

The Company Perspective on Communicating EO

July 2017

Introduction

There is an interesting puzzle when it comes to employee ownership and communications – public opinion studies find Americans are more likely to buy EO products and apply to jobs at EO companies, yet just one in ten employee-owned companies makes EO a major part of their external communication strategy¹. If employee ownership resonates with Americans, why don't more companies mention it?

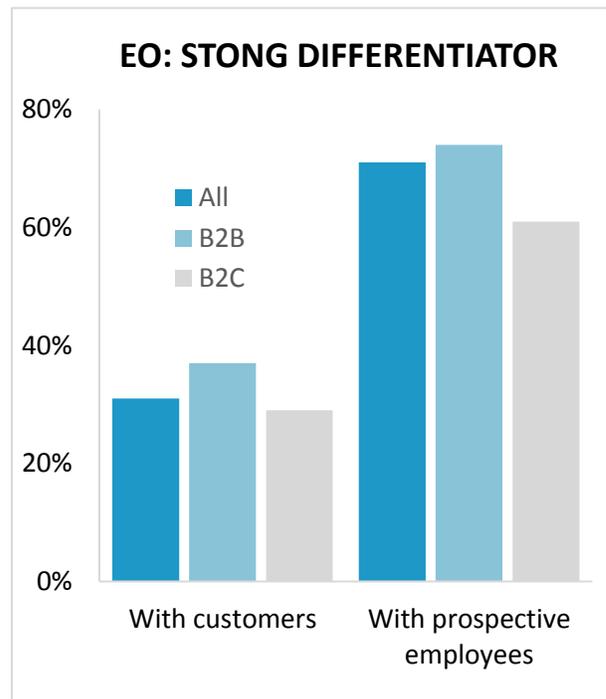
To answer this question, we conducted 75 in-depth interviews with employee-owned companies to understand how they feel about EO as a differentiator, how they're using EO in their messaging, and what they could be doing better. We found that most companies are just beginning to think about using EO in their external communications; it's an emerging idea. Companies see the value in communicating EO, but they're still learning how to do it effectively. As of today, there are no established best practices, but what follows is the start of a playbook for marketing and recruiting with employee ownership.

Our first priority was to understand how companies evaluate EO as a differentiator in marketing and recruitment. Overall, 71% of respondents reported that EO is a strong differentiator with prospective employees, and 31% of respondents reported that EO is a strong differentiator with their customers – that's a big gap. Most companies say they could be getting a lot more out of using EO as a differentiator with their customers. Many companies see potential in using EO in their external communications but aren't sure how to get there. Another surprising finding was that B2B companies were actually more likely to describe EO as a strong differentiator – both in marketing and recruitment.

Our second priority was to understand which messages commonly associated with EO resonate most. We presented respondents with eight messages associated with EO and asked them to pick the three strongest. Here are the three statements they chose.

Employee-owned companies...

1. Have employees who think and act like owners
2. Place a high emphasis on customer support
3. Provide fair compensation to employees



¹ For more, see our previous whitepapers on [“How Companies Use EO Externally”](#) and [“Consumer Interest in Shopping Employee-Owned”](#)

Our third priority was to understand what channels companies are using to highlight their employee ownership with various audiences. We asked about a number of channels and found that the four most common channels for communicating EO were:

1. Job interviews (100%)
2. Job postings (90%)
3. Company website (87%)
4. Sales pitches (86%)

Finally, we wanted to see what these companies thought would make EO a more effective differentiator. We asked open-ended questions, and several themes emerged. Far and away the most common feedback was that EO would be more effective as a differentiator for marketing and recruitment if there were a greater awareness of EO in America. The consensus was that, at this time, Americans know almost nothing about employee ownership. Therefore, companies have to start from square one and educate each individual before they can reap the benefits of messaging EO externally. The second major theme was that companies must consistently message EO in order to see those benefits. Doing it halfway doesn't get results. The third theme was that companies find it challenging to communicate the benefits of EO to their younger current and prospective employees. This presents a significant opportunity since, at first blush, one might expect employee ownership to resonate strongly with the millennial generation.

Understanding the company perspective

The data for this whitepaper come from 75 structured interviews with EO companies. Though the companies range in size and industry (a summary of attributes is available in the appendix), they are not a representative mix of EO companies in the U.S.

Interviews were approximately 20 minutes in length and consisted of 11 questions on topics related to the companies' use of EO messaging in marketing and recruitment (see the appendix below for a copy of the survey questions). Interviews were sourced by sending roughly 1,500 cold emails to contacts gathered from various lists of EO companies.

Comparing the websites of participating companies to websites of a representative sample of employee-owned companies shows companies that participated in our study are much more likely to be strong users of EO in external communications than the general pool of employee-owned companies. This is not surprising. Selection bias in survey participation is a well-documented phenomenon. You can think of these results as best practices offered by employee-owned companies who are already using EO in some of their communications.

EO as a differentiator

Our first priority was to understand how companies feel about EO as a differentiator in marketing and recruitment. Specifically, we asked respondents:

“On a scale of 1 to 5, to what extent do you feel that employee ownership is an effective differentiator with ____?”

Where the blank was first filled with “your customers” and then with “prospective employees.” We told respondents that 1 is equivalent to “not at all a differentiator” and 5 to “very strong differentiator.”

On average, respondents rate EO a 2.9 with customers and a 3.8 with prospective employees. Working back to our scale this would make EO a moderate differentiator with customers and a strong differentiator with employees.

Another way to look at this is to understand the percentage of respondents who felt that EO is a strong differentiator – a 4 or a 5 on our scale. Here 31% of interviewees reported that EO is a strong differentiator with their customers, and 71% reported that EO is a strong differentiator with prospective employees. Surprisingly, EO was rated as a stronger differentiator with customers by business-to-business (B2B) companies as compared to business-to-consumer (B2C) companies. The results of this second approach are presented in the chart on page 1.

While we did not explicitly ask respondents to provide context on their answers, many offered this context of their own accord. The most common piece of feedback, especially on the customer question, as that EO has a lot more potential than the company was able to realize. The most common obstacle was lack of public awareness of employee ownership.

Messaging EO

To get leverage value from EO, a company must do more than simply state that they are employee-owned. They must find messages that matter to their target audience and that being employee-owned can credibly support. In one of the most informative questions in the interview, we read eight common messages related to EO and asked respondents to pick the top three that EO communicates to external audiences. The table to the right displays the percentage of respondents who put that message in their top three for each of the eight messages. The top three messages are as follows.

Employee-owned companies...

- Have employees who think and act like owners
- Produce high-quality products or services
- Place a high emphasis on customer support

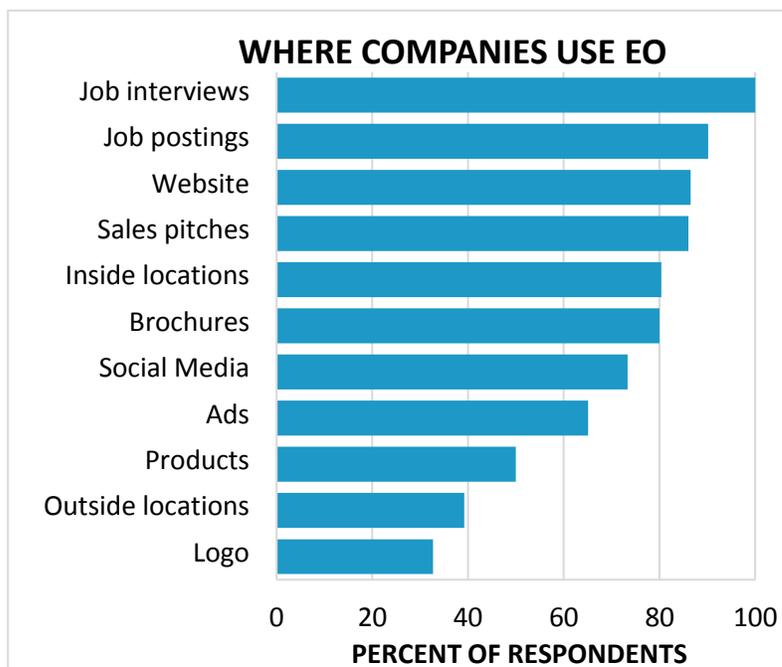
EO MESSAGE	ALL	B2B	B2C
Have employees who think and act like owners	61	66	58
Produce high quality products or services	53	61	33
Place a high emphasis on customer support	51	45	58
Provide fair compensation to employees	35	34	42
Are a stable company and a reliable partner	31	29	42
Focus on long-term decision making	27	32	8
Strengthen the local economy	24	18	42
Are committed to social responsibility	14	16	17

Note: numbers indicate the percent of respondents that listed the message as one of the top three things external audiences think about employee-owned companies

Interestingly there were some notable differences in responses between B2B and B2C companies. In particular, B2C companies felt messages related to quality were less strong and messages about strengthening the local economy were disproportionately stronger. Similarly, B2B companies placed a higher emphasis on long-term decision-making than their B2C counterparts. These results reflect the messages that *companies think* EO communicates, not necessarily what is communicated to the public in reality. Quite a bit more work is needed to fully understand messaging employee ownership, but this is a good start.

Where companies use EO

Next we asked what channels EO companies use to message employee ownership. The results are summarized in the graph to the right. The most common use of EO among respondents is in recruitment (job interviews and job postings), which makes sense given the high number of companies stating that EO is a strong differentiator in recruitment. The next most common channel is the company website, though this highlights how our sample differs from the typical EO company (which, we know from a previous study, only has a 50% chance of using EO on its website). The least common uses of EO are in the company logo, outside of locations, on products, and in advertisements.



These tend to be some of the most visible aspects of a company's presence, and the fact that EO isn't represented in these places goes a long way towards explaining why EO is largely invisible in America today. If the companies that use EO the most aren't broadcasting it externally, how is the public to know about employee-owned companies? Based on strong support for EO among Americans, these could we believe this is a major area of opportunity for EO companies.

How to make EO more effective

To conclude the interviews, we asked respondents two open-ended questions: one about what could be done to make EO more of a differentiator and the second asking for any additional thoughts. These questions prompted some of the most informative and candid responses in the study. While respondents covered a variety of topics, three themes stood out across the board.

Above all, respondents talked about how EO would have more value as a differentiator if it were something more Americans knew about. This was by far the most common topic during open-ended questions. Companies cited lack of awareness as an issue in marketing, recruitment, and even internal communications. In other words, Americans just don't understand what EO means. One respondent had

OPEN-ENDED QUESTIONS – SELECTED QUOTES

Theme 1 – Increased awareness of EO would greatly improve the value of EO as a differentiator

- “There has got to be a **greater level of awareness** around what employee ownership means.”
- “Today **people do not understand what employee ownership means...** Once we get them here and have a chance to explain it, they're pretty excited about it. **From a recruiting standpoint I don't think people believe it's real.**”
- “We can promote it all day [and] say we're 100% employee owned and it's an opportunity to be an owner, but **it's hard for people to visualize or relate to that if they've never had that experience before.**”
- “On the recruiting side **it's a game-changer but most people don't understand it.** You have to give them a bit of education about what it means.”
- “If it were a **well-known thing like Fair Trade or Organic** [that] would help.”
- “Some type of **nationally recognized standard** for what this kind of employee ownership is, what it means – that would be very helpful.”

Theme 2 – Companies have to commit to messaging EO to truly see the value

- “A guy like me, **I've got a million things on my plate.** I'm seeing the value of it, but I don't necessarily ensure that it's being driven most wisely.”
- “**We should be relaying it better to our customers** so we can capitalize on them differentiating between non-EO and EO companies. Today I don't believe our customers understand it. We have it in the materials, letterhead, [and] proposals, but I don't think they pay attention to it. **We need to market it better.**”
- “**If you're passive about being an EO company and nobody knows it, then nobody cares.** We make it a big part of our selling proposition. We make it clear that ‘I'm an owner, I can make the difference to get what you need done.’”
- “**It has to be a steady diet [of EO].** For years we didn't talk about it. It was a management decision to treat it more like a benefit. **Once we started talking about [EO] to employees and all the things they can do to help improve the company,** it had a direct impact on employee participation and reaction. They become more involved; they want more information on the company. They want to know what they can do to impact the business.”

Theme 3 – It's especially hard to make EO resonate with younger employees

- “Millennials **don't give a crap.**”
- “It's a **tough sell with millennials.**”
- “The **retirement piece means less** to a one- to three-year employee at the beginning.”
- “Part of the problem is that it's **difficult to get young people to understand how important a retirement fund is...** It takes a number of years for retirement to become important to an employee... Until they see another employee's account balance, **until they see it and hear it from someone else** – that's when they start to pay attention.”

even encountered people who thought it was a trick – that an EO business model was too good to be true. When we asked for ways to improve awareness of EO, companies suggested providing additional context for Americans and creating awareness by connecting EO to companies and everyday experiences. Specific ideas included a nationally-recognized standard as well as mentions of creating a program akin to Fair Trade or Organic for EO companies.

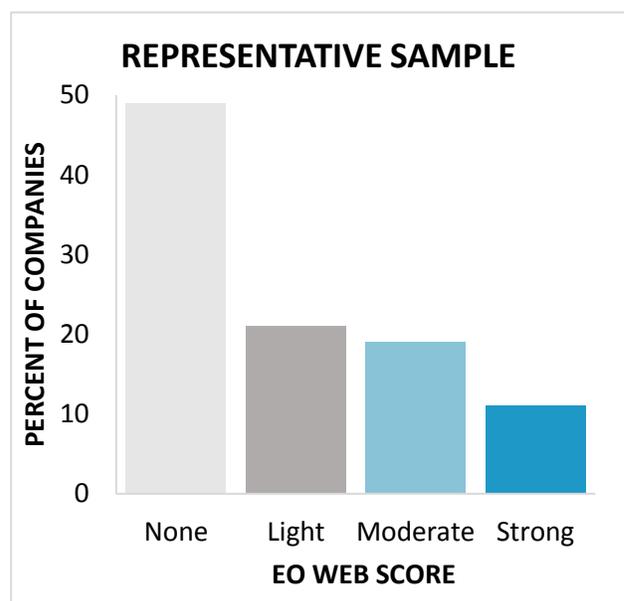
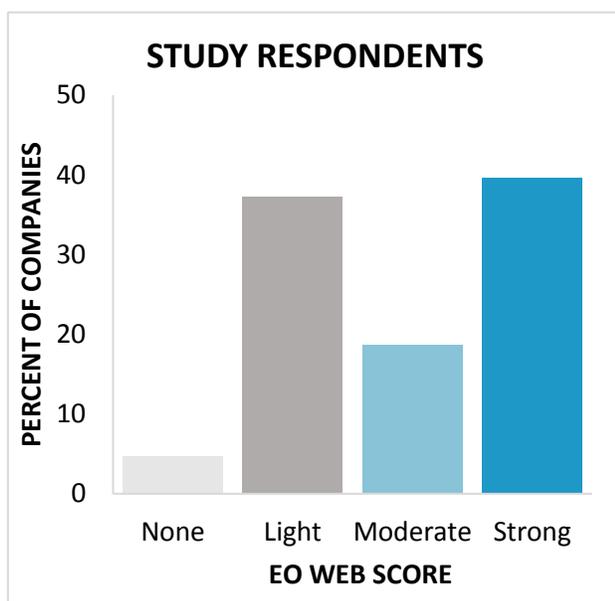
The second most common theme was that companies need to invest in EO if they want to see the value. Some respondents said they recognize the value of EO as a differentiator but are too busy to invest the time needed to message EO. This reflects the reality of organizations where the people responsible for communicating about EO have a number of other job functions and are often too busy to spend time on EO. Other companies shared stories of investment and how, after fully committing to communicating EO internally and externally, they began to see significant rewards.

Finally, numerous companies reported difficulty engaging younger employees with EO. One respondent put it succinctly that “millennials don’t give a crap.” This is a surprising finding given millennials’ desire for meaningful work and aversion to traditional corporations. One might think that millennials would be excited to work at employee-owned companies, but these companies experience says the opposite. This topic will be a site of future work for Certified EO because we feel it reflects a major opportunity for EO companies.

Appendix

Study companies vs. representative sample of EO companies

The charts below compare the EO web score of companies in this study against those of a representative sample of EO companies to demonstrate that respondents were far more likely to use EO externally than the typical EO company. The EO web score is a metric we have developed to quantify the amount of employee ownership usage on a company’s website. We take this to be an indicator of how EO is used in



that company's communication plan. For more details see [How Companies Use Employee Ownership Externally](#).

Information on participating companies

Business type*	# orgs	Percent
B2B	54	72%
B2C	18	24%
GOV	16	21%
Revenue	# orgs	Percent
<\$20M	14	24%
\$20M - \$100M	22	37%
\$100M - \$500M	15	25%
\$500M - \$1B	4	7%
\$1B+	4	7%
# Employees	# orgs	Percent
<100	21	30%
100 - 499	27	38%
500 - 999	10	14%
1,000 - 4,999	9	13%
5,000+	4	6%
% Employee-owned	# orgs	Percent
<30%	6	8%
30% - 50%	7	10%
51% - 99%	7	10%
100%	52	72%

*Some companies operate in multiple categories; sum not equal to total number of companies in the study

Interview questionnaire

Note: Respondents frequently offered context for quantitative answers, especially for questions 4 and 5. We did not explicitly ask for follow-up, but we noted any context the companies offered was noted and used it in the above analysis.

1. In terms of annual sales, roughly how large is your company?
2. Roughly how many employees work at your company?
3. To the best of your knowledge, roughly how much of your company is owned by employees?
4. On a scale of 1 to 5, to what extent do you feel that employee ownership is an effective differentiator with your **customers**?
 - a. 1 - not at all a differentiator
 - b. 2

- c. 3
 - d. 4
 - e. 5 - very big differentiator
5. On a scale of 1 to 5, to what extent do you feel that employee ownership is an effective differentiator with **potential employees**?
- a. 1 - not at all a differentiator
 - b. 2
 - c. 3
 - d. 4
 - e. 5 - very big differentiator
6. Do you feel employee ownership is (or would be) a positive, neutral, or negative influence on your brand?
- a. Positive
 - b. Neutral
 - c. Negative
7. This question is about what employee ownership communicates about your company. I'm going to give you several messages, and I'd like you to tell me, on a scale of 1 to 5, to what extent do you feel employee ownership communicates that message? [1 – not a signal, 5 – very strong signal]

To what extent does employee ownership communicate that a company...

- a. Is committed to social responsibility
 - b. Strengthens the local economy
 - c. Is a stable company and a reliable partner
 - d. Focuses on long-term decision-making
 - e. Places a high emphasis on customer support
 - f. Produces high quality products or services
 - g. Provides fair compensation to employees
 - h. Has employees who think and act like owners
8. Of the options given in question 7 asking about the messages communicated by employee ownership, please rank your top three messages communicated by employee ownership.
- 1.
 - 2.
 - 3.
9. Does your company mention employee ownership on or in these materials? [yes, no, don't know]
- a. Logo
 - b. Website
 - c. Products or product packaging
 - d. Outside of physical locations (storefronts, factories, offices, etc.)
 - e. Inside of physical locations
 - f. Advertisements
 - g. Brochures or other written materials

- h.** Sales pitches
- i.** Job postings
- j.** Job interviews
- k.** Social media

10. In your opinion, what can be done to improve the marketing value of employee ownership?

11. Anything else you'd like to add about employee ownership as it relates to your marketing and/or recruitment?