

How Companies Use EO Externally

May 2017

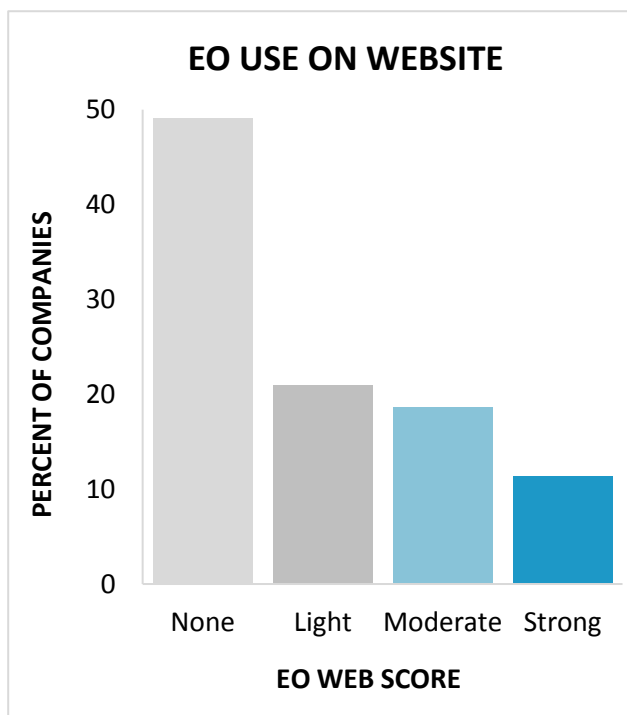
Introduction

Today there is no rigorous analysis of how employee-owned (EO) companies use employee ownership in external communication. Anecdotal evidence – conversations with companies and casual browsing of their websites – suggests EO is at best a small part of how most EO companies position themselves publicly. At the same time, public opinion studies find strong support for employee ownership among Americans; 35 to 40% of Americans report that they’re more likely to buy a Certified EO product (a figure comparable to Fair Trade and USDA Organic¹) and 29 to 37% of job applications report that they’re more likely to apply to a Certified EO company.

To understand how companies can make the most of EO in their external communications, we must first understand what companies are doing today. That’s why Certified EO has conducted the first-ever representative study of employee ownership and external communications.

Our findings suggest that few EO companies make employee ownership a major part of their external communications strategy. Only 11% of the companies we studied – roughly 1 in 10 – make strong use of EO on their website. Shockingly, 49% of EO companies we studied made *no* mention of EO or related phrases anywhere on their website. These findings confirm that only a small portion of EO companies have truly made employee ownership a major part of their public presence despite its proven potential to influence Americans. This suggests a major opportunity for employee-owned businesses.

Digging deeper, we looked at how and where EO is used in external communications, and which types of companies leverage it more. We found that just 19% of EO companies mention EO on their homepage, 41% mention EO on their about page, and 42% mention EO on their careers page. We were surprised to find that companies were so much less likely to mention EO on their homepage – the most-visited portion of most websites – as compared to their about and careers pages. Further, companies tend to use EO differently on different pages. On careers pages, companies are more likely to mention EO only as a benefit; on about pages, they most often use it in conjunction with a specific message about employee ownership – a more sophisticated technique. This suggests an opportunity to improve quality of messaging on



¹ For more see our whitepaper “Consumer Interest in Shopping Employee-Owned”.

particular pages. Finally, we were surprised to find that business-to-business (B2B) companies are slightly more likely to use EO in their external communications as compared to business-to-consumer (B2C) companies (48% for B2B vs. 43% for B2C). However, B2C companies are more likely to be strong users of EO in messaging (7% for B2B vs. 14% for B2C).

Methodology: Why Do We Analyze Company Websites?

Perhaps the most significant challenge in understanding common practices in business is bias in information-gathering. Information on private businesses is scant and, for lack of better sources, the most common investigation tool is the survey. Survey participation can be extremely low – with response rates in the single digits – and selection by respondents can heavily skew results. The heart of the issue is that researchers have no way to know how the set of people who took the time to participate in a survey differs from the general group they would like to understand. This problem has direct relevance for understanding how EO companies use EO in marketing and recruitment.

We solve the response-bias problem with a research methodology that is free of opt-outs. First, we build a database that, as best we can tell, contains every employee-owned company in America. Next, we take a random sample of companies from this database and gather publicly available information from the websites of our sample companies. This approach avoids the pitfall of selection and produces a clear picture of how employee-owned companies use EO in their websites – a critical aspect of their external communications.

The specific details of database construction, sampling, and website coding can be found in the methodological appendix below. From a database containing 7,100 companies believed to be employee-owned, we selected a random sample of 200. Investigation revealed that 14 companies were either out of business or no longer EO, and that 19 companies did not have a web presence. Our final sample consisted of 167 EO companies that are active, thought to be EO, and have a website. This is the sample used for all analyses below.

How Common is EO in External Communications?

By far our most striking finding is that of 49% EO companies in our sample do not mention EO, or any related phrases, anywhere on their website. This finding is surprising in light of strong public support for employee ownership among Americans. While our web analysis is not able to understand *why* this is the case, we can speculate.

We think the most likely explanation for this finding is that many EO companies have not been thinking about how they can use EO in their external communications. Perhaps they do not know that communicating about EO could benefit their business, so they have not explored it in any significant way. Another possible explanation is that our sample could contain a large portion of companies that are not actually employee-owned, but this is unlikely given how we constructed the list and the steps we took to weed out non-EO companies. Ultimately the best way to determine why so few EO companies use EO in their external communications is to ask companies directly. This will be the focus of our future work.

Turning our attention to the half of EO companies that make some use of EO on their website, we see wide variation in usage. Some companies simply mention having an Employee Stock Ownership Program (ESOP)

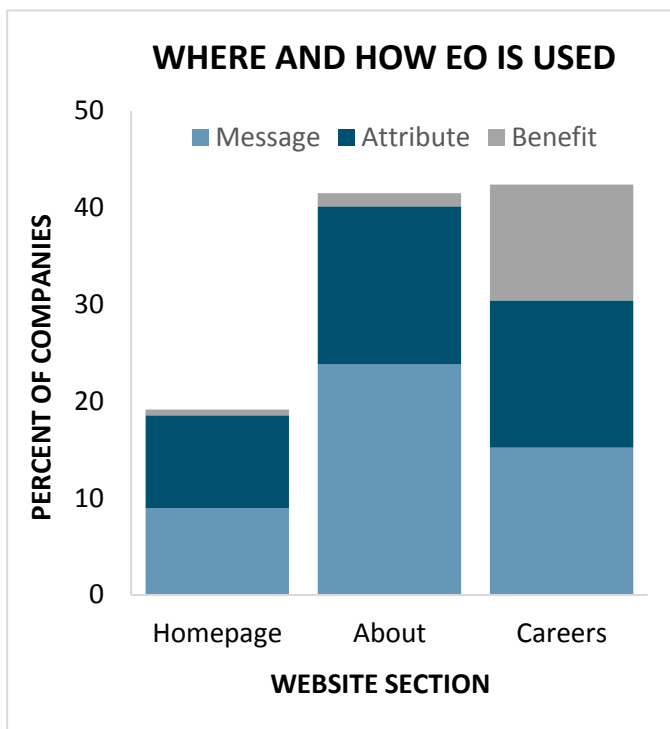
on one page, while others use EO on many pages to drive home key messages about who they are. To get a sense of this variation, we categorized companies into light, moderate, and strong users of EO in external communications based on how many points they got on our EO Web Score. More details on this categorization can be found in the methodological appendix.

Overall, even companies that use EO somewhere on their website tend to use it sparingly. We find that 21% of EO companies are light users who mention EO in one place on their website, often simply saying “Sample Co., an employee-owned company...” Another 19% are moderate users who mention EO in multiple – but not many – places. Just 11% of EO companies – roughly 1 in 10 – are strong users of EO in their external communications. Strong users mention of EO on several pages of the website and frequently use EO to support key messages. Based on this analysis, we can conclude that few companies make EO a major part of their external communications strategy. The full distribution of the EO Web Score in our sample can be found in the chart on page 1.

How, Where, and Who

Digging into how and where EO is used, and who is more likely to mention EO, reveals further insights. Our web coding methodology records how EO is used on each page of each company’s website. We classify usage to understand if company is mentioning EO as a benefit (e.g. “Sample Co. has an ESOP”), as an attribute of the company (e.g. “Sample Co. is an employee-owned company”), or to drive home a message about the company (e.g. “Every employee at Sample Co. thinks and acts like an owner”).

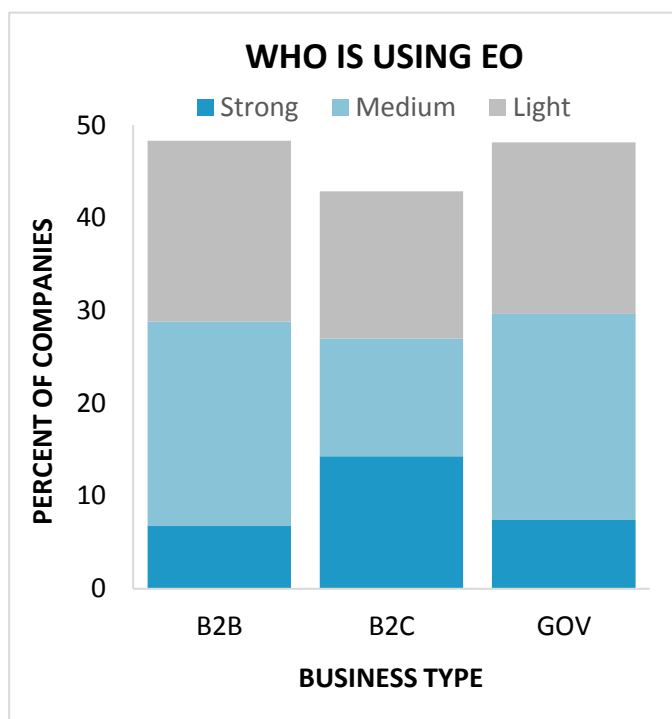
Combining how and where EO is used shows two interesting patterns. First, we see that companies are half as likely to use EO on their homepage as compared to on their about and careers pages, despite the fact that the homepage is often the most-visited section of the website. Even when we expand the homepage to include header or footer text, we see that just 23% use EO on their homepage.



How companies use EO is highly dependent on where on their website they are using it. Companies are much more likely to mention EO as a benefit on the careers section of the website. When companies use EO as a benefit, they are not using it to drive home a message about who they are. On the other hand, companies’ about pages are much more likely to use EO to drive home a message. The about page is the only page where more than 50% of companies use EO to drive home a message.

Finally, we looked at what types of businesses are more likely to use EO on their website. When coding websites, we record if the company does business with consumers (B2C), other businesses (B2B), or governments (GOV). A single company may be coded as doing business with multiple audiences.

Surprisingly, B2B companies are slightly more likely to use EO than B2C companies (48% vs. 43%). We would expect B2C companies to message EO more strongly, given its similarities to other B2C-focused certifications such as Fair Trade, USDA Organic, and Made in America. This expectation proves true in one respect: B2C companies are twice as likely to qualify as a *strong* user of EO (14% of B2C companies count as strong users, compared to 7% of B2B companies).



Conclusion

We coded the websites of a representative sample of 167 employee-owned companies and found, despite strong support for employee ownership in America, few EO companies make EO a major part of their external communications. A staggering 49% of companies in our sample did not mention EO or any related terms anywhere on their website. Just 11% of EO companies we studied made EO a major part of their website. Digging deeper, we see that EO companies are less likely to use EO on their homepage than on other parts of their website and that how companies use EO is dependent on where on their website they are using it. Surprisingly, B2B companies are more likely to use EO as compared to B2C companies, though B2C companies are likely to make strong use of EO.

Methodological Appendix

This section provides an overview of our methodology. It discusses how we created our database of employee-owned companies, how we sampled from our database, and how we coded company websites.

Database Construction

Certified EO is building a database of all EO companies, which includes the percentage of the company owned by employees. This database is an ongoing project, but as of the date of this whitepaper we believe it contains nearly all EO companies in America.

We began this database in early 2016. To get started, we identified all known sources of information on employee-owned companies including the DOL form 5500 data, the ESOP Association Yellow Pages, the list of members found on the website of the U.S. Federation of Worker Cooperatives, the list of employee-owned companies from Wikipedia, and several other data sets. We merged these data sets and attempted to remove any duplicates. At the end of this process, we were left with a list of roughly 7,600 organizations.

We continue to add new companies as we learn of them and update information on existing companies as needed. We place a particular emphasis on determining whether companies have broad-based ownership that holds at least 30% of the company stock. This matters to us because it constitutes the threshold for membership in Certified EO. Companies that do not meet this threshold are marked as “not EO” in our database. For example, we have marked all publicly-traded companies as “not EO” because we do not think there are any publicly-traded companies with at least 30% employee ownership today. Of our original list of 7,600 companies, we determined that 7,100 may meet our criteria.

Sampling

To construct a sample for our analysis, we started with the list of 7,100 companies described above. We assigned each company a random number and chose the 200 companies with the smallest number for the sample. Specifically, we sampled from a uniform (0, 1) distribution and sorted companies from smallest to largest based on this value.

Coding the EO Web Score

To calculate the EO Web Score, we looked only at the company’s website only. No additional aspects of their web presence (e.g. their LinkedIn profile or Facebook page) were considered. We followed these steps to create a score for each company:

- 1) Go to the company’s website site
 - a. Confirm this is the right business
 - b. Code the company B2C/B2B/GOV
 - c. If no website can be found for the company after significant searching, mark the “no website” variable
- 2) Code the homepage according to the website coding rubric
 - a. Code the logo/header/footer according to the scoring rubric
- 3) Go to the about page
 - a. Code the about section according to the scoring rubric
 - i. If no about section, code about “NA”
- 4) Go to the Careers page
 - a. Code the careers section according to the scoring rubric
 - i. If no careers section, code careers “NA”
- 5) If nothing is found on the website regarding employee ownership or related concepts, go to Google and search each of the queries below. For each, look at the top five search results. If none of the results are from the company’s website, move on to the next term. If information leads to you believe the company is no longer employee-owned or no longer in business, score the company “DQ” for disqualified.
 - a. Company name + employee owned
 - b. Company name + ESOP
 - c. Company name + worker owned
- 6) Calculate the total by summing scores across all four categories: about; careers; homepage; and miscellaneous. If one or more category is scored “NA,” scale up the sum from the remaining categories by $12 / (12 - 3*N)$ where N is the number of categories marked “NA.”

Scoring Rubric

Website Section	Score
About, careers, homepage	<ul style="list-style-type: none"> • 0 – No mention of employee ownership or related concepts in this section of the website <ul style="list-style-type: none"> ○ Related concepts: Employee ownership, employee-owned, worker cooperative, worker-owned, associate-owned • 1 – Employee ownership or related concepts mentioned strictly as a benefit <ul style="list-style-type: none"> ○ “Sample Co. has an Employee Stock Ownership Plan” ○ “Sample Co. employees participate in our ESOP” • 2 – Employee ownership or related concepts mentioned, but only as an attribute of the company <ul style="list-style-type: none"> ○ “Sample Co. is an employee-owned company” ○ “Sample Co. has been a worker cooperative for 20 years” ○ “100% employee-owned” • 3 – Employee ownership or related concepts used to communicate one or more messages about the company <ul style="list-style-type: none"> ○ “As an employee-owned company, Sample Co. has strong ties to the local community” ○ “All employees of Sample Co. think and act like owners” ○ “Sample Co.’s worker-owners care deeply about providing high-quality service to each and every customer”
Miscellaneous	<ul style="list-style-type: none"> • 0 – Employee ownership or related concepts not used in website footer, header, or in company logo on website • 1 – Employee ownership or related concepts used in website footer • 2 – Employee ownership or related concepts used in website header • 3 – Employee Ownership or related concepts used in company logo <p>Count only the highest score. For example, if a company has “100% Employee-Owned” in the logo on their website, and this logo is in the header, then they company scores three points.</p>

Light, Medium, Strong

Companies are coded as light if their EO Web Score is between one and three, medium if their EO Web Score is between four and six, and strong if their EO Web Score is seven or greater