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**INSTITUTE FOR WOMEN'S LEADERSHIP**

**Women Leaders of Employee Owned Firms:  
A Qualitative Study Exploring the Leadership of Women Executives**

*Research in Progress*

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## Why Women Leaders at Employee-Owned Firms?

The structure and culture of employee-owned businesses is of interest to a number of scholars as a potential for advancing economic democracy and democratic capitalism. As such, some scholars have explored the potential benefits of these models for broadening participation of demographic groups that are underrepresented in our business leadership and traditional wealth structures. Some research, like that done by the W.K. Kellogg Foundation Fellows in their 2019 report, [\*Building the Assets of Low and Moderate Income Workers and their Families: The Role of Employee Ownership\*](#), showed that women and people of color employed in businesses with Employee Stock Ownership Plans [ESOPs] received benefits in terms of wealth and professional development, faring better than their counterparts in traditional businesses, even at the lowest levels of employment.<sup>i</sup> This begs the exploration of whether or not these advances toward equity can be translated to the highest levels of leadership within ESOP firms.

According to the author's analysis of data provided by the ESOP Association, women make up less than 10% of the president and chief executives of ESOP companies. This is relatively consistent with women's representation at the top of Fortune 500 companies<sup>ii</sup>, however, it does leave tremendous room for growth. At the same time that women have relatively low representation at the top of ESOP companies, there is evidence that women executives are more likely to prefer to democratic and transformational leadership styles in their work with employees<sup>iii</sup>. Given the structure and culture of ESOPs, one could argue the value of these leadership styles as more effective for working with employee-owners in democratic capitalism structures. At the same time, there is some evidence that regional ESOP Associations have begun to recognize the value of developing pathways to greater women's leadership, with the formation of women's networks and support systems, such as the Minnesota/Dakotas Chapter of the ESOP Association's 'Women in ESOPs' group. This group hosts meetings and discussions at regional and national ESOP gatherings, along with professional and leadership development



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activities. The combination of unrealized potential and growing interest form the impetus for this research.

## Research Design

This study is a qualitative approach to exploring the leadership of female top executives in employee-owned firms. Specific questions I seek to answer through this research are:

- How do women approach leading employee-owned firms?
- What pathways do women take to leadership in these firms?
- Are there perceived challenges or advantages based on gender?

I worked closely with the [ESOP Association](#) to develop a list of current women CEOs or Presidents at ESOP firms, as well as some who had recently retired. From that list, I asked association leaders at the national and regional levels to identify strong women leaders that would be good candidates to interview. To date, five in-depth interviews with women leaders from diverse industries including: Engineering, Research and Consulting, and Retail, have been conducted, with an ultimate goal of a minimum of 15 participants. The Interview protocol includes open-ended questions regarding professional development and career pathways, leadership and management styles, and communication and interactions with employees. Interviews were recorded and transcribed for analysis.

Given this design, there are limitations to this study. Although I have intentionally reached out to women leaders from diverse industries and geographical regions of the United States, the sample is not intended to be generalizable to all women leaders at ESOPs. Additionally, the candidates for interviews were identified as “strong women leaders,” which further biases the sample to those perceived as particularly effective in their roles. Lastly, this study does not include any male leaders, so it cannot be used for comparative purposes.



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## Preliminary Findings

Although interviews and data analysis are ongoing, preliminary evaluation of initial interviews have demonstrated some emerging themes.

**Authenticity in leadership.** The women interviewed to date have often expressed their leadership approach as one that highlights authenticity in their interactions. As one executive noted, because she had to be accountable to her employees as the President and CEO of her firm, but also as co-owners. As such, she placed greater emphasis on transparency and authenticity in her approaches to leading the organization. Another CEO, who was navigating her firm through the recent recession, discussed working with her employees through reductions in their workforce, and building transparency and buy-ins for the financial decisions she was making for the firm. The idea here was to be as transparent as possible so that the employees understood her approach, and how she was making the tough decisions as well as the less challenging ones.

This emerging theme is an interesting contrast to research on women business leaders which shows that they often feel they have to change their leadership approach to be respected or to advance to the top of their organizations, or feel a distinct challenge to balancing authenticity with the preferred leadership style of their organization.<sup>iv</sup>

**Focus on change agency.** Interview participants related that they often prefer a transformational leadership approach, which directly empowers their employees by promoting and enabling change to happen within their organization. Here they recognize that change may not happen directly from their own actions, but rather from those they have empowered to make decisions, lead, and enact change on their own.

One leader of a consulting firm discussed the development of programming and resources that strengthened financial literacy among the employee-owners in her firm. Although the ESOP was doing very well through financially troubled times, she was concerned



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that the employees—particularly those in the lower paying positions—were putting too much of their future financial security in the firm. She worked with them to build learning opportunities in personal financial planning, and empowered them to build a new system for sharing resources on smart and diverse investments that are now shared regularly with all employees.

Another participant talked about her approach to working with her employees at all levels of the firm by sitting down, talking with them about the company's budget, how the company is doing, strategic planning, and the challenges that they are facing. The goal of those discussion was to not to simply gain insight into the employee's experience, but to have their input shape the company's direction. Additionally, whenever she presented the company's financial information, she also emphasized how each employee could change that data. This was so that they were not just informed of what was going on, but they also felt empowered to say, "I know how I can make that better."

**Common gendered experience.** Despite the unique aspects of employee-owned firms, those interviewed did express some views consistent with their female counterparts in traditional businesses. For example, one president of an engineering firm mentioned that her mentor, also female, consistently advised her that she would need to be "110% prepared to be seen as 80% ready." This theme played out in several interviews, and has been consistently noted in research on women's performance in the workplace. Also apparent in this example is the theme of mentors for leadership development. In some instances, the mentors were women, and in others men, but in all cases, participants noted mentors and sponsors were key to their leadership development and achievement of their chief executive role.

## Continued Research

While this research is still in progress, it has highlighted the need for additional research that should be pursued in additional studies. A few examples follow. Reaching a larger sample



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through surveying women leaders on specific topics, such as their pathways to leadership positions within ESOP firms, would yield stronger evidence of the emerging themes. More research should also be done on the perceptions of the women leaders by the employees at their firms. This would be of particular interest to validate some of the participants' statements about transparency and change agency.

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<sup>i</sup> [https://smlr.rutgers.edu/sites/default/files/rutgerskelloggreport\\_april2019.pdf](https://smlr.rutgers.edu/sites/default/files/rutgerskelloggreport_april2019.pdf)

<sup>ii</sup> <https://www.catalyst.org/research/women-ceos-of-the-sp-500/>

<sup>iii</sup> <https://womensleadership.kpmg.us/content/dam/womensleadership/pdf/kpmg2019wlsreport.pdf>



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<sup>iv</sup> <https://womensleadership.kpmg.us/content/dam/womensleadership/pdf/kpmg2019wlsreport.pdf>



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