

Business Owner Responsiveness to Employee Ownership Outreach Efforts

Evidence from the Pittsburgh Citywide Taskforce on Employee Ownership

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Research Question

What message types, business characteristics, and business owner characteristics influence responsiveness about employee ownership as a succession plan?

Summary

This report documents the integration of a research program into the work of the Pittsburgh Citywide Taskforce on Employee Ownership, a multi-stakeholder initiative with the goal to raise awareness about employee ownership among local business owners. As part of the work of the Taskforce, we embedded a messaging experiment and trackable engagement tools into physical mail and email outreach. Preliminary findings from that effort suggest that messaging with a prosocial orientation is associated with a higher response rate, particularly among larger and more profitable businesses, and among female business owners, than messaging with a financial orientation. Our data also suggests that firms in labor-intensive and food-related industries may be particularly receptive to employee ownership outreach.

Introduction

Despite widespread appeal (Battilana et al. 2022) and strong evidence of its economic viability (Young-Hyman et al. 2023; Kruse, Blasi, and Freeman 2011), employee ownership buyouts of retiring business owners have been growing very slowly. One potential explanation is a lack of awareness, with some research documenting how employee ownership has declined in prominence in undergraduate economics and management textbooks over the past century (Kalmi 2007). To the degree that a lack of business owner responsiveness to the idea of employee ownership is an explanation of the rarity of this organizational practice, an important question concerns the factors that increase business owner responsiveness to the prospect of employee ownership. Yet scholarship has provided relatively few insights on this topic. Some recent scholarship in this space has begun to explore the question of business owner response to employee ownership (Scharf 2024), and the current research seeks to build on that work.

The following research brief outlines the setting in which we conducted our research, the data collection effort undertaken, preliminary findings, and lessons for related future research efforts.

Research Setting and Data Collection Effort

We were invited to serve on the Pittsburgh Citywide Taskforce on Employee ownership, an initiative started by the Pittsburgh City Council and the Pennsylvania Center for Employee Ownership, to expand awareness about employee ownership in the region. The taskforce decided to focus its attention on business owners and, more precisely, retiring business owners looking for exit options. Towards that end, the taskforce developed outreach communications to business owners through a range of platforms including physical mail, email, radio, and social media. The intention of the outreach communications was to increase awareness about employee ownership and, ultimately, encourage business owners to visit the taskforce website and attend community-based workshops where they could learn more.

We were asked to develop a research design and data collection plan that could help generate insights about effective outreach methods and responsiveness to employee ownership outreach. Towards that end, we focused primarily on physical mail and email-based communications, as these were the communication media where we could track business responses at the individual-level. Relying on secondary databases, we developed a list of 33,314 businesses located within the City of Pittsburgh, including business owner names, physical addresses, and a range of business characteristics, including revenue, workforce size, and credit rating. We used this list to send letters to business owners. Relying on data extracted from professional networking platforms like LinkedIn, we developed a database of approximately 3789 business owner personal email addresses, though this list does not include rich business owner characteristics. We sent emails to these business owners, with a 52% email delivery success rate. We also identified 342 email entries that were listed in both databases.

In each email and physical letter sent out, we embedded a unique URL link, allowing us to track the behavior of that particular recipient. The taskforce also allowed us to embed a messaging experiment in these outreach communications. We created two versions of the email and physical letter, one emphasizing the benefits of converting to employee ownership for the workers and community (the social message), and the other emphasizing the benefits of converting to employee ownership for the business owners themselves (the financial message). We then randomized which businesses received which form of messaging.

Findings

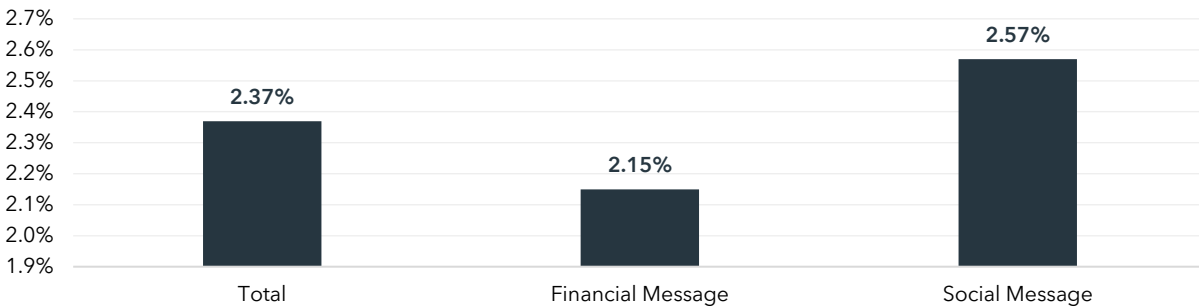
Data collection remains ongoing, as we continue to send follow-up communications and receive responses from businesses. However, the data presented below capture responses as of April 1, 2024. In what follows, we present a range of descriptive data to capture some of the differences we observed in response rates. These findings are not meant to test a particular set of hypotheses and do not involve estimating statistical models, as data collection remains ongoing. Instead, our purpose is to demonstrate the strengths and weaknesses of this research design, illustrate some emerging patterns in our findings, and stimulate discussion around the factors that shape responsiveness to employee ownership outreach. In what follows, for each area of findings, we report patterns in both the letter data and the email data.

Aggregate Response Rates and Message Types

We first present the aggregate response rate and variation in response rate by message type. Our response rates varied drastically by communication platform. Email outreach received an average 2.37% response rate, while letter outreach received a 0.31% response rate.

When we disaggregate response rate by message type, we observe that the social message received a higher response rate compared to the financial message. Figure 1 presents this pattern in the email response data, but we observe a similar pattern in the letter data, where the social message received a 0.35% response rate, while the financial message received a 0.26% response rate.

Figure 1: Response Rate by Message Type for Email Communication



Firm Size and Message Type

Next, we observed how response rates differed by firm size, measured by employee count and annual sales volume. We observed firms that responded to outreach to be either larger or similarly sized as firms that did not respond, whether measured in employee count or sales volume. However, when disaggregating by message type, we found notable differences. Firms that responded to financial messaging tended to be smaller than firms that did not respond to financial messaging, while firms that responded to social messaging tended to be larger than firms that did not respond to social messaging. Figures 2a and 2b present these patterns in the email response data. In the letter data, we find the difference between financial message recipients to be less consistent, but businesses responsive to the social letter had 23% larger median sales volume, and 25% larger employee count than those businesses that did not respond to letter outreach.

Figure 2a: Median Sales Volume by Email Outreach Response and Message Type

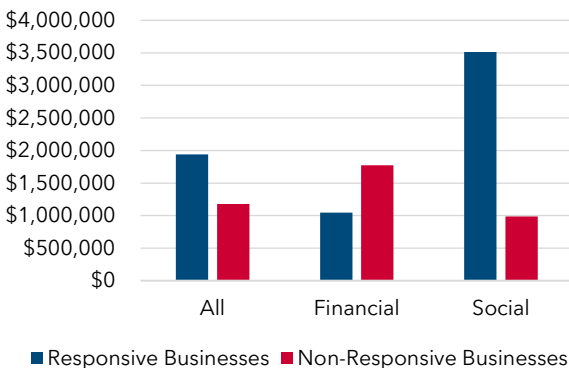
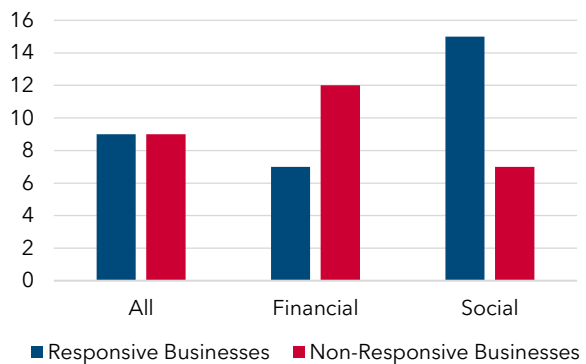


Figure 2b: Median Employee Count by Email Outreach Response and Message Type



Firm Performance and Message Type

We also examined financial performance indicators, outreach responsiveness, and variation by message type. Here, we used two indicators; credit rating and sales per employee. With respect to both measures, we did not find notable overall differences between respondents and non-respondents. However, differences became more pronounced when we disaggregated by message type. Among both email recipients and physical mail recipients, those responding to social messaging had median revenue per employee that was 16% higher than that of non-respondents.

Figure 3a: Median Sales Per Employee by Letter Outreach Response and Message Type

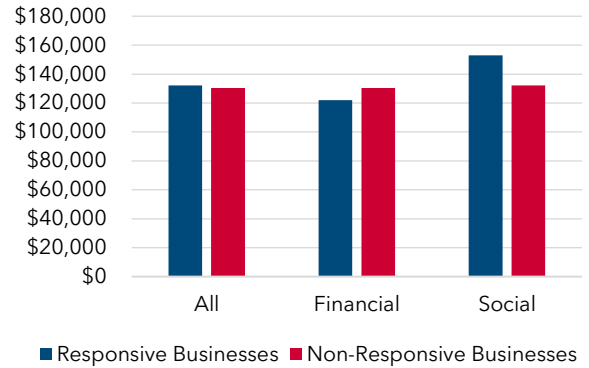
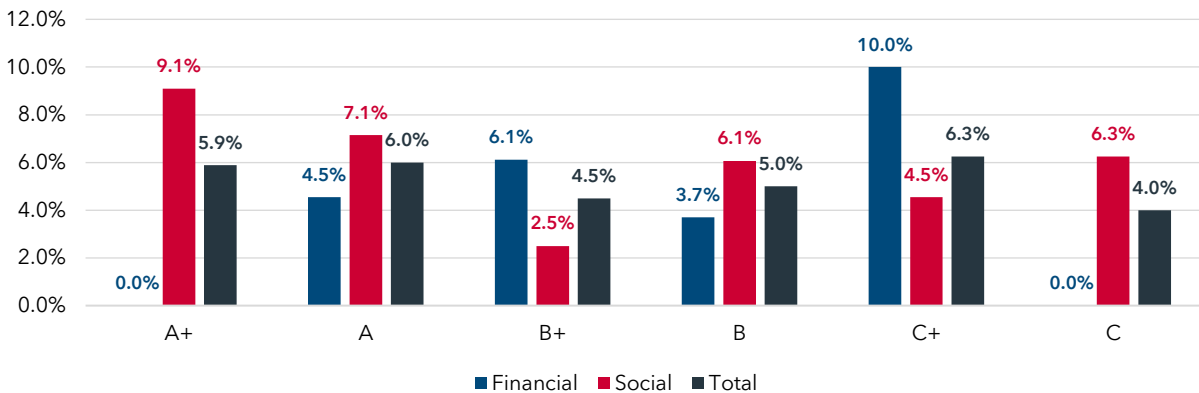


Figure 3a presents these findings in letter response data. With respect to credit ratings, when disaggregated by message type, we observe a partially consistent pattern of results in the email response data, but not in the letter response data. In the email response data, broadly speaking, we observe that businesses with the highest credit ratings respond more positively to social messaging. In the letter response data, we do not see a consistent pattern with credit ratings.

Figure 3b: Average Email Response Rate by Business Credit Rating and Message Type



Message Recipient Gender and Message Type

We also examined how response rates varied by the gender of the message recipient, generally, the owner, chief executive, or president. In this instance, the pattern of responses differed markedly between letter and email responses. As indicated in Figure 4a, male recipients had a higher rate of response to letter outreach, and this difference was particularly pronounced for financial messaging. Conversely, as indicated in Figure 4b, female recipients had a higher response rate to email outreach, and this difference was more pronounced for social messaging. One consistent feature across the two datasets is that female respondents in both samples respond more positively to social messaging.

Figure 4a: Letter Response Rate by Recipient Gender and Message Type

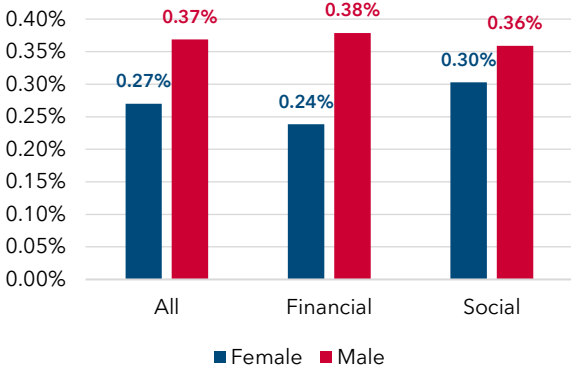
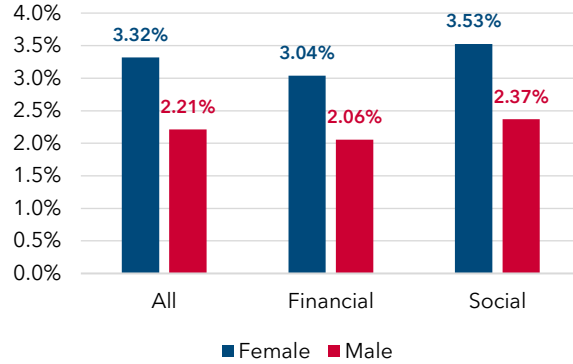


Figure 4b: Email Response Rate by Recipient Gender and Message Type



Industry and Response Rates

Finally, we examined variation in response rates by industry. We relied on Standard Industrial Classification two-digit codes and aggregated sectors to present the data. Because the larger sample of letter responses provides a more comprehensive distribution across industries, we present that data below. Figure 5 presents the average letter response rates across nine aggregated sectors, sorted by response rate. We observe that more labor-intensive sectors like retail trade, manufacturing, and construction have higher response rates, while more capital-intensive sectors like mining and utilities have lower response rates. For a more fine-grained picture, in Table 1, we present the fourteen industries (by Standard Industrial Classification codes) with the highest response rates. One remarkable pattern is that three of the fourteen industries with the highest response rates are food-related.

Figure 5: Average Letter Response Rate by Sector

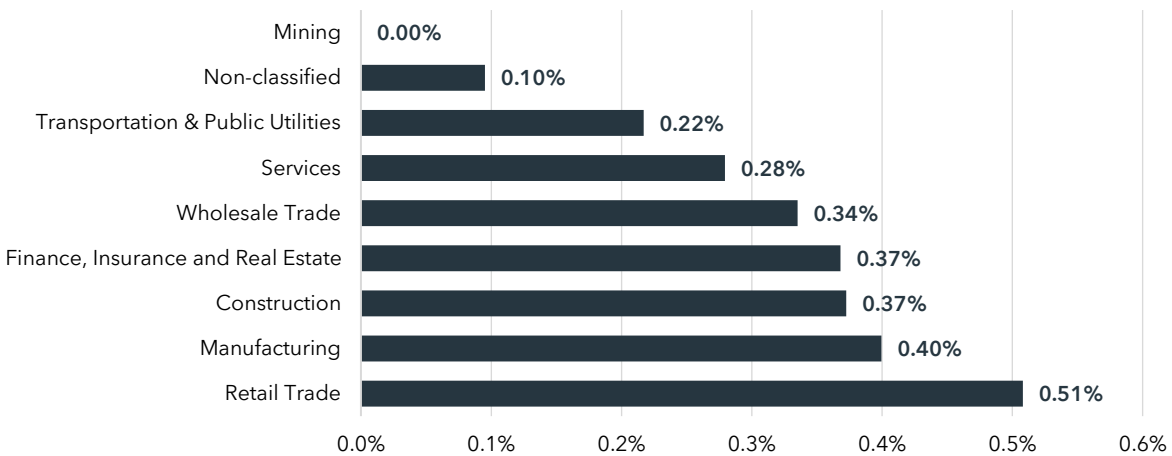


Table 1: 2 Digit SIC Industries with Highest Letter Response Rates

Sector	SIC2 Description	Response Rate
retail trade	54 - FOOD STORES	1.30%
manufacturing	20 - FOOD AND KINDRED PRODUCTS	1.02%
services	89 - SERVICES, NOT ELSEWHERE CLASSIFIED	0.93%
retail trade	51 - WHOLESALE TRADE - NONDURABLE GOODS	0.87%
services	72 - PERSONAL SERVICES	0.78%
retail trade	55 - AUTOMOTIVE DEALERS AND GASOLINE SERVICE STATIONS	0.71%
FIRE	64 - INSURANCE AGENTS, BROKERS AND SERVICE	0.54%
FIRE	65 - REAL ESTATE	0.53%
retail trade	57 - HOME FURNITURE, FURNISHINGS AND EQUIPMENT STORES	0.51%
manufacturing	27 - PRINTING, PUBLISHING AND ALLIED INDUSTRIES	0.49%
retail trade	58 - EATING AND DRINKING PLACES	0.43%
construction	17 - CONSTRUCTION - SPECIAL TRADE CONTRACTORS	0.43%
services	87 - ENGINEERING, ACCOUNTING, RESEARCH, MANAGEMENT & RELATED SVCS	0.43%
retail trade	59 - MISCELLANEOUS RETAIL	0.42%

Conclusions

To summarize, this research report sought to shed light on the factors that shape responsiveness to outreach efforts concerning employee ownership as a business practice. We partnered with the Pittsburgh Citywide Taskforce to send out varied message types to businesses and track response rates. Several concluding points are worth noting:

- Embedding intentionally designed research efforts within outreach initiatives offers the opportunity to simultaneously increase awareness about employee ownership and learn best practices for future efforts.
- Practitioners should anticipate low response rates on outreach efforts, and digital communication may be a more effective method, compared with physical mail.
- Social messaging is associated with higher response rates, particularly among larger and more profitable businesses, and for female respondents, than financial messaging. This suggests that practitioners should tailor messaging to audiences to maximize engagement.
- Inconsistent patterns of results between email outreach and letter outreach suggest that they reach distinct sub-samples of business owners.
- Labor-intensive, food-related industries may be particularly attractive industries for focused employee ownership outreach efforts.

Sources

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We are pleased to present this brief as part of the Employee Ownership Ideas Forum, a two-day convening bringing together leading policymakers, practitioners, experts, and the media for a robust discussion on how we can grow employee ownership for the shared benefit of American workers and businesses. The Forum is co-hosted by the Aspen Institute Economic Opportunities Program and the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University. Learn more at as.pn/eoforum24.

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