

Mutual and employee ownership businesses

Mutual and employee-owned businesses are designed for shared ownership, where a group of people run the business together and take decisions collectively.

They sit alongside familiar legal structures such as limited companies and limited liability partnerships, which are standard ways for two or more people to own a business.

What makes mutual and employee-owned models different is the wider distribution of ownership and decision-making across the people involved. These models can offer practical benefits. Farmers can buy or share equipment together. Creative studios can run their practice in a fair and balanced way. Founders who want to retire can pass the business onto the people who know it best.

Could a people-powered, shared-ownership business model work for you? Understand and explore your options with our guide to mutual and employee ownership businesses.

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Mutual businesses

What is a mutual business?

A mutual is a business owned and controlled by its members. Members are usually the people who use the service or contribute to it. They might be customers, staff, residents or community groups. Each member has one vote, so decisions are shared equally.

Mutuals exist to benefit their members and the wider community. Profits are usually reinvested to improve services rather than paid out to external shareholders.

Cooperatives are one type of mutual and the largest majority with 73% of mutual businesses registered as a coop. However, mutuals also include building societies, credit unions, community benefit societies and membership groups.

Mutuals are often found in these sectors:

- Housing groups that manage shared buildings.
- Food and farming groups that buy, sell or share equipment.
- Community energy projects.
- Building societies and credit unions.
- Sports, arts and cultural groups.

Why mutuals can help small businesses:

- They allow people to pool money and resources.
- They encourage long-term shared responsibility.
- They help keep services local.
- They support groups who want to run something together.
- They reduce risk by spreading decision-making.

Explore real-life case studies

If you'd like to see how mutual models work in practice, Co-operatives UK publishes **case studies** from across the UK. These include examples of member-owned leisure services, childcare groups, farming coops, cultural organisations and community enterprises. Each case study outlines how the mutual is set up, how decisions are shared and how profits are reinvested.

Employee-owned businesses

What is an employee-owned business?

An employee-owned business is a company where employees own a significant share. This can be through individual shares or through an employee trust that holds shares on behalf of the whole team.

This model is often chosen when a founder wants to step back. Instead of selling to another company, they transfer ownership to the employees. This is known as a succession plan, which simply means preparing for the next stage of ownership.

Why employee ownership works well

Research from the Employee Ownership Association and the London Ownership Hub shows that employee-owned businesses often have:

- More motivated and involved staff.
- Higher productivity.
- Better stability over time.
- More investment in training.
- A stronger sense of shared purpose.

Explore real-life case studies

The Employee Ownership Association hosts a wide range of **case studies** showing how businesses of different sizes and sectors have adopted employee ownership. You can explore examples of founders transferring ownership to their team, companies setting up employee trusts and organisations improving retention, productivity and engagement through shared ownership.

Support for employee ownership

The **Employee Ownership Association** helps businesses understand what employee ownership involves and how to prepare for it. It offers:

- Clear explanations of ownership models.
- Support for planning a transfer to an employee trust.
- Case studies and real examples.
- Events, workshops and specialist guidance.

Could one of these models be right for you?

These models may be worth exploring if you:

- Want to involve staff or community members more.
- Are part of a group who want to run something together.
- Want a fairer and more balanced model.
- Are planning ahead for leadership changes.
- Want your business to stay rooted in your community.
- Prefer long-term decision-making.

Choosing the right ownership model can help you create a business that reflects your values and your long-term plans. If you would like friendly guidance, the Hertfordshire Growth Hub can help you explore your options and connect you with specialist support.

Wondering if a mutual or employee ownership business is right for you? For more information speak to our Business Information Adviser: 01707 952777 (Mon–Fri, 9am–5pm) or email enquiries@hertsgrowthhub.com.