as founders and owner-managers approach retirement age, with implications for business continuity, employment, and local economic stability.¹

In response to this challenge, employee ownership has emerged as a relevant alternative that addresses some of the limitations of more conventional succession pathways. From January 1st 2026, a new legal framework will enable ownership transfers to Employee Ownership Companies (EOCs).² By enabling firms to transfer ownership to employees, employee ownership models can preserve productive capacity, maintain local anchoring, and support continuity for both owners and workers. International experience, however, suggests that the availability of a legal structure alone is insufficient to ensure uptake.³ Successful uptake depends equally on implementation conditions, including awareness among business owners, professional advisory capacity, and the existence of supporting institutions.

Against this background, this report presents a preliminary analysis of the implementation of the British Employee Ownership Trust (EOT) model supplemented by a preliminary performance analysis of firm-level

outcomes. The aim is to identify how the EOC model can be implemented in a way that supports uptake and successful diffusion. The report seeks to support policymakers, implementation bodies, and ecosystem actors in anticipating and avoiding predictable barriers, and in accelerating the conditions under which employee ownership can become a viable and widely used succession pathway. It therefore addresses the following question:

How can the new EOC model be implemented so that uptake is high and successful?

To answer this question, the report draws on the experience of the United Kingdom's EOT model. Since its formalisation in 2014, the EOT has become the most widely adopted employee-ownership succession mechanism, facilitating more than 2,000 business transitions across a wide range of sectors.⁴

The UK case therefore offers a uniquely rich empirical basis for understanding how employee-ownership frameworks diffuse in practice and how firms perform following conversion, with insights that remain relevant despite important contextual differences in model design and starting points between Denmark and UK.

1.1 Methodology

The analysis combines two analytical strands: a preliminary assessment of firm performance following EOT conversion, and an implementation analysis of the UK EOT model. Together, these strands are used to examine both how firms perform once ownership has transferred, and how employee-ownership models gain uptake in practice.

The performance analysis draws on a dataset of 126 British operating companies that have converted to EOTs, identified through an independent survey and subsequently cross-referenced with accounting data from Capital IQ. It adopts a before-and-after design and tracks developments in key accounting-based indicators from the year prior to conversion up to three years after conversion. As the analysis is based on currently available and limited data, it should be read as preliminary. A more comprehensive performance analysis that is based on a larger dataset will be delivered in late Summer 2026.

The implementation analysis draws on desk research, a review of academic and policy literature, and semi-structured interviews with 21 individuals across the UK EOT ecosystem. Interviewees include policymakers, academic experts, advocacy organisations, professional advisors, legal specialists, business owners, employees and trustees of EOT-owned firms, capital providers, and international experts (see Appendix). In addition, the authors' participation in the

annual conference of the Employee Ownership Association (EOA) provided direct exposure to the broader EOT community and its stakeholders. These qualitative insights are complemented by descriptive data on EOT adoption patterns including sectoral and geographical distributions.

1.2 Preliminary findings

1.2.1 Performance analysis

The performance analysis examines how 126 companies in different business sectors developed financially in the years surrounding conversion to employee ownership via an EOT, using a before-and-after design that compares each company with its own pre-conversion situation. All numbers for key financial metrics mentioned below are measured as average change in % in all 126 companies from one year before to three years after EOT conversion.

The results of the analysis point to a consistent and predominantly positive pattern:

- First, both return on invested capital (ROIC) and EBITDA margins increase after conversion (31% and 305% respectively), indicating improved operational efficiency and more effective use of invested capital. Importantly, these improvements occur without any signs of deterioration in the companies' underlying operations during the transition phase.

- Secondly, the analysis shows that dividend payments from the operating company to the EOT increase in the years following the change of ownership with a dividend payout ratio increase of 77% and a change in dividends relative to EBITDA prior to conversion of 314%. This documents that companies are, in practice, able to generate and distribute cash surpluses that can be used to finance the ownership transition. In parallel with improvements to profitability, this indicates that increased distributions do not come at the expense of long-term value creation.
- Thirdly, a 23% increase in investments in working capital is observed. This suggests that EOT companies actively tie up more capital in ongoing operations during the transition phase while simultaneously improving profitability and increasing distributions. Overall, this points to companies managing a complex economic balance between consolidation, investment, and financing the change of ownership, rather than deprioritizing their operational base.

Taken together, the results indicate that the EOT model, in the analyzed part of the population, is associated with robust economic development. The companies appear capable of improving operational performance, generating cash surpluses to finance the ownership transition, and at the same time maintaining, and in some cases increasing, capital tied up in

operations. There are thus no indications that EOT conversions systematically undermine financial viability in the years following the transfer.

From a Danish perspective, these findings are particularly relevant. The Danish EOC model shares key institutional and economic features with the British EOT model, including the separation of ownership and management, the use of deferred payment, and a reliance on continuous cash generation. The positive British experience therefore provides an empirical basis for expecting that the Danish model, if successful in ensuring uptake, can function as a viable tool for business succession that preserves jobs in small and medium-sized enterprises, and maintains or perhaps even improves productivity and economic robustness over time.

1.2.2 Implementation analysis

Across the UK experience, one central pattern stands out. Uptake did not occur automatically after legislation was introduced. Instead, diffusion followed a staged process. Early adoption depended on a small group of “transition champions” supported by specialist professional advisors and promoted by a highly proactive trade body. Only once credible transition examples accumulated did imitation effects take hold, driven by peer-to-peer communication among owners and the gradual integration of EOTs into standard succession advice. Tax incentives played an enabling role, but they were not sufficient on their own.

Uptake accelerated when employee ownership became socially validated, professionally routinised, and institutionally recognised as a legitimate exit pathway.

Denmark enters this policy area from a different starting point. While the country has a strong cooperative tradition, employee ownership in SMEs remains rare, and practical experience among advisors is limited. At the same time, the Danish EOC framework places greater demands on employee participation than the UK model, requiring employees to actively approve and engage in the transition.

Taken together, the UK experience suggests that, in the absence of a coordinated implementation strategy, uptake of the Danish EOC model is likely to remain limited and the model risks being perceived as complex or marginal. Conversely, targeted early interventions can help generate ‘transition champions’ and build the professional capacity required to activate imitation effects over time.

On the basis of the preliminary analysis, successful implementation of the Danish EOC model will likely hinge on achieving three factors:

1. Credible transition champions, in the form of early, successful EOC transitions that establish feasibility, reduce perceived risk, and create a basis for wider adoption.

2. An enabling ecosystem coordinated by a catalyzer organisation that allows subsequent transitions to be replicated at scale by building professional advisory capacity, facilitating peer-to-peer learning among owners and employees, and providing employee-facing support.

3. Institutional learning and refinement, ensuring that early implementation experience feeds back into regulatory design and administrative practice over time.

1.3 Structure of the report

Section 2 compares the UK EOT and Danish EOC frameworks with a focus on implementation-relevant differences.

Section 3 analyses how the EOT model diffused in the UK, including uptake patterns, sectoral and geographical distribution, and the mechanisms and actors that supported adoption.

Section 4 presents preliminary findings on the performance of EOT-converted firms.

Section 5 assesses the implications for Denmark and synthesises conditions for uptake into a theory of change.

Section 6 translates the findings into targeted recommendations for supporting early adoption and long-term viability of the Danish EOC model.

The final report, to be delivered in summer 2026, will build on this foundation with a more comprehensive performance analysis and further developed policy guidance.

2. Comparison of the EOT and EOC models

On 1 January 2026, Denmark will introduce a new legal framework enabling business owners to transfer their firms to an Employee Ownership Company (EOC). The model is inspired by the UK's Employee Ownership Trust (EOT), which existed in practice prior to 2014 but was formally codified and made significantly more attractive through tax incentives introduced that year, and has since become a prominent mechanism for business transitions to employee ownership.⁵

At their core, both the British EOT and the Danish EOC models are designed to make employee ownership an at least as favourable exit route for business owners as other succession options, particularly in the context of generational transfer. In both models, transfers to employees are treated more favourably than conventional third-party sales through preferential capital gains tax treatment for the selling owner.

However, while the Danish framework draws on the UK experience, the two systems differ in legal design, governance models, tax incentives, and are significantly different in the degree of mandated employee participation (see Table 1). These differences matter for the successful implementation of the Danish model because they determine who must be mobilised for a transition to succeed, which barriers are most likely to arise in practice, and what kind of ecosystem support is needed to ensure uptake.

Accordingly, this section highlights three differences that are highly likely to impact the successful implementation of the Danish EOC model.

2.1 Limited tax incentives for the employees

While both the British EOT and the Danish EOC models provide favourable tax treatment for selling owners, they differ in how the tax burden and incentives are experienced after the transfer, particularly from the perspective of employees.

In the UK, the primary tax incentive accrues to the seller at the point of transfer, while employees benefit from a clearly communicable incentive in the form of a tax-free bonus of up to £3,600 per year. This latter feature has played an important role in securing employee support for EOT transitions and in making the benefits of employee ownership tangible early in the process.

In the Danish EOC model, the tax advantage for the seller is combined with a deferred tax obligation for the EOC, which assumes responsibility for gradually repaying the transfer tax through future profits. The model allows profit distributions from the operating company to the EOC of up to 8% of the transfer value without triggering repayment of this tax balance, providing scope for careful financial planning to mitigate the overall burden. In the early years following a transition this margin is likely to be used

primarily to service acquisition-related liabilities, including deferred payments to the seller. Nevertheless, compared to the UK EOT model the framework is likely to extend the period during which cash flows are prioritised toward financing the ownership transfer, delaying both full repayment to the former owner and the point at which employees gain greater financial autonomy to distribute profits or reinvest in the operating company.

At the same time, the Danish model does not include a dedicated tax-free bonus scheme for employees, making economic benefits less immediate and visible than under the UK EOT framework. From a tax perspective, the transaction primarily benefits the seller, which may weaken employees' incentives to support the transition and pose a barrier to securing the required employee approval.

From an implementation perspective, this places greater weight on non-financial incentives such as meaningful participation, transparency, job security, and long-term value creation to secure employee support during the transition period.

2.2 Stronger employee involvement

A second defining difference between the two models concerns the role assigned to employees in ownership and governance, and, in particular, in organizing the transition to employee ownership. In the UK EOT model, employees are beneficiaries of a trust that holds shares

on their behalf. Governance arrangements are mediated through a trustee, and the degree of employee participation depends largely on how the trust deed is drafted and how governance practices develop over time. This flexibility has allowed the model to adapt to a wide range of firms, but it also means that employee influence is not embedded uniformly across EOTs and often relies on voluntary practice rather than statutory design.⁶

By contrast, the Danish EOC model embeds employee participation directly into the legal structure. Employees become members of the EOC with one-person-one-vote rights, and the law establishes clear minimum participation thresholds and governance requirements from the outset. A majority of employees must approve and become members of the EOC for the transition to occur, and the EOC must be governed by a democratically elected board in which a majority of members are independent of the former owner. In contrast, in the EOT model there is no requirement for employees to support the move to employee ownership. In practice, sellers will typically ensure senior management is supportive and may discuss the move with all employees prior to implementation, but this is not mandatory.

From an implementation perspective, this difference is critical. While the Danish model strengthens employee influence, it also raises the organizational and participatory demands of a transition. Successful uptake will therefore depend not only on owners' willingness to sell, and

advisors' ability to structure transactions, but also on employees' capacity to organize collectively, understand governance responsibilities, and engage constructively in ownership. This increases the need for targeted employee-facing support, facilitation, and governance training as part of the implementation of the Danish model.

2.3 More rigid governance, but greater flexibility in ownership requirements

A third important difference between the British EOT and the Danish EOC models concerns how flexibility is achieved through governance design and ownership thresholds. The UK EOT model is often perceived as relatively flexible because it allows significant discretion in how ownership and governance arrangements are designed.⁷ While the EOT must hold a controlling interest (>50%), the trust-based framework grants firms considerable flexibility to tailor trustee structures, governance rules, and internal arrangements to their specific circumstances. This flexibility has made the model adaptable across a wide range of company sizes and sectors.

The Danish EOC model, by contrast, is characterised by a fixed legal framework with detailed statutory requirements governing participation, voting rights, board composition, and profit distribution. These rules reduce flexibility in how the model can be designed and implemented at the firm level.

Meanwhile, the Danish framework introduces a different form of flexibility through a lower ownership threshold. By requiring the EOC to only hold a minimum of one-third of the shares and voting rights, the model allows for more gradual and partial transition pathways, including situations where owners retain a majority stake.

From an implementation perspective, while the Danish model's lower minimum ownership threshold may broaden access and make transitions feasible for owners who would otherwise be reluctant to relinquish control, partial employee ownership increases the need for clear alignment of governance, decision rights, and financial incentives between employee owners and other shareholders. Combined with the model's more rigid statutory design of transition processes and governance rules within the EOC, shared ownership may generate scepticism among owner-managers and employees alike about the clarity of control and decision-making authority. Successful uptake will therefore depend on clearly demonstrating how decision-making rights are allocated in practice, and on showing that employee ownership can deliver both continuity for owners and meaningful influence for employees.

Table 1. EOT vs EOC – Main Differences

Category	EOT (UK)	EOC (DK)
Legal design	Trust holding shares in operating company on behalf of employees	Cooperative-style holding company (A.M.B.A./F.M.B.A.) holds shares in operating company
Tax on transfer	Pre-Nov 2025: Permanent 100% capital gains tax exemption for the selling owner if qualifying conditions are met. Post-Nov 2025: Permanent capital gains tax relief of 50% for the selling owner if qualifying conditions are met.	No tax paid upfront by the seller, but a deferred transfer tax of 22% is created and assumed by the EOC. Repayment of this tax is triggered only when annual distributions from the operating company to the EOC exceed 8% of the transfer value.
Employee tax benefits	Employees may receive bonuses from the operating company up to £3,600 per year income tax-free	No dedicated tax-free bonus scheme; profit distributions are paid by the EOC based on objective criteria (length of employment, working hours, or salary) and taxed as capital income.
Financing	Most often through deferred consideration where the operating company's distributable profits are used to finance the EOT's purchase of existing shares from the seller. Sometimes external finance is used.	Deferred consideration is expected in practice but not prescribed by law; the deferred transfer tax and 8% distribution threshold are likely to lengthen repayment periods and increase reliance on external financing.
Governance	Managed through flexible trust deeds, with few statutory governance requirements, other than the former owners must always be in a minority on the Trust board.	Governed by a board democratically elected by the employees. A majority of board members must be independent of the former owner.
Employee participation threshold in transition	No statutory requirement for employee approval or participation in the ownership transition.	A minimum of five employees, representing more than half of the workforce, must approve the transition and become members of the EOC.
Employee role	Employees are beneficiaries of the EOT with potential indirect influence via the trust board; employee representation is common practice but not mandatory.	Employees are members of the EOC with direct ownership and voting rights.
Ownership threshold	EOT must hold a controlling interest of more than 50% of shares and voting rights for the tax relief to apply.	EOC must hold a minimum of one-third of both shares and voting rights for the tax relief to apply.
Flexibility	High flexibility through trust deed design and discretionary governance practices.	More rigid due to statutory governance requirements, but allows greater flexibility through lower ownership thresholds and partial ownership transitions.

3. Uptake and implementation of EOT model

This section provides an analysis of how the EOT model diffused in the UK following the 2014-legislation. It first describes the overall scale and growth of EOT uptake and an overview of the sectoral and geographical distribution of EOT transitions. The section then examines how uptake was supported in practice, focusing on diffusion dynamics, awareness mechanisms, and the roles played by key actors in embedding the EOT as a mainstream succession option.

3.1 Overall uptake of the EOT model

The use of the EOT as a business succession mechanism has expanded significantly in the United Kingdom since the model was formalised in the Finance Act 2014. Although employee-owned firms existed prior to 2014, transitions to employee ownership were rare, accounting for fewer than 20 business ownership transitions annually.⁸ When set against the scale of overall business ownership changes in the UK, this level of uptake was negligible. Using the British government's most conservative estimate of annual business transfers subject to the Transfer of Undertakings (Protection of Employment) (TUPE) regulations, approximately 26,500 transactions per year, pre-2014 transitions to employee ownership accounted for roughly 0.075 per cent of all ownership changes.⁹

Following the formalisation of the EOT model, uptake followed a 'hockey-stick'

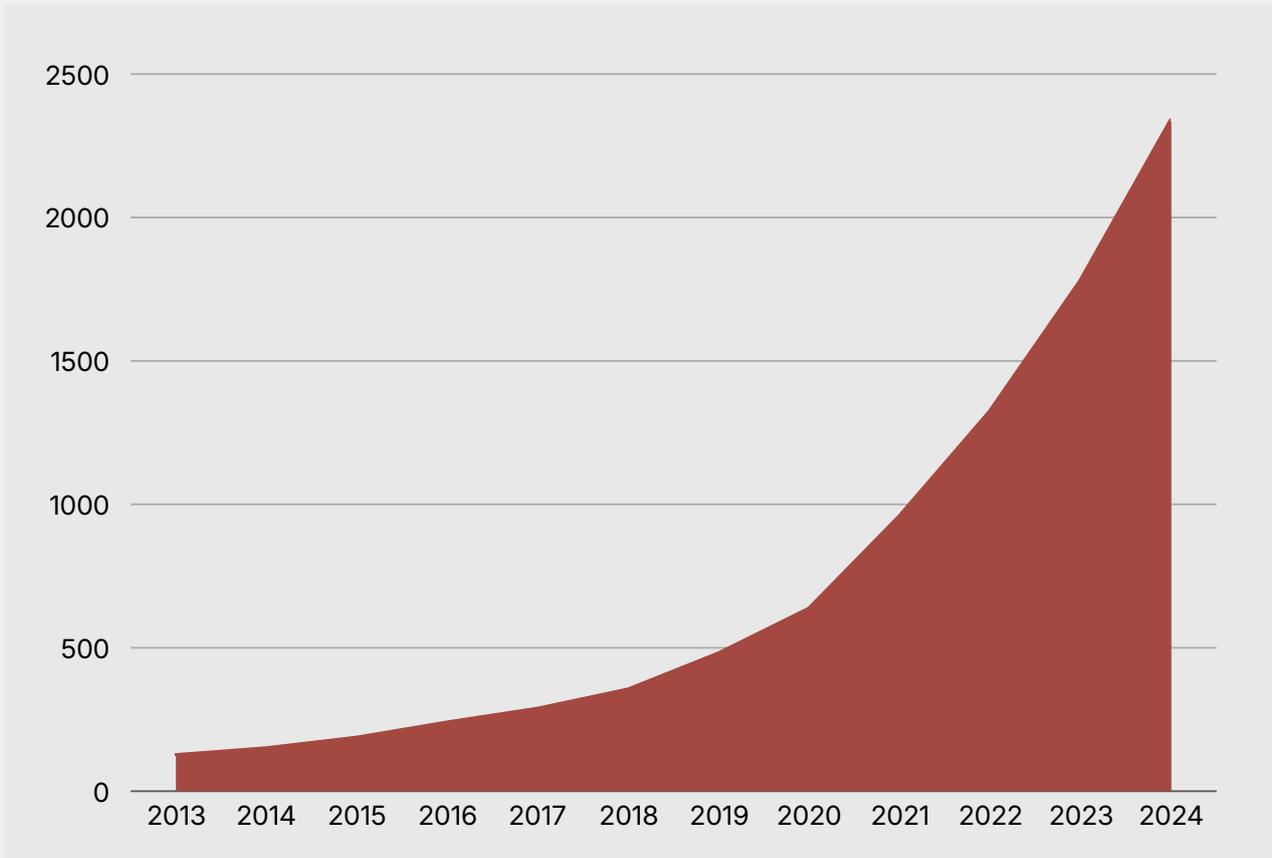
growth pattern. In the first five years after 2014, growth in uptake remained relatively limited. By 2015, EOT transitions are estimated to have accounted for approximately 0.30 per cent of all business ownership transfers. From 2018, annual transitions started to increase sharply year-on-year, reaching an estimated 6 per cent of all ownership transfers by 2024, corresponding to several hundred EOT transactions taking place annually. As a result of this sustained increase, the cumulative number of UK companies owned through an EOT now exceeds 2,000 (see Figure 1).¹⁰

3.2 Sectoral and geographical distribution of EOT Transitions

EOT transitions in the UK have been most prevalent in human-capital-intensive sectors such as architecture firms or consultancy agencies, where value creation is closely linked to employee knowledge and skills. This sectoral pattern aligns with theoretical expectations, as employee ownership is particularly well suited to firms where intangible assets and workforce continuity are central to performance.¹¹

As of 2023, approximately 84 per cent of all UK firms owned through an EOT were concentrated in five sectors (Table 2).¹² While EOT transitions are most common in professional and knowledge-intensive activities, uptake has also expanded into

Figure 1. All employee ownership conversions in UK(cumulative frequency).¹³



Source: EOA & The White Rose Employee Ownership Centre (2024).

Table 2. Sectoral distribution of EOTs (top five).¹⁴

Sector	Share
Professional Services	39.10%
Manufacturing	13.20%
Construction	12.50%
Wholesale & Retail Trade	11.60%
Information & Communication	8.30%

Source: EOA & The White Rose Employee Ownership Centre (2024).

other sectors. In particular, the construction sector has experienced rapid growth in EOT adoption, with the number of EOTs increasing by approximately 6,000 per cent since 2014, compared to an estimated national increase of around 1,600 per cent over the same period.¹⁵

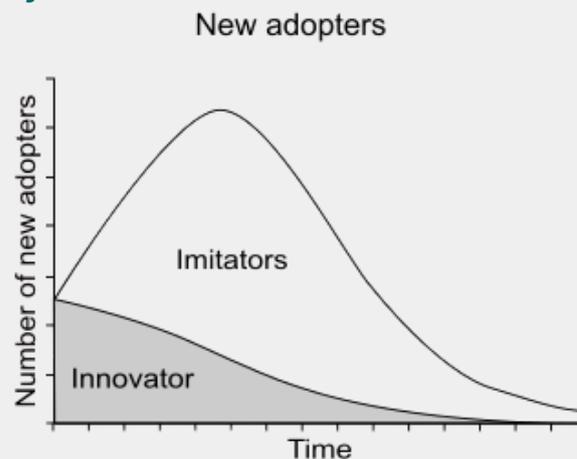
Geographically, EOTs are distributed across the UK, though early uptake was uneven. Initial adoption was concentrated in London, while regions such as Northern Ireland, Wales, and parts of Northern England, including Yorkshire, exhibited relatively low levels of EOT activity. More recently, uptake in these regions has increased, and EOT transitions are now occurring across a broader geographical range than in the early years following the introduction of the EOT model.¹⁶

3.3 How was uptake supported in the UK?

The uptake trajectory of the UK Employee Ownership Trust (EOT) model provides a clear empirical illustration of how new ownership models diffuse through a business population. Across UK regions and sectors, uptake has followed an innovation–imitation dynamic consistent with the early growth phases of the Bass Diffusion Model (Figure 2) for the adoption of new technologies.¹⁷

In the initial phase following the introduction of the new EOT legislation in 2014, the modest growth depended on innovators: business owners who, despite limited domestic evidence on how the newly formalized model would work in

Figure 2. Innovation and imitation dynamics in the Bass Diffusion Model



practice, chose to adopt it and thereby generated the first visible demonstrations of its feasibility. These early transitions required a deliberate innovation push, in which trade bodies promoted the model and a small number of specialist advisors assisted owners in navigating the legal and financial complexity of first-time transactions. As these early cases accumulated and were disseminated through campaigning by trade bodies, the conditions for imitation gradually emerged.

From 2018 onwards, mimetic effects began to take hold and uptake increased rapidly, with clear clustering patterns emerging both geographically and sectorally.¹⁸ Within the UK, these patterns appeared at different times across regions. Areas such as London and Scotland, with higher initial familiarity and stronger advisory capacity, experienced earlier innovation and imitation. In contrast, Wales and Northern Ireland followed a similar trajectory several years later, but only after coordinated efforts by

trade bodies to stimulate early transitions.¹⁹ Once local pioneers emerged in these regions, mimetic effects took hold in a similar way, generating local clusters that mirrored earlier developments elsewhere.

Previous research and interviews conducted for this study point to three primary mechanisms through which diffusion occurred and business owners became aware of the EOT option.

First, word-of-mouth transmission between business owners plays a decisive role.²⁰ Succession decisions are high-stakes and typically shaped by trusted peers rather than general publicity. When owners hear directly from comparable firms that an EOT transition has been successful, perceived risk declines sharply, and the model becomes a concrete option. This helps explain the emergence of sectoral clusters: for example, more than 110 architect firms, 136 construction firms, and a substantial number of consultancy businesses across the UK have transitioned to EOTs, creating visible peer groups that further reinforce adoption.²¹

Second, diffusion was reinforced as the professional ecosystem of lawyers, accountants, and corporate finance advisors integrated the EOT as an obligation-to-inform within standard succession planning.²² As this ecosystem gained experience with the model and developed shared practices, the EOT became institutionalized as a normal exit option. Over time, the combination of

positive case evidence and favorable tax treatment made it professionally difficult not to bring up the EOT during succession discussions,²³ and today most major corporate advisory firms offer EOT transactions as a standard succession option.²⁴

Third, trade bodies and sector organisations played a central role in community-building and collective learning, which significantly strengthened imitation dynamics. Organisations such as the Employee Ownership Association promoted success stories through active campaigning and facilitated interaction between professional advisors and EOT firms through annual conferences with several hundred participants, online fora and dedicated networks. This infrastructure enabled firms considering transition to access practical knowledge, informal peer support, and reassurance from experienced EOT companies, thereby lowering uncertainty and accelerating imitation once early pioneers were in place.

In addition to the innovation and imitation dynamics, the UK experience shows that uptake is sensitive to legislative changes that alter the relative attractiveness of an EOT transition compared to conventional business sales. The acceleration in uptake became particularly pronounced after 2020, when the lifetime allowance for Business Assets Disposal Relief was reduced from GBP 10 million to GBP 1 million.²⁵ This change made traditional sales considerably less tax-advantaged, thereby increasing the relative appeal of

EOT transitions, which remained exempt from capital gains tax. Conversely, the partial rollback of the capital gains tax relief in the 2025 Autumn Budget, has reduced the comparative advantage and may slow the pace of new EOT transitions going forward.²⁶

Table 3. Key actors involved in implementing EOT model in UK

Actor	Role
<p>Government and government authorities (Department for Business and Trade, HM Treasury, HM Revenue & Customs (HMRC))</p>	<p>From 2012, the government supported a broad framework to promote employee ownership. In 2014 the legislative and fiscal framework for the EOT model was established through the Finance Act 2014. Official bodies played a limited role in active dissemination thereafter. Subsequent involvement has been mainly corrective and evaluative: commissioning an evaluation in 2023 [27], tightening rules to prevent tax misuse in 2024 [28], and partially rolling back the capital gains tax relief in 2025.</p>
<p>Trade bodies and regional employee-ownership organisations: England (EOA), Wales (CWMPAS), Scotland (Scottish Enterprise), Northern Ireland (EOI)</p>	<p>Supported awareness-raising and information dissemination through campaigns, case examples, networking activities and community-building. In Wales, Scotland and Northern Ireland, the organisations also provide free feasibility studies and early-stage guidance to business owners. CWMPAS, Scottish Enterprise and EOI are fully or partly publicly funded.</p>
<p>Professional advisors</p>	<p>Played a key role in spurring demand among business owners. Initially concentrated in a small number of EO advisory firms, EOT expertise gradually diffused into the mainstream advisory market. As the EOT became an established and tax-advantaged succession route, professional advisors increasingly viewed it as part of their fiduciary duty to inform clients of EOTs as a potential exit option.</p>

4. Performance of converted EOTs

This section highlights key findings from a preliminary firm-level performance analysis of 126 companies before and after transition to an EOT. The full preliminary report is submitted alongside this document, and the final report will be submitted in late summer of 2026.

The analysis should be interpreted with some caution. It is based on a relatively small sample of EOT companies and relies on a dataset that differs from the larger

and more comprehensive dataset that will be used for the final performance analysis later this year. Nevertheless, the sector distribution is largely representative for the total population and years spread out over the entire period of conversions (see figure 3), with conversions observed across a wide range of industries (see figure 4) and firm sizes (see table 4). The results provide valuable early insights into how a subset of companies perform financially following conversion to employee ownership.

Figure 3. The annual distribution of sample EOT-conversions

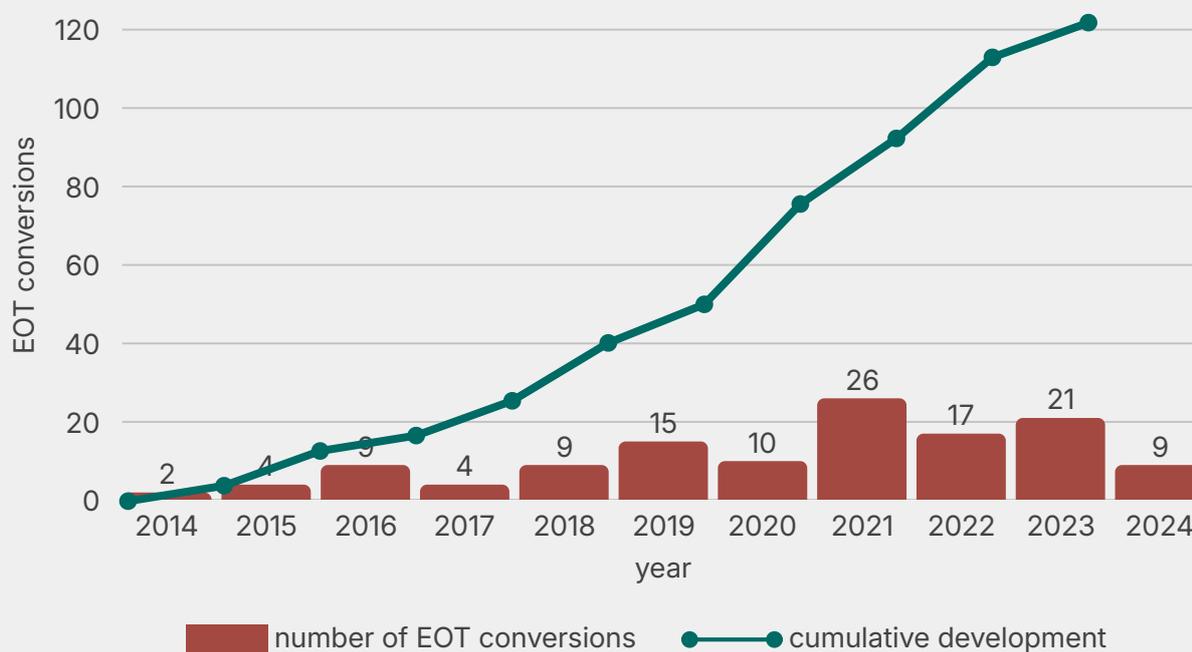


Figure 4: Sectoral Distribution of Sample Firms Undergoing EOT Conversions

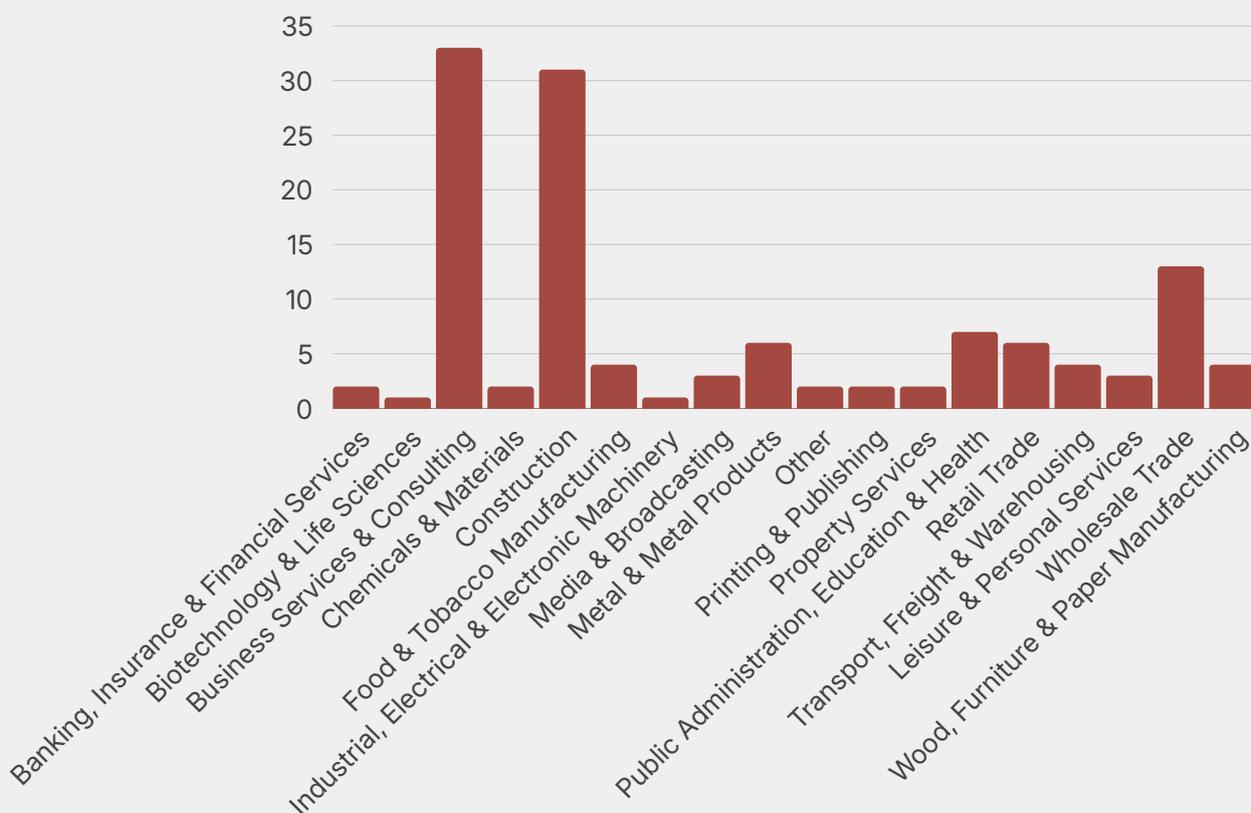


Table 4. Sample Firm Size Distribution (by Employment) at the Time of EOT Conversion

Number of Employees	Frequency of EOT-Converted Firms
0-49	9
50-99	34
100-249	42
250-499	18
≥500-549	15
Total	118

Note: Eight observations without data on the number of employees in the year of conversion are excluded.

4.1 Institutional background and analytical perspective

Since their introduction in 2014, EOTs have become one of the most widespread and politically visible forms of employee ownership in the UK. Several thousand companies have converted, and the model is now an established part of the British market for business transfers. Despite this success, systematic evidence on the financial performance of EOT companies remains limited. Existing research has focused primarily on governance, employee involvement, and ownership stability, generally finding that employee influence remains stable or increases over time.²⁹ Much less is known about how EOT conversion affects accounting performance, investment behaviour, capital structure, and financial robustness. This gap is particularly important given the distinctive financing structure of EOTs.

In an EOT conversion, ownership is transferred to a trust on behalf of employees, while payment to the former owner is typically deferred and settled over time, sometimes supplemented by bank financing.³⁰ The financing obligation is placed in the trust rather than directly on the operating company. As a result, the operating company does not formally service acquisition debt, but is expected to generate stable and sufficient cash flows that can be distributed to the trust to finance the ownership transition. This separation between where debt is located and where value is created constitutes the core economic mechanism of the EOT model.

Compared to traditional business transfers, the central financial challenge shifts away from leverage and solvency at the operating-company level and toward sustained cash generation, capital efficiency, and operational performance. During the transition period, companies must balance three competing demands: generating ongoing cash flows, investing in future competitiveness, and financing the owner's exit through distributions to the EOT.

The analysis adopts an accounting-based before-and-after design, comparing each company with itself from one year before conversion to three years after. This approach is chosen explicitly to address the strong selection pattern observed in the employee ownership literature, where companies that convert often differ systematically from others already prior to conversion. While the analysis does not establish causal effects, it provides insight into how key financial indicators evolve around the point of conversion.

4.2 Main results

Overall, the results show that conversion to EOT ownership is not associated with financial deterioration. On the contrary, companies on average display stable or improving operating performance while simultaneously increasing cash transfers to the owner level. The findings can be summarized as below:

Table 5. Average Change in Key Financial Metrics from One Year Before to Three Years After EOT Conversion

Key Financial Metrics	Change (%)
ROIC	31%
EBITDA-margin	305%
Dividend payout ratio	77%
Change in dividends relative to EBITDA prior to conversion	314%
Working capital intensity	23%

4.2.1 Improved operational efficiency and capital utilisation

Return on invested capital (ROIC) increases by an average of 31% in the years following conversion. EBITDA margins also improve on average. These developments indicate that the companies are able to generate more value from their existing capital base and strengthen

underlying operating performance during the transition period. This is consistent with the expectation that employee ownership primarily affects operational efficiency and capital utilization rather than capital structure.

4.2.2 Increased cash transfers to the EOT

Dividend payments rise significantly after conversion. Both dividends relative to annual profit and dividends relative to pre-conversion EBITDA increase substantially. This shows that companies are not only improving accounting performance, but are also converting earnings into actual cash flows that can be used to service the deferred financing of the ownership transfer. This finding directly confirms that the core financial mechanism of the EOT model functions in practice.

4.2.3 Balancing liquidity and operational stability

Working capital intensity increases on average. This suggests that companies tie up more liquidity in ongoing operations during the transition period, possibly reflecting growth, more cautious liquidity management, or deliberate efforts to safeguard operational stability while making significant distributions to the EOT. Importantly, higher payouts are not achieved by hollowing out operations, but coexist with continued operational stability.

Overall, the results paint a coherent picture of how operating companies in EOT structures adapt financially in the years following conversion.

On the one hand, clear improvements are observed in key performance metrics such as ROIC and EBITDA margin. On the other hand, there is a marked increase in dividend payments, which shows that companies in practice function as effective cash generators for the EOT. At the same time, developments in working capital intensity indicate that this adjustment is not cost-free, but involves an ongoing balancing act between liquidity, investment, and financial robustness.

4.3 Relevance and transferability to the Danish context

From a Danish perspective, the findings are highly relevant. The British EOT model is both institutionally and economically related to the proposed Danish model for employee-owned generational change. In both cases, ownership is transferred to a collective entity on behalf of employees, and the transaction is largely financed through future profits rather than upfront external capital. The central economic challenge is therefore the same: the operating company must generate stable and sufficient cash flows over time while continuing to invest and operate competitively.

There are, however, important differences between the two countries that may influence how this mechanism operates in practice. One has to do with the particular tax-setup. In the Danish EOC, as

in the UK EOT, the selling owner does not pay tax upfront on the transfer; however, unlike in the UK, the tax liability is deferred to the EOC itself and must be settled over time. As a result, the period required for a Danish EOC to repay the full transfer value may be longer, reflecting the obligation to service the deferred tax alongside the acquisition price. Also the Danish financing landscape is characterized by a relatively strong role for banks and mortgage credit institutions, which may affect the balance and prioritization between bank debt and seller financing during the transition phase. At the same time, the Danish labour market is characterized by high levels of trust, relatively flat hierarchies, and well-established traditions of cooperation, which may mean that some organizational effects of employee ownership are either reinforced or expressed in alternative performance indicators.

These differences do not alter the underlying economic logic of the model. In both contexts, the sustainability of employee-owned generational change ultimately depends on the operating company's ability to generate stable and predictable cash flows over time. The Danish tax framework, like the British one, offers possibilities for tax-favoured succession that reduces immediate liquidity pressure at the point of transfer and support financing based on future value creation, even if the specific instruments differ. The British results therefore provide an empirical basis for optimism that employee-owned generational change of this type can be

economically sustainable in Denmark. They should not be read as direct forecasts for Danish companies, but as indications that employee ownership can be combined with financial discipline, continued productive operation, and long-term value creation. In a Danish context, this supports the expectation that employee ownership can function as a viable tool for business succession, company continuity, and job preservation in small and medium-sized enterprises.

5. Ensuring uptake of the Danish EOC model

The following sections examine how uptake of the Danish EOC model may unfold given Denmark’s specific starting conditions. First, Denmark’s starting point is compared with that of the UK at the time the EOT model was introduced, highlighting differences in prior experience, ecosystem readiness, and expected diffusion dynamics. Based on this comparison, the analysis then identifies key conditions shaping uptake of the EOC model and synthesises them into a sequenced theory of change for successful implementation.

5.1 Comparing Denmark and the UK: Two different starting points

While the UK experience provides a clear illustration of how uptake can unfold, the Danish starting point differs in several important respects (see Table 6).

When the UK introduced the EOT legislation in 2014, it did so in a context where certain enabling conditions were already in place.³¹ A small but visible set of trust-based employee-owned companies

Table 6. Comparing starting points for EOT and EOC models

	UK (2014)	Denmark (2026)
Prior experience	A number of trust-based employee-owned firms existed before 2014, including well known pioneers like John Lewis.	Very few employee-owned firms and low awareness among owner-leaders.
Ecosystem readiness	Premature ecosystem in place with EO advisors and dedicated campaigning trade bodies.	Specialist advisors and campaigning organisations largely absent.
Expected diffusion dynamic	Faster shift from innovation to imitation, driven by early pioneers and existing ecosystem.	Longer innovation phase requiring a stronger initial push to generate first transition cases.

already existed, most prominently John Lewis, and parts of the professional ecosystem, especially specialist law firms and advisors, had accumulated practical experience with trust-based ownership structures. This meant that early innovators in the UK were not adopting an entirely unfamiliar model, but were building on known legal instruments and supported by advisors with at least some prior exposure to employee-ownership transitions. These contextual advantages helped lower the perceived novelty and risk associated with the first wave of EOT transitions after 2014.

Denmark begins from a much earlier point on the maturity curve. Although Denmark has a long tradition of democratic ownership in consumer and producer cooperatives,³² there are very few employee-owned businesses, and awareness and practical experience with employee ownership remains limited among both owners, lawyers, accountants, and financial advisors.³³ A survey of more than 600 Danish owner-managers suggests that this reflects structural constraints rather than a lack of interest: while 63 per cent consider it a good idea to involve employees in ownership, perceived financing and legal barriers and limited access to professional advice deter many from choosing employee ownership as a succession option.³⁴

Consequently, diffusion dynamics in Denmark are likely to take longer to materialise than in the UK, and a significantly stronger innovation push will

be required to generate the initial set of “transition champions” that can serve as a model for others. Whereas the UK could rely relatively quickly on imitation effects triggered by early pioneers and a preexisting supportive ecosystem, Denmark must first cultivate both demand among owners and professional advisors. Consequently, diffusion dynamics in Denmark are likely to take longer to materialise than in the UK, and a significantly stronger innovation push will be required to generate the initial set of “transition champions” that can serve as a model for others. Whereas the UK could rely relatively quickly on imitation effects triggered by early pioneers and a preexisting supportive ecosystem, Denmark must first cultivate both demand among owners and professional advisors to support early transitions. The innovation phase is therefore likely to be longer, and the overall uptake trajectory slower, than was observed in the UK all else equal.

5.2 What will it take to ensure uptake in Denmark?

Given Denmark’s earlier starting point, uptake of the EOC model is likely to depend on a set of enabling conditions that support both innovation and imitation. Drawing on the UK experience and the preceding comparison, five conditions appear particularly important for understanding how uptake may unfold in the Danish context.

First, uptake is unlikely to progress

without a small number of innovative pioneer transitions that demonstrate the feasibility of the EOC model under Danish conditions. In a context with almost no prior employee-owned firms and limited awareness among owners and advisors, the absence of visible reference cases is a central constraint. Whether early 'transition champions' succeed in generating trust and legitimacy is therefore likely to be decisive for subsequent diffusion.

Second, the pace of uptake will depend on the development of a capable professional advisory ecosystem. Danish lawyers, accountants, and financial advisors currently have limited practical experience with employee-ownership transitions, and the EOC model is not yet embedded in standard succession planning practices. Diffusion will therefore hinge on whether professional actors begin to integrate employee ownership into standard succession planning practices and to recognise it as a legitimate, professionally endorsed option.

Third, Denmark's starting point implies a lack of community infrastructure through which experiences can be shared and normalised. In the absence of a dedicated supporting organisation to coordinate uptake efforts, establish peer networks, and promote successful cases, early transitions risk remaining isolated rather than feeding into broader imitation dynamics. The emergence of mechanisms or an organisation that connects owners, advisors, and employees and makes early experiences visible is therefore likely to

influence the speed of uptake.

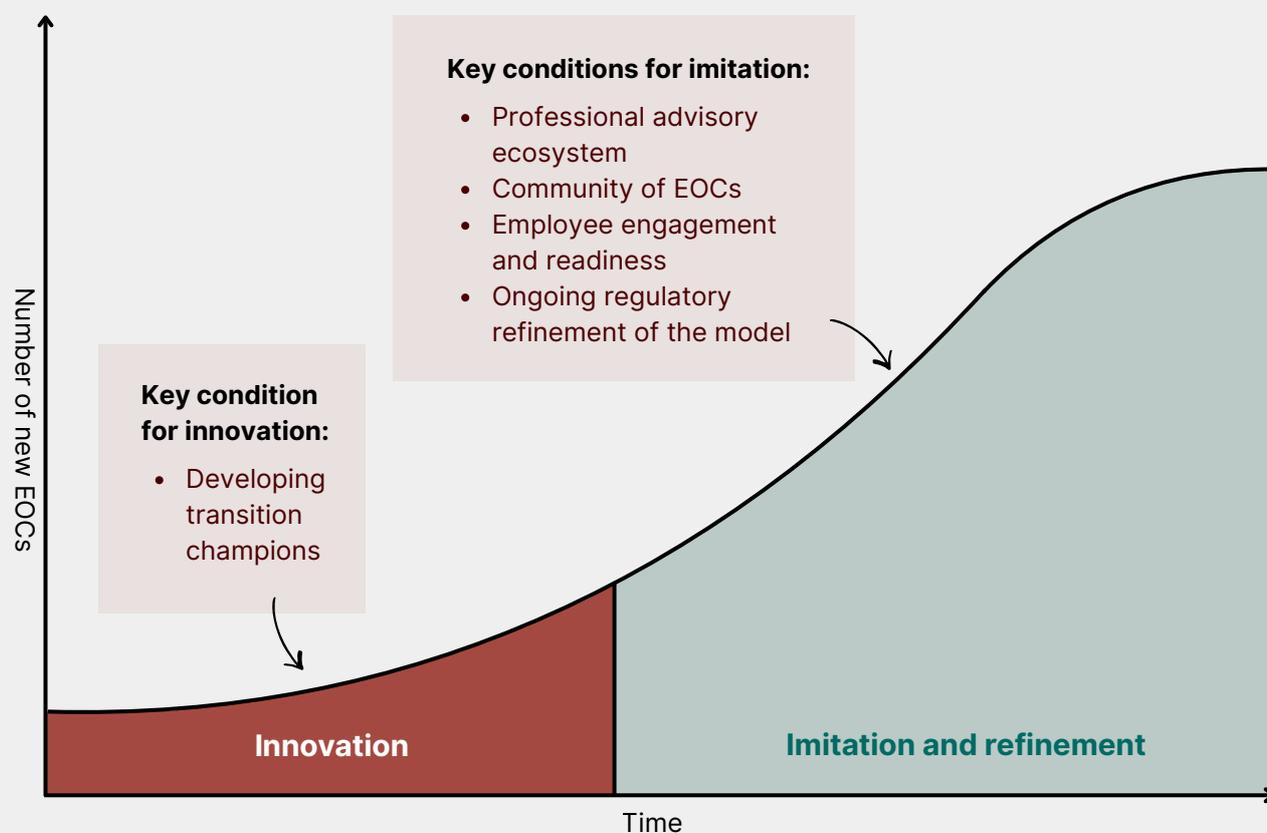
Fourth, the design of the Danish EOC model places a comparatively strong emphasis on employee involvement, including majority approval of the transition. In a context where most employees have no prior experience with ownership, this requirement introduces an additional constraint on uptake. The ability of employees to understand the model and engage constructively in the transition process is therefore likely to affect whether transitions succeed.

Fifth, uptake will be shaped by the relative attractiveness of the EOC model compared to other succession options available in Denmark. Unlike in the UK, where EOT sales have often been among the most attractive options from a tax point of view, Danish owners may find family or foundation succession similarly appealing, while the deferred transfer tax assumed by the EOC may limit the perceived financial upside for employees. This reduces the attractiveness of the EOC model and implies that its adoption trajectory will be sensitive to how the model's incentives are refined over time to maintain its competitiveness relative to alternative exit pathways.

Taken together, these conditions imply a sequenced theory of change (Figure 5), in which uptake depends on both an initial innovation push to overcome Denmark's limited prior experience and generate credible pioneer cases, and a subsequent imitation push to develop professional capacity, community infrastructure, and

employee readiness. The five conditions also serve as the baseline for the recommended interventions presented in section 6.

Figure 5. Theory of change for successful implementation of the Danish EOC



6. Recommendations for successful EOC implementation

This section translates insights from the UK Employee Ownership Trust (EOT) experience into targeted recommendations for the Danish context. The focus is on identifying practical implementation priorities that can support early uptake and long-term viability of the Danish EOC model.

The recommendations are organised around three core implementation challenges that emerged from the UK experience: (1) stimulating early demand and awareness, (2) building an ecosystem that enables diffusion, and (3) ensuring ongoing evaluation, learning, and policy adaptation. The following subsections set out concrete recommendations within each of these areas.

6.1 Stimulating early demand and awareness

If the Danish EOC model is to succeed, business owners must be aware of it and regard it as a credible and reliable succession pathway. Stimulating demand in the first years after the model takes effect is therefore critical. Consistent with the Bass diffusion logic observed in the UK, the first wave of adopters shapes wider perceptions of risk, legitimacy, and feasibility. Without an initial group of informed and motivated owners, later imitation effects cannot take hold. This

phase therefore depends on targeted interventions that help owners and their trusted advisors recognize EOTs as an attractive succession pathway.

In the UK, diffusion was driven less by publicly funded broad-based campaigns and more by peer-to-peer influence among business owners, supported by an intermediary ecosystem. Word-of-mouth, reinforced by high-profile success stories such as John Lewis, and business development work by pre-existing employee ownership practitioners helped normalize the model. Diffusion was also actively cultivated by dedicated trade bodies, particularly the Employee Ownership Association (EOA). While there was no formal national public campaign, the EOA effectively functioned as a sustained campaigning organisation: placing stories of early transitions in national and trade media, developing learning materials and events with professional associations and chambers of commerce, building long-term relationships with advisors and policymakers, lobbying for regulatory improvements, and commissioning evidence on the model's economic and social impacts. Trusted advisors (accountants, lawyers, tax specialists) played an essential intermediary role. Once advisors understood EOTs, they began to routinely offer them as a succession option. Professional networks

thus acted as accelerators, with owners often first encountering the model through an advisor or sector peer, contributing to its early legitimacy and normalization.

Denmark enters this policy area with both notable strengths and clear gaps. The country's strong cooperative tradition and high levels of trust in democratic workplace cultures creates a favourable foundation for employee ownership. However, Denmark currently lacks an established advisory ecosystem, recognizable domestic success stories, and broad awareness among business owners and succession advisors. Without early demand, the model risks being seen as marginal, unfamiliar, or unnecessarily complex. To avoid this, Denmark will need proactive, targeted efforts to generate a critical mass of early EOC-owned companies, enabling the imitation effects observed in the UK to take hold. Central to this process is the presence of a dedicated catalyst organisation with an explicit goal to coordinate awareness-raising, advisor engagement, evidence-building, and policy feedback, akin to the role played by the EOA in the UK. Evidence from the UK suggests that certain sectors are especially promising as early adopters, particularly human-capital-intensive fields such as professional services and architecture, but also sectors where employee ownership could deliver high systemic or social impact. In the UK, for example, EOTs contributed to stabilizing parts of the care sector that were otherwise at risk of collapse, illustrating the model's potential as both a succession pathway and a resilience

mechanism.³⁵ Identifying and prioritizing both high-potential and high-impact sectors in the Danish context will be essential for accelerating early diffusion and establishing the model's legitimacy.

Timeframe: Year 1-3

Recommendation 1: Target business owners and their trusted advisors as primary initiators.

Purpose: Ensure that efforts to stimulate demand and awareness focus on the actors who most directly shape business succession decisions: business owners and their trusted advisors. Succession decisions are rarely made by owners in isolation. They are strongly influenced by peer experiences within their networks and by advice from accountants, lawyers, and other professional advisors. If advisors are unaware of, uncertain about, or sceptical of the EOC model, and if owners lack access to credible peer examples, EOCs are unlikely to be taken into consideration during succession planning.

Examples of relevant interventions:

- Embed references to the EOC throughout relevant government department materials especially those dealing with the lifecycle of businesses. This should include issuing formal guidance through professional

bodies, sector associations, and trade organisations, explicitly positioning EOCs as a standard succession pathway.

- Develop a national, user-friendly EOC information portal with checklists, template timelines, FAQs, and contact info on key knowledge actors and transition champions for owners and advisors.
- Encourage professional bodies to include introductory EOC references in general succession communications and materials.
- Support the visibility of credible peer examples and transition champions to normalise EOCs within owner networks.

Recommendation 2: Address owners' strategic and emotional priorities in awareness efforts

Purpose: Align awareness efforts with the lived decision-making realities of business owners to increase uptake and reduce resistance. Succession decisions are shaped not only by financial considerations but also by identity, legacy, trust, and emotional attachment to the firm.³⁶ If awareness efforts focus solely on legal or fiscal aspects, they risk failing to resonate with owners' core motivations. By explicitly addressing strategic and

emotional priorities of Danish business owners nearing retirement, awareness efforts are more likely to support adoption.

Examples of relevant interventions:

- Conduct a seller experience journey study, mapping owners' motivations, preferred legacy preferences, financial expectations, risk perceptions and emotional considerations.
- Translate findings into owner-facing narratives and messaging that foreground continuity, stewardship, trust, and the owner's desired legacy without omitting the financial component.
- Produce simple decision-support tools comparing EOCs with trade sales, family succession, foundations, and management buyouts (including non-financial dimensions).
- Include the emotional and identity-related aspects in succession conversations (not only legal and fiscal points) in all training-modules for advisors.

Recommendation 3: Conduct targeted awareness campaigns in high-potential sectors

Purpose: Focus awareness efforts where adoption is most likely and where successful transitions can generate most

economic and social benefits. Not all sectors face the same succession pressures, cultural readiness, or structural vulnerabilities. Targeting high-potential sectors increases the probability of early success, while prioritizing high-impact sectors allows employee ownership to function as a policy tool for stabilizing essential services, preserving employment, and supporting local economies. This dual focus ensures that diffusion is both efficient and aligned with broader public policy goals.

Examples of relevant interventions:

- Build on existing evidence and Danish firm-level succession data to identify sectors with a high likelihood of adopting EOCs. Key indicators for identifying high-probability sectors include organizational culture, owner age distribution, firm size profiles, and succession pressures.
- Preliminary analysis indicates that human-capital-intensive professional service sectors, such as consultancy, engineering, and architectural firms, are particularly well suited as early adopters.
- Run time-limited pilot campaigns in 2–3 priority sectors to generate early interest and conversions and

learning before scaling nationally. Track sector uptake and barriers in real time and iterate campaign content, channels, and targeting based on what converts interest into transactions.

- Develop sector-specific awareness campaigns tailored to the motivations and needs of first business owners and second advisors. This may include targeted briefings, industry newsletters, and partnerships with relevant trade associations, as well as public roadshows, champion speakers, and media coverage in the early years.

Recommendation 4: Develop and promote ‘transition champions’ to drive early legitimacy

Purpose: Build early legitimacy and reduce perceived risk by actively supporting the generation of a small number of visible “transition champions” that demonstrate the feasibility of the EOC model in practice. In the absence of domestic precedents, potential adopters may perceive EOCs as experimental or untested. Early champions therefore need to be actively identified, supported, and promoted to function as credibility anchors.

Examples of relevant interventions:

- Use a small group of existing EOCs as ambassadors and early reference points. Where domestic critical mass is lacking in the initial years, complement this with UK EOT owners to share practical experience and credibility.
- Identify and recruit a small cohort of possible future pioneer firms and offer time-bound, subsidised feasibility studies to assess suitability, valuation, governance design, and financing options.
- Provide “transaction sprint” assistance (legal/tax/governance facilitation) to ensure high-quality first transitions.
- Document each pioneer transition as a validated reference case (transaction structure, governance model, lessons learned) to reduce uncertainty for followers, and use the case studies, interviews, and short videos explaining the benefits and lived experiences of transitioning to an EOT.
- Deploy transition champions strategically in peer networks, advisor forums, sector events and regional roadshows to activate imitation effects and build early legitimacy.

6.2. Building an ecosystem that enables diffusion

Whereas early uptake depends on awareness and initial demand, sustained diffusion requires an ecosystem that can provide practical guidance and facilitate knowledge sharing and imitation among firms considering employee ownership.

In the UK, companies considering an EOT transition required substantial support both during the transaction phase and after becoming employee-owned. Owners, managers, and employees face challenges on new governance arrangements, cultural shifts, and operational adjustments. This support was delivered through a combination of formal mechanisms, including accountants, lawyers, and tax advisors, and informal community-building mechanisms such as peer networks, conferences, and educational events organized by trade bodies such as the EOA. The EOA also developed extensive written resources, training programs, and advisory services tailored to EOT-owned firms.

However, employee-directed support was comparatively underdeveloped in the UK. This limited the extent to which employee ownership translated into improved engagement and performance. Evidence from the UK suggests that positive firm-level outcomes are mediated by strong governance arrangements and meaningful employee participation in the transition process.³⁷ Where these elements were weak, EOT transitions were more likely to underperform.

Denmark's institutional context offers both advantages and risks for this phase of diffusion. On the one hand, the Danish model already mandates higher levels of employee involvement than in the UK, and Danish workplace culture is traditionally characterized by stronger democratic norms. This creates a solid foundation for participatory governance. On the other hand, Denmark currently lacks a dedicated ecosystem to support either implementing EOC transitions or supporting EOCs post-transition. In particular, it may be a problem that law firms and accountancy firms will not be able to provide cost-effectively the additional support needed to educate and assist employees to approve the transition and understand their ongoing role as members of the EOC. Without targeted intervention, firms may struggle to navigate the transition process, and fail to obtain the benefits of employee ownership post transition. Early failures could negatively shape perceptions of the model.

To ensure successful diffusion, Denmark must therefore invest early in building a professional capacity and community infrastructure that supports both firms and employees throughout the transition and consolidation phases.

Timeframe: Year 1-10

Recommendation 5: Develop a professional advisory ecosystem

Purpose: To ensure that EOC transitions are technically sound, efficient, and scalable by embedding employee ownership expertise within the professional advisory system. Advisors act as gatekeepers to succession pathways; without sufficient knowledge and confidence, they may discourage EOCs, unintentionally mismanage transitions, or not even suggest it as an option. Education and network-building among professional advisors reduces transaction risks and prevents early failures that could damage the reputation of the model. This intervention is essential for transforming EOCs from isolated cases into a routinized succession option.

Examples of relevant interventions:

- Work with professional bodies to integrate EOCs into standard succession training and guidance materials.
- Publish official guidance including precedent documents and tax guidance on how to establish an EOC as well as a standard EOC constitution. Publishing this material on a Danish Government website would not only reduce transaction costs and uncertainty for advisors and firms, but also signal that employee ownership is an officially endorsed and legitimate ownership structure.

- Establish an “EOC advisory network” (expert key knowledge specialists + referral protocols) so generalist advisors can confidently signpost clients to qualified expertise.
- Deliver standardized, short-form training modules (legal, tax, governance, transaction process) for accountants, lawyers, and tax advisors through professional associations.
- Identify and address potential conflicts of interest and misconceptions, including the perception that EOC transactions are more complex than alternative exit routes.

Recommendation 6: Establish a community of EOCs

Purpose: Support long-term diffusion and performance by enabling collective learning, peer support, and identity formation among EOC-owned companies. Employee ownership introduces new governance and cultural challenges that cannot be fully addressed through transactional advice alone. A national community provides social infrastructure for sharing experiences, solving problems, and developing norms of good practice. The facilitation of such a community reduces isolation among early adopters, accelerates learning, and strengthens the visibility of the emerging EOC sector. The organiser of this community would take the lead in either ensuring it or make others provide the necessary resources for EOC owned business to maximise the

benefits of employee ownership.

Examples of relevant interventions:

- Ensure that sustained capacity exists to build and maintain a national community of EOT-owned companies, for example through a dedicated organization or an extension of an existing body.
- Provide regular networking opportunities, peer learning events, and thematic workshops addressing governance, participation, and performance.
- Offer support, including the facilitation of mentoring from experienced EOTs to newly transitioning firms.
- Foster a shared sense of identity among firms, employees, and owners around employee-owned enterprises as a credible business model through regular national meetings or congresses.

Recommendation 7: Provide guidance and support for employees

Purpose: Enable employees to meaningfully exercise their new ownership and governance roles, thereby ensuring that employee ownership translates into improved engagement, performance, and wellbeing. Legal participation rights alone are insufficient if employees lack

understanding, skills, or confidence. Without targeted support, employee involvement risks becoming only symbolic, undermining both outcomes and perceptions of the model. Employee guidance through the transition processes is therefore critical to realizing the full economic and social potential of EOC transitions and preventing underperformance driven by governance capacity gaps. In the Danish context, labour unions, which have to be notified during the transition process, can play a constructive role by supporting employees during EOC transitions and helping ensure that ownership arrangements do not compromise existing employee rights.

Examples of relevant interventions

- Include labour unions as a partner in the transition process, particularly in relation to employee information, consultation, and safeguarding employee rights.
- Develop employee-focused guidance materials explaining ownership structures, governance roles, and participation mechanisms in accessible language.
- Provide advisory support for employees during and after transitions to help employees navigate new responsibilities and organizational dynamics.
- Develop and encourage labour unions, EOCs and trade bodies to offer training programs for employee

representatives, trustees, and board members.

Recommendation 8: Ensure access to patient and shared financing for EOC transitions

Purpose: To reduce financing barriers and execution risk in EOC transitions by ensuring that patient, appropriately structured financing is readily available to support ownership transfers. In the Danish EOC model, the assumption of a deferred transfer tax by the EOC and the reliance on future cash flows may lengthen repayment periods compared to the UK EOT model. Without complementary financing mechanisms, this may deter owners and slow down uptake. Facilitating access to financing that shares risk between owners, employees, financial institutions, and the public sector could therefore be critical for enabling scalable and credible diffusion of the EOC model.

Examples of relevant interventions

- Engage the Danish banking sector and impact investment funds early to develop standardised lending products and procedures tailored to EOC transactions, including longer maturities, flexible repayment profiles, and explicit recognition of deferred-payment ownership transfers.
- Establish public or semi-public risk-sharing mechanisms (e.g. loan guarantees, first-loss tranches, or co-

investment facilities) to reduce banks' exposure and incentivise lending to EOC transitions without placing full financial responsibility on the EOC.

- Develop guidance and model documentation for blended financing structures combining seller financing, bank loans, and retained earnings, aligned with the Danish EOC tax and governance framework.
- Pilot dedicated EOC financing facilities in collaboration with selected financial institutions (charitable foundations and profit oriented institutions alike) to build transaction experience, and reduce uncertainty for subsequent lenders and advisors.

6.3. Ensuring evaluation, learning, and policy adaptation

The successful diffusion of new ownership models depends not only on initial adoption but on the capacity of policymakers to learn from early implementation and adapt accordingly. New legislation inevitably produces unintended effects, particularly when it introduces organizational and governance innovations. Without systematic monitoring and evaluation, small design flaws can accumulate into structural barriers that slow diffusion or undermine outcomes. Embedding learning mechanisms from the outset is therefore critical to sustaining momentum and legitimacy.

The UK experience highlights both the importance of formal continuous evaluation and the consequences of neglecting it. Examples from the early years of implementation include: fundamental tax problems with the EOT model that were solved by an individual professional identifying them and dealing directly with the relevant HMRC technical policy officials, the need for a new accounting standard which was addressed by a small working group created by a member organization, and concerns that some advisory firms were promoting capital gains tax avoidance schemes using EOTs.

While the UK experience ultimately led to regulatory adjustments, these emerged only after a prolonged period marked by ad hoc interventions rather than systematic review. The lack of embedded, continuous evaluation meant that emerging governance ambiguities and opportunities for tax avoidance were identified and addressed slowly. Interviewees later described this as a missed opportunity, noting that it took almost a decade after the formalisation of the framework for potential tax loopholes to be closed through legislative restrictions. This underscores the risks of relying on informal relationships with the relevant Government departments and on ad hoc initiatives by a variety of bodies rather than embedded evaluation mechanisms and provides a clear incentive to institutionalise early and continuous monitoring of the Danish EOC model, both to safeguard policy integrity and to prevent unintended fiscal

outcomes.

The UK case also demonstrates the risks associated with weak institutional memory. Turnover among civil servants, combined with limited documentation and knowledge transfer mechanisms, led to repeated loss of expertise about EOTs in HMRC and HM Treasury, departments with lead responsibility for implementing the model. New staff often had little awareness of the model's rationale, history, or prior implementation lessons, creating an educational burden for advocacy associations.

Denmark has the opportunity to embed evaluation and learning into the EOT framework from the outset. Doing so would reduce long-term policy costs, support evidence-based adaptation, and ensure continuity across political cycles and administrative changes. Early investment in monitoring, documentation, and research infrastructure will be significantly less resource-intensive than retrospective evaluations or corrective reforms.

Timeframe: Year 1-10

Recommendation 9: Implement continuous policy evaluation and model refinement.

Purpose: Maintain policy effectiveness and legitimacy by ensuring that the EOC framework evolves in response to empirical evidence and implementation

experience. Early-stage diffusion is highly sensitive to design flaws and unintended consequences. Continuous evaluation allows the government to correct course early and protect the long-term credibility of the policy intervention. In particular, ongoing evaluation should assess whether the EOC model remains competitively attractive relative to alternative succession routes, as shifts in relative incentives may materially affect uptake.

Examples of relevant interventions

- Establish a formal requirement for regular policy review, ideally on an annual basis during the early years of implementation.
- Monitor uptake rates, sectoral distribution, and transaction characteristics to identify emerging barriers or unintended consequences.
- Track the relative financial and regulatory attractiveness of EOC transitions compared to alternative succession options (e.g. family succession, foundation ownership, trade sales), and assess whether adjustments are needed to maintain competitiveness.
- Create feedback loops between evaluation findings and regulatory or administrative adjustments.

Recommendation 10: Build mechanisms for institutional memory.

Purpose: Safeguard accumulated knowledge and reduce long-term policy costs by preventing the repeated loss of expertise due to civil service staff turnover and political change. The UK experience shows that weak institutional memory creates inefficiencies, delays, and reliance on external actors for basic knowledge transfer. Establishing durable memory mechanisms ensures continuity, reduces administrative burden over time, and enables more effective governance of the EOC framework across electoral and organizational cycles.

Examples of relevant Interventions

- Assign responsibility for evaluation to a designated unit to ensure accountability.
- Develop and maintain a centralized, living repository of EOC-related documentation, including legislative rationales, implementation guidelines, evaluation reports, and case studies.
- Assign clear custodianship of institutional knowledge within the Ministry of Business, The Danish Business Authority or a designated external agency.
- Introduce standardized onboarding materials on EOCs for new civil servants working in relevant policy areas.

Recommendation 11: Establish a national data and research plan.

Purpose: Create a robust evidence base to support policy learning and informed public debate on employee ownership. Without systematic data, it is impossible to assess whether EOCs deliver their intended economic and social outcomes, or to understand which design features and governance practices drive success. A national data and research plan enables evidence-based refinement of the model and positions Denmark as a knowledge leader in employee ownership policy.

Examples of relevant interventions

- Develop a national data collection framework covering:
 - Descriptive statistics on the emerging EOT sector (number of firms, size, sector, geography)
 - Firm-level performance indicators, including productivity, profitability, resilience, and survival rates.
 - Employee-level outcomes such as job quality, engagement, retention, and wellbeing.
 - Governance and organizational mechanisms that mediate outcomes, including participation structures, trustee models, and governance practices.
- Ensure data collection is proportionate and minimizes administrative burden on firms.
- Facilitate access to data for academic and policy research.

6.4 Model specifications for the future

This section will be elaborated upon in the final report to be submitted in late Summer 2026. It will include recommendations regarding potential improvements of the model design. It will include considerations on the valuation process, the deferred tax burden on the EOC and concerns about the ownership threshold of 33%.

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25. Pendleton, A., Robinson, A. and Nuttall, G. (2025) 'Employee ownership trusts: an employee ownership success story', *Applied Economics Letters*, 32(1), pp. 1-10. Pendleton & Robinson (2025). Employee ownership trusts: an employee ownership success story, *International Review of Applied Economics*, 39:2-3, 241-260
26. In the Autumn Budget 2025, the UK government reduced the EOT capital gains tax relief by half, replacing the full exemption with a 50 per cent relief on qualifying disposals.
27. HM Revenue & Customs (2025). *Evaluation of Employee Ownership Trusts*. HMRC.
28. The Autumn Budget 2024 tightened the EOT regime by strengthening valuation and governance rules, extending the compliance period to four years, and limiting continued control by former owners.
29. Pendleton, A., Robinson, A. and Nuttall, G. (2025) 'Employee ownership trusts: an employee ownership success story', *Applied Economics Letters*, 32(1), pp. 1-10.
30. Ibid.
31. Ibid.
32. Tænketanken Demokratisk Erhverv (2024). *Kortlægning af Danmarks Demokratiske Virksomheder 2024*
33. Tænketanken Demokratisk Erhverv, Kooperationen og Analyse & Tal (2025). *Ejerskifte til medarbejdere i Danmark - muligheder og barrierer*
34. Ibid.
35. Pendleton, A., Robinson, A. and Nuttall, G. (2025) 'Employee ownership trusts: an employee ownership success story', *Applied Economics Letters*, 32(1), pp. 1-10.
36. HMRC (2023). *Research and analysis: Evaluation of Employee Ownership*, Evaluation Report 795.
37. Ibid.

8. Appendix

List of Interviewees

Name	Organization	Role
Policymakers		
Hannah Toeman	DBT	Head of Co-operatives and Mutuals
Angelina Canizzaro	DBT	Deputy Director
Trade Body Representatives		
Campbell McDonald	Ownership at Work	CEO
James de le Vigne	Employee Ownership Association (EOA)	CEO
Sam Blakeborough	Employee Ownership Association (EOA)	Policy and Insights
Nicola Mehegan	Employee Ownership Wales (CWMPAS)	Project Manager
Paul Cantrill	Employee Ownership Wales (CWMPAS)	Specialist Consultant
Rhodri Packmann	Employee Ownership Wales (CWMPAS)	Market Development Advisor
Catherine Muldoon	Employee Ownership Ireland (EOI)	Project Officer
Glen Dott	Cooperative Development Scotland (CDS)	Specialist Adviser
Professional Advisors		
Graeme Nuttall	Various	Former UK Government Independent Adviser on Employee Ownership
Ewan Hall	Baxendale	Lead adviser
Fiona Bell	RSM	Accountant
Academic Experts		
Andrew Robinson	University of Leeds	Professor
Andrew Pendleton	UNSW Sydney	Professor

List of Interviewees - continued

Name	Organization	Role
People involved in EOT-owned companies (sellers/former owners, trustees, employees)		
Peter Morris	Allford Hall Monaghan Morris (AHMM)	Managing Director & Co-founder
Jonathan Hall	Allford Hall Monaghan Morris (AHMM)	Executive director
Employees	Allford Hall Monaghan Morris (AHMM)	Three employees (architects)
Kingsley James	Emperor	Former owner and current non-executive director
Michael Golden	Trustee	Trustee
Capital Providers		
Andy Farquharson	A Better Monday	Founder and owner