

UNIVERSITY OF LJUBLJANA  
SCHOOL OF ECONOMICS AND BUSINESS

MASTER'S THESIS

**MARKETING COMMUNICATION STRATEGY FOR PROMOTING  
THE EMPLOYEE SHARE OWNERSHIP PLAN IN SLOVENIA**

Ljubljana, July 2022

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## LIST OF ABBREVIATIONS

sl. – Slovene

**B2B** – Business to Business

**B2C** – Business to Consumer

**ESOP** – Employee Share Ownership Plan

**ESOT** – Employee Share Ownership Trust

**ERISA** – Employee Retirement and Income Security Act

**ICA** – Individual Capital Account

**NCEO** – National Centre for Employee Ownership

**NGO** – (sl. Nevladna organizacija); Non-Governmental Organisation

**SME** – (sl. Mala in srednja podjetja); Small and Medium Enterprises

**USA** – (sl. Združene države Amerike); United States of America

## **INTRODUCTION**

There are numerous benefits connected to employee share ownership like improved wealth equality, motivation, productivity, and care about the environment and the local community. The employee share ownership plan (hereinafter ESOP) was constructed in 1956 by economist and lawyer Louis Kelso, where the ownership was transferred to the employees (Miller, 2017). Therefore, among other things, the model is a useful tool for business succession, especially for small and medium-sized enterprises (hereinafter SMEs) – a problem still equally present and significant today. While the ESOP can be used to address multiple pressing societal issues, it has not been implemented in Slovenia yet. Certain action to include the ESOP model in the Slovenian legal framework has already been taken, as ESOP-supporting non-governmental organisations (hereinafter NGOs) have worked on drafting a law proposal. However, the draft needs to be properly lobbied and the support of the broader Slovenian public is needed for the law proposal to be passed.

The employee share ownership plan is very rarely used in Slovenia, thus arguably unknown to Slovenian businessmen, employees, and government authorities. There is little research regarding the reasons why the employee share ownership plan has not taken off in Slovenia yet, what would change if it were more widely introduced, and how to communicate this idea to the public. Consequently, the purpose of the master thesis is to contribute toward filling the existing gap of knowledge and to offer an appropriate marketing communication strategy for the promotion of the concept.

Hence, the research questions discussed in this thesis are defined to examine the issues that could be addressed with the ESOP model, the main obstacles impeding its wider implementation in Slovenia and the main benefits for different target groups that could be used to effectively promote the concept. The goal is to go beyond the recognition of best practices and examine the main implications of the model implementation in Slovenia to develop an appropriate marketing communication strategy. As deeper understanding of concepts is required, besides a comprehensive literature review, in-depth interviews were identified as the most suitable research method.

To facilitate the dissemination of information and provide a logical connection of findings, the thesis is organised into six chapters. The initial two chapters refer to the theoretical background because it is important to provide clear definitions of the frequently used terms, as well as offer an explanation of the theories and models on which the original ideas and findings are based before delving into the specifics. More precisely, the first chapter provides a theoretical overview of the employee share ownership plan, and the second section summarizes the theory regarding marketing communication strategies. Next, the methodology of the research is outlined in the third chapter, covering the research purpose, goals, questions, and methods. In the following two sections, the findings from researching

both secondary and primary data are presented. Based on what has been learnt from the secondary data, the interview questions were refined. Thus, only after having completed the desk research, the in-depth interviews were thoroughly planned and executed. Hence, the chapter noting the results from desk research precedes the one where the outcomes from the interviews are discussed. Incorporating all the previous findings, the marketing communication strategy specifically designed to promote the employee share ownership plan in Slovenia is outlined in the sixth chapter. Finally, a summary of the results is presented at the end of the thesis, under the conclusion section.

## **1 OVERVIEW OF EMPLOYEE SHARE OWNERSHIP PLAN**

The employee share ownership plan, as one of the central themes of the thesis, will be reviewed in terms of its genesis, the ideology that led to its creation, the trends that developed and its main characteristics.

### **1.1 Ideology and Genesis**

The beginning of the employee share ownership plan is pegged to the succession plan of the newspaper company, Peninsula Newspaper Incorporated, where Louis Kelso worked as vice president. Namely, in 1956, the original owners decided to retire, and they preferred selling the newspaper to their employees, as opposed to the only other potential buyer, the then-biggest media tycoon (Ballew, 2019). Louis Kelso had long held the opinion that it is only logical that employees buy out the companies and become owners, as they were the ones working towards the firms' success and building their future, while the owners of the newspaper company had already promised that the workers shall inherit the ownership once they reach retirement age (Menke Group, No date).

However, the employees didn't have sufficient resources to purchase the paper. Pooling all their savings, asking for additional debt from the bank or loaning from friends was still not nearly enough to cover the costs. Kelso came up with the then-novel idea to use the money of the profit-sharing trusts, then repaying not only the principal but also interest from the future annual contributions to the trust, which the company had already been practising (Ballew, 2019). For sure, the firm would have to increase the amounts of these contributions, however, these amounts are tax-deductible, hence the overall effect would not be as big (Menke Group, No date). In fact, this was allowing employees to pay for the company with its future earnings. Kelso would later do the same to help the ownership transfer of many other companies to their employees. Hence, this type of buyout was first called a 'Kelso plan' (Freeman, 2007).

According to Kelso, the main disadvantage of capitalism was its narrow scope, where the minority of people were capital owners, while the rest were able to only earn from their labour (Kelso, 1963). He noticed that the fundamental theories of economics, proposed by



renowned economists such as Adam Smith, Jean Baptiste Say, and John Maynard Keynes would better reflect the reality of the economy after the industrial revolution if they would acknowledge that capital does not just make the labour more productive, but it should be treated as a separate factor and its earnings belong to the capital owners (Kelso, 1998). Kelso believed in binary economics, where labour and capital are the only two potential sources of individual wealth, and as technological innovation makes capital more productive, the labour's share in wealth creation continues to diminish (Stumpff, 2009). If we take into consideration that labour is much less productive than capital, but it is paid more than capital for the workers to be able to afford a certain standard of living, it becomes apparent that the economy is askew (Ellerman, 1980).

The capitalist model functions based on capital formation through leveraging the existing capital in order to acquire new amounts of capital, which in turn results in wealth accruing to the already rich folks, while the poorer people, who earn their income solely through their labour have no ways of becoming capital owners. The spiralling concentration could be avoided if the financing of capital acquisition is restructured in such a way that the ordinary workers would also be able to gain capital and enjoy a second income (Murphy, 2014). Louis Kelso thought that the right capitalist model would not include the socialistic approach of redistributing wealth, but would instead create a fairer distribution of wealth, where a broader group of people are capital owners (Kelso, 1960). ESOPs enable workers to cut in the otherwise closed loop of distributing the profits to those who have the capital (Ellerman, 1980). In other words, capital won't have to be taken from those who have it and given to those who don't for the poor people to become richer.

Hence, the employee share ownership plan finds support from the left-wing, as it promotes workplace democracy, as well as the right-winged political parties, because it creates more capitalists among the workers (Ellerman & Gonza, 2020). Furthermore, any rational politician, regardless of their left or right orientation, would prefer a pre-distribution of wealth over redistributive policies, which improve equality only after inequality has already emerged as a problem. They would also most likely stand for community stabilization through aligning the goals of business owners and the local citizens, in addition to preventing absentee ownership as a result of SME succession (Stranahan & Kelly, 2019).

It comes as no surprise that Kelso is deemed the father of the employee share ownership plan if we take into consideration that he was the one who generated the idea and lobbied several politicians and other influential people to adopt it. Kelso finally managed to gain a true supporter of his ideas from the Senate Finance Committee in 1973, and one year later the Employee Retirement and Income Security Act (hereinafter ERISA) was passed, thanks to the encouragement of Senator Russell Long (The Kelso Institute, No date).

Employee ownership in many forms had already been taking off at the time, and twelve states had passed various legislations supporting it, when Senator Long included an ESOP model incentive for company owners to choose from, therefore greatly contributing to the

wider popularity of the employee share ownership plan (Murphy, 2014). Namely, besides helping to pass ERISA, he lobbied that the tax system needs to allow deferral of taxes on the sale of private shares to an ESOP, making the transition more attractive (Ballew, 2019).

However, even after ERISA was passed, the number of ESOPs didn't instantly skyrocket, but rather grew steadily, at a slow pace (Kelso, 1963). The reasons behind such inactivity can be found when looking into the broader business environment at the time. Namely, in the period between 1974 and 1984, the American economy was in an unfortunate state, with unemployment rates of around 10%, restricted lending by banks, as well as the notoriously famous heavy taxation by Reagan's administration (Auxier, 2010). Consequently, businesses were struggling to make ends meet, and many owners simply held the ownership of their companies until the day they die, in an attempt to avoid the high capital gains taxes.

The first ESOPs were all used as succession plans, where 100% of the ownership was passed on from the original owners to the managers and employees (Ballew, 2019). However, Kelso realized that the concept is much more flexible than that and can be used also in cases where a certain portion of the ownership is being transferred (Stumpff, 2009). For instance, a business may have several original owners and only one of them wants to exit the company, while the rest wish to keep their shares of the firm. Especially in the beforementioned period, when the economy was in recession, the ESOP was used as a mechanism for partially exiting the business, mostly by owners who wished to avoid the heavy taxes of selling the company, but still needed certain amounts of cash to comfortably retire (Menke Group, No date).

Similarly, an ESOP can purchase the desired percentage of shares in numerous cycles, if the original owners wish to have a gradual exit and avoid having a shock in the company. Moreover, an owner could decide to sell a certain percentage of the ownership to make sure that the employees are truly responsible owners, and that the legal vehicle works well, and only then continue with the transfer of the remaining shares.

## **1.2 Employee share ownership plan trends**

An interesting phenomenon, that the creator of ESOP perhaps did not foresee, was the usage of ESOPs in an attempt to save companies from bankruptcy. With the first such case occurring in 1979, the shares acquired by the ESOP would be paid not through the annual contributions but rather through the pre-agreed reductions in the salary of employees (Menke Group, No date). Other unpredicted usages of ESOP include prevention of hostile takeovers, restructuring pension plans, and cost-cutting through wage reductions (Rosen & Quarrey, 1987). A more recent example of the alternative uses of ESOP is Mondragon's coping mechanism with the COVID-19 pandemic, where the Spanish giant owned by employees decided to cut wages by 5% to prevent firing and promised them compensation in the form of dividends when the crisis will be over (Goodman, 2020).

In the late 1980s, ESOPs were the most common type of employee share ownership due to the abovementioned tax advantages, as well as further tax relieves from the Deficit Reduction Act of 1984 which provided owners with significant financial incentives to opt for the employee share ownership plan (Miller, 2017). The growth has hence been accelerated, estimated at approximately 800 new ESOPs covering almost a million new employee-owners on a yearly basis in the second half of the decade (Rosen, 1990). In 1983, 8.9% of employees were owners of company stock (Brickley & Hevert, 1991), while in 1990, 10% of the workforce held shares of public companies in which employee ownership surpassed 4% of total company market value (Kruse & Blasi, 1992).

Nonetheless, ESOPs grow to be less interesting for the public corporations during the 1990s, and they switch to stock options instead (Murphy, 1999). While the number of ESOPs saw a seven-fold increase during the 1980s, this number seems to stagnate in the next decade (Jack, 1995). However, ESOPs remain substantially popular among smaller private organisations (Murphy, 2014). By 1990, more than 10,000 ESOPs had been adopted, with almost 10 million American employees participating in them (Stumpff, 2009). In 2001, this number is estimated to be between 17 and 20 million American participants in plans and hold employer stock (U.S. Department of Labor, 2001). Although privately held companies represented the majority of total participants in plans, the assets held by employees in private companies was 9.7%, compared to the 28% in publicly held companies (Kruse, 2002).

The early 2000s revealed a rather strange trend connected to ESOP formation. Namely, the overall number of ESOPs significantly decreased between 2002 and 2005, yet the assets and the participation improved (NCEO, No date). The reason for the steep drop was the usage of ESOPs as scams, for tax and pension purposes, however, the IRS and Congress became very strict about misuse, passing special legislation in 2001, hence many plans were cancelled at the beginning of the 21<sup>st</sup> century (Rosen, 2015). All these suspicious ESOPs had very few participants, hence this number wasn't drastically affected.

In the period following the 2008 financial crisis, ESOPs return to their original usage – a succession tool. Namely, in times when competitors are struggling with their own cash flows and are not interested in taking over other businesses, and banks are willing to lend little or no money for a buyout, selling one's shares to an ESOP became the best option (Menke Group, No date). The ESOP was essentially used as an alternative buyer. The flexibility of selling all or a portion of the shares, as well as being able to decide whether to keep control over the business, made ESOPs quite favourable to many owners of small and medium-sized companies.

In the years of recovery from the Great Recession, the number of ESOPs slowly decreased, while the number of participants covered by ESOPs in 2014 is roughly the same as the one in 2018 (NCEO, 2021). More detailed information can be found in Table 1. Furthermore, the most recent data for the United States of America (hereinafter USA) shows 252 newly created ESOPs only in the fiscal year 2018, with overall 14 million workers throughout the

USA being part of approximately 7000 ESOP companies, accounting for 10% of the American private workforce (NCEO, 2021).

*Table 1: Count of ESOPs and participants*

<b>Filing year</b>	<b>Number of ESOPs</b>	<b>Total participants</b>
2014	6,717	14,050,344
2015	6,669	14,431,622
2016	6,624	14,206,950
2017	6,527	14,267,401
2018	6,501	14,050,574

*Source: National Center for Employee Ownership (2021).*

It is interesting to note that employee share ownership plans are widely implemented across various industries, different sizes and maturity stages of companies. Namely, 22% of ESOPs can be found within manufacturing firms, followed by 19% for the organisations providing professional, scientific, and technological services, then 15% in the sector composed of finance, insurance, and real estate, 13% in construction, and further distributed among wholesale, retail, management, healthcare, accommodation, food, and other services (NCEO, 2021).

To sum up, the ESOP has gone through various trends, gradually emerging in slightly different forms, while its core purposes appeared to be better defined. Namely, throughout the 1970s, people started using ESOPs for functions that weren't necessarily expected by the originators. For instance, certain companies among which the most well-known are Chrysler Corporation, Weirton Steel, and United Airlines, adopted the model in an attempt to save themselves from failure (Menke Group, No date). The acquired stock by the ESOP was paid through pre-negotiated salary reductions instead of contributions or retained earnings, thus employees were essentially given stock in exchange for wages. Furthermore, ESOPs are widely used as an exit strategy by private business owners, characterised by their smooth transition and continuity of governance, facilitating divestitures, and safeguarding against hostile takeovers (Stranahan & Kelly, 2019). However, perhaps the most important purpose of ESOPs is its use as a succession tool, which is nowadays even more relevant than in the 1980s, when this trend started. The European Commission has warned about the lack of succession planning when it comes to SMEs in Europe, a problem that can be solved with the implementation of employee share ownership plans (European Commission, 2008).

**1.3 Characteristics of the employee share ownership plan**

Having discussed the history of ESOPs, as well as mentioned the most important trends, it makes sense to go over the main characteristics of the concept. To get a better idea of the mechanics of the employee share ownership plan, the following part of the thesis will be dedicated to explaining the basic characteristics of the model. Essentially, the American

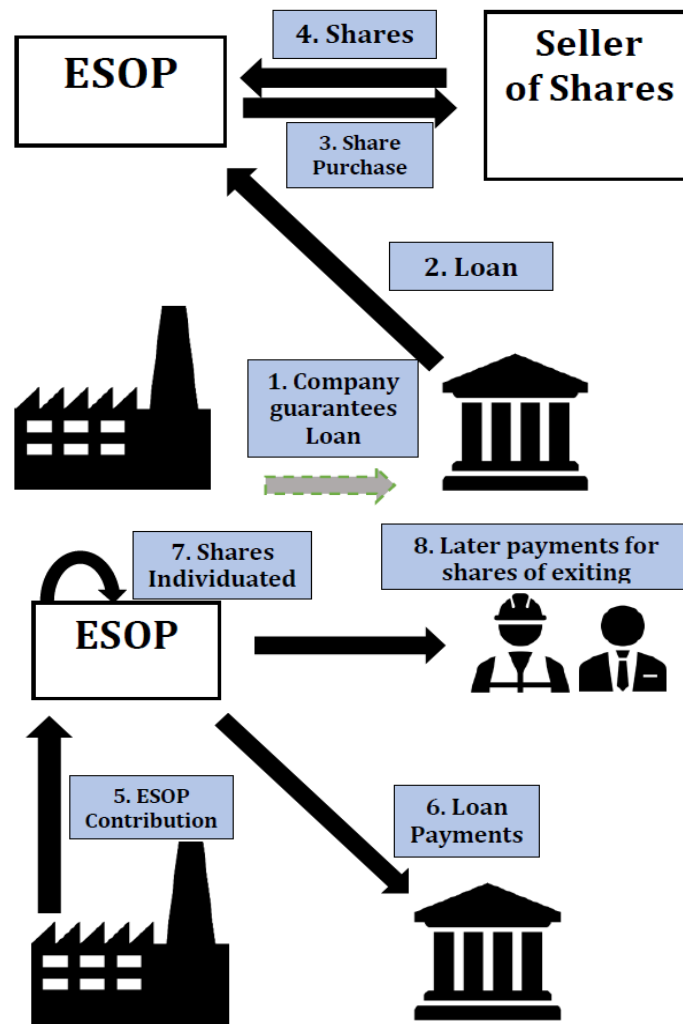
ESOP allows employees to do a leveraged buyout of either part of or the entire company shares. The model includes all permanent employees, with a built-in mechanism of new employee inclusion, preventing third parties from buying the shares of the companies, as well the retired workers from holding onto the company stock (Ellerman & Gonza, 2020). In order to understand how the ESOP works, one must know about the legal vehicle called employee share ownership trust (hereinafter ESOT), which is a separate legal entity from the company. The purpose of the ESOT is to facilitate the acquisition and distribution of the organisation's stock to the employees (Chen, 2020). It can be thought of as a unique type of pension plan in the United States, with the employees being beneficiaries of the trust.

There are several options when it comes to financing the transformation to an ESOP, however, it is important to understand that each manner represents a different type of company contribution, i.e., the plan is never funded by the employee participants' private savings (Ellerman, 1980). Namely, a company undergoing ESOP transformation could choose to take out a loan from a bank or another financial institution to cover the costs related to setting it up. Alternatively, the existing owner/s may agree to be paid for their shares in instalments, hence they receive a note from the company, committing to pay out the debt towards them (May, Hockett & Mackin, 2019). There is also a possibility for a non-leveraged ESOP transfer, where the company either contributes (part of) its cash reserves to the ESOP, then the ESOP uses the cash to buy shares, or the company directly contributes the stock to the ESOP (Rodrick, 2020).

Now, for the purpose of a simple but extensive explanation, let's suppose that the ESOP takes out a loan in order to have the needed funds to acquire the company stock, and the company becomes a guarantee for the repayment of the loan instalments. Because banks and other financial institutions typically have no interest in holding stock of private firms, the company makes a commitment to pay the instalments, as it would for a regular loan, however, these loan payments are regarded as pension contributions to the ESOT (Menke Group, No date). The entire pension contribution is accounted for as a deferred labour compensation; hence, all these expenses are deducted from the taxable income (Chen & Kensinger, 1988). Otherwise, only the interest of the loan payments would be a tax-deductible item, thus the ESOP transformation done through a separate legal vehicle creates a great tax advantage for the company.

When the shares are bought from the existing owner/s (whether this is a family or corporate owner, leaving due to retirement, a change of direction in their career, or simply deciding that an ESOP transformation is good for the business), they are held in a so-called suspense account, in the trust (Ellerman & Gonza, 2020). The shares are technically owned by the trust until the loan payments are paid for – namely, the shares will be forfeited in case of default on the instalments (Chen, 2020). Given the complexity of the explained steps, the graphical representation (Figure 1) should be useful in providing better clarity and an overview of the entire process.

Figure 1: ESOP transformation steps



Source: Ellerman & Gonza (2020).

Finally, the shares from the suspense account of the trust need to be distributed to separate accounts held by each employee. However, besides keeping track of the shares bought from the initial seller before the loan is paid off, there is another important role played by the suspense account. Namely, the aim is to allocate the shares to those employee-members who earned them, not to anyone who happened to be with the company at the time of the ESOP transformation (Ellerman, 1997). As employees put their effort into their work for the company, and the company generates money and pays out the debt, the shares will adequately be allocated from the suspense account to every individual capital account (Ellerman, 2018).

The distribution can be done based on various distribution schemes, for example, in proportion to the compensation of each employee or the length of time an employee is with the company. Usually, new employees are included in the ESOP after a year of being with the company (Rodrick, 2020). At the same time, the company is obliged to repurchase the stock of each worker that retires or exits the company due to other reasons, given that there

is no external market for companies that are not publicly traded (Ellerman, 2000). This repurchase can be financed either through the retained earnings of the company or if there aren't sufficient funds, then a loan is used in a similar manner as with the ESOP transfer. The repurchased shares are then redistributed among current members (Ellerman, 1997).

#### **1.4 Employee share ownership plan in Slovenia**

Although the ESOP transformations have a long tradition in the USA and many of them have proven to be successful, this model is not very much spread in Europe. Most importantly, there is no specific legislation covering employee share ownership, hence setting up an ESOT is not an option for companies operating in European countries. Hence, for this concept to work in Europe, or more precisely, in Slovenia, an appropriate legal vehicle must be found, which would replace the role of the employee share ownership trust in American ESOP conversions. Keeping it as a pension plan would not only lead to unequally spreading the risk among older and younger employees, but it would also motivate workers to leave the company sooner rather than later in an attempt to collect the cash from their shares (Ellerman & Gonza, 2020). Moreover, there are major differences between the pension and social security systems in the United States and Europe. Even more so, setting up a trust enables workers to only be beneficiaries of the trust, without providing any governing rights, hence putting employee-owners in a less desirable position compared to 'normal' shareholders in publicly traded companies.

The main goal is for all employees to take part in the legal entity since the ESOP transformation should end the divide among employees and owners, not only enlarge the number of owners. Keeping that in mind, it becomes obvious that using limited liability companies as a legal vehicle would not at all be a good fit because of the high costs related to registering new owners (and re-registers happen relatively often, with an employee entering or exiting the company), while co-operatives allow simple membership coordination (Ellerman, 2018). They are conceptually democratic organisations, where the governance needs to be agreed upon by all members, typically based on voting, with each person being allowed to cast one vote (McNamara, 2010). Furthermore, Europe has a long tradition of co-operatives (Pérotin, 2016), thus most of the European countries are likely to have developed a certain legislative framework covering them, so their usage isn't expected to be problematic.

Hence, Ellerman and Gonza (2020) suggest that worker co-operatives would best mimic the characteristics of an ESOT, although the tax advantages that are present in the USA will not happen in Slovenia until special legislation has been passed. Just like with the employee share ownership trust, all permanent employees should be members of the worker co-operative, and each member would have an individual capital account, where his or her company shares will gradually accumulate (Ellerman, 2018). Again, similar to the American

model, the firm would be obligated to buy back the shares of an employee that wishes to exit the company, after which their individual capital account will be closed (Ellerman, 1997).

Since the ESOP model would yet need to be implemented and the legislative framework to be developed in many European countries, among which Slovenia, there is room for certain improvements to be made based on the American practices. For instance, as the company is obliged to re-purchase the shares, it is put at risk of having unpredicted costs related to paying out the values accumulated on the individual capital accounts (Ellerman, 2000). Thus, the company may face extremely high costs in cases when a larger number of employees decide to leave the firm at approximately the same time.

Another common issue that occurs within American ESOP companies is the unequal risk distribution among older and younger employees. Namely, the value in the individual capital accounts (ICAs) keeps growing with time and the employees who have stayed longer with the company would lose much larger amounts in case the firm collapses (Katz & Krueger, 2019). Employee-owners are again put in a worse position than 'normal' shareholders because they cannot diversify their portfolio, as their resources are tied to the ICA. Moreover, the employee-owner cannot 'see the money' until he or she exits the company, and this appears to be an important problem. Besides motivating workers to leave the firm, it may also lead to a stampede of retirees in case they believe that the company would not be able to pay back all the accounts (Ellerman, 1997).

By incorporating the so-called rollover plan, all the abovementioned issues would either be averted or solved. According to this scheme, the ESOP would repurchase the shares of individual capital accounts after a fixed period of time, based on the 'first in, first out' principle (Ellerman, 2019). For example, if the agreed-upon period is 5 years, those shares that have been accrued for longer than 5 years, will be considered mature. Just like the shares of a retiring employee would be paid for and redistributed among current members, the matured shares are repurchased by the collective labour contract contributions from the company and reallocated based on the current payroll (Ellerman, 2018).

This in no way interferes with paying out the instalments for the loan towards the bank or the seller (used for financing the ESOP transfer), since the debt payments have a higher priority. The individual capital accounts can be viewed as a type of subordinated debt to the members; thus, the external debt has to be paid out before the co-operative can start paying out the subordinated debt (which is done through the rollover system) (Ellerman, 1980). Only in cases when the company is financially in a very good position, could both debts be paid out at the same time, however, there must be no default.

The rollover plan allows the younger employees to gradually buy out the net asset value of the business from the senior members without having to wait for them to retire (Ellerman & Gonza, 2020). Naturally, this lowers the risk for the senior workers, as they can use their resources to invest any way they like (perhaps investing in real estate or diversifying their

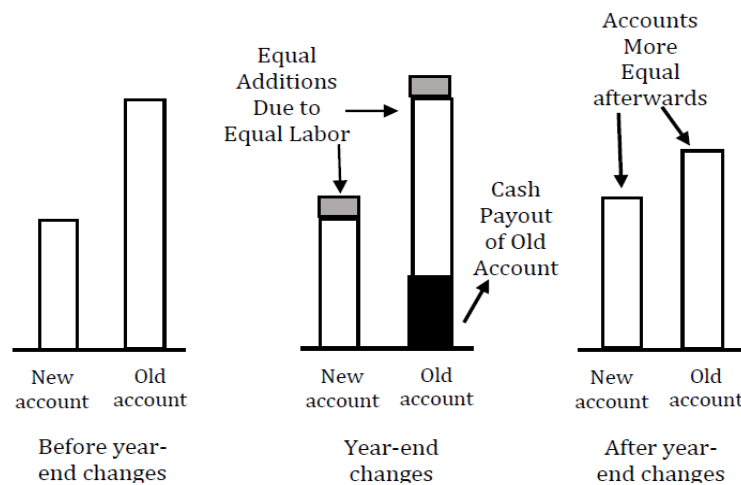


portfolio) instead of having them tied in the ICA. All employees except for the newly hired (who still must wait until their shares mature) receive two streams of income – the benefits from their effort in form of a salary and the benefits from ownership in form of redemption of the longest-held shares (Ellerman, 2018). Consequently, employee-owners are in a position closer to ordinary owners of private companies or shareholders, who do not have to wait until retirement to liquefy their assets.

Furthermore, the rollover (Figure 2) leads to better equality of the amounts accrued in the accounts of older and younger employees by reducing the shares gathered in older workers’ accounts and increasing the otherwise smaller accounts held by younger members (Ellerman, 1997). Logically, this redistributes the risk among employees in a more equal manner. Since each worker has to wait for their shares to mature before they can receive the cash, even if they quit, there is no longer a motivation to leave the company in order to get the money.

In case of emergency, when a certain worker needs financial help due to justifiable reasons, and the company wants to help him or her out, a special pay-out should be used (Ellerman, 2000). This means that the rules regarding paying out the initial loan and then following the rollover scheme should not be broken, but instead, the firm should take out a special loan to help the employee, which will be then paid back from deductions of his or her payroll.

*Figure 2: Rollover plan*



*Source: Ellerman (2018).*

The rollover scheme is also beneficial for the company in the sense that the otherwise stochastic cash outflows related to buying back the shares of employees who are exiting the company are now planned beforehand and known (Ellerman, 2018). The company doesn’t face any unpredicted high costs regarding repurchasing, as even the exiting employees are paid out according to the rollover plan – meaning that they still have to wait for the shares to mature. Given that ex-workers are no longer contributing to the wealth creation of the company and the system is credit-based, their individual capital accounts accrue no new

value. Hence, the already accrued value is gradually paid out as time passes and shares mature until the internal capital account (hereinafter ICA) completely empties.

Besides the improvement that is brought by the rollover plan, the European model suggested also for use in Slovenia would allow employees to not only be beneficiaries but become full members. This means that workers would be given more control over the governance of the collectively owned shares. Namely, the American ESOP model uses employee share ownership trusts, where the employees are simply beneficiaries. Contrarily, worker co-operatives have a board of directors which is voted by members based on the one-member-one-vote principle, regardless of the person's value accrued on his or her individual capital account (Ellerman, 2019). For the operations related to managing the entire member account system to run smoothly, a part-time manager and a secretary-treasurer will be elected by the board (Ellerman, 2018). Here, it is important to stress that the one-person-one-vote system concerns only the democratic selection of a person who would represent the collectively owned shares on the supervisory board and would organise the operations of the trust, and it does not interfere with the corporate governance already put in place (Ellerman & Gonza, 2020). Hence, applying this model would in no way change the corporate governance system which deals with electing the management board.

In summary, the employee share ownership plan attempts to include the entire workforce of the company in order to create an ownership culture, where each worker's personal goals align with the organisation's aims. Furthermore, it allows employees to buy out the companies they are working for without having to take on personal debt or receive lower wages, as the shares are partially financed by their future labour, tax advantages, and the expected increased productivity. It ultimately creates more capitalists (or owners of capital), decreasing inequality by allowing worker-owners to have a second stream of income.

## **2      MARKETING COMMUNICATION STRATEGY**

Regardless of how good it is, any product, service or concept would be useless unless it becomes known to the broader public, increasing the chances of its consumption or implementation. Consequently, every organisation must find effective and efficient ways to market itself and communicate the benefits of using its offerings. Given the importance of having a well-planned marketing communication, the following section of the thesis will focus on its definition, types, and objectives.

### **2.1      Defining marketing communication strategy**

No organisation operates in a vacuum, hence each needs to establish ways to communicate with its target audience and other stakeholders. A marketing communication strategy is an integrated plan that comprises of the content being shared (the message), the audience to

whom the marketing efforts are directed (the target), and the channels employed while doing so (the medium) (Ntloko, 2020).

Since it is a strategy, naturally, the marketing communication must have certain predefined goals. Generally, the aim is to attract the attention of the target audience and build a bridge for potential further collaboration (Leonard, 2019). Organisations may strive to find supporters and partners to cooperate with, educate the audience regarding certain concepts or attempt to get a wider acceptance for their otherwise unknown ideas. For businesses, the goals are closely connected to their work and field of the business, thus the more specific aims may vary from boosting demand, raising awareness, creating a competitive advantage, or refining the brand image (Ntloko, 2020). However, regardless of the specifics of the business, there are rules of thumb that need to be followed in order for the marketing communication strategy to be successful. For instance, the very first thing the marketing team needs to do is define the target audience and make attempts to understand it. In other words, one must know to whom the communication is *not* directed (Kay, 2020). Moreover, companies should attempt to segment the target audience into several groups and gather information regarding the basic demographic characteristics of the target segments addressed. This allows organisations to better communicate and adjust the format of the messages appropriately to the needs and interests of each group (Lake, 2020).

Especially in the first stages of interacting with customers, the marketers should make it as effortless as possible for the customer to get in touch and engage with the company's content or products. Consequently, the demographic information collected for the target audiences has another important use – according to their nationality, socioeconomic class, and interests, one can learn where the customers are to reach them more easily, whether that may be online or offline (Dragilev, 2021).

Besides knowing the demographics, a good marketer would go deeper into understanding the key pain points of the targeted group (Filipović, 2018). For instance, instead of only translating the messages to the language spoken by the target audience, an organisation would present its idea as a solution to relatable problems, stressing the advantages of its acceptance. After showcasing the benefits, the marketing team may decide to also pinpoint the ease of implementation of the idea in question or offer consulting and advising services for more complex concepts. Moreover, the message can be tailored in such a way that it underlines why the company's product or service is worth looking into, and how exactly it contributes to solving the customers' problems (Linton, No date).

Furthermore, apart from focusing on appropriately defining the target audience and its sections, as well as creating suitable messages to the needs, interests and requests of the customers, the marketing team must not forget about the importance of the marketing channel or medium. The primary role of marketing channels is to provide a mechanism that connects the customer with the organisation (Rosenbloom, 2013). When making the decision on which channel to pick, one should also keep the customers in mind, as well as evaluate

the cost of each medium, how it would influence the company's brand, and whether a certain level of localization will help reach customers more easily (Burnett, 2011).

Carefully choosing the channels significantly contributes to being easily accessible to potential clients and increasing the likelihood of initial engagement. For both business-to-business and business-to-consumer relations, the Internet has undoubtedly changed the way prospects get informed, search for recommendations, make decisions, and communicate (Szymkowiak, 2020). Besides its role as a source of information for customers, it can also be used as a communication tool, enabling companies to easily reach prospects. Nonetheless, not all SMEs fully use the potential of online communication and other digital tools (Taiminen & Karjaluoto, 2015). Any organisation that strives to be modern should understand the importance of digitalization and establish a certain online presence, which becomes essential especially during the COVID-19 pandemic, with the restrictions limiting the options for reaching out to customers through physical channels.

In addition, each medium has specific characteristics that can be used to benefit the company. For example, a company can take advantage of the print medium when striving to establish trust among clients by choosing reliable journalists or ambassadors of the brand (Ntloko, 2020). Similarly, finding suitable partners to support the organisation's means can have a positive impact, for instance by leveraging influencers to share posts thus gaining followers quickly and cheaply on social media.

It soon becomes obvious that the three key elements of the marketing communication strategy are co-dependent and should be coordinated in such a way that they are all contributing to the common objective. An important outcome of having an integrated marketing communication strategy is building trust among customers. Conveying a certain image around the brand and constantly communicating coherent messages to the audience makes the organisation seem more trustworthy.

The messages presented through all marketing channels should be consistent so that there is no conflicting information across different platforms of communication. Namely, the organisation should work on putting together a unique selling proposition, which will then be clearly and consistently shared throughout all media (Dragilev, 2021). A unique selling proposition is a concise statement where the business highlights how it is different from other players on the market, while also focusing on the value for the customer (Kumar, 2021). It should be something that will show clients what the organisation stands for, but also something that customers are interested in and care about.

Marketing communication is important for every company, but its relative significance further increases for small organisations who strive to introduce changes in society, business, law, or politics because they need a large number of genuine supporters before they can make a real difference. Besides attracting people to care and be interested in the topic, the team of only a few members and limited budgets must also find ways to get the wider public

to think and publicly debate on the subject. Only then will the idea gain enough awareness and supporters to make a meaningful change. Understanding the basic principles of the marketing communication strategy is thus required for every member of the organisation, as having a skillfully crafted marketing communication strategy sometimes becomes an important success factor for smaller non-governmental organisations.

## **2.2 Marketing communication objectives**

The dynamic and highly competitive business environment imposes the need for every organisation to aim at discovering the most efficient way to connect with customers and present the benefits obtained by using the products or services in question (Clow, 2010). The objective of marketing communication can be defined as broad as sharing information and concepts with relevant audiences, but it can also be broken down into more specific goals. Contrary to sales promotion, where the aim is short-term and ultimately leads to increased sales, the efforts of marketing communication are rather long-term, reaching the goal when the audience perceives higher value in the firm's brand (Rohini, No date). This can only be achieved through consistent and continuous reinforcement of the ideas that the brand represents.

When striving to achieve the ultimate goal of positioning and creating preference, the first step is typically increasing awareness (Kokemuller, 2019). Brand communication is positively related to brand awareness (Ateke & Nwulu, 2017). Hence, every message broadcasted to the public needs to underpin the desired image in the minds of the consumers, so that they can start to make associations with the brand (McQuerrey, 2019). To attain this objective, consistency is of the greatest importance. Namely, constant messaging is needed across every message, each graphic design, as well as using a specific colour palette matching the company's logo.

Given that companies use marketing communication to establish their positioning, an underlying objective of the communication efforts is to better compete with the other players on the market. Namely, when consumers have a good attitude toward the brand or the company, they are more likely to invest their resources into the organisation's products and services (Rohini, No date). Marketing communication is used to constantly remind the customers of the efforts of the company, as well as inform them about its latest products or services available on the market. If this is successful, then the consumer would think of the company when the need for its services occurs, hence choosing the organisation over the rest of the competitors. In other words, companies deploy marketing communication to help them create preference in the long run (Wiefels, 2002).

However, solely informing the audience is not enough. Besides enabling the target customers to recognize the brand, marketing communication aims at convincing them that the messages presented are true (Filipović, 2018). If the recipients of the message do not believe in the

accuracy of the information, then the aim has not been reached, and the consumer would probably ignore the messages while avoiding any interactions with the organisation.

Other objectives besides brand awareness that can be achieved through marketing communication involve educating customers about the uses of the product or service, retaining the existing customer base, as well as getting referrals from current customers (McQuerry, 2019). Depending on the line of business of the company, especially when it comes to more complex products or services, it is crucial to invest in educating consumers in order to make sure that they understand its purpose and its usages, because they would be more likely to purchase an item that they know how to use.

Moreover, letting current customers know about new products or updates of services may increase the upselling opportunities. Although retaining users requires different techniques than attracting new ones, marketing communication is needed to establish mutually beneficial and lasting relationships with customers (Nesterenko, 2020). Lastly, organisations should portray the broader benefits of their offerings, as taking part in activities that help the wider community leads to creating a positive image in the minds of the consumers, which in turn increases the probability of them engaging in word-of-mouth marketing (Kokemuller, 2019). Hence, another objective of marketing communication could be gaining advocates of the company's goals, whether that may be word-of-mouth marketing by customers, sponsorships by interested and relevant organisations, or finding partners for transferring know-how and mutually benefiting from the established collaboration.

It is important to point out that the marketing communication strategy objectives differ based on the type of company, its line of business, its ability to allocate resources, and its size. Another significant observation is the noticeable difference between the approach of big companies, compared to small and medium-sized enterprises, where the budgets are considerably smaller. Small businesses are not just tiny big companies, thus they need to apply unique strategies as SMEs are not able to hire, assess, or train employees the same way large corporations can afford (Welsh, White & Dowell, 1982). Just like budgeting, human resource management, and leadership approaches must be adjusted to the needs of small companies, communication too requires wisely choosing the right techniques (Findlay Schenck, 2012). Marketers of SMEs must be more creative to craft the most low-cost but high-return strategies.

Other differences in the marketing strategy, objectives and techniques can be expected for non-for-profit organisations or non-governmental organisations (NGOs). Organisations that aim to bring novel concepts to a certain country, area, or market need to carefully examine the current situation and whether the public has already developed an opinion on the topic. It sometimes happens that the historic development of the community, cultural traditions or other factors lower the acceptance of the broader masses. The aforementioned may result in biases, stereotypes and other unfavourable associations with the idea, thus posing the need

for making the fight against stereotypes an important objective in the marketing communication strategy.

Trying to introduce complex new ideas requires additional consideration when shaping the marketing communication strategy so that it also involves the education of potential beneficiaries. Given that acquainting the public with a complex new idea requires their understanding and foremost trust, the marketing communication objectives should also cover establishing a proof of concept, persistently portraying positive aspects of the idea, and presenting it as a logical solution to important pain points (Burke, 2021). Having all this in mind, it becomes quite obvious why the marketing communication objectives must differ for companies aiming to boost sales and non-for-profit organisations attempting to implement a novel concept.

Since carefully creating the content to present the idea in a good light is meaningless without also being trustworthy, organisations must work hard on establishing themselves as reputable and renowned. Gaining the trust of people so that they are willing to try out a new concept is by no means a simple task, hence it is advisable to establish also operational goals, as to how to appear trustworthy. Given that building trust is not only quite difficult to achieve but also almost impossible to measure, a solution would be aiming to become credible in the eyes of the public. Besides communicating consistent messages and clearly presenting the information, companies must mind their reputation, as audiences' reactions are influenced also by their attitude towards the source (Wathen & Burkell, 2002). For instance, recipients are more likely to be receptive to the ideas if they perceive the source as credible.

Certain companies gain trust by decreasing the initial suspicion by incorporating customer reviews, assurances, previous user product ratings, certifications, testimonials, guarantees, and feedback mechanisms (McKnight & Kacmar, 2006). For organisations that do not have customers in the traditional sense but rather rely on indirect beneficiaries of their efforts, inviting renowned experts in the relevant area to support the organisation or at least the concept can replace the lack of testimonials and previous user experiences or reviews. The team managing marketing communications can hence influence the public opinion and the assessed credibility of their organisations by building the strategy on expertise, knowledge, and trustworthiness (Wathen & Burkell, 2002).

### **2.3 Target audience and messaging**

Marketing communication efforts must be directed toward properly defined target audiences to be effective. The messaging may significantly differ depending on the targeted population, making it necessary for marketers to understand the users they are communicating to. Therefore, the target audience provides important guidelines for the content strategy, the choice of channels, and the copywriting activities (Thomas, 2020). Namely, knowing what users need, want, or care about could be particularly useful when promoting a product, service, or idea because the message can be appropriately adjusted to resonate with the

audience. Besides adapting the main ideas to appeal to the audience, the message must contain terms, language, and graphics that the target groups find familiar and understandable.

There are various approaches to specifying the target audience. When the target group is widely defined, the messages cannot be customized to specific personas, however, can attract larger audiences and the chances of getting more impressions or interested prospects is higher (Greenaway, 2021). Though broad marketing generates a lot of leads, the probability of customers going through every stage of the sales funnel and converting in the final step is lower. On the other hand, a narrow target audience enables the marketing team to create tailored messages, making them more applicable and more likely to lead to a final conversion (Long, 2017). While it might be difficult to identify the target customers, sending out personalized messages is deemed to be highly effective (Zhang, 2017). Typically, it is recommended for organisations that are just starting and haven't formed a customer base to use broad marketing to form as large a foundation as possible and then proceed with narrower approaches that are useful for closing the deal (Mickelsen, 2017).

Moreover, not all practices that are used for business-to-consumer (hereinafter B2C) marketing communication strategies can be applied to business-to-business (hereinafter B2B) settings, because of the differences in the decision-making process (most likely a team is involved instead of a sole individual), the typically longer customer journey (businesses tend to be cautious and analytical), and the focus on needs over wants (prioritizing the long-term benefits of the decision for the business) (Rivard, 2017). Since the purchasing decision is made by a group of professionals, the process is more rational than emotional and typically includes several perspectives and a thorough cost analysis which further increases the complexity of B2B buying compared to B2C (Chlebišová, Kyzeková & Zajarošová, 2011). B2B customers want to be well educated about the solutions before purchasing, as they aim to be efficient and ensure high returns (Decker, 2022). The B2B market size is often smaller than the B2C one because of the lower number of potential customers, but also due to the demand for B2B purchases being based only on needs, not wishes (Rėklaitis & Pilelienė, 2019).

Focused B2B marketing communication strategies tend to be more effective because they allow for greater message customization and usage of relevant jargon (Kwan, 2019). Identifying a narrower target audience for B2B organisations can be done by analyzing the SIC code and recognizing their specific needs based on the industry, being mindful of the type of institution and its organisational culture and understanding the decision-making process (Miller, 2012). Furthermore, the content should be properly adjusted to the stages in the purchasing process, reflecting the extent to which the customer is showing interest in the product. For instance, prospects that are becoming aware of their problem should receive engaging messaging that would increase brand visibility, while the content should aim to build trust and provide solutions to those who are already considering various options (Emmett, 2020).



The main marketing communication activities that B2B marketers allocate their budgets to include the company's website, search engine marketing, social media, and webinars, with the website being the most important tool around which all other marketing activities develop (VanBoskirk, 2009). The website can be used to promote the results of employing public relations like press releases, organizing media-covered events, or publishing articles in print media (Rotman, 2009). Nowadays, with customers using the Internet to search for advice and solutions to their various problems, the website's importance for brand visibility has tremendously increased, meaning that a well-developed website is a very valuable asset (Frederiksen, 2022). Furthermore, since B2B marketing is about establishing long-lasting and strong relationships with clients, emails and blogs are often used to maintain the connection (Decker, 2022).

## **2.4 Marketing communication channels**

Marketing communication is an interdisciplinary pursuit, as it requires coordination of the efforts of the marketing, public relations, sales, and publicity departments (Shrivastava & Dawle, 2020). Nowadays, the first thing that comes to mind when speaking about marketing communication is perhaps online presence, although other types exist, among which sales promotion, PR, digital marketing, advertising, direct marketing, and personal selling can be found (Wroblewski, 2019). Other authors would expand the list of marketing communication modes to include also branding, printed materials, trade show appearances, sponsorships, events, seminars, downloadable materials, blogging, and sales presentations (Shrivastava & Dawle, 2020). Projecting a desirable image to the public is more than what the company posts on its social media and webpage – it includes everything that plays a role in the firm's presentation to the public, including also the logo, slogan, corporate social responsibility strategies, and overall positioning (Shethna, No date).

Once the organisation has determined who the target audience is, as well as gained a certain understanding of their demographics and pain points, an appropriate marketing communication mix needs to be carefully designed. There are numerous options available to companies nowadays, ranging from online advertising and banners on websites, through social media presented or sponsored posts, content marketing, email marketing, direct and personal marketing, organizing events, and paid sponsorships, to more traditional channels such as newspapers, radio, television, and billboards (Collins, 2019). Other media for communicating with relevant audiences include writing articles, publishing papers, composing whitepapers, creating pamphlets or brochures, and even public speaking (Mandelbaum, 2020).

Unsurprisingly, there should be an alignment between the content and the channels used (Ntloko, 2020). This also refers to the audience; for instance, using a formal style of communication is suitable for business owners, experts, and professionals, whereas the

younger generation would be more attracted to content written with their jargon (Mandelbaum, 2020). The same goes for the connection between the target and the medium.

Depending on the target audience's characteristics, a company may opt for one or several marketing communication channels for conveying its message. A simple but effective principle is to go where the target customers already are (Dragilev, 2021). Hence, reaching the younger generations is best done online, on social media platforms such as Instagram or TikTok, as well as on offline sites such as universities and schools. On the other hand, business owners are more likely to be reached through publishing papers in relevant journals, maintaining a blog, issuing op-eds in business sections of newspapers, events regarding leadership and business growth strategies, as well as being contacted directly via LinkedIn, email or telephone.

Looking at the numerous types of marketing communication, certain differences become obvious. For instance, advertising allows companies to communicate to wider audiences as it is a tool for extending their reach. However, not all organisations can afford to put aside a big enough budget for effective advertising because the advertising activities are typically expensive. Digital marketing, on the other hand, tends to enable reaching the target audience at lower costs. Still, it requires high investments of time and effort, as followers expect up-to-date content with new information, presented in a way that is easy to access and digest (Wroblewski, 2019). Besides integrating the message, the target audience, and the medium, an organisation must also decide how often it will communicate. Thus, other notable factors that should be taken into consideration include the frequency of communication and success measuring (Mandelbaum, 2020).

Similarly, direct marketing may not incur high costs in the same way as advertising, but it certainly requires high involvement of employees, so that the messages can be personalized and engaging (Anderson & Kenton, 2020). Commonly, direct marketing involves sending out mail, email, brochures, catalogues, newsletters, postcards, coupons, or SMS (Campos, 2021). Although most of these materials can be shared in a digital form thus involve very little printing costs, (which is the preferred option, especially in times of the pandemic, where physical presence is strictly restricted, besides the ecological advantages), the company would have to hire a team that would create content which will present a unified image, will be shared frequently, and contain relevant information.

A unique advantage of this type of marketing communication is the absence of middlemen, hence the organisation can leverage their own analytics, making this strategy quite effective (Robinson, 2018). Opting for a digital channel such as social media is advantageous when it comes to success measuring, as most platforms offer free analytics tools for following the progress of campaigns or profiles, thus getting insights into the types of messages that are best accepted by the audience is relatively easy.

Furthermore, content marketing seems to catch the attention of many businesses, as it is expected to have a long-term positive impact on the company's awareness of the main stakeholders in the industry (Shethna, No date). The first association with content marketing may be social media profiles, where companies strive to publish posts that are either relatable and fun to their followers or informational and useful. Lately, meme marketing is growing in popularity, with more and more companies using paid promotion on social media trying to blend into the prospect's feed, making ads that look like memes or referrals by a friend (Carr, 2021).

However, content marketing may also include keeping a blog on the website, which is relatively cost-effective, as it only requires investment in a domain name and web hosting, as well as the energy of the team creating the content (Duermyer, 2019). Assuming that the blog posts would be search engine optimized and that they present the latest trends instead of feeling like commercials to the readers, they should bring higher traffic to the firm's website (Baker, 2014). However, this is not something that can happen overnight, and it is usually the case that the audience grows at a steady pace (Wainwright, 2020). Even more so, creating an engaged group of readers for the blog posts also needs marketing; for example, sharing the new content on the social media profiles of the company (Duermyer, 2019).

Although content marketing is an attractive option because of the low investment in tools, where the main cost driver is the salary of the team working on content creation, it can be a risky strategy for companies that don't have a reputation for being youthful, or for teams that do not quite follow Internet trends. Though certain campaigns have succeeded in becoming viral due to using catchphrases and memes (Kostygina, et al., 2020), leveraging memes can also backfire if the campaign is not timed right or if it lacks originality (Priyanka, 2021). Moreover, blogging and maintaining social media presence requires continuous efforts, thus the organisation must understand that no great results can be expected if they only set up a budget for content creation during a limited amount of time.

Finally, an organisation may choose to employ more than one marketing communication channel, depending on the audience segments it has determined. There are many examples of businesses using a marketing communication mix to get their messages across (Shrivastava & Dawle, 2020). It is advisable to integrate the efforts across all modes so that the company is presenting a consistent and unified image to the public.

## **2.5 Marketing communication of the employee share ownership plan**

Although some basic rules of thumb hold for all marketing communication strategies, developing one requires also adjusting to the specific product, service, or concept. Therefore, it is beneficial to mention how organisations and companies have approached communicating the employee share ownership plan and what have they done to spread the awareness. Since the ESOP comes from the USA and it is most widely spread there, it is best

to start by looking at the American experience in terms of marketing communication strategies of the model.

The largest organisation that deals with employee ownership, the National Centre for Employee Ownership (hereinafter NCEO), found that the main reason why ESOPs are not further spread across the USA is the overall lack of awareness, with both business owners not knowing that employee ownership is an option, and industry consultants not being familiar with the concept to suggest it to their clients (Bernstein, 2020). Consequently, the marketing communication strategy plays an even more important role when it comes to ESOPs, and the goal is to raise awareness. Tackling this issue is done in multiple ways, all of them aiming to communicate the benefits of the employee share ownership concept to the general public and ignite more discussions on the topic.

Therefore, NCEO is organizing numerous events, debates, and discussions for the public, while also holding training, webinars, and workshops for those who are interested. Moreover, they have introduced Employee Ownership Month to further celebrate the benefits of ESOPs throughout October (Rosen, 2020). NCEO has done a lot of research on the performance of employee-owned companies and has published numerous papers with the most important findings. They strive to keep publications up to date with current happenings and world trends, continuously publishing different resources and materials, regularly sending out a newsletter to subscribers, frequently writing web articles and maintaining an online blog. For instance, they are linking ESOPs with the current trends such as the Great Resignation, showing that employee-owners are less likely to quit their job even when the world sees massive employee resignations (Perkins, 2021).

Similarly, the main activities of other smaller organisations that support and promote employee ownership (Vermont Employee Ownership Centre, Pennsylvania Center for Employee Ownership, Ohio Employee Ownership Centre, The ESOP Association, etc.) are organizing events, conferences, and workshops to bring ESOPs closer to the general public, while also providing materials that help interested people learn more about how to set up an ESOP. All of them also offer networking opportunities for their members and support the creation of an ESOP community. For instance, best practices are shared at annual conferences, where members are encouraged to attend and present their progress. Building an ESOP community is done also through digital channels, by using certain hashtags to connect other similar posts or employee-owned companies on the social media platform. Therefore, the most commonly used marketing channels include email marketing, direct communication, social media, online presence, blogging, and events, while the aim is to present the benefits of the concept to increase the reach and interest as much as possible.

Other organizations have a narrower focus and work closely with owners who are already selling their business to the employees by providing them with legal and financial consultation during the transitioning process, as well as suggesting communication tools to help build the new identity and organizing webinars or training on creating an ownership

culture after the transformation. Moreover, American companies that properly implement employee share ownership plans and manage to successfully create an ownership culture are qualified for certification by an association called Certified EO. This organisation strives to build a strong EO community and help ESOPs become more distinguished among the sea of companies on the American market by attaching a specific logo related to employee ownership of the certified companies' products. Their vision is to create a society where EO-certified companies are a preferred choice of job seekers as well as customers, and employee ownership is synonymous with high-quality, great customer experience, and stable jobs (CertifiedEO, 2021). Therefore, they offer webinars, handouts, and tools for the certified ESOPs to help them with communication, marketing, and recruitment.

### **3 METHODOLOGY OF QUALITATIVE RESEARCH**

No research can be completed without certain practices, and methodology should be perceived as a way of approaching the subject of interest (Kazdin, 2003). Defining it beforehand provides guidance for the researcher, and it facilitates the understanding of results, as readers can easily make sense of how the process worked and the reasons why certain methods were chosen (Bryman, 2008). Thus, the following section of the thesis is dedicated to the development of the methodology of the research, as well as the explanation of why such methods are appropriate to the cause.

#### **3.1 Research purpose, goals, and questions**

The purpose of the research is to provide a better understanding of the implications of the implementation of the employee share ownership plan in Slovenia. Given the underdeveloped mechanisms for transferring the ownership to employees in Slovenia, as well as the lack of examination on the topic of employee share ownership, the research attempts to provide the initial understanding for closing the mentioned gap.

Although not present or even known in Slovenia, the employee share ownership plan is very commonly used in the United States. After decades of research on the topic, it has been shown that ESOPs lead to threefold benefits – for the businesses, the employees, and the society. The goal is to go beyond explaining the generic findings of research done in the USA, by digging deeper to find out how these benefits would impact the Slovenian economy and society. Therefore, the first research question strives to look deeper into the potential advantages of implementing the model in Slovenia, and is defined as indicated underneath:

Q1: Which problems will be addressed if ESOP is implemented in Slovenia?

Despite the numerous success stories of American companies that transformed into ESOPs, as well as the proven benefits of the concept, the model hasn't spread across Slovenia so far. Logically, one may conclude that such a situation is caused by certain barriers, thus the

underlying reasons holding the implementation of ESOPs back need to be defined. Consequently, the second question that I attempt to answer is formulated as presented below:

Q2: What are the obstacles that impede the implementation of ESOP in Slovenia?

Finally, given the lack of ESOP companies in Slovenia, there is an evident need to take action by promoting the beneficial model among the business owners, employees and the general public in Slovenia. Having understood the pain points of the target audience along with the gained knowledge on the potential impediments for each group to accept the model, a marketing communication strategy can be well-tailored to the needs of the potential beneficiaries. Hence, the third research question discussed in the thesis is phrased as follows:

Q3: Which are the most appealing benefits for different target groups (business owners, employees, and the general public in Slovenia) that could be used in developing a marketing communication strategy for acquainting the Slovenian public to the ESOP?

### **3.2 Methods and sample**

The intention is to reach the goals set and to find answers to the previously formed questions as accurately and as free of bias as possible. Hence, it is important to use scientific procedures that have been created to decrease the probability of mistakenly gathering irrelevant information which is not sufficiently reliable to provide the wanted answers (Davies & Hughes, 2014).

The first important decision that must be made is whether to collect primary data firsthand or rely on secondary data, that has previously been gathered for other similar reasons. Namely, gathering primary data is typically a more expensive process, which can take the form of surveys, interviews, observations, experiments, etc., however, it is real-time, accurate, reliable, and specific to the researcher's demands (Surbhi, 2020). On the other hand, secondary data has already been published by someone else, whether that may be by government bodies, NGOs, agencies, journals, universities, websites, or other individual researchers, thus it is relatively cheaply and easily accessible, nevertheless, oftentimes also less specific, accurate and reliable (Wagh, 2021).

Though the two types of data have advantages and disadvantages, it is advisable to start the research with secondary data, not only to enrich the researcher's knowledge on the topic but also to help plan the primary research (Mishra, 2021). The second crucial decision is to choose whether to apply quantitative or qualitative methods. Quantitative research refers to numeric data, which can be ranked and measured in units, while qualitative research deals with data of non-numerical nature, hence no statistical tests can be run on qualitative data (Streefkerk, 2019). Although quantitative research allows determining whether a hypothesis should be accepted or rejected based on the (lack of) support found through analyzing the data that can be later used for inferring generalized conclusions, while qualitative research

does not, it is especially valuable when striving to gain insights or a deeper understanding regarding reasons, concepts, opinions, motivations, experiences or thoughts (Gough, 2020).

Therefore, both methods can be extremely useful, thus the issue raised should not be whether one is better than the other, but rather, which is more applicable to the situation being researched. Given that the purpose of the thesis is to provide a better understanding and insights into the advantages of introducing ESOP in Slovenia, define the problems of implementation, and design a marketing communication strategy depending on the findings, qualitative research should be used as more appropriate than quantitative. Taking this into consideration, while also keeping in mind that it is advisable to gain from the complementary use of primary and secondary data, the methods of choice consist of desk research and in-depth interviews.

Desk research does not include primary data collection; instead, it focuses on examining previously completed research and already available data with the aim to gain a wide understanding of the subject (Travis, 2016). Despite the common fallacy that secondary research doesn't add as much value due to the low probability to find already collected data that will completely fit the needs of the researcher, desk research is useful for providing contextual clarity and initial guidance (Polak, 2020). Moreover, it is always advisable to do the due diligence before continuing with primary data collection, so that the questions raised during the primary research are well thought through, and the participants interviewed feel that the researcher is credible and knowledgeable in the topic (Bhasin, 2020). Finally, it may be a good idea to compare the findings of desk research with the primary data, to conclude if previous research findings have been confirmed, or if new trends or ideas have been discovered (Jackson, 1994).

Though much information can be found from already performed research and their careful summary can provide important insights into the topic of employee share ownership plan, I assume that desk research is not sufficient due to the niche nature of the subject of the thesis. Namely, to truly understand the issue of implementing the model in Slovenia, it would be better to enrich the extrapolation based on American experiences by relying on the opinions of experts in the field. In-depth interviews are a suitable tool for the purpose, as the questions posed are typically open-ended and discovery-oriented, allowing the deeper exploration of the interviewee's perspectives on the matter (Guion, Diehl & McDonald, 2001).

The quality of the data to be collected and hence also the insights majorly depend not only on the skills of the interviewer but also on the choice of interviewees (Streefkerk, 2018). The most commonly used sampling techniques when it comes to in-depth interviews include snowballing, where a larger number of participants is reached by asking current interviewees to think of other potential relevant partakers (Taherdoost, 2016), and purposeful or judgement sampling, whereby the researcher selected the respondents even before the research begins, as they are known to be important to the subject (Peters, 2020).

Due to the limited number of experts in the field of interest, it is relatively easy to identify the key persons dealing with ESOP's introduction in Slovenia. Thus, for the purpose of this research, I opt for a judgement sample. The sample consists of experienced or outstanding persons in this area who, in my opinion, can provide valuable data. In case of low response rates or overall lack of response, the additionally needed participants shall be chosen relying on the referrals of the interviewees. In other words, I will go with a snow-ball sample.

More precisely, to provide accurate and appropriate answers to the first and second research questions, desk research has been performed, meaning that the available literature was reviewed, and the secondary data analysed. Where applicable, the secondary data showing the results from ESOP implementation in the USA has been extrapolated to predict the possible implications of ESOP introduction in Slovenia. Moreover, in-depth interviews with key persons involved with employee ownership in Slovenia were conducted to enrich the findings with primary data. After gathering secondary data through desk research and primary data via in-depth interviews for the third question, the tools for promoting the concept were chosen. Furthermore, a complete marketing communication strategy has been created by incorporating the findings from the in-depth interviews regarding the main challenges impeding the introduction of the ESOP model in Slovenia and the benefits that will be achieved with its implementation.

### **3.3 Data analysis**

As a result of the use of two qualitative methods (desk research and in-depth interviews), a significant amount of qualitative data was gathered, which must be further analysed according to the appropriate procedure for qualitative data analyses. The phases of analyzing qualitative data differ for secondary and primary data.

The secondary data analysis of choice involves designing the review by defining its aim, conducting it by selecting the sources, analyzing the content, and finally writing the summary (Snyder, 2019). The aim is to provide a comprehensive literature review, which would enable the reader to gain a sufficiently complete idea of the topic of employee share ownership plans. Designing the literature review has already been somewhat completed, as the research problem is precisely defined, nonetheless, selecting and obtaining the relevant secondary sources will be part of the next section. Moreover, through content analysis of the secondary data found through desk research, certain patterns will be discovered, and the findings will be properly categorized and summarized (Onwuegbuzi, Leech & Collins, 2012). Having finished the previous steps, the final version of the review can be written.

The suitable primary data analysis includes transcription, organizing, classification, codification, and final drawing of conclusions or findings (Wester & Peters, 2000). The first difference in the dissemination of the primary can already be noticed in the form of the data, with secondary data already being in a semi-final form (well presented, organised, and written), while primary data is in its raw form. Given that the in-depth interviews provide



data in the form of a spoken word, the primary data collected in this way first needs to be transcribed, so that it can be further analysed and added as an appendix to the thesis. The next step is organizing the content adequately, as a prerequisite for careful coding and classification (Minichiello, Aroni & Hays, 2008). Besides minding the terms used by the respondents, the context must be taken into consideration, as it might largely impact the findings. Moreover, to properly evaluate the significance of various statements, the frequency, intensity, and specificity of comments should be considered. The aim of coding, categorizing, and content analysis is to provide thorough answers to the research questions that comprise the responses of all interviewed persons (Wester & Peters, 2000). Finally, the answers and findings need to be properly summarized, reducing the materials to only the significant pieces of data, and potentially also displayed to provide a relevant overview of the conclusions.

## **4 RESULTS FROM DESK RESEARCH**

In order to gain more perspective, broaden and deepen the knowledge, and be able to create a high-quality plan for the forthcoming in-depth interviews with experts on the topic of the employee share ownership plan, thorough desk research was conducted. The most relevant findings regarding the problems that the plan solves and the challenges related to the concept are summarized in the following subsections.

### **4.1 Problems addressed by employee share ownership plan introduction**

The employee share ownership plan is widely spread in the USA because it is useful when it comes to solving several common problems. These issues can be analysed on the societal or company level and can be viewed from an economic or sociological perspective. Zooming into the discussion, I will first present the effects of setting up an employee share ownership plan for the business itself, and then refer to the broader impact on the society.

#### **4.1.1 Narrow perspective: business owners and employees**

Taking the economic point of view with a focus on the company's performance, one soon realizes that numerous findings are pointing to the positive effects of establishing an ESOP, which are favourable for both business owners and employees. Namely, ESOP companies had yearly sales growth rates 3.4% and annual employment growth rates 3.8% higher in the period after establishing an ESOP, with the most participative companies growing 8 to 11% faster than what would have been expected based on their pre-ESOP performance (Rosen & Quarrey, 1987). A more current study confirmed an advanced performance in the post-ESOP period, but the yielded numbers were slightly different, with 2.4% and 2.3% increases (Table 2) (Kruse, 2002).

Table 2: Annual sales- and employment growth pre- and post-ESOP (the USA, 1988-1994)

<b>Difference in post-ESOP to pre-ESOP performance</b>	
Annual sales growth	+2.4%
Annual employment growth	+2.3%
Annual growth in sales per employee	+2.3%

Source: Kruse (2002).

There are also overwhelmingly positive results when comparing co-owned companies with counterparts with traditional ownership. An interesting analysis of 328 ESOP companies in 2008 showed that the sales per employee were 8.8% higher than comparable traditionally owned companies (Kramer, 2008), which is also supported by recent findings that ESOPs indeed improve yearly sales and employment by more than 2% in comparison with non-employee-owned firms (Case, 2017).

Furthermore, many positive spillover effects stem from ESOPs. Certain firms use employee share ownership plans instead of monetary motivation schemes. Namely, once they become owners, employees are not only recipients of remuneration thus are also more motivated to apply themselves, as their goals are better aligned to the corporate objectives. Consequently, there is a noteworthy agreement among numerous studies covering thousands of organisations from 20 countries that participation in profit and ownership has either a positive or neutral impact on productivity, though economic theory would expect both positive and negative consequences (Pérotin & Robinson, 2002).

More precisely, the meta-analysis of dozen studies shows that, on average, productivity rises by 4 to 5% within the first year of ESOP adoption (Kruse & Blasi, 1997) (Case, 2017). In a British survey of co-owned companies, 72% indicated that workers were putting more effort, and 44% reported that profits were higher due to employee ownership (Reeves, 2007). Other evidence linking ESOPs to productivity and profitability was found in Japan, indicating that strengthening the existing ESOP leads to statistically significant productivity gains, which translate into profitability gains, as wage gains are rather modest. The same study discovered that the market tends to view these gains from employee share ownership plans as permanent (Kato, Miyajima & Owan, 2018).

In addition, O'Boyle, Patel & Gonzalez-Mulé (2016) found a small yet significant effect of employee ownership on firm performance, indicating that a firm with \$1 million could see an increase of \$40,000 if it introduces an ESOP. Similar findings are seen in a survey of co-owned firms, where 49% stated that competitiveness improved (Reeves, 2007). Not only does employee ownership improve business performance, but it also positively impacts the social performance of companies, with ESOPs outperforming the non-employee-owned firms by 52% (Diaye & Benhamou, 2011).

Besides the distinct benefits of employee ownership for stable companies, several studies find that the same positive effects can be noticed also when things aren't going as well. More precisely, firms in which employees own at least 5% of shares had a 20% greater likelihood to survive through 1995, compared to closely matched industry pairs (Blair, Kruse & Blasi, 2000). When a similar study was performed to examine the survival rates for the crisis of 2001, similar results were found, i.e., a 21% greater probability of survival (Park, Kruse & Sesil, 2004).

In fact, bankruptcy is a rare phenomenon among ESOPs, or at least it occurs significantly less frequently compared to non-ESOPs, with the default on loans to creditors being only two per mil per year in the previous recession (Wallenfang, 2018). Tracking the population of ESOPs throughout a decade, Blasi, Kruse & Weltmann (2013) found that privately held ESOPs were only 50% as likely as non-ESOP firms to go bust and only 60% as likely to disappear for any reason, indicating a higher resilience. When compared to all non-employee-owned companies, the likelihood increases to 76% (Park, Kruse & Sesil, 2004).

Furthermore, employee-owned companies are naturally working in the best interest of the workforce, thus retaining workers longer and using lay-offs as the last resort in times of crisis (Goodman, 2020). For instance, only 3% of employee-owners reported being laid off in 2002, whereas the same was true for 9.2% of those who were employed in traditionally owned companies (Kurtulus & Kruse, 2017). Similar findings consistently appeared within the US nationally representative surveys, with employee-owners always being less likely to report having been fired in the previous year, and in 2014, the figures indicated 9.5% layoffs for all working adults, compared to 1.3% for employee-owners (Case, 2017). During the last two recessions, ESOP companies had 50% fewer redundancies than other companies and were overall 6 times less likely to let workers go (Menke Group, 2017).

At the same time, the absenteeism rates reduce by 52% in employee-owned organisations (Diaye & Benhamou, 2011), and 81% of surveyed co-owned companies stated that staff took on more responsibility, not only for themselves but also for each other (Reeves, 2007). This results in lower costs caused by absenteeism and managerial oversight, which is even more important in times of crisis when staff morale and job commitment might deteriorate. Moreover, when asked if they will look for another job in the next year, employee-owners were 40% to almost 50% more likely to respond with having no such intention, in comparison with non-owners, according to survey results in 2002, 2006, and 2010 (Kruse, Blasi & Freeman, 2012). A national survey conducted in the USA showed that workers in ESOPs perceived a lower chance of being fired than in privately-owned companies, regardless of their occupation, tenure, gender, race, age, and education (Kurtulus & Kruse, 2017). Overall, both voluntary and involuntary employee turnover is lower in ESOPs, compared to similar traditionally owned companies (Rutgers - School of Management and Labor Relations, 2020).

Despite better job stability, employees in ESOP companies also enjoy better payments, with a median hourly wage 8% higher and an average hourly wage 12% bigger than traditionally owned companies of comparable size and industry (Kardas, Scharf & Keogh, 1998). A more recent study indicates that people working for ESOPs, within the age group of 28 to 34 experience 92% higher median household wealth and 33% bigger income from wages, compared to those working in non-employee-owned companies (Wiefek, 2017). Moreover, the US General Accounting Office performed a before and after study in 1987, where they found that almost 50% of all ESOPs increased compensation once employee-ownership was established, and only a few decided to decrease it (National Center for Employee Ownership, 2018). Such findings should not come as a surprise, taking into consideration the previously mentioned studies that found increased productivity and sales per employee after setting up an employee share ownership plan. Given the employee-owners’ natural interest to protect the workforce, ESOP companies are typically offering also better medical and dental benefits, along with paid maternity or paternity leaves (Table 3) (Wiefek, 2017).

*Table 3: Benefits at work for employees and employee-owners*

<b>Benefits at work</b>	<b>Employee-owners</b>	<b>Other employees</b>
A flexible work schedule	52%	34%
Medical, surgical or hospitalization insurance which covers injuries or major illnesses off the job	97%	67%
Life insurance that would cover your death for reasons not connected with your job	86%	50%
Dental benefits	94%	60%
Paid maternity or paternity leave	65%	31%
Unpaid maternity or paternity leave which would allow you to return to the same or a similar job	56%	30%
A retirement plan other than Social Security	89%	53%
Tuition reimbursement for certain types of schooling	62%	24%
Company-provided or subsidized childcare	23%	5%
Employee Stock Ownership Plan(s)	100%	0%
N	975	3,931

*Source: Wiefek (2017).*

Genuinely looking after their employees, ESOPs tend to also invest in the skill development of their workforce, with 69% of employee-owners having reported that they had received formal training from their current employers in the past year, compared to the 42% among non-owners (Kurtulus & Kruse, 2017). Similar statistics are found in the United Kingdom, where almost half of the employee-owners were strongly encouraged to build skills in new product development compared to only 5% of workers in non-employee-owned firms (Lampel, Bhalla & Jha, 2012).

Amongst other things, the larger investments in human resources and a bigger inclination towards internal over external growth indicate that the concept of employee ownership

emphasizes the long-term over the short-run (Lampel, Bhalla & Jha, 2012). Working with the long-term strategy in mind brings several advantages for society, but it is also beneficial for the company. Namely, turnover rates in employee-owned firms are significantly lower than industry averages (Reeves, 2007), the retention rates of highly skilled employees in the long run are also improved due to the higher investments in training and personal development (Bennion, 2013), and ESOPs are generally found more attractive when recruiting (European Commission, 2002). Therefore, transforming to an ESOP improves the company's ability to attract, recruit, and retain high-quality workers (Staloch, 2015). Furthermore, employee ownership promotes a more rapid exchange of information and ideas (Reeves, 2007), as employees have access to more reports and information about the company once becoming owners. It also improves corporate transparency, as it requires deeper and more frequent communication with workers (European Economic and Social Committee, 2003).

Finally, as owners, employees must learn how to deal with both rewards and risks, although some of the complexity is reduced given that they are already familiar with the company's vision, strategy, governance, and processes. Nonetheless, the proportion of employee-owners among all employees tends to increase after launching an employee share ownership scheme, indicating a positive balance between risks and rewards (Mathieu, 2017). In fact, with non-contributory plans, the biggest risk is not receiving any payments, which doesn't include losing own money (Postlethwaite, 2004).

Considering all of the above, it is justifiable to expect that employee ownership is likely related to higher job satisfaction, overall happiness, and well-being of workers. Though it is difficult to find direct evidence supporting such a hypothesis since above-average satisfaction levels are found both within employee-owned and traditionally owned organisations, a range of factors impacting satisfaction and well-being include the characteristics of co-owned companies such as autonomy, trust, respect, involvement, and information (Reeves, 2007). Moreover, well-being is often associated with a sense of engagement, contribution, and purpose, which is exactly what employee ownership enhances (Davies & Michie, 2012). Especially when combined with modernization and participatory management practices, financial participation can increase job quality and satisfaction. This is particularly important for employee share ownership schemes, as successful modernization is supported by employee ownership, since employee-owners identify with the company more, and are willing to take on more responsibility (European Commission, 2002).

Similarly, the concepts of employee ownership and employee engagement tend to be intertwined; on the one hand, employee-owners are more likely to be more engaged, and on the other hand, employee ownership encourages higher employee engagement within the company by supporting structures that enable employee voice (Nuttall, 2012). Stimulating higher employee commitment and involvement is one of the clearest benefits of EO, and if

implemented correctly, can result in improved social cohesion (European Commission, 2002).

#### 4.1.2 Broader perspective: society

The multifaceted positive effects of the employee share ownership plan are not limited only to a company's performance. Shifting the perspective to societal problems, one common use of ESOPs is as a tool for business succession, especially for SMEs. The European Commission has repeatedly warned about this challenge because unsuccessful succession does not only threaten jobs but also the well-being of local communities (tax income decreases while social welfare transfers increase), which then leads to rural depopulation (European Commission, 2008). Nowadays, Europe is facing the so-called silver tsunami, where business owners from the baby boomer generation are approaching retirement age, hence the succession of many SMEs must be planned (Gonza, Roudi & Rešek, 2019). With the SME sector employing more than 100 million people in Europe, it is evaluated that 600.000 jobs are threatened every year due to insufficient succession planning, as well as unfavourable tax and regulatory measures (Gonza, 2019).

Eastern Europe is especially susceptible to the silver tsunami (Koreen, Schlepforth & Pissareva, 2019). In Slovenia, where SMEs employ 400.000 people, 25% of owners are above the age of 55, and 80% are not planning the succession (Močnik, Duh, Crnogaj & Rebernik, 2018). More specifically, 75.000 job positions are threatened in Slovenia within the next decade due to SME owners exiting the business when they retire (Gonza, 2019). As a succession mechanism, the employee share ownership plan can help overcome this challenge enabling family business owners to preserve the legacy they have fought to build. Business owners can choose their exit strategy, as the transfer can happen gradually, with desired amounts of shares being sold to employees over time, thus allowing flexibility regarding the role that the exiting owner may want to still have in the company (Case, 2017).

However, not only the succession problem is addressed with the ESOP model. The broader issue is the capitalist concentration of benefits related to capital ownership to only a small group of owners (Kelso, 1960). With the employee share ownership plan, every contributor is entitled to the appropriate reward based on their impact on the capital gains, thus improving inequality without the need for governmental redistributive policies. Put simply, societies, where democracy in the workplace is high, tend to outperform societies where a lack of economic democracy exists (De Spiegelaere & Vitols, 2020). One of the reasons is that employee-owners have access to the profits, hence the capital gains are shared with a bigger group of people. Inequality levels drop because the otherwise low- and moderate-income workers receive additional rewards in times of upturns, but also due to better job stability during crises.

Research has repeatedly shown that employee ownership positively influences the individual performance of companies (O'Boyle, Patel & Gonzalez-Mulé, 2016), which also improves

the economy's overall ability to recover from troughs and crises (Employee Ownership Association, 2014). Since employee-owned companies had only half as many layoffs during the last two recessions, ESOPs may be considered a way of stabilizing the economy and the communities by maintaining employment and consumer purchasing power (Kurtulus & Kruse, 2017). Financial participation schemes, such as the ESOP, also support the wealth creation and distribution among employees, which enables them to take a bigger part in the economic growth, as opposed to wage income alone (European Commission, 2002).

Given the fewer job losses in employee-owned companies, the Federal Government is estimated to have saved \$17 billion in 2014 alone, whereas the tax cost related to ESOP-specific incentives amounted to \$1.9 billion for the same year (Rosen, 2015), therefore confirming its potential use as a stabilizer of employment during the business cycle (European Commission, 2002). Moreover, co-owned companies create more jobs and pay higher taxes because they are more profitable and grow faster, thus there are also macroeconomic gains (European Commission, 2017). This illuminates the untapped potential of employee ownership in Slovenia, in terms of governmental savings on both sides of the budget – not losing the taxes and contributions paid for the retained workers, and the decreased amounts of unemployment benefits to be paid.

Moreover, employee share ownership plans result in better alignment of individual and organisational goals. Due to the higher commitment and long-term interest of the entire workforce, employees are taking a more active role in the business' operations, which in turn leads to the use of more transparent and effective corporate governance (European Commission, 2002). Additionally, employee association with business goals leads to managerial practices that strengthen and develop social cohesion (European Economic and Social Committee, 2003).

Employees as investors are typically highly concerned about the long-term performance of the company, unlike external or market investors, who tend to be more interested in the short-term profitability (European Economic and Social Committee, 2003). Moreover, since employees typically live in the region where the company is situated, ESOPs anchor the ownership within the local community, and these companies operate very responsibly (Ellerman & Gonza, 2020). Therefore, the expectation that employee-owned companies are less likely to participate in environmentally harmful or otherwise unethical practices is legitimate. Just like employees have a feeling of co-ownership, thus create more ethical and professional partnerships, directors restrain from excessive spending on business trips and similar costs (Reeves, 2007).

Consequently, ensuring sustainable and balanced growth is closely related to finding more responsible and diverse ways of operating a business (Lampel, Bhalla & Jha, 2012). Given that it promotes long-term focus in both managerial decision-making and employee commitment, employee ownership is a sustainable concept, encouraging companies to search for innovative production processes, thus contributing to both economic and social

policy goals: stability, development, and growth of the local community and the overall economy (Bennion, 2013) (European Commission, 2002).

Understanding the different ways that ESOPs address societal issues is important as this concept is to be enjoyed by all, thus typically receives bipartisan political support once made popular. Given the numerous positive effects, the British government was urged to establish tax incentives to promote the launch of co-owned companies (Reeves, 2007). Due to the evidence that employee-owned companies outperform the rest, the British government accepted the recommendations made by Nuttall in terms of employee ownership promotion, viewing the concept as an opportunity for increasing the United Kingdom’s productivity (Michie, Oughton & Bennion, 2002). Hopefully, a similar course of action will be taken by the Slovenian government once the multifaceted benefits of ESOPs are properly communicated and popularized.

**4.2 Challenges related to the employee share ownership plan concept**

Taking into consideration the various benefits linked to the introduction of the employee share ownership plan, one would expect to see a large number of such plans across European countries. Nonetheless, the reality is quite different, with a neglectable number of ESOPs in Europe. Consequently, there must be several barriers that impede the wider spread of ESOPs, thus further examination is of crucial importance for understanding the reasons for their existence as well as the ways to overcome them. The barriers to ESOP implementation can be divided into the five categories: cultural, institutional, environmental, structural, and knowledge-related (Table 4) (Postlethwaite, 2004).

*Table 4: Overview of barriers*

<b>Cultural</b>	<b>Institutional</b>	<b>Environmental</b>	<b>Structural</b>	<b>Knowledge-related</b>
Employee risk aversion	Lack of support by governments	Competing financial services	Lack of long-term perspective	Perception
Managerial resistance	Lack of tax incentives	Lack of know-how and information	Low-income levels, low wages	No understanding of personal finance
Employer inertia	Lack of support by institutions	Accounting treatment	Liquidity - internal share market	Concern about free-riders
Resistance among advisers	Legal issues		Liquidity - ESOP establishment	Not clear benefits
Non-fashionable management tool			Complexity	
History				
Caution				

*Source: Postlethwaite (2004).*



Starting with the cultural impediments, the way history affects the general public's attitude towards employee ownership is relevant for Slovenia, as ESOPs are often associated with the communist era, where the collectivist structures dominated the economy (Gonza, 2019). Moreover, with very few (if any) peers practising employee ownership and virtually no examples of successful ESOPs in their surroundings, owners are likely to be unaware or suspicious regarding these conversions (Bernstein, 2020).

In addition, many advisors are not sufficiently familiar with ESOPs, and they find them rather complex due to the legal and taxation obstacles, therefore are not likely to recommend and push the establishment of these plans (European Commission, 2002). Besides, setting up an employee share ownership plan requires substantial investments of time and other resources, which adds to owners' inertia. Depending on the owner's position, they may be concerned that sharing the ownership with workers leads to lower influence or control over the decision-making and the workforce in general, which is also a reason for managerial resistance (Bernstein, 2020). Finally, managers and owners tend to be cautious when introducing financial participation due to the fear that worker morale may deteriorate in the years when financial rewards are drastically lower, as they are linked to company performance (Postlethwaite, 2004).

Similar doubts may occur within the workforce, perceiving the unfamiliar model as suspicious and viewing financial participation plans as risky (Bernstein, 2020). The long-term focus of employee ownership can also be seen as unfavourable by workers who are prone to the short-term perspective. In today's world, there is a cultural inclination toward instant gratification, with employees preferring cash rewards over recognition in the form of equity (Board Room, 2019). A similar view is common among business owners too, however, focusing on the short-term horizon is more frequently found among micro-enterprises, while SMEs are not likely to share this outlook (Postlethwaite, 2004).

The problem further deepens as the modern working environment moves towards high workforce mobility, with workers living in countries different from the company's country of origin. This presents additional complexity for those living abroad, as their country may not recognize the scheme, thus they cannot be included in it (European Commission, 2002). The current solution to this issue is rather tedious, with employees having to travel to the country where the organisation is physically located to set up their individual capital accounts (Board Room, 2019). Therefore, multinational companies that wish to include the entire workforce in their plans and gain the numerous benefits that stem from the implementation of the ESOP are essentially forced to miss the opportunity.

Though the situation differs in various EU member-states, most companies see very poor government backing and tax incentives when it comes to employee share ownership (Postlethwaite, 2004). The lack of governmental support is closely related to the vague institutional endorsement, as catching the attention of political parties is best done by creating a relatively massive movement, supported by relevant institutions and groups of

stakeholders. The limited number of countries that recognize other participation schemes and the implementation of similar plans on an international level is partly due to the lack of information on the topic in general (European Commission, 2002).

This connects well with the environmental impediments to ESOP creation, such as the persistent absence of know-how and information. As the European Federation of Employee Share Ownership concludes, the main barrier to the wider spread of employee ownership share plans is still the lack of adequate legislation in the European countries and the modest amount of published information on the topic (EFES, 2018). Poor awareness and education among advisors, owners, and employees regarding the ESOP model are the most commonly found reasons impeding the further spread (Bernstein, 2020), (Kelly, 2021), (European Commission, 2002), (Postlethwaite, 2004), (EFES, 2018).

Therefore, knowledge-related factors seem to be most important in the European context. Logically, business owners cannot consider the employee share ownership plan if they are not aware it exists, but even if they are somewhat familiar with the model, they would not be interested in further exploring the generally complex concept unless the benefits are sufficiently clear. Moreover, employees may falsely perceive such schemes as financial arrangements to benefit the managers only or feel under-informed regarding the model, which is a reasonable concern given that ESOPs cannot be effective unless employees are acquainted with its mechanisms and benefits (Postlethwaite, 2004).

On the contrary, the least relevant group of barriers are the structural ones, which include the difficulties related to keeping the internal share market liquid, which is mostly solved by the rollover plan. Other liquidity problems are naturally keeping companies away from becoming an ESOP. For instance, businesses that struggle with profitability, hence pay low wages to employees will have problems getting workers excited about financial participation until they raise the base salaries (Postlethwaite, 2004). Nonetheless, such companies are also generally not suitable ESOP candidates, as establishing the model requires a certain amount of funds. Still, there are numerous financially stable companies and related stakeholders who can greatly benefit from the ESOP model, thus the lack of employee-owned companies cannot be explained by structural reasons.

All of the abovementioned barriers to ESOP creation are relevant for both large corporations and SMEs. However, small and medium-sized enterprises are less likely to be able to afford to get expert advice or consulting, therefore many of the impediments are even more important for SMEs. Furthermore, it seems that the barriers are generally external, i.e., not stemming from the model itself, but rather related to its support, popularization, and implementation.

## **5 RESULTS FROM IN-DEPTH INTERVIEWS**

The in-depth interviews were conducted to gain a better understanding of the implications of the ESOP implementation in Slovenia and go beyond the extrapolation from American secondary sources. The interviewed participants, chosen based on their knowledge, relevance, and engagement in the field of employee ownership, provided thorough answers and insights into the research questions. This chapter outlines the main results from the in-depth interviews conducted with relevant business owners, employees, and experts.

### **5.1 Data collection and analytical techniques**

Aligned with the research questions, the interview questions were carefully phrased based on the findings from the desk research. Given the various profiles of the intended informants, certain questions were adjusted to their specific perspectives (Appendix 2). A total of eleven main discussion points were determined along with guiding questions for each point, meant to broaden the responses by the informants. To allow the collection of deeper insights, the interviews were semi-structured, leaving room for further debates based on the responses received. Thus, the interviews were predicted to be between 40 and 60 minutes long, depending on the shown willingness to collaborate by the informants, their style of expression, and the potential additional discussions. The average length of the interviews amounted to 58 minutes, with the shortest interview lasting 37 minutes and the longest 91.

The in-depth interviews were scheduled in agreement with the informants and took place during the month of February 2022. More precisely, the first interview was performed on the 8<sup>th</sup> of February and the last on the 23<sup>rd</sup> of the same month. After conducting the interviews, the recordings (taken with the consent of each informant) were transcribed. The large volume of primary data had to be carefully coded and categorized in order to make the most relevant conclusions. Hence, the content was categorized based on the interview questions by meticulously going through each interview transcript and colour-coding the main ideas presented by the interviewees, guided by proven coding techniques (Bryman, 2008). Those statements that have been often mentioned, passionately debated by interviewees, and supported by specific, or in some cases, personal experiences, were judged to be of greater importance.

Therefore, entire sentences or even paragraphs were copied to a separate file with memos, where the insights gathered from all interviewees were categorized thematically, along with the researcher's comments and ideas, ready for making appropriate conclusions. The analysis included also searching for patterns among each group of interviewees to shed light on potential differences or similarities in the opinions of business owners, employees, and experts. Having collected and categorized the primary data from the interviews, several tables summarizing the findings were constructed, allowing a clearer overview of the

findings. Finally, the conclusions were described in a narrative style, supported by quotes taken directly from the interviews.

## 5.2 Sample characteristics

A total of nine in-depth interviews were conducted before reaching the point of saturation where each next interviewee mostly repeated and confirmed the already mentioned aspects. The sample consists of three experts, two of which have co-created the adapted ESOP model for Slovenia, three business owners, each at a different stage of implementing the ESOP model in their companies, and three employees, who have been engaged in the ESOP transition of their companies to different extents. While all interviewees had to be well acquainted with the ESOP model, informants of different ages, lengths of work experience, and fields of expertise were chosen to mitigate potential biases in opinions due to similarities in their experiences (Table 5). The various backgrounds and profiles of the informants facilitate the collection of opinions on the ESOP model from different perspectives.

*Table 5: Informant characteristics*

<b>Informant</b>	<b>Age range (years)</b>	<b>Engagement in EO topics (years)</b>	<b>Work experience (years)</b>	<b>Field of expertise</b>	<b>Current employment</b>
Informant 1 (expert)	21-30	7.5	5.5	Graphic design	Researcher in an NGO
Informant 2 (expert)	31-40	15	10	Economics	Director in an NGO
Informant 3 (owner)	31-40	4	14	Management	CEO of an IT firm
Informant 4 (owner)	41-50	14	21	Communication	CEO of a printing firm
Informant 5 (expert)	71+	53	45	Political economy	Retired
Informant 6 (employee)	21-30	2	6	Marketing	Marketer in an engineering firm
Informant 7 (owner)	31-40	2	10	Business development	Business developer in an IT firm
Informant 8 (employee)	41-50	3	17	Computer science	Commercial Officer in an engineering firm
Informant 9 (employee)	31-40	1	7	Marketing	Marketer in an IT firm

*Source: Own work.*

## 5.3 Benefits of introducing the employee share ownership plan in Slovenia

Since it is important to ensure that the interviewees are knowledgeable in the field, each interview started by asking participants to indicate the extent to which they are acquainted

with the employee share ownership plan. The responses ranged from ‘Very familiar with the ESOP model, having more than 40 years of experience in the field,’ (Expert, 71+ years) through ‘Quite deeply familiar,’ (Employee, 41-50 years) to ‘Knowing the theory but still having some questions.’ (Business owner, 31-40 years) Given that the interviewees were deliberately chosen based on the researcher’s judgement regarding their ability to provide relevant insights, it was expected that each interviewee is fairly acquainted with the model, despite the general lack of knowledge about this concept among the Slovenian public.

Moreover, given the goal of creating a marketing communication strategy for the effective promotion of ESOPs in Slovenia, it was important to attempt to uncover how respondents learned about the model. There was an evident difference between the three categories of interviewees, where experts went into the field due to their philosophical outlook, while business owners stumbled upon the concept out of necessity (whether motivating and rewarding employees, or fighting off hostile takeover bids), and employees mainly becoming aware of the model through their employers.

### 5.3.1 Expected impact of ESOP implementation in Slovenia

It was valuable to also learn whether informants believe it is reasonable to extrapolate from the US experience and expect that the ESOP-related benefits would apply in the Slovenian context. Almost unanimously, interviewees see ‘No reason to believe that some benefits are US-specific.’ (Employee, 21-30 years) However, the amplitude of the impact may differ, since wealth inequality and job stability are less substantial issues in Slovenia compared to the USA, while business succession and productivity are more pressing problems. A significant factor revealed by informants of all three groups that could hinder enjoying some of the benefits in Slovenia is the current lack of legislative framework on ESOPs because the benefits ‘Depend on what tax benefits get passed.’ (Expert, 71+ years) Moreover, each profile of the interviewees mentioned other concerns during the interviews; experts see cultural differences as a potential obstacle, ‘It is much more difficult in Slovenia to communicate about employee ownership because of our shared history with Yugoslavia. We are a very young capitalist economy, and we are afraid of anything that reminds us of non-capitalist things,’ (Expert, 31-40 years) while some business owners doubt the effectiveness of ESOP as a succession tool because ‘A company has to have a leader, a strong CEO and if it doesn’t have it, I don’t think ESOP will replace that,’ (Business owner, 31-40 years) and employees refer to differences in opinions among generations since ‘The youngest people don’t possibly feel that attached to the idea of being tied to the company in yet another way,’ (Employee, 41-50 years) and the possible resistance by the powerful class who is not likely to favour sharing their profits with others, ‘The politicians will try to prevent the ESOP model from influencing the Slovenian economy too much because it will maybe affect their wealth.’ (Employee, 31-40 years)

Furthermore, when asked which economic and societal problems would be addressed with the wider implementation of the ESOP model in Slovenia, the most common answers given by experts included succession, wealth inequality, capital anchoring, human right of self-determination, positive externalities to the local community and the environment, extending the democratic representation in the economic sphere, and developing democratic capabilities (Appendix 3). In essence, experts perceive that ‘ESOP really successfully, efficiently, and in a socially responsible way, addresses the problem of ownership succession.’ (Expert, 31-40 years) Responding to the same question, business owners seem to emphasize another benefit, seen through the following quote: ‘ESOPs would enrich the economic system, give out a sense of ownership and responsibility to employees, and bring closer the owners and those working for somebody.’ (Business owner, 31-40 years) Moreover, they highlighted closing the gap between owners and employees, developing an ownership mindset in Slovenia, diminishing the negative outcomes of hostile takeovers, maintaining domestic ownership, and improving success and survival rates, while employees mentioned job stability, collaboration and innovation, and domestic ownership.

### 5.3.2 Most appealing messages for the target audiences

Next, to promote the ESOP model in Slovenia, it is crucial to understand which benefits are most relevant for various stakeholders: business owners, employees, and the general public (Appendix 4). Therefore, the interviewees were asked to choose the most beneficial outcomes of a wider ESOP implementation from each of the three perspectives. Overall, the notion that people work better when they work for themselves dominated the answers. The responses by experts mostly focused on the right to self-determination, employee voice, transparency of information, sustainable business practices and democratic representation which ‘Makes them feel more empowered and in control of their lives.’ (Expert, 21-30 years) On the other hand, business owners stressed the financial benefits of ownership gained without taking risks, increased job stability, feeling of safety, transparency of information, faster growth, and the ability to develop oneself by taking on more responsibility. Employees chose the financial benefits, having a safety cushion for retirement or hard times, the ability to influence decisions and give suggestions, and aligning their personal goals with those of the organisation, making the ESOP model beneficial for all social groups, ‘I don’t think ESOPs only benefit those that are socially disadvantaged today, I think it benefits everyone across the board, no matter the wealth and status.’ (Employee, 21-30 years)

Although business owners felt that the benefits for employees and business owners are essentially the same (related to the higher performance of the company), when asked to highlight the most relevant benefits of ESOPs for the business owners, almost unanimously, experts and employees indicated that ESOPs solve the issue of succession, therefore the word ‘legacy’ was most commonly mentioned. Employees believe that ESOPs decrease the burden on founders because they do not need to appeal to potential sellers, the responsibility is shared, and ‘It helps them relax because they know that the company stays in the hands of

the community that built it.’ (Employee, 31-40 years) Experts add that once made co-owners, employees tend to ‘Start taking responsibility and making decisions within the context of their own work and the constant need for presence and control by business founders is lower.’ (Expert, 31-40 years)

Nonetheless, business owners listed the role of an ESOP as a motivation scheme to be an important factor making the model attractive. SMEs and startups are more inclined to use the ESOP model because ‘It is hard for us to compete with the stronger, bigger groups and stay small,’ (Business owner, 41-50 years) and they cannot afford to pay out competitive salaries, thus ‘You must have leverage and ownership is that kind of leverage.’ (Business owner, 31-40 years) Besides, they believe that converting into an ESOP would improve the retention rates, prevent silo culture, systemize and improve communication. More precisely, ESOPs ‘Make the company transparent. This means that there should be more understanding from both sides (owners and employees) on what is going on and why certain things need to be done. This communication is the key to a good relationship.’ (Business owner, 31-40 years) Experts warn that the ‘Benefits depend on the percentage of ownership transferred to ESOP,’ (Expert, 31-40 years) but once ‘Psychological ownership is reached,’ founders receive a more motivated, loyal, productive, autonomous, and satisfied workforce.

Furthermore, the main insights related to the implications of the wider ESOP implementation most relevant for the general public include anchoring of capital and protection of the environment (Appendix 5). The differences in answers among the three profiles of informants weren’t very big. Experts unanimously pointed out that ESOP creates a healthier economy, and a stronger welfare state because ‘Anchoring capital makes it easier to tax it,’ (Expert, 21-30 years) it protects the environment and provides better products or services to consumers. Business owners also mentioned anchoring capital, protecting the environment, responsible business practices, and a snowball effect once more ESOPs are implemented: ‘Lately, we see that companies worldwide talk about people, planet, profit. For ESOPs, this comes naturally. We care about our people first, we care about the community, and we care about the planet itself. In fact, for us, people truly come first. Profit is the outcome.’ (Business owner, 41-50 years) Furthermore, employees expect ESOPs to ‘Improve our own perception the self-sufficiency,’ (Employee, 21-30 years) by keeping the economic power within national borders, improving resilience, empowering workers and changing their current feeling of helplessness.

Having discussed the various benefits, one could suppose that informants are convinced by the ESOP, but it is still advisable to confirm and learn why. When asked whether they personally believe in the advantages of the model, all respondents gave a positive answer, but the reasons they listed were quite different. While experts mostly rely on the findings from US studies, their philosophical or moral views, and their wish to bring positive changes in society, business owners mainly look at the economic factors correlated with employee ownership, thus viewing the ESOP as a reward scheme or a way to fight off takeover bids. Finally, the interviewed employees stated that they advocate the model because it is a tool

for empowering wider masses, giving them a voice, along with higher financial stability, and a cohesive workplace.

Moreover, to get even deeper insights into the attitudes related to ESOPs, the interviewed business owners were asked to share their feelings and their employees' reactions when they were starting the conversion. According to their responses, the feelings and reactions were mixed, starting with confusion and scepticism, to eventual satisfaction and excitement once all questions have been answered and the idea has settled down with everyone (Appendix 6). It seems that effectively communicating the overall idea and the further detail of the model is of crucial importance.

Similarly, interviewed employees got three questions related to their initial reaction when they learned about the transition of their company, their feelings about working for an ESOP and whether they would be willing to initiate such a conversion. Each of them reported feeling positive toward becoming a part of an ESOP because 'I want to be involved in strategy- and decision-making,' (Employee, 31-40 years) despite the initial dose of scepticism because of other cases of hostile managerial takeovers they are familiar with and the lack of understanding about the effects they will personally feel after the transformation. Interestingly, while one of the interviewed employees felt that the initiation for the conversion must come from the founders or current owners, the other two believe that this could also happen bottom-up but only if there is 'A spark, something that makes people think and the buy-in of informal leaders.' (Employee, 21-30 years)

#### **5.4 Obstacles impeding the introduction of employee share ownership plan in Slovenia**

Given the numerous benefits connected to ESOPs, which informants believe would apply also to Slovenia, one becomes quite curious why there are not more ESOPs. This question was raised during the interviews, and the frequently listed reasons did not differ much between the three groups of respondents. The main reasons for not having more ESOPs in Slovenia involved a lack of knowledge about the model, not having a legal framework and governmental support, as well as an absence of experts and advocates of the model in Slovenia.

##### **5.4.1 Identified barriers specific to the Slovenian context**

When asked to further think about the barriers to wider ESOP implementation, experts stressed out the negative impacts due to the overall lack of interest by major stakeholders in the economic sphere, including the government, the chambers of commerce, and the unions. Similarly, interviewed business owners mentioned cultural issues, such as not thinking in the long term. They highlighted that having more advisors on ESOPs that would facilitate the implementation of the model plays an important role in the model's wider use. Even



when owners decide to convert their company into an ESOP, lack of time and organisation may appear as unanticipated barriers, as one of the interviewed business owners stated: ‘You need to believe in the process and the ESOP because you’ve got to put money on the table now, but the benefits are 5 or 10 years away. People want to make the transition happen at the snap of the fingers, without being involved, but you have to be there with your mind, you have to make time for it.’ (Business owner, 31-40 years)

To get further insights into the obstacles hindering the ESOP implementation in Slovenia, experts were asked to share their experiences regarding the barriers they have personally faced when trying to promote the model. It seems that Slovenian history influences the general perception of ESOPs, with many people associating employee ownership with socialist self-management of companies. Unfavourable historic events with hostile managerial takeovers in Slovenia contribute to the lack of trust among workers when they are informed about an upcoming transition of the company. Namely, employee aversion, distrust, and concern about free riders are frequently raised issues when consulting companies to become ESOPs. Support for this can be found also in one of the interviews with employees, where the worker discussed the initial reaction of co-workers regarding the ESOP transition: ‘Rumours such as “management is just padding their own pockets” immediately spark up. That might be a problem in larger companies, where the disconnect between the average Joe and the manager is even higher.’ (Employee, 21-30 years)

Given that the informants already discussed the barriers, it was appropriate to share the table summarizing the obstacles to ESOP implementation in the USA, previously compiled based on desk research. Each interviewee had to decide which obstacle or barrier category would be most relevant in the Slovenian context. Among all three groups, it was absolutely evident that, besides the lack of know-how and information, the two most relevant categories were cultural and institutional barriers (Appendix 7). It is important to mention that the experts stated that employee risk aversion is a red herring while adding that lack of government support is seen not only in the absence of legislation and tax incentives but also in procurement. Interestingly, concern about free riders was listed as a relevant obstacle by both business owners and employees, while one of the experts elaborated that employee ownership improves the work ethos, ‘If you slack off and we are both co-owners, your hand is in my pocket,’ (Expert, 71+ years) thus fewer layers of intermediate management are needed due to peer-monitoring.

Since many interviewees mentioned lack of information and knowledge as the main barriers, influencing also other obstacles (the perception and not clear benefits), I was interested to learn how they perceive the current interest of the general public in Slovenia regarding ESOPs. Every interviewee indicated that there is very little to no interest, and the discussions on the topic ‘Remain at the margins of political debates.’ (Expert, 21-30 years) Overall, there seem to be many misconceptions tied to the idea, however almost every informant pointed out that people tend to positively react when they learn about the model, so they ‘Encourage it, want it, and support it,’ (Business owner, 31-40 years) and ‘Once you inform people to a

sufficient degree, the interest increases drastically. This holds on all levels, from all sides of society.’ (Expert, 31-40 years)

#### 5.4.2 Channels relevant for reaching the target audiences

Given that employee ownership is an untapped potential for addressing several socio-economic issues and it seems that it can be positively perceived, however, it remains forgotten by both the elites of society and the general public, the interviewees were asked what they believe could be done to popularize ESOPs (Appendix 8). Experts suggested adjusting the messaging in a way that would appeal to both the left and right by tracing employee ownership back to its democratic theoretical roots and ‘Pointing to the contradictions of the current system. When you see mass layoffs and companies fleeing the country because some taxes have been raised, it will be useful to point to those examples and say that an employee-owned company would not have done that.’ (Expert, 21-30 years) As well as this, they proposed publishing easily accessible papers and regularly posting blogs and op-eds in economic magazines or newspapers. In terms of reaching business owners, experts recommended contacting umbrella organisations such as the chamber of commerce and giving credibility by showcasing successful examples of ESOP companies or certifying them.

Business owners agreed that it is crucial to popularise a successful ESOP company, indicating that ‘The world of economics is moving in this direction, with everyone talking about corporate social responsibility,’ (Business owner, 41-50) and showing that it is easy to implement the model also in Slovenia. Employees would take a systematic two-level approach, where the first step is to do research and the second is promoting successful ESOP examples. They believe that creating a thorough strategy to target business owners or companies potentially willing to convert to an ESOP would be a great start. Moreover, they propose to engage ESOP supporters (especially business influencers) to raise their voices, because they believe that word of mouth and personal stories would be much more effective than pushing the ESOPs through the media because ‘Nothing is going to change if we try to push it too hard. It needs to start from people and then just grow.’ (Employee, 21-30 years)

In addition to this, it was important to gain insights into the channels used by employees and business owners to get informed on employee ownership and similar topics. The business owners mentioned LinkedIn, ‘Newspapers like Delo, Finance, and Dnevnik which are very popular and have authority, people read and trust them,’ (Business owner, 31-40 years) media, word-of-mouth, search engines, and ‘Emails that I get from some relevant organisations, such as the chamber of commerce and the Association of Managers in Slovenia.’ (Business owner, 41-50 years) Employees would use some of the abovementioned channels, such as LinkedIn, other social media platforms, search engines, and word of mouth, and they also mentioned blogs, use cases, research studies, conferences,

roundtables, 'Public events and discussions would be great after we have one or two best practice examples. I wouldn't talk about it too much in theory.' (Employee, 41-50 years)

Experts seem to agree that targeting the right audience through newspapers and 'Social media is crucial, but not enough,' (Expert, 21-30 years) as they believe that owners expect information on business succession to come from the chamber of commerce, while employees assume that unions should convey advice on workers' rights. Sending emails could somewhat substitute for the lack of information coming from governmental bodies and sending out a newsletter was proposed by one of the experts. It is important to point out that one of the experts suggested organizing peer-to-peer learning through tours of comparable ESOPs, once those are set up in Slovenia.

## **5.5 Limitations and recommendations for future research**

No study is absolutely impeccable in all aspects. Similarly, although conducted thoroughly with an aim to find unbiased results, the research has certain limitations. Firstly, given the overall lack of analyses done on the topic of employee share ownership plan in Slovenia, and even more so, the absence of studies specifically focusing on the development of a marketing communication strategy to promote it, most of the conclusions drawn from the desk research are based on results for the USA. Therefore, it can be argued that these findings would partially be unsuitable for the Slovenian context. Secondly, while the in-depth interviews were designed to assess the applicability of desk research conclusions to Slovenia, the judgement is based solely on the opinions of nine deliberately chosen informants. Namely, to ensure receiving relevant insights, the choice of interviewees was done according to their previous engagement in the topic and knowledge of the concept. Therefore, the respondents are probably more interested and supportive of the ESOP model than a typical Slovenian person, thus it is reasonable to expect that the findings could be different if the sample consisted of informants who are more suspicious or cautious about the model.

Moreover, given the overwhelming evidence of the great lack of knowledge among Slovenian people about the ESOP model, it is recommended that further research is done on the topic of employee share ownership plans in Slovenia, with a specific focus on marketing communication and how to properly promote it. Researching the general sentiment of the public toward this concept would also be beneficial for gaining a better understanding of the actual situation and finding different ways to introduce the model. In addition, while identifying the lack of governmental and institutional support as a relevant barrier to wider ESOP implementation in Slovenia, this research didn't go into greater depth regarding the possible approaches to political lobbying of the ESOP legislation and tax incentives, because the focus was put on the general public, employees, and business owners, assuming that having the buy-in of these stakeholders would be sufficient to boost the interest of decision-makers. However, examining political communication and PR related to the model could be a useful topic for future research. Even more so, once the first few ESOPs are established in

Slovenia, it is crucial that their performance is analysed and reported to investigate the assumptions regarding the benefits of ESOPs in Slovenia.

## **6        MARKETING COMMUNICATION STRATEGY DESIGNED           TO PROMOTE ESOP IN SLOVENIA**

After doing the needed research to gain insights into the benefits and obstacles, a suitable marketing communication strategy to promote the ESOP model in Slovenia has been developed. Namely, the desk research showed that employee-owned firms tend to outperform both in terms of sales and employment growth, making ESOPs generally more productive, competitive, and profitable than comparable traditionally owned companies. Even in times of economic downturn, co-owned organisations experience lower layoffs, fewer bankruptcies, and an overall greater probability to survive through recessions. Some of these findings can be explained by taking into consideration that employee ownership leads to greater employee engagement, creates a feeling of belonging to the company, and a preference for the long-term over the short run, as it aligns individual and organisational goals. Therefore, ESOPs tend to genuinely take care of their workforce, which can be seen through the higher wages, better job benefits, and greater investments in training. Not only does employee ownership improve commitment and motivation, but it also enhances loyalty, retention rates, as well as the employer brand.

On the societal level, employee ownership is an excellent tool for achieving both economic, societal and employment objectives, as it influences the business performance and competitiveness, improves employee engagement and job satisfaction, as well as the quality of life by distributing income and wealth more equally (European Commission, 2002). These conclusions were confirmed by the interviews, where participants listed motivating workers, lowering wealth inequality, and improving stability as the main benefits of ESOPs. All relevant comments from the research participants gathered through in-depth interviews have been considered when developing the marketing communication strategy. Hopefully, implementing the specifically designed plan should raise the awareness of the Slovenian public regarding the great need of introducing ESOP to address several societal and economic problems.

### **6.1        Marketing communication role and objectives**

Providing that the research found a lack of awareness, information, and understanding of the employee ownership model to be the most commonly mentioned barrier to a wider ESOP implementation in Slovenia, marketing communication plays an extremely important role. Namely, promoting the employee share ownership plan in Slovenia is crucial for increasing the number of employee-owned companies simply because business owners and employees cannot consider an idea if they are not aware it exists.

The research clearly showed that the main impediments to ESOP popularity are the lack of information and know-how regarding the concept, therefore the marketing communication strategy must aim at raising the awareness of the general public regarding the existence of the model, as well as educating the future employee-owners of the implications of ESOPs. When striving to influence the popularity of ESOPs, it is important to accurately communicate the benefits of the scheme while also disconnecting the concept from the historic organisational structures, thereby decreasing the potential biases of the target audiences. This would be best done through clear and honest communication regarding the benefits and risks linked to ESOPs, which should contribute to building realistic expectations and overcoming caution as a barrier.

The marketing communication strategy must be developed in a way that will lead the user through different levels of comprehension of the relatively complex concept. The audience should not be overwhelmed by the amount of information and the level of detail of the explanations; instead, the right amount of information needs to be gradually shared with users to get them interested to learn more about the topic. Then, each interested person needs to be given a convenient way of discovering the finer details of the model. Enabling people to understand and consider the ESOP requires active engagement in terms of content creation, targeting, and explaining, therefore there needs to be at least one (but preferably more) organisation working toward encouraging its implementation. Moreover, as found in the in-depth interviews, business owners willing to transfer the ownership will actively look for experts to guide them through the process and sharing expert knowledge is a prerequisite for transformation. Countries with low or moderate employee participation levels typically have no organisations promoting the concept while providing SMEs with comprehensive materials and access to experience with every step of establishing ESOPs could be extremely valuable (Postlethwaite, 2004).

The choice of channels and the adaptation of the content are facilitated by setting short-, mid-, and long-term goals in the beginning (Kwan, 2019). In the context of the marketing communication strategy designed to promote the ESOP in Slovenia, these goals are related to increasing the awareness, knowledge, and interest in the model. Hence, for the initial phase of introducing the concept, the strategy aims at boosting the broader public's awareness of the topic of economic democracy by increasing the digital presence of the main supporter of the ESOP model in Slovenia. The short-term objective is thus phrased as to increase the awareness of ESOPs in Slovenia by publishing on social media, blogs, and print media. Specifically related to the digital presence, the objective is to increase the number of followers and engagements on social media profiles (LinkedIn, Instagram, and Facebook) and the website by 10% within six months through regularly posting ESOP-related content at least twice a week.

If successful in drawing the attention of the public and getting individuals interested to learn more, separate materials and activities shall be provided aligned with the goal to deepen their understanding and knowledge of the concept. Thus, the mid-term objective would be to

convince small groups consisting of business owners, employees, and managers of at least ten different companies about the individual benefits of the ESOP within a year by organizing workshops where they can learn more about the concept and raise their concerns. The intended target for the mid-term objective consists of any individuals interacting with the social media content and indicating they are possibly willing to learn more, and if that doesn't suffice, the 30 Slovenian family-owned socially responsible companies recognized by Ernst Young since 2017 (Spirit Slovenia, No date) could be reached as potential ESOP candidates given the assumed appropriate ownership structure, size, and values, while umbrella organisations may also be contacted to either share the invitations to the workshops with their responsible members or provide contact information.

In the long run, the marketing communication strategy's goal is to increase the general interest in the ESOP model in Slovenia. Hence, the long-term objective is to get at least three Slovenian companies genuinely interested in adopting the ESOP and propose a comprehensive conversion plan in the next two years. Given the experiences that interviewed experts and business owners have shared regarding the positive reaction to the model once people are better acquainted with it, aiming to get 30% of companies to the next stage should be ambitious but attainable. The desired long-term outcome would be to convert as many companies as possible into ESOPs by changing their ownership structures. Such undertaking requires close collaboration with experts in the field and consultancy along every step of the process, starting from the economic and legal aspects, followed by education of workers (future co-owners) and external communication about the change or re-branding.

After the pioneering ESOPs are established in Slovenia, their performances should be tracked and reported. It is crucial that this is popularized and properly communicated with the public, therefore a separate marketing communication strategy should be developed to define the targets, channels, and messages, with a special focus also on political parties.

## **6.2 Target audience**

The target audience would differ according to the goals or levels of the strategy. Starting with the initial aim of making employee ownership more popular among the Slovenian public, the target audience can be very broadly defined. However, even when striving to widely promote the concept, separate subgroups within the generally targeted audience can be identified. Given the highest number of individuals and the greatest importance of getting them interested in the concept, the main target groups include business owners, employees, and the general public, including politicians. Each of these groups would need to be presented with relevant issues and gains connected to the ESOP model that best resonate with their pain points or interests. Moreover, the channels used to reach them must be aligned with their specific ways of getting information.

For the second level of the strategy, i.e., the mid-term goal of convincing smaller groups of people of the benefits that they would personally enjoy if they implemented the employee

share ownership plan, the target audience is much narrower. Namely, the marketing communication efforts shall only be directed to those who have shown interest in the topic by interacting with the online posts, registering at certain events, or calling to directly learn more about the model from experts. The potentially low number of interested parties to consider the ESOP model could be increased by identifying relevant individuals and reaching out to them personally. In this sense, the target audience would be defined based on criteria including the person's role in business, decision-making power, and public support of issues such as equality, employee well-being, organic growth, and motivation. Moreover, the number of current owners of the organisation and the economic indicators such as revenues, profits, and the number of employees should be considered before contacting the owner or executive to discuss their potential interest in employee ownership.

The target audience for the final stage of the strategy consists of every company that showed initial interest in the ESOP and has already learnt about it in greater detail. The proposed conversion plans would consist of three pillars: economic/legal consulting, education, and branding. While the economic and legal consultations would be mostly targeted at the employees with the highest seniority in the company and the current owners, the education will include the entire workforce of the converting company to teach them about the basics of finance and similar information relevant for future co-owners. The branding projects will be performed in close collaboration with the marketing department of the company, aimed at communicating the conversion and the benefits of ESOPs with their audiences.

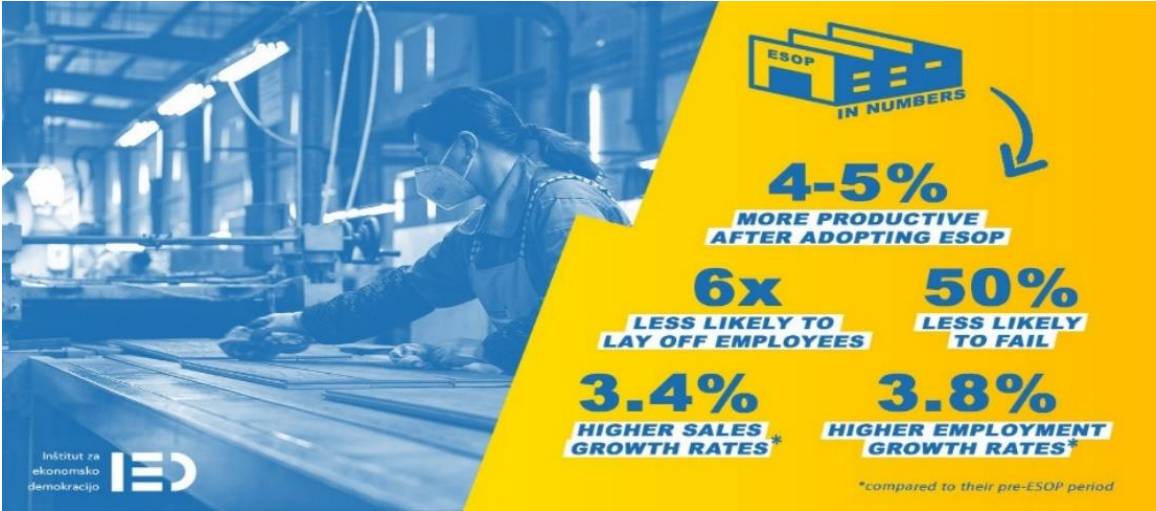
### **6.3 Message strategy**

Two main aspects need to be considered when creating a content strategy. On the one hand, the format or type of the content needs to be specified, and on the other, the message and its proper wording need to be defined. Given the broad target audience and the several intended marketing communication channels, the format of the content can highly vary to satisfy the various preferences, while the messages should cover the most relevant aspects for the target audiences. Besides, formal or academic language is to be used in the content intended for business owners who are willing to learn more about the concept, while more colloquial lingo should be applied to social media posts aiming to catch the attention of the general public. As users become familiar with the ESOP model, more technical terms and abbreviations can be used.

It is crucial to clearly communicate the benefits of the model. The attention of employees can be drawn by publishing infographics containing research evidence on the improved wealth generation, job safety, and empowerment, while the business owners would probably be more interested in data showing the maintenance of the business legacy, increased productivity, motivation, employee retention, lowered slacking and overall sharing the burdens of ownership (Figure 3). Besides, content presenting the ESOP as a solution to both succession problems of retiring business owners and the issues of empowering the employees should be shared.

The general public should find infographics presenting findings regarding the improved wealth inequality, local capital anchoring, protection of the environment and prevention of unemployment interesting. Thus, messaging can also focus on improving the reputation of corporations by showcasing the Slovenian domestic ownership (made and owned in Slovenia) and the greater responsibility towards the local communities practised. Moreover, appealing to the masses is best done by resonating with common daily problems like job dissatisfaction or inequality and introducing ESOP as a permanent solution. The ESOP concept should be presented as favourable for both right- and left-winged political supporters, as it enables democracy and keeps ownership within the country.

Figure 3: Sample infographic on ESOP benefits



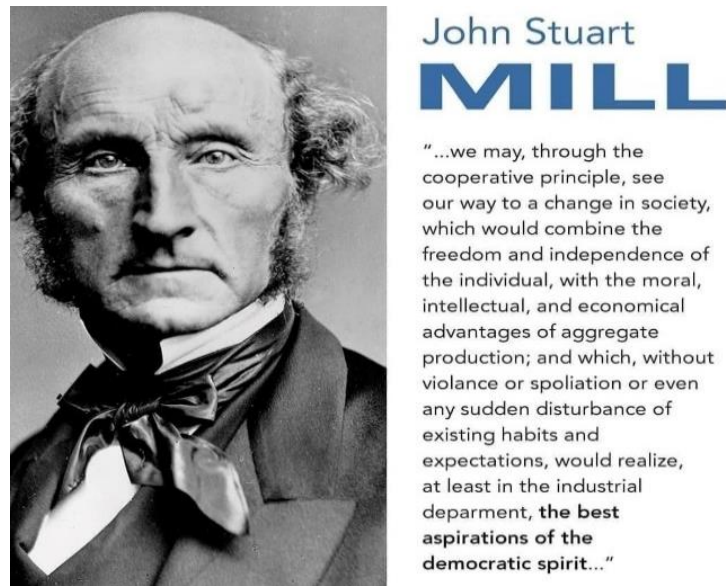
Source: Own work.

Similarly, graphics provide greater visibility of concepts, thus can be used to either boost engagement, facilitate the explanation of complex ideas, provide more context to the accompanying text or simply catch the attention of readers and get them interested in reading the full textual comment. Therefore, images shall frequently be used for different messaging purposes. For instance, a graphic portraying a quote from famous experts on the topic of employee ownership would be targeted to the general audience, striving to link the ESOP model with its democratic roots to decrease the biases and resistance among business owners and politicians (Figure 4).

Next, an image of the team of the organisation supporting the implementation of ESOPs in Slovenia working with business owners to find ways of converting their company can be useful for making the concept more tangible to the Slovenian public and other business owners who find the idea favourable but believe it cannot be applied in the Slovenian context. Additionally, images are useful in several channels, including social media, landing pages, blogs, and printed media.



Figure 4: Sample graphic on an expert supporting employee ownership



Source: Own work.

Moreover, for the mid-term goals which include a deeper explanation of certain aspects of employee ownership, a summary of case studies on the successful conversion of foreign companies into ESOPs can be presented in the form of longer text and published as blog posts. Frequently publishing blog posts helps improve the website traffic and applies to all target groups willing to learn more by reading longer articles. Furthermore, sending a newsletter with the main highlights might get individuals interested in researching more, especially if umbrella organisations they are already members of are willing to send out the emails. Another effective way of sharing complex ideas in great detail is live workshops, though they tend to be more expensive to organise. However, the recording of the workshops can also be shared as video content. The perceived credibility of the concept is likely to increase if renowned foreign and domestic experts or business owners and employees who were personally involved in the process of ESOP conversion discuss the benefits of employee ownership. Moreover, interested parties should be provided with scientific research findings and academic papers on the topic.

Once convinced of the benefits they will personally enjoy from the ESOP implementation, individuals must be provided with more personalized content, including a customized plan for adapting the ESOP model to their company. After a certain number of one-on-one meetings where the interested party can discuss any concerns with the experts, the strategy is to be outlined in textual documents, presenting the needed actions, and budgets to finalize the ESOP conversion, the education of the workforce, and the rebranding.

## **6.4 Marketing communication channels**

There are plenty of potential channels a marketer can choose from, especially in today's connected world, where the costs of employing digital channels such as various social media platforms are relatively low. When choosing the marketing communication channels, it is important to consider the likelihood of reaching the intended target group, the cost of employing the particular channel, and the potential benefits of integrating more channels. The rule of thumb would be to go where the users already are, which includes both digital and traditional channels. Given that the main goal is to raise awareness, knowledge and interest in the concept, there are no expected negative effects (like cannibalization) from using several channels. Still, it is crucial to ensure consistent messages across all channels.

Based on the findings from in-depth interviews, the preferred channels of the three target groups were identified. For instance, it would be beneficial to try to reach business owners and employees through relevant umbrella organisations like trade unions, chambers of commerce, Rotary clubs, or manager associations. Once the first few ESOP companies appear in Slovenia, research on the effects of employee ownership on their business performance should be done and the findings shall be made well-known to the public. This would require further planning, but it can generally be done using both digital and traditional channels and eventually relying on word of mouth.

### **6.4.1 Digital presence**

Focusing on the three main target groups and keeping them informed about the basic principles and most important updates on the topic of employee ownership, the marketing communication strategy includes increasing the digital presence of relevant ESOP supporters. Namely, ESOP-related content will systematically be published on own social media and blog, as well as other commonly read blog pages such as Damijan. Depending on the messaging, these digital channels can be useful for all three target groups. Increasing the awareness of employee ownership can also be achieved through publishing articles, case studies, academic papers, and research on the topic on the website, making them easily accessible to anyone interested to learn more.

Furthermore, to reach business owners, content presenting the proven benefits of ESOPs will regularly be shared on LinkedIn. Similarly, content applicable to both business owners, employees, and the general public will consistently be shared on Facebook. Employees could be reached through social media and search engines. More provocative content aimed at catching the attention of young people and making them think about the shortcomings of the current socioeconomic system and ways to address such issues via ESOPs will frequently be published on Instagram posts and stories. Having relevant influencers support the concept and share the content would hugely impact the reach. Moreover, existing threads and discussions on employee ownership should be addressed by experts to encourage the debate and steer it away from misconceptions.

#### 6.4.2 Traditional channels

The best-written blog posts along with the most impressive findings from research should also be published in general and economy-specific newspapers, journals, and magazines to inform business owners and the public about the ESOP. In Slovenia, the relevant traditional printed media include Svet Kapitala, Mladina, Finance, Delo, and Dnevnik. Improving the credibility of the idea in the eyes of the public can be achieved through certification programs and word of mouth. Moreover, once research on the pioneering ESOP companies in Slovenia is done, the findings should be discussed also via radio and television, for instance on RTV Slovenia. This would enable reaching the wider masses and the political parties.

## CONCLUSION

The employee share ownership plan (ESOP) was constructed in 1956 by economist and lawyer Louis Kelso, enabling the ownership to be transferred to the employees. Given the underdeveloped mechanisms for transferring the ownership to employees in Slovenia, as well as the lack of examination on the topic, the thesis attempted to provide insights to close the knowledge gap.

While the ESOP can be used to address multiple pressing societal issues, it has not been implemented in Slovenia yet. Consequently, the purpose of the master thesis is to offer a marketing communication strategy for the promotion of the concept in Slovenia. The goal is to go beyond the recognition of best practices in foreign countries and examine the main implications of the model implementation in Slovenia to develop an appropriate marketing communication strategy.

Hence, three research questions were defined. Firstly, the problems that will be addressed with ESOPs were examined. Based on the findings from the thorough desk research and the in-depth interviews, it was concluded that ESOPs would address various societal and economic problems, including worker empowerment, capital anchoring, domestic ownership, improved wealth and income inequality, development of ownership mindset, a healthier economy and a stronger welfare state. Next, the obstacles impeding ESOP's wider implementation in Slovenia were analysed and it was evident that, besides the lack of know-how and information, cultural and institutional barriers were most relevant, including stereotypes due to the historic events, resistance among advisers and managers, caution, lack of support by governments and institutions, legal issues, and absence of tax incentives. Finally, the main benefits for different target groups that could be used to effectively promote the concept were identified. The most appealing benefits linked to the wider ESOP implementation that should be used to appeal to employees seem to be the right to self-determination, job stability, employee voice, financial benefits, transparency of information, fewer layoffs and better care for the employees and the local community. For business owners, messaging should be adjusted to contain benefits such as maintaining the legacy,

rewarding employees, achieving higher productivity and motivation, greater survival rates, resilience, and preventing silo culture. The general public would be most interested to learn about the positive effects of ESOPs like anchoring capital, protecting the environment, responsible business practices, keeping the economic power within national borders, improving resilience, and empowering workers.

Most of the observed barriers might be overcome through the implementation of an effective marketing communication strategy, which would familiarize the business owners, employees, and the general public with the benefits of the model, helping them resolve certain concerns and presenting ways of using the ESOP. Aligned with the findings, a suitable marketing communication strategy to promote the ESOP model in Slovenia was developed, including numerous activities, designed for different target groups and levels of interest or knowledge. The goal is to raise the awareness of business owners, employees and the general Slovenian public regarding the existence of the model. Therefore, apart from highlighting the most appealing benefits to the three target groups, the content should be appropriately adjusted to their jargon and published on proper channels. While business owners will be reached through umbrella organisations, manager associations, economy-specific newspapers, blogs, and magazines, as well as via LinkedIn, employees' opinions shall be influenced by social media, search engines, use cases and word of mouth. Finally, communicating to the general public will be done through public debates, giving credibility to the idea by pointing to successful examples and introducing certifications, traditional media, and social media including Instagram and Facebook. Hopefully, implementing the specifically designed plan should raise the awareness of the Slovenian public regarding the great need of introducing ESOP in order to address several societal and economic problems.

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## **APPENDICES**



## **Appendix 1: Povzetek (Summary in Slovene language)**

Model lastništva zaposlenih (ESOP) je leta 1956 izumil ekonomist in pravnik Louis Kelso in tako omogočil prenos lastništva na zaposlene. Čeprav je ESOP mogoče uporabiti za reševanje številnih perečih družbenih vprašanj, v Sloveniji še ni uveljavljen. Namen magistrskega dela je prispevati k zapolnjevanju vrzeli v poznavanju ESOP modela in ponuditi strategijo trženjskega komuniciranja za promocijo ESOP modela v Sloveniji. Cilj magistrskega dela je nadgraditi prepoznane najboljše praks iz tujine, preučiti glavne posledice implementacije ESOP modela v Sloveniji in razviti ustrezno strategijo trženjskega komuniciranja.

Raziskovalna vprašanja naslavljajo izzive, ki bi jih z uvedbo ESOP modela lahko rešili, ovire, ki otežujejo njegovo širšo implementacijo v Sloveniji ter koristi za različne ciljne skupine, ki bi jih lahko uporabili za učinkovito promocijo modela:

- RV1: Katere izzive bi lahko v Sloveniji rešili z uvedbo ESOP modela?
- RV2: Katere ovire otežujejo širšo implementacijo ESOP modela v Sloveniji?
- RV3: Katere so največje koristi za različne ciljne skupine (lastnike podjetij, zaposlene in širšo javnost v Sloveniji), ki bi jih lahko uporabili pri razvoju strategije tržnega komuniciranja za seznanjanje slovenske javnosti z ESOP modelom?

Za namen globljega razumevanja konceptov so bili poleg študije primerov iz literature, kot najprimernejša raziskovalna metoda uporabljeni poglobljeni intervjuji. Zaradi omejenega števila strokovnjakov, ki se ukvarjajo z uvedbo ESOP modelov v Sloveniji, je bilo relativno enostavno identificirati ključne osebe za poglobljene intervjuje. Za namen te raziskave so bile izbrane tri skupine strokovnjakov, in sicer dva soustvarjalca prilagojenega ESOP modela za Slovenijo, trije lastniki podjetij, vsak v drugi fazi implementacije ESOP modela v svojih podjetij, ter trije zaposleni, ki so bili v različnem obsegu vključeni v ESOP prehod svojih podjetij. Skupno je bilo izvedenih devet poglobljenih intervjujev, ki so v povprečju trajali 58 minut, preden so dosegli točko nasičenosti, ko je vsak naslednji intervjuvanec večinoma ponovil in potrdil že predhodno omenjene vidike.

Na podlagi študije primerov iz literature in izsledkov poglobljenih intervjujev je bilo v zvezi s prvim raziskovalnim vprašanjem ugotovljeno, da bo ESOP model naslavljal različne družbene in ekonomske probleme, vključno z opolnomočenjem delavcev, sidranjem kapitala, domačim lastništvom, izboljšanjem premoženjske in dohodkovne neenakosti, razvojem lastniške miselnosti, bolj zdravim gospodarstvom in močnejšo socialno državo. V zvezi z drugim raziskovalnim vprašanjem je bilo povsem očitno, da so poleg nepoznavanja modela in pomanjkanja informacij najpomembnejše kulturne in institucionalne ovire, vključno s stereotipi zaradi sosledja zgodovinskih dogodkov ter nadalje odpor med svetovalci in menedžerji, previdnost, pomanjkanje vladne in institucionalne podpore, nerešena pravna vprašanja in odsotnost davčnih spodbud.

Najbolj privlačne koristi, vezane na širšo implementacijo ESOP modela, ki bi jih bilo koristno izpostaviti za približanje modela zaposlenim, so, glede na tretje raziskovalno vprašanje, pravica do samoodločbe, stabilnost zaposlitve, glas zaposlenih, finančne ugodnosti, pretočnost informacij, manj odpuščanj ter boljša skrb za zaposlene in lokalno skupnost. Za lastnike podjetij je treba sporočanje prilagoditi tako, da poudari koristi, kot so ohranjanje dediščine, nagrajevanje zaposlenih, doseganje višje produktivnosti in motivacije, višje stopnje preživetja in odpornosti podjetja v času krize ter preprečevanje kulture silosa. Širšo javnost pa bi najbolj zanimalo poznavanje pozitivnih učinkov uvedbe ESOP modela, kot so sidranje kapitala, varstvo okolja, odgovorne poslovne prakse, ohranjanje gospodarske moči znotraj državnih meja, izboljšanje odpornosti podjetja in opolnomočenje delavcev.

V skladu z ugotovitvami je bila izdelana ustrezna strategija trženjskega komuniciranja za promocijo ESOP modela v Sloveniji. Rezultati raziskave kažejo, da je glavna ovira za priljubljenost uvedbe ESOP modela nepoznavanje modela, zato ima strategija trženjskega komuniciranja pri tem pomembno vlogo. Cilj strategije je ozaveščanje lastnikov podjetij, zaposlenih in širše slovenske javnosti o obstoju ESOP modela. Poleg poudarjanja prednosti uvedbe ESOP modela za vse tri ciljne skupine, je potrebno vsebino sporočil ustrezno prilagoditi jeziku posamezne skupine in jo objaviti na ustreznih kanalih. Medtem ko bodo lastniki podjetij dosegljivi preko krovnih organizacij, združenj menedžerjev, blogov, časopisov in revij povezanih z gospodarstvom in prek LinkedIna, bodo na mnenja zaposlenih vplivali družbeni mediji, spletni iskalniki, primeri uporabe modela v praksi in preko govoric, ki se širijo od ust do ust. Obveščanje širše javnosti bo potekalo preko javnih razprav, ki bodo ideji dajale verodostojnost, preko objav v tradicionalnih medijih in na družbenih omrežjih, vključno z Instagramom in Facebookom ter z uvedbo certifikatov in s predstavitvijo uspešnih primerov. Pričakujemo, da bo izvajanje posebej oblikovane strategije trženjskega komuniciranja izboljšalo ozaveščenost slovenske javnosti glede uvedbe ESOP modela kot možne rešitve številnih družbenih in ekonomskih problemov.

## **Appendix 2: List of interview questions**

Greeting: Thank you for taking the time to participate in the research! I truly appreciate it...

Introduction: As we have discussed, this interview is related to the Employee Share Ownership Plan and its implementation in Slovenia.

1. For all: Could you please tell me how well acquainted are you with it?
  - a. For all: How did you learn about the model?
2. For all: If ESOPs are widely implemented in Slovenia, which economic and societal problems do you believe will be addressed?
3. For all: What are, in your opinion, the benefits connected to the ESOP model?
  - a. For all: Which of those would you say are most relevant for employees?
  - b. For all: And why do you think business owners would be interested in the ESOP model? How can they benefit from it?
  - c. For all: What about the general public?
  - d. For all: Could you please add examples of benefits linked with the ESOP implementation from the countries where the model is already being used, if you are aware of any.
4. For all: How do you think that the benefits connected to ESOPs found in other countries would apply to the Slovenian context?
  - a. Why do you think so?
5. For all: Do you personally believe in the advantages of the ESOP model?
  - a. For all: Why?
  - b. If employee: How do you feel about working for an ESOP?
  - c. If employee: How do you feel about initiating an ESOP transition in your company?
  - d. If employee: How did you react when you learnt that the company you are working for is converting into an ESOP?
  - e. If business owner: How do you feel about converting your company to an ESOP?

- f. If business owner: How did the employees react when you informed them about the transition to an ESOP?
6. For all: How would you describe the current interest of the Slovenian public regarding ESOPs?
7. For all: Besides the many benefits linked to ESOPs, very few such plans exist in Slovenia. What do you think is the reason for such a situation?
8. For all: What would you say the main barriers to wider ESOP implementation in Slovenia are?
  - a. For business owners or experts: Could you describe the obstacles that you have perhaps faced while trying to promote/implement the ESOP model in Slovenia?
9. For all: Which of the categories of obstacles shown in the table would you say are most relevant for the Slovenian context? Why? (*share screen with table*)
10. For all: When talking about the barriers, we mentioned that one of the reasons why ESOP is not widely used in Slovenia is the lack of knowledge and awareness among people regarding the existence of the model. In light of this, what do you suppose needs to be done in order to popularize ESOPs?
  - a. For all: Could you tell me more about it? What steps would need to be taken? Who will need to be addressed and how would you reach them?
  - b. For business owners and employees: Through which channels do you think companies and employees look for information on such and similar topics (ESOPs, employee ownership, economic democracy, social economy, etc.)?
  - c. For all: Are there any marketing activities that you believe would be especially useful for boosting the interest in the ESOP model in Slovenia?
11. For all: Could you please tell me what your job title is, along with your field of expertise?
  - a. For all: If you don't mind sharing, please also let me know in which range your age belongs: 21 to 30, 31 to 40, 41 to 50, 51 to 60, 61 to 70, and above 71 years of age.



**Appendix 3: Table with findings from interviews on problems addressed with ESOPs**

*Table 6: Findings from interviews on problems addressed with ESOPs*

<b>Interviewee</b>	<b>Economic and societal problems addressed with ESOPs</b>
Interviewee 1	Income and wealth inequality, capital anchoring, environmental degradation, social alienation, and lack of economic sovereignty that local communities suffer due to globalization.
Interviewee 2	Income and wealth inequality, business succession, detrimental social outcomes of hostile takeovers, internalizing externalities, responsibility towards the local community and the environment, respect for humans, their dignity, and the right to self-determination.
Interviewee 3	The lack of ownership mindset within the workforce.
Interviewee 4	Fighting off hostile takeover bids, strengthening the commitment towards the company and the local community.
Interviewee 5	Human rights (workplace democracy, getting the fruits of one own's labour), developing human capacity of reasoning, compromising, and overall democratic capabilities, environmental responsibility (nobody wants to foul their own nest).
Interviewee 6	Domestic ownership of companies, enriching the economic system, closing the gap between the owner and employee classes, activating more people to be responsible and not stigmatize owners, greater innovation.
Interviewee 7	Wealth inequality, decentralizing wealth, domestic ownership, improving the general state of the economy and its competitiveness, improving individuals' dedication to their profession, and stimulating cooperation over ruthless competition.
Interviewee 8	Decentralizing wealth, social responsibility, sustainability, and long-term wellbeing.
Interviewee 9	Financial welfare and employee wellbeing.

*Source: Own work.*

#### Appendix 4: Table with findings from interviews on ESOP benefits for employees

Table 7: Findings from interviews on ESOP benefits for employees

Interviewee	Employee benefits connected with ESOPs
Interviewee 1	The democratic representation makes workers more empowered, greater wealth equality improves their financial situation, and sustainable business practices improve their lives in the local community.
Interviewee 2	The right to self-determine, employee voice, influencing decisions, employee satisfaction, retention, organisational affiliation, increased productivity, efficiency, resilience, sales, and growth.
Interviewee 3	Getting ownership without taking a financial risk, because becoming owners comes from their greater productivity, tax benefits, and owner's wishes and values.
Interviewee 4	Feeling of safety, job stability especially in downturns, transparency, being informed about the resource allocation and supporting loyal employees through sponsoring the local community in relevant ways.
Interviewee 5	Many benefits, connected to the bigger responsibilities and bigger rewards, allowing employees to grow with the company, transparency.
Interviewee 6	Wealth inequality, safety cushion for retirement or hard times, economic competitiveness, increased motivation to produce excellent work, feeling less stressed, speaking up and giving suggestions more.
Interviewee 7	Monetary benefits (dividends), a sense of safety, job stability, higher involvement, more responsibility, a chance to develop themselves, and faster growth.
Interviewee 8	Allowing employees to taste the fruits of their labour beyond the paycheck, allowing employees to influence decisions, have greater involvement, more engaging organisational culture.
Interviewee 9	Financial benefits, employee wellbeing, having a voice, aligning personal and organisational values and goals, and understanding the owner's perspective.

Source: Own work.

**Appendix 5: Table with findings from interviews on benefits for the general public**

*Table 8: Findings from interviews on ESOP benefits for the general public*

<b>Interviewee</b>	<b>General public benefits connected with ESOPs</b>
Interviewee 1	Anchoring capital, protection of the environment, positive effect on public balances, prevention of unemployment.
Interviewee 2	Anchoring capital, a stronger welfare state due to more taxes collected, stronger economy.
Interviewee 3	The snowball effect (once employees understand the benefits of ESOPs, they will prefer working for ESOPs, pushing other companies to convert into ESOPs and be more responsible).
Interviewee 4	Protection of the environment, support of the local community, and responsible business practices.
Interviewee 5	Protection of the environment, healthier economy (due to the interdependency of businesses), and positive effects for consumers (better products and services).
Interviewee 6	Change of mindset among the general public, bringing the morale up, empowering broader groups of people to take control over their lives.
Interviewee 7	Anchoring capital, improved company reputation, wealth inequality, keeping the economic power (and money) within the national borders, and improving self-sufficiency.
Interviewee 8	Protection of the environment, sustainability, prevention of unemployment, and higher resilience.
Interviewee 9	Change of mindset, empowering broader groups of people, snowball effect.

*Source: Own work.*

## Appendix 6: Table with findings from interviews on feelings about ESOP conversion

Table 9: Findings from interviews on reactions/feelings related to the ESOP conversion of their company

Question	Business owners' responds	Employees' responds
How do you feel working for an ESOP?	/	Very good: <i>"I want to be there when we talk about where we are going",</i> <i>"I can promote my personal ideals",</i> <i>"Our company always felt like a second home, and I would like to keep it that way".</i>
How do you feel about initiating an ESOP transition in your company?	Excited and concerned: <i>"I am still not sure if people will show more responsibilities [...], that is my biggest concern. But deep in my heart, I know that there will be let's say 20% of those people, and 80% of people who will embrace that, so I will empower them. If I can achieve that, I will be happy"</i> <i>"All these benefits like lower turnover rates, stability, etc., we are looking forward to them, but [...] today I cannot feel the benefits. One of the hardest feelings to overcome is [...] the feeling that we are giving up on the material part."</i>	Able to do it only if the culture allows: <i>"It is very important to have a spark [...], something that makes people think. It is important to have the buy-in of informal leaders. And it is good, but not necessary, to have the buy-in of formal leaders. I think it is important to play to people's individual desires, and that is why the informal community leaders matter the most – because they know others and what their personal motives are."</i> <i>"The culture must be there already, otherwise it would feel fake."</i>
How did you/the employees react when they learnt about the transition?	Initial confusion, then satisfaction: <i>"They were not even aware of what they were doing. The awareness was about keeping the company to ourselves."</i> <i>"Happy but they didn't quite imagine what does it mean. Maybe because of the lack of communication, the joy that was expressed was lower than what you would imagine. Overall, they were happy and satisfied, they are looking forward to it and taking it seriously [...]. It took a bit of time for this idea to settle down and gain momentum."</i> <i>"[...] probably the result will be mixed."</i>	Confusion, scepticism: <i>"The model is not easy to understand. People are sceptical about the things they don't understand. It wasn't easy getting the message across and ensuring everyone that they are not losing anything, they are just becoming owners in five years, which they wouldn't have otherwise."</i> <i>"I was a little confused because I didn't really know what it would actually mean in real life. From the way they described it to me, it seemed okay."</i> <i>"In Slovenia, we have had several high-profile issues in the part with hostile managerial takeovers, [...] people just instinctively don't trust them."</i>

Source: Own work.

## Appendix 7: Table with findings from interviews on obstacles to wider ESOP implementation in Slovenia

Table 10: Findings from interviews on relevant obstacles to wider ESOP implementation

Interviewee	Obstacles to wider ESOP implementation
Interviewee 1	Cultural and institutional, with the cultural strongly influencing the institutional, and lack of know-how as well.
Interviewee 2	Institutional (all), cultural (history, no advisors), environmental (lack of know-how), structural (liquidity - ESOP establishment), knowledge-related (all), and also lack of trust.
Interviewee 3	Cultural (caution, employer inertia, unfashionable tool), institutional (all), environmental (lack of know-how), structural (liquidity, long-term perspective), and knowledge-related (all).
Interviewee 4	Institutional, cultural, and some of the structural.
Interviewee 5	Cultural (resistance among advisors, managerial resistance), institutional (lack of government support), structural (complexity), and knowledge-related (perception, no understanding of personal finance).
Interviewee 6	Cultural (employer resistance), institutional (lack of government support and tax incentives), environmental (lack of know-how), and knowledge-related (concern about free riders).
Interviewee 7	For workers: cultural (history, inertia, risk aversion), and for business owners: institutional (lack of government and institutional support).
Interviewee 8	Institutional (lack of government support, tax incentives, legal issues), knowledge-related (concern about free riders, not clear benefits).
Interviewee 9	Institutional, knowledge-related, and the lack of advocates or experts.

Source: Own work.

## Appendix 8: Table with findings from interviews on how to popularize ESOPs in Slovenia

Table 11: Findings from interviews on ways to popularize ESOPs in Slovenia

Interviewee	Ways to popularize ESOPs in Slovenia
Interviewee 1	Trace EO back to democratic theoretical roots, not socialism; point out to contradictions of the current system and connect ESOPs with a bigger vision of how the economy should work; popularize good practices from developed countries; leverage personal connections to get in touch with business owners and employees to form an alliance, and become represented in front of policymakers; contact umbrella organisations of businesses like the Chamber of Commerce; online promotion; write op-eds in newspapers like Svet Kapitala; social media campaigns.
Interviewee 2	Give credibility by pointing out to successful ESOP companies; certifying ESOPs; writing articles online and in magazines; PR and events to break stereotypes; one-on-one communication to resolve doubts; social media promotion to reach younger generations (short videos with personal testimonials); politics.
Interviewee 3	Having good examples and promoting their success; educating owners; finding owners who are already interested in such topics and showing them the ESOP way; workshops, roundtables, discussions, and PR.
Interviewee 4	Promote good practice and the benefits; create an interest group or alliance of employee-owned companies to target the government or the chamber of commerce; promote the success stories to show that the world of economics is moving in this direction (with CSR, ESG, etc.).
Interviewee 5	Social media (LinkedIn, Facebook, Instagram); website with a blog; publishing on other blogs (Damijan); standard and finance media (Mladina, Finance, Delo, Dnevnik); media events, Rotary, or brunch meetings with CEOs; working through trade unions and work councils.
Interviewee 6	Articles, research, case studies, and personal testimonials to give credibility; word of mouth; sharing a personal story rather than being pushy; influencing lawmakers; people don't care what the media says. The first step is finding companies willing to do an ESOP.
Interviewee 7	Promote relevant benefits for different segments; blog posts, podcasts; make it very easy to understand, execute, and purchase; publicize a very successful ESOP example, have it acknowledged by influential people (and foreigners), and an expert should add that it is not hard to do; a tax incentive will enable ESOPs to accumulate brainpower, influencing other companies to convert.
Interviewee 8	Business influences need to raise their voice; publicity all over, Finance, RTV Slovenia, with renowned experts and businesspeople; certify ESOP companies; many people are not convinced because of the lack of legal framework.
Interviewee 9	Have more advocates and experts; raising awareness takes a lot of effort, so research, strategy, and a plan are necessary; define who you are targeting (probably business owners).

Source: Own work.

## **Appendix 9: Transcript 1 - interview with an expert**

Interviewer: Thank you so much for taking the time to participate in this interview. The data you will share with me will be used for the purpose of writing my master's thesis only, and in no way will be abused. Without further a due I suggest we start with the interview.

Interviewee 1: Yes.

Interviewer: Thank you for joining me again, I appreciate that you are willing to share your opinion on the topic. I have composed some questions but consider this more like a discussion rather than a formal, structured interview. If you don't have any questions, I guess we can start.

Interviewee 1: No, everything is clear.

Interviewer: Okay. This interview is related mostly to the employee ownership plan, and its potential implementation in Slovenia, or future implementation in Slovenia, so could you first please tell me how well acquainted you are with this model?

Interviewee 1: I would say that I'm quite familiar with it.

Interviewer: Okay, and what do you think, if ESOPs are widely implemented in Slovenia, what economic and societal problems will be addressed with that?

Interviewee 1: I think there are many problems that will be addressed. I think many of the benefits are positive externalities that are even hard to anticipate, but among the main problems that would be addressed, I would say inequality, both income and wealth inequality. Then, generally speaking, I would say the lack of economic sovereignty that local communities are suffering because of globalisation when they have to engage in the race to the bottom in terms of social rights, is something that will be addressed. Then, environmental degradation, and social alienation... that is what comes to my mind right now.

Interviewer: Thank you for the answer. We talked about what problems would be solved, so where do you see the benefits connected to the ESOP model implementation?

Interviewee 1: I think that one of the underappreciated aspects is that it extends the democratic representation to the economic sphere, it favours sustainable business practices, and it also carries on the legacies of businesses which have a great tradition. Also, it anchors capital and business in local communities, thus preventing capital flight and as I mentioned earlier, distributing wealth more equally.

Interviewer: Thank you, you summarised that quite well. You mentioned a lot of different things from different perspectives, and multiple benefits and problems that will be addressed, but which ones would you say are most relevant for employees?

Interviewee 1: I would say the democratic representation, which I think makes them feel more empowered and in control of their livelihoods. Obviously, the more equal distribution of wealth benefits them directly in material terms. And, I would also say the fact that ESOPs are more sustainable and engage in more sustainable business practices has good effects on the lives of employees because employees live in local communities which are positively affected by sustainable business practices. So, these three things.

Interviewer: For sure, makes sense. And what do you think is there for business owners, why would they be interested in this model, and how can they benefit from it?

Interviewee 1: I would say it has mostly to do with the legacy, as I mentioned earlier. So, knowing that your company will not be used by a bigger company with a takeover to just squeeze all the wealth out of it, knowing that it will carry on your legacy in a way. If you are famous for doing good pasta and you are in the countryside, the company will continue doing that instead of being closed for economic reasons.

Interviewer: Yes, I understand, being proud of what they've managed to establish throughout their lifetime and seeing it continue even though they are too old to run it, for sure that must feel great for business owners. What about the general public?

Interviewee 1: Besides the protection of the environment, I would also say the fact that anchoring capital makes it easier to tax it. So, there are positive effects for state balances as well, because you preserve your tax base and avoid capital flight. This can have a good effect on public balance and the prevention of unemployment, generally speaking.

Interviewer: Right, thank you. So, ESOPs are quite widely spread in the US. Are you maybe aware of any benefits that have already appeared in this country, where the model is being used?

Interviewee 1: Yes, I would say higher productivity, higher sales rate, less prone to dismiss workers, resilience during crisis, greater investments in skills and training.

Interviewer: Now that we've discussed that these benefits do exist, and not just in theory, do you think that these benefits would apply also in Slovenia if the ESOP model would be widely implemented?

Interviewee 1: Yes, I see no reason why all of these benefits that we mentioned would not apply to Slovenia as well. I think that they are all relevant.

Interviewer: Can you please elaborate more on that?

Interviewee 1: I would say all of the benefits that we mentioned earlier are not so specific, or there is not a factor that is particular to the US that does not exist in Slovenia. They are not that different in the sense that there would be elements of the Slovenian economy that would prevent these benefits from occurring. I think we have a higher problem with overall



productivity in Slovenia than the US has, so I would even go on to say that maybe we could benefit even more thanks to employee ownership and the same applies to the rate of sales and investments in skills. Although I'm not aware of how well we are doing on that front in Slovenia, generally speaking, I would say that the differences between the economies would not have any impact on the likelihood of these benefits occurring in Slovenia.

Interviewer: So, do you personally believe in the advantages of the ESOP model, how convinced are you?

Interviewee 1: I'm convinced by the effectiveness of ESOP, I think that it has proven to be a time-tested model, which had a great impact on communities across the US, where it has been implemented, and statistics are proving that - based on that, I would say that it is effective.

Interviewer: How would you feel working for an ESOP? Would you be excited?

Interviewee 1: I think I value having a voice in whatever organisation I'm working in, I value being heard and being able to influence the overall direction of that organisation, so I personally would be very excited to be part of an ESOP. Specifically, in a Co-op ESOP where representation is granted as well, but also in terms of ownership, I think that I would feel that my democratic rights are more respected in an ESOP because I'm ultimately the one who benefits from the earnings generated from my efforts in offering a service or selling a product.

Interviewer: Given that you are convinced by the model and its benefits, and you would love to work for an ESOP, how would you feel about initiating an ESOP transition in a company? What do you think this would look like?

Interviewee 1: First of all, I would have to put a lot of effort into getting everyone or the maximum number of employees on board by explaining the benefits also to them, those that I'm aware of. That would probably have to come from the employer first.

Interviewer: Well the owner is the only person that has the legal power to go through with it.

Interviewee 1: Yes, obviously. Of course, it depends on the relationship that you have with the business owner, but I will try to persuade the owner or connect organisations with the owner, in order to have the owner speak with an expert in the ESOP field and try to legitimise the whole thing. That would be my strategy.

Interviewer: Okay, thank you for the answer! How would you describe the current interest of the Slovenian public regarding ESOP?

Interviewee 1: I think that the public does not know much, if at all, about ESOPs. If you roughly talk about the public as a single unit, I would say that their general knowledge about

ESOP is close to 0. And also, the public does not know much about employee ownership, or it is less prone to support it due to cultural reasons. It has remained at the margins of political debates as well, during the last decades, and it's coming to the surface just recently, however, there is not much interest in it even today, and even less in the past.

Interviewer: As you already touched upon the fact that Slovenia does not know about ESOPs and there is very little support for this, what do you see as the reason for such a situation? What would you say are the main barriers to a wider ESOP implementation in Slovenia?

Interviewee 1: I think that the main reason why it hasn't been implemented yet is the fact that we haven't discovered it in the first place, so one reason would be a lack of knowledge in general terms. But the other reason is the lack of interest by major stakeholders in the economic sphere, that would be the government, the chamber of commerce, and the unions. None of these three key actors, which have shaped the Slovenian economic policy since independence, have truly been interested in this type of model. So, you have unions who have focused on raising wages and protecting wages, but without questioning the ownerships structure of companies; you have the chamber of commerce, which has been reluctant to get closer to accepting a model that reminds them of their socialist past; and then, the government also has never looked very interested in this. These three major stakeholders, which make all the relevant decisions when it comes to economic policy, have not shown any interest in ESOP.

Interviewer: Yes, I see. I would like to show you a table, where the obstacles to ESOP implementation are summarized. Maybe you can go through them and tell me which one is most relevant.

The interviewer shares the screen and shows the summary of the barriers.

Which of the following categories of obstacles would you say are the most relevant for the Slovenian context and why?

Interviewee 1: I would say cultural and institutional, with the cultural strongly influencing the institutional. Because what institutions lead, think, do, and how likely they are to support it depends on their views on employee ownership. I'd say these two. They are all relevant in a certain way, the first two are the ones that popped for me, and the lack of know-how as well.

Interviewer: Thank you. Now, have you maybe tried promoting or implementing the ESOP model in Slovenia? If so, could you describe some obstacles that you perhaps faced already?

Interviewee 1: It has not directly occurred to me, but I have faced them indirectly by seeing that people struggle with the lack of understanding. Even after the ESOP model is explained, there is still a lot of confusion regarding how ESOPs work. And the socialist thing always

pops up in every discussion that you have about employee ownership. The reaction that I notice every time is that it is basically a return to self-management.

Interviewer: Given all of the above that we've mentioned, what do you think needs to be done to popularise ESOPs in Slovenia?

Interviewee 1: I would say one of the most useful things is tracing back and popularising the theoretical roots of employee ownership. Tracing them back to democratic theory rather than 20<sup>th</sup>-century socialism is something that provides the foundation of a very compelling argument because everyone cares about democracy. If you care about democracy you would care about ESOP as well. And then I would say popularising the good practices from wealthy countries that we often look at as an example. I would also say getting in touch with relevant stakeholders, namely business owners and workers, and working directly with them to create an alliance of companies that transitioned to ESOP. Then, becoming an interest group and being able to have a stronger voice, defend the interest, advance ESOPs and be represented in front of policymakers. In terms of promoting it, I would say point to the contradictions of the current system. When you see mass layoffs and companies fleeing the country because some taxes have been raised, it will be useful to point to those examples and say that an employee-owned company would not have done that.

Interviewer: Do you see any steps that would need to be taken in terms of how to reach the relevant target audiences?

Interviewee 1: If we are looking at the Slovenian context specifically, which is quite different from the US one, we have the advantage of having immediate access to policymakers. For instance, it's quite easy to get in touch with political elites. One practical step that I would make is to contact those who matter the most in Slovenian politics in person and via email to explain what the model is about. That would be the lobbying part.

Then, multiple strategies could be used to reach business owners. One strategy would be to contact the umbrella organisations of the business community like chambers of commerce and ask them to popularise the idea by communicating that this model exists to all business owners. Then, there is the online promotion. Maybe some businesspeople are online so they discover the model this way. A third strategy would be using personal connections to reach out to relevant business owners, for instance, if you know some business owner who is about to retire.

Interviewer: Connected to channels, where do you think that business owners or employees look for information, where would you say they expect to find information on ESOP, employee ownership, social economy, economic democracy, and similar topics?

Interviewee 1: I think social media is crucial but it may not be enough though it is certainly one of the channels for conveying this message. I would say that right now business owners and employees still expect this kind of information to come from the chambers of commerce

and unions respectively. Because these are organisations that you use as a reference when it comes to succession problems or employees' rights, you go there to see what the options are. I would say that having these organisations talk about ESOP would be a major step forward. But especially when there is a lack of this and they are not talking about employee ownership, then social media is the place where there is a great need for promotion.

Interviewer: Now that you mentioned promotion, I was wondering how you see marketing activities helping the ESOP promotion. What would you say their importance and role are?

Interviewee 1: It has an overall positive role. First of all, it informs either the workers or the business owners of the existence of such a model. Effective social media marketing can help workers and business owners get an insight into how the model works, so it's not just putting a name of a model out there, but it's also explaining how it works, which is one of the crucial aspects since it's often misunderstood. Perhaps also connecting ESOPs to a bigger vision of how the economy should work, because it is not a single issue that is independent of other issues. Social media allows you to convey the message that employee ownership is not only good for separate individuals but it is a struggle we should all care about, it is something that will benefit us all. On social media, you can connect the ESOP model to a broader struggle for democratising work.

Interviewer: For sure, raising awareness is a crucial first step into the model being implemented further in Slovenia. Are there any other marketing activities that you believe will be specifically useful for boosting the interest?

Interviewee 1: Any type of promotion is welcomed. I would say that targeting the relevant audience is key. Having op-eds in newspapers that are particularly read by certain groups like business owners would be a clever strategy. So, magazines like Svet Kapitala for instance. Having the general public care about it is a great achievement as well, because then at the next elections they will push for this and will vote for the party that gives answers to their questions on this topic.

Interviewer: Yes, understandable. My last question would be what is your field of expertise? If you don't mind sharing, maybe you could also indicate in which range your age belongs: 21 to 30, 31 to 40, 41 to 50, 51 to 60, 61 to 70, or above 70?

Interviewee 1: I am a graphic designer and researcher and I am interested in the social economy. My age belongs to the first category, so 21 to 30 years of age.

Interviewer: As I said, that was my last question, so the interview is coming to an end. I am very happy that you accepted my call for collaboration. I truly appreciate that you took the time and put the effort to answer all the questions.

## **Appendix 10: Transcript 2 - interview with an expert**

Interviewer: I am very grateful that you have agreed to participate in this interview. Before we start, let me assure you that the information you will share with me will be used only for the purpose of writing my master's thesis, and in no way will be abused. Without further a due I suggest we start with the interview.

Interviewee 2: Yes, let's start.

Interviewer: First, I would ask you to let me know how well acquainted would you say are with the ESOP model?

Interviewee 2: I am one of the authors of the Slovenian ESOP model, so I would say I am quite well acquainted. Even though I am collaborating also on the legal side of the implementation and the concept, maybe I would put nine out of ten there, but in terms of the economic concept and in terms of the accounting details of capital structure and all that, yes, I'm very well acquainted.

Interviewer: Yes, thank you. If the ESOP were widely implemented in Slovenia, which economic or societal problems do you believe would be addressed with that?

Interviewee 2: There are a few, but for now, I will not discuss them according to the priority. I will just list them but not in an ordinal matter. One of the main and most general societal issues that ESOP addresses is economic inequality. Economic inequality has two sides: income inequality and wealth inequality. Income inequality in Slovenia is quite low but in terms of wealth inequality, there has not been a serious study made yet. But the wealth inequality is between three and seven times larger than income inequality. That is a very rough spectrum, but still, what ESOP does is redistribute ownership of capital. And capital ownership is one of the most relevant factors or elements of economic inequality. It is one of the main issues that produces economic inequality and with that, political inequality, education inequality, cultural inequality, and so forth. So, ESOP addresses this very relevant societal problem that not only Slovenia has, but also the European Union has, Europe has, and even more so, the rest of the world. In that sense, the ESOP model as one of the models of employee ownership and workplace democracy really contributes toward addressing this problem.

Now, in terms of more practical problems, the first I would emphasize is the problem of ownership succession. It is a problem where owners or a group of owners of businesses that are not part of the stock market, i.e., do not quote on the organised market, often do not have an exit strategy. They do not have a succession plan for ownership. And most of the companies in Slovenia are like that. And it is a great majority. It is not just SMEs, it's even the big companies. I think that there are only 36 companies in Slovenia that are on the stock market, so very few, and even the corporations (d.d.) that have stocks, so are not limited liability companies (d.o.o.), don't have the succession problem solved. One of the

alternatives is to sell out to the investor that requires a well-developed market for this kind of for companies, so for equity companies, which is also lacking in Slovenia and generally in the EU, as the European Commission is finding out. Also, it is not clear what the consequences of this kind of takeover are. There could be detrimental social outcomes of the takeover by a competitor from another country or an investor investment fund. You don't know what the consequences are going to be but you always know what the motivation is. The motivation is to earn money. Thus, it is basically an extractive activity that could potentially capitalize on the company but it is not sure. At the same time, if used as a tool of ownership succession (so that owners gradually transfer shares towards employees) ESOP successfully, efficiently, and in a socially responsible way addresses this problem of ownership succession, which, as I said, is a big problem.

That was the second main one and I would just mention a few more that I think are also very interesting. It is logical that employee-owned companies will be locally responsible, so will be responsible both to the local communities and the local environment. The reason is that employee ownership internalizes negative externalities, i.e., the existence of externalities. A negative externality is a transaction where a third party has negative effects because of the transaction of the first two parties. And the third party is not involved in the transaction, so it cannot influence or affect the price, the conditions and so forth. Pollution and detrimental effects on the environment are some of the most common ones. But when you have people that are part of these local communities, who are usually those third parties, also being the owners of the enterprises where they work (because workers in the enterprises usually live close by), then you negate or diminish the problem of negative externalities.

That is another very interesting look at ownership. Then, on a very primary, ethical level, you should consider principles of democracy in the workplace as well as in politics, so respect for humans, their dignity and their rights to self-determination. You have those very ethical reasons, very basic moral reasons why employee ownership should be encouraged and what it contributes to. But also there are benefits like workplace satisfaction, retention and so forth. In light of the Great Resignation, employee ownership contributes to workers staying more often than in other companies. So, there are many, many reasons.

Interviewer: Thank you for the answer, it was a really extensive list. Could you maybe think which benefits would be most relevant for employees, business owners, and the general public? So, think about each of these three separate groups.

Interviewee 2: I would say that we mostly talked about positive social benefits and social reasons now. In the end, I also mentioned the benefits for employees like recognizing the right to self-determination and recognizing the fact that it is important that they feel listened to and that they are listened to, and that they can influence what they do, and how they do it. This affects worker satisfaction, retention, organisational affiliation, all those things that are very useful for both the company and the employees.

But then, I would maybe go into the economic consequences. Positive effects on business indicators are clear by the evidence of the decades of research. There is a consensus on the positive effects. Though it is really difficult to really prove something, I would be quite confident to say that generally, employee ownership increases productivity, efficiency, business resilience, sales, and growth. Basically, on all levels of business success, employee ownership contributes positively. Therefore, I would be quite confident in defending this not just in terms of what empirical research shows but also in terms of very basic logic: if you work for yourself, you will work better.

Interviewer: What about the business owners? Would having the business perform better and what we discussed also be relevant for them?

Interviewee 2: Depends on how much they sell and how much they retain. There are degrees of the business owner's involvement and investment in this idea. They can either do an ESOP with a very minor share, i.e., a minority share which is below 30%. Research shows that this has unclear effects on productivity. When you don't have psychological ownership, when you don't have employees feeling the ownership, having tangible economic and financial results, and a tangible say in how things are done, it's not clear whether it contributes positively or it doesn't contribute at all. When you go from 30 to 50%, which is still a minority share, so the business owner maintains the decision-making power because he or she has a veto, then effects increase, but still are below the positive effects for the enterprise productivity that are seen above 50%.

So, a benefit for business owners is that they receive a very motivated workforce, but the ownership they put out must be psychologically tangible. If they remain owners, they will enjoy increased productivity, a more satisfied workforce and more autonomous workers. One of the things that I heard from personal experience, talking with a few CEOs, is that when workers became employee-owners, they stopped coming into the office to ask about everything and anything - they started taking responsibility and making decisions within the context of their workplace. Thus, ESOPs also unburden owners and the constant need for control and presence.

Interviewer: Yes, thank you. Just quickly, although we already mentioned some of the main problems that would be addressed, is there anything else that you might want to add in terms of the general public? What are the benefits most relevant for the general public?

Interviewee 2: This is best seen if you imagine a national strategy that would promote employee ownership on a much larger scale to anchor ownership of Slovenian capital within our national borders. I think the long-term consequences would be a much stronger social state, a welfare state, much stronger support for the people that either cannot work or have any other troubles, a much stronger public sector, public infrastructure... and the reason is taxes. You would have a much stronger economy, you would collect higher taxes, and you

would have a lot of multipliers if you went strategically into promoting employee ownership on the national scale.

Interviewer: Thank you. Before, you mentioned that there is research done in the USA, where the model is widely used. How do you think these benefits, connected to the wide implementation of the ESOP model found in foreign countries, would apply to the Slovenian context?

Interviewee 2: Research from the US mostly shows economic benefits and business indicators, benefits on inequality, succession and recently, benefits on local responsibility including both communities and the environment. Interestingly, while the succession problem in the EU is quite big, in the United States, it is currently not a big issue at all. ESOP is not the only tool addressing this. In the United States, there are equity funds, much more developed markets for equity, but also 7,000 ESOPs. In terms of how this applies to Slovenia, I don't see why anything would be specific to the US. Obviously, culture is different; it is much more difficult in Slovenia to communicate about employee ownership because of our shared history with Yugoslavia, so there is already one barrier. We are a very young capitalist economy, and as a young capitalist economy, we are afraid of anything that reminds us of non-capitalist things. Even though one could argue what capitalism is, I think it is important to overcome this and look at what is practical and socially responsible. That would be one ideological barrier.

In the United States, they were very successful in communicating employee ownership as a very pro-capitalist idea. Kelso, the founder and pioneer of ESOP, said that what he misses is America not having enough capitalists because he defined a capitalist as a person that owns capital. This was a republican way of spreading capital ownership. That is a nice way of turning this debate. In Slovenia, we should do the same. Maybe not the same discussion of not having enough capitalists, but rather looking back into our Catholic past, when we had Catholic priests promoting the principles of a cooperative organisation before the Second World War. That could be a relevant step to getting a bipartisan representation of the idea.

Another difference is that the effects on wealth inequality might be smaller. Slovenia has significant wealth inequality by some measures, even though as I said, serious studies have not been made, but still far from what the United States has. Hence, the positive effects that employee ownership can have on wealth inequality will be less substantial in Slovenia, even though that doesn't mean there won't be any effect.

Interviewer: Thank you, that is very insightful. You already touched upon barriers but I will go back to that. Let me first ask you if you personally believe in the advantages of the ESOP model and why?

Interviewee 2: Yes, the things that I am trying to do in my life are probably proof of that. Why? Because I was always motivated as a student, before I was working on economic



democracy, by the fact that things are not well in this world. I was studying economics, so I always focused on economic issues - and there are many, many of them, that I won't go into right now. In my opinion, the western way of organizing the economy is generally not the nicest. At one point in my studies, I came across economic democracy. This was at the beginning of my graduate studies, about 10 years ago. I was convinced because I found out that it is a very functional and effective way of organizing our economic enterprises which are the root of the economic problems today. Reorganizing them in a way that on one hand works well (it is efficient, high performing, flexible, and innovative) and on the other hand, distributes the financial benefits and the governance rights much more equally and democratically.

Interviewer: Amazing, thank you for the answer. How would you describe the interest of the Slovenian public regarding the ESOP model?

Interviewee 2: They don't know about this topic at all. It is a topic that people generally know very little about. They have a lot of misconceptions based on either an ideological or stereotypical conception of the idea. It is a relatively unsexy concept. Worker ownership is not like universal basic income, which everybody is supposedly interested in. It is a more difficult subject because you need to understand some technical details and what is going on regarding this topic to understand it in the right way. It's not just something that you jump into very easily. To use the economic terms, the barriers to entry are high.

But once you inform people about this to a sufficient degree, the interest increases drastically. In my experience, people get very, very interested in what ESOP can do. This holds on all levels, from all sides of society. I did not have a very severe negative reaction, and I have talked to many different profiles of people, from right to left, libertarians to conservatives. The true conservatives are especially fond of this when you explain it. I think this topic needs a strong communication strategy on different levels of society - through media and politics.

Interviewer: What you're saying is, if I understand, it is difficult to communicate it at first when they don't know anything about it but once you explain it, they get interested and there is no opposition to the model, so the main issue is to raise awareness, the first step of communication.

Interviewee 2: Yes, exactly.

Interviewer: Besides the many benefits, very few ESOPs exist in Slovenia. What would you say is the reason for such a situation?

Interviewee 2: We mentioned one reason, but that is not the dominant one. We already mentioned the ideological or stereotypical conceptions of the idea and the a priori definitions of anything that has to do with this. But I would emphasize the institutional barriers. Although people think that everybody has a chance to buy a share, so employees like

everyone else can become an owner at any point, this is far from the truth. I know why this is a preconception; because economists are communicating based on their economic models. I've studied those neoclassical economic models which are part of the transactionless world with no bounded rationality, uncertainty, a limit on capital accessibility, and so forth. In the world of an orthodox economist, I understand the argument. But when you go to real life and start working with both entrepreneurs and workers, you start seeing many barriers.

Just to list a few, first of all, almost by default workers do not have the capital to invest to get a substantial share. They might get a very small share but it is not something that would move the economy to employee ownership in a tangible way. This is exactly the divide that employee ownership tries to address – the divide in wealth. And it is a vicious cycle. If you don't have wealth, even if the options would be open, you wouldn't be able to buy into the capital. The second thing is the legal structure of a limited liability company and a corporation, which are by far the most common legal structures of economic entities in Slovenia. You need to rewrite the social contract of the enterprise every time you accept or exclude someone from the ownership, which causes a lot of transaction costs. It is very complicated and very expensive. It is even more expensive than having someone coming in and buying the whole company. There are no institutional incentives that would correct the huge transaction costs, nothing that would make ESOPs easier in terms of bureaucracy and introduce tax incentives. That would be the legal side.

There are other institutional barriers, but the final point I would make is the institutional bias against employee ownership. We experienced it recently by working with companies that tried to get debt capital to finance their operations, and they did not receive loans that would be suitable just because of how they structure their ownership - just because employees were owners! Both from the business banks and also, more surprisingly, from the Slovenian developmental bank, which should be willing you know to fill the market gaps - this is the reason for its existence! It completely failed to address the market gap in financing. And it was not because the company was bad - the company had the highest credit rating there is (the platinum one), it was completely out of the bias against the ownership structure. So, the argument that equality of opportunity exists in the economic sphere is a “neslana šala”. An “unsalty joke”, though I don't know if it translates to English that way.

Interviewer: Yes, I know what you want to say. I'm also surprised that even the SID bank refused to finance. Why is this so? What do you think? Do you have any explanation?

Interviewee 2: I have a few. Firstly, there is no legal basis that could specify this model very concretely. There is no legal framework that would describe this model and give it a legal basis. And banks, in general, are conservative institutions, as they should be. They're not when it comes to personal loans for the real estate as was the case in 2008, but most of them are conservative when it comes to social alternatives. Given that employee ownership is a redistribution of capital ownership, it can be viewed as a tangible social and economic alternative... and in that sense, it might be pure ideology. However, I don't think it was an

ideological barrier because the president of the bank was generally understandable of the idea. But when you start talking with the responsible people on the operational levels, you see the frustration over the topic. The worker at the bank got nervous, even angry that we are even discussing this. So, it might be the fact that there are no transparent thumbs up from the government - this is the legal basis.

As an excuse, in the end, the bank mentioned that it looks like managerial buyouts, like a mechanism for tycoons to privatize the companies (which we have a very bad experience with that in Slovenia). But obviously, this model cannot be further from the truth. The first thing it requires is the inclusion of all employees in the ownership trust. It also limits the differences in capital ownership between employees to wage differences. Also, in terms of valuation; the main problem with tycoon takeovers in Slovenia was that the companies were overvalued by factors of three or four, and we are using net-asset-value as the most objective and transparent valuation method. All of the characteristics of the models are completely different.

Interviewer: Thank you for explaining this. I have compiled a list of potential barriers that I found in the literature. Could you please take a look once I share the screen and let me know which ones you think are most relevant for the Slovenian context?

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 2: Let's go through them one by one. The first one is employee risk aversion. That is an interesting one, and I noticed it at a few points when working with workers, but I don't understand why. I think it's a matter of, again, misunderstanding the model. Risk aversion is often cited as the problem for not having more employee ownership and the argument is that it is better to have a diversified capital portfolio. The classical argument of having eggs in different baskets instead of all the eggs in one basket. Because employee ownership means employees own the company, which is one basket, thus if the company fails, they lose all the capital. But what is the actual choice here? What is the choice for the group of workers? Either having no eggs at all or having all eggs in one basket. If they don't go to an ESOP, they would not magically get a portfolio created out of nothing. Another argument is that having all eggs in one basket might be even more relevant than having a diversified portfolio because you can take care of the one basket. Rather than diversifying and having zero control over the baskets, the alternative is having a lot of control over one basket and taking care of it.

The second barrier is history. We went over that already. Then, resistance among advisors. There are no advisors for ESOP in Slovenia, so a network of advisors that focus on employee ownership would be very useful. A non-fashionable management tool, yes and no. It can make the life of a manager easier if the manager is a good leader. If a manager is a classical autocratic person that thinks that he knows best and he leads very vertical organisations, that is a turnoff. So, it goes both ways. Managerial resistance is part of the same. Caution is

related to risk. Lack of support by governments, yes, definitely, we talked about it. We also talked about incentives and legal issues, yes, all of those. I think institutional barriers are the most relevant.

Competing financial services - the developmental bank is now creating a competing financial service, which would be a fund addressing ownership succession but excluding employee ownership as a tool for ownership succession. SID bank is creating a big problem because they want to sell it to competitors, managers, or themselves. A lack of know-how and information – yes, yes. This is what we noticed when we approached the employers. Nobody is aware of this option. In Slovenia obviously, this is completely new, nobody is aware. And most cases when we get the opportunity to explain the model, there is like a 50/50 opportunity that somebody will be interested. It is very high. And maybe even 20 to 30% are seriously considering this option. If we manage to overcome the lack of knowledge, spread information and get one-on-one meetings, ESOPs could spread much faster. Accounting treatment, no, I don't think it is a barrier. Lack of a long-term perspective: here, I would say the opposite is true. Low-income levels, low wages... what do you mean by this?

Interviewer: When companies already have very low wages, employees are uncertain that the company cares about them and it is going to an ESOP model because of them. Namely, if they cared, they would already have bigger wages.

Interviewee 2: I would put this under trust issue, so cultural barriers. The trust issue is important and it is not on the list. It is important because we are dealing a lot with a strong trust issue among employees. In terms of the structural barriers, a lower level of profitability is an obstacle. You need relatively high profitability to be able to finance the ESOP transition, but a low added value is more problematic than low income. Liquidity, internal share market – yes, yes, that is part of the repurchase liability problem in ESOPs, which we don't have in the Slovenian model. We have the roll-over that completely fixes this. So, this is not a relevant barrier for Slovenia, because it is something that the Slovenian model addresses. Liquidity in terms of ESOP establishment is part of the previous point about profitability and added value. Complexity – again, yes, in the United States, it is very expensive to set it up due to a lot of regulation because it is part of the pension law. In Slovenia, we are simplifying this a lot and it will be accessible to small companies of seven employees and up. From the knowledge-related category – perception, completely. No understanding of personal finance, or lack of understanding, yes. Concern about free riders, yes, we had this issue raised by two or three employees in one of the companies we were working with. Not clear benefits, that is again part of informing, educating, and so forth.

Interviewer: Thank you so much for going so thoroughly through the barriers. We talked about many different obstacles to the broader ESOP implementation in Slovenia, so what do you suppose needs to be done to popularize this model?

Interviewee 2: It is mostly about putting it out there. I think that it will be very important to give credibility to the model and the idea of employee ownership by having very successful companies doing this. This is something that I strive to do with companies I am working with, and also something that certain companies like Domel and Dewesoft have been doing. But then also writing about this, making events, doing PR, having a day of economic democracy, having a certification program, social media, young generation communication, politics and so forth.

Having events that inform and break stereotypes, and one-on-one conversations where the concerns or doubts can be resolved is important. In a nutshell, communication that would include talking, informing, trying to get in touch and so forth.

Interviewer: Thank you for the answer. You mentioned quite a few things that could be done, but what channels do you think business owners and employees use to get informed on this topic or similar topics?

Interviewee 2: Currently, I think the most useful for communicating with employers is LinkedIn because I think that in the end the incentive usually comes from the employers, even though it wouldn't have to. Then maybe email though there are already high saturation levels there. But I guess it is most effective to do an event that will convince owners to come, then get them interested during the event and find a way to talk with them one-on-one in the end.

Interviewer: In terms of getting people interested in coming to the mentioned event, are there any marketing activities that you think would be especially useful?

Interviewee 2: What I would like to explore more is short video ads or short video presentations, which could represent business owners that already went into the ESOP model.

Interviewer: Like customer testimonials?

Interviewee 2: Yes, yes. I think that would be quite useful. It is something that you see in a few seconds, and it attracts you so that you want to know more about it.

Interviewer: Finally, could you please let me know which is the field of your expertise and in which range does your age belong: 21-30, 31-40, etc.?

Interviewee 2: Yes, I have a background in economics and social sciences. I am between 31 and 40 years of age.

Interviewer: Thank you so much, I think we covered all questions. I am really glad that we had this interview, and I am grateful that you took the time to share your opinions.

## **Appendix 11: Transcript 3 – interview with a business owner**

Interviewer: Thank you so much for joining me today for the interview. I appreciate your help.

Interviewee 3: I'll do my best.

Interviewer: As you already know, I'm writing my thesis on the topic of marketing and the employee share ownership plan. My first question would be if you can tell me please how well acquainted you are with the model?

Interviewee 3: Yes, I am familiar with it. I wouldn't say that I know it in detail, but I am working on that. We are starting the process of implementing this model in our company. But for starters, we will implement it just on two key employees, so it won't be the whole company in general, it will be in kind of small steps toward this goal of ESOP.

Interviewer: The model is quite flexible, you can start gradually. How did you learn about the model? What were the channels you used to find out about ESOP?

Interviewee 3: Good question, I am not sure actually. I was exploring that years ago. At that time, I did not know that ESOP existed as a model, but I was familiar with employee ownership itself. I wanted to empower employees somehow, through rewards or ownership itself. I was exploring and at some point, I found out about the Institute for Economic Democracy in Slovenia. Then we started to get to know each other, it went further and further and now we are where we are.

Interviewer: Yes, I see. What do you think, if ESOPs were widely implemented in Slovenia, which economic or societal problems would be addressed?

Interviewee 3: In Slovenia, we have a problem because employees are not used to being owners, even small owners. We do not have that mindset, so it is a whole process to help people understand how the model works, what their responsibilities are, what they gain with it, and how to look at the financial models, therefore education is a crucial part of that process. I would say both important economic and societal problems appear. I hope and believe that more and more companies will implement this model because we already have huge problems with getting good employees, keeping them motivated and keeping them in the company. I think that ESOP is one way to attract employees and keep them as well.

Interviewer: If I may summarise, attracting talent, retaining them, engaging them more and motivating them, and rewarding them as well.

Interviewee 3: Yes, definitely!

Interviewer: We already touched upon this I believe, but I would like to go through the benefits connected to the ESOP more specifically. Could you indicate what you believe is most relevant for employees?

Interviewee 3: I would say there are a lot of benefits. For example, they will really know what is happening in the company, they will have bigger responsibilities and bigger rewards. If the company grows, workers will grow as well, also in financial terms.

Interviewer: Yes, thank you. Now, what are the benefits for business owners?

Interviewee 3: I do not think there is a big difference here, so the previous answers also apply to this question.

Interviewer: Yes, I understand. Maybe I can share with you what I already found out through desk research on this?

Interviewee 3: Yes, sure.

Interviewer: I found that ESOP companies perform better in terms of resilience during crises. They also have lower employee turnover, which we already touched upon when we said that this motivates and retains people. Then, there is job stability and higher investments in skills and development of workers, already in the first year of becoming an ESOP.

Interviewee 3: Yes, I completely agree.

Interviewer: What about the general public? What are some macroeconomic issues that might be addressed with the wide implementation of the ESOP model in Slovenia?

Interviewee 3: First of all, it is not simple to implement though I hope we will get there soon. For now, there needs to be an additional vehicle – zadruga. It works okay but it is still not the same as if d.o.o. would have the kind of possibilities. I think it is not the same also for the people who are owners of this additional vehicle, but not the company itself. If that would change in the future, that would be great. Also, if more companies would implement the ESOP model and employees would know what the benefits are, maybe they would search for a company that has this model. But for now, we barely have any such companies in Slovenia. If people are not educated about it, then they find it hard to understand it. That is a big minus for us. I hope that politicians will recognize this opportunity and help us to get more traction and to change laws. When this will happen, I think that we will start a snowball effect, hopefully. Another thing is that in Slovenia, we are not financially educated enough. So, we need to start at the beginning, at the core of finances. Because if you are not familiar with it, if you don't know what is profit, margin, salary, and how salaries are structured, it is impossible to get the whole picture. So, that's another big problem for us.

Interviewer: Yes, I see. ESOPs can be used for many different reasons, it can be as you mention a reward scheme of a kind. But it can also be about a business succession of SMEs

(small and medium-sized enterprises) where the owner wants to exit or retire. I was wondering if you would say that the wider implementation of the ESOP model would be able to address problems such as wealth inequality and succession of businesses?

Interviewee 3: Maybe, I am not so sure about that. I still think that a company has to have a leader, a strong CEO. If it doesn't have it, I don't think the ESOP will replace it. I would be cautious.

Interviewer: Yes, that is a good point. Succession will need to be planned on two fronts. One is, who inherits the ownership of the company, but also who inherits the responsibility, the leading, the steering, the stewardship, and what you have mentioned before.

Interviewee 3: Yes, sure. Probably they are not interconnected. I agree with you.

Interviewer: Thank you for your answer, it is a relevant issue that you are raising. Are you aware of any benefits linked to the ESOP implementation in other countries like the USA, where the model is already being used quite a lot?

Interviewee 3: I'm familiar with some, for example regarding the tax incentives. I am not familiar with others.

Interviewer: Would you say that you personally believe in the advantages of the ESOP model, or you are still cautious about it?

Interviewee 3: I'm definitely cautious about it. I have to be. It is my role. But I believe in it, I am trying some steps and we will see if we will implement it fully. I have high hopes.

Interviewer: Why do you believe in the advantages?

Interviewee 3: I think that people should have more ownership, on one hand, and more rewards, on the other hand. If we can achieve that, if we can combine those two, that is a big win-win for both employees and the company. I am aiming for that.

Interviewer: Great, thank you. Could you maybe elaborate a bit more on how do you feel about converting your company to an ESOP? Are there any feelings or concerns that you would share?

Interviewee 3: I am still not sure if people will feel or show more responsibilities when I will sell them part of the company. That is my biggest concern. Will they change their mindset? Because if I don't achieve that, it is nonsense. Why would I do that? That is my biggest fear. For some people, converting the company to ESOP won't make any difference. I already know that because I talked with some people, and that is the reality. But deep in my heart, I know that there will be around 20% of those people, and 80% of people will embrace the ESOP. So, I will empower them, I will give them what they need to further develop. If I can achieve that, I will be happy. I hope I will be happy. It is always hard when you see even



just a few people who are not satisfied. You give them everything but they will still be unhappy. That is very hard to see but that is the reality.

Interviewer: Thank you. You already touched upon my next question. How did the employees react when you informed them about the ESOP implementation in your company?

Interviewee 3: I talked with just a couple of guys in my company, but probably the result will be mixed.

Interviewer: Okay, thank you. How would you describe the current interest of the Slovenian public regarding ESOPs?

Interviewee 3: I would say there is definitely not a lot. Just a little bit of interest. Company owners are thinking about it and exploring it, but I am not sure, I think that we are not there yet. A long way to go, I would say.

Interviewer: Yes, this is reflected in the situation that not many ESOPs exist in Slovenia yet. What do you think the reason for such a situation is? You already mentioned not being educated enough, but are there any other things?

Interviewee 3: Definitely laws, we do not have support for that. Some big companies like Domel and those old bigger companies that changed the model to delniška družba because they either sold or gave shares failed in that process I would say. This is also a signal that it is not that easy, and you have to really know what you are doing. If they would really shine and everything would turn out okay, they would be big promoters of that, and other companies would see that they made a huge success with it. Unfortunately, that is not the case. They have owners who are already retired and similar small mistakes that ruined the whole story, I would say.

Interviewer: Yes, it would help if one famous successful company is an ESOP, and everybody sees that it is working well. Maybe we will see one in the future.

Interviewee 3: Yes, hope so. Dewesoft is definitely a good example.

Interviewer: Yes, we will see how the situation will develop. We mentioned that there are quite some barriers to ESOP implementation in Slovenia, so could you please describe some obstacles you faced yourself when trying to promote it or implement it in Slovenia?

Interviewee 3: Yes, again, education and laws.

Interviewer: Okay, thank you. I have prepared a table with obstacles grouped in categories that I found while researching this topic and I would like to share my screen, so you can take a quick look. Maybe you can choose a category that you feel is most relevant to the Slovenian context.

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 3: What is employer inertia exactly?

Interviewer: Employer inertia appears when the business owner does not want to make the changes, so they are postponing it or even blocking the transition to an ESOP. It is different from managerial resistance because this is when managers who are not necessarily owners feel threatened that their control over employees will be lower, once they are all co-owners.

Interviewee 3: A lot of relevant barriers are listed in this table. We already mentioned caution. Employer inertia probably also, non-fashionable management tools for now definitely. Then from institutional, lack of support by the government for sure, a lack of tax incentives as well, and legal issues, so all connected with the government. Lack of know-how and information definitely. Lack of long-term perspective, yes. What does low income, low wages mean?

Interviewer: This means that if employees already have low wages, they do not trust their employer to care that much about them.

Interviewee 3: It is also a problem when a company doesn't have enough profit, it does not have enough revenue to reward people. That is definitely a problem as well. Probably also liquidity - ESOP establishment is connected with that.

Interviewer: Yes, because it costs to implement an ESOP transition.

Interviewee 3: For sure. From the group of knowledge-related barriers, I would say perception, definitely, no understanding of personal finance as well, concern about free-riders also. No clear benefits, that can be solved with education. A lot of relevant barriers, I must say.

Interviewer: Yes, a lot of barriers. Thanks for that. We mentioned that one of the many barriers is the lack of knowledge, awareness, and education among people. In light of this, what do you suppose needs to be done so that ESOPs become a more popular tool?

Interviewee 3: A few successful ESOPs, so a few great examples definitely would be a great start. If we can have every year a few of them at least, and if we would promote them, we would see their successes, that would be the biggest promotion for all.

Interviewer: Could you maybe think of what steps would need to be taken, if we want to have several successful ESOPs. What would need to happen to get there?

Interviewee 3: I think that ESOP advisors are making great steps. I wouldn't say they have to reach out to companies, this is not something that you can just sell. You have to educate company owners and find owners who are already interested in that topic, then try to

convince them that ESOP is a great way to do what they want to do. So, organizing workshops, talking about it, round tables, PR, those are all great approaches.

Interviewer: What do you think are the channels through which business owners and even employees look for information on ESOP and similar topics?

Interviewee 3: I think LinkedIn is the main channel for that. So, social media presence on LinkedIn is important.

Interviewer: Thank you. Are there any other marketing activities that you believe would be especially useful for boosting the interest in terms of the ESOP model in Slovenia?

Interviewee 3: Hmm... What do you mean exactly by marketing activities? Could you maybe provide a more specific example or suggestion?

Interviewer: Maybe lobbying the government to get the tax incentives and the law that we talked about before, publishing materials easily accessible online to get the people aware of it?

Interviewee 3: Yes, definitely, everything. As much as possible. Bombard people with information.

Interviewer: Would you say publishing in newspapers and other offline channels such as business magazines would be helpful?

Interviewee 3: Yes, definitely. PR is always helpful. I would go to some channels like RTV Slo, Žurnal, and those main Slovenian channels. That is for employees, so I would emphasize why this is good for employees, how they will gain more responsibility, reward, and get to know more about the company's financial stuff. Whatever topic touches the employees. For owners, LinkedIn is more suitable, for example. On LinkedIn, I would promote why ESOP is great for the company and the owners.

Interviewer: Yes, thank you so much. Finally, could you please tell me what your job title is, and your field of expertise?

Interviewee 3: I'm a CEO and an owner. My field of expertise is management. I am recruiting leaders to help them to lead their teams. My role is the vision and strategy setup.

Interviewer: Thank you. This would be the final question, if you don't mind sharing, of course. In which range would you say your age belongs: 21- 30, 31-40, 41-50, 51-60?

Interviewee 3: 31-40.

Interviewer: Thank you so much, this interview was really helpful. Thank you for your time.

## **Appendix 12: Transcript 4 – interview with a business owner**

Interviewer: Thank you so much for joining me today. This interview is related to the ESOP and its implementation in Slovenia. Could you tell me how well acquainted you are with it?

Interviewee 4: I first heard of ESOP two years ago, when I found out that Slovenian experts are talking about the possible change of legislation in terms of facilitating its widespread. Though our company has a similar model, we never studied any worldwide examples or theories. Back then, it was my father doing the transition, and at the time, he was in contact with university professors to help him with during the transition time. In 2002/2003, our company found a way to implement a similar model by ourselves through a mixture of will, coincidence, connections with the professors, and studying the Slovenian legislation.

It was crucial because we were targeted for a hostile takeover from one of our competitors. During this privatization period, there were also some hunters looking for ways to take over our company and extract as much money out of it. Our managers at the time decided to go a different way. The legislation was partly in favour of it, just enough so we could do it. There was an article in the legislation which allowed it. But it was very important, even necessary, that the workers understood what they were doing and trusted that they will be paid off for investing their money into the company. At that moment, we were one of the first in Slovenia to do this project. We are not a very big company, and later others were implementing a similar model, however, none of us was aware that what we are doing is already known in the United States since the 1970s. Of course, our intentions were not the same as they typically are in the United States. Our main idea was to keep the company by ourselves, keeping it away from the hostile takeovers. In the end, this idea was quite successfully implemented and we are still here with the same model, trying to continue also in the future. Though I was very young at the time, I know it was really tough because it was just a matter of time before some external investor puts the money on the table.

Interviewer: Amazing, thank you. If ESOPs were implemented in Slovenia more widely, what economic or social problems would be addressed?

Interviewee 4: Other companies in our region have a similar model to ours, but then some other big companies didn't want to go in this direction back then. There were a lot of discussions, some were saying that taking this direction means going back to the socialist times, to the communism era. But the companies which didn't decide to go this way faced quite a lot of problems after the 2008 financial crisis. I think that the person who had the possibility in 2002/2003 to decide on this model is now sorry they didn't do it because the people working for companies with models like ESOP feel very connected to their organisations, which is not the case for the other companies. But the major thing is that we still own our companies. For instance, another company here in the region was taken over by a multinational company. They are still a good company, but the operation has changed, as it needed to be aligned with foreign legislation and so on. People feel that it is not a local

company anymore, thus the commitment towards the company is much lower. On the other hand, there are some advantages, for instance, they don't need to take care of the sales or pricing, because this is done abroad, on an international level. So, there are positive and negative sides to each model of ownership.

Interviewer: Yes, it is always like that. You mentioned affiliation with the organisation, commitment to the company, and engagement with the work. What do you think the benefits connected to the ESOP model are from the employee perspective?

Interviewee 4: I think the feeling of safety is most relevant. The past two years were problematic because of COVID since our industry is very connected to general consumption. When most of the consumption dropped, we had quite a lot of problems. Because of the employee ownership model, we decided not to lay people off. This provided safety for the workers, and they were also willing to help the company. They were getting paid 80% of their salaries while they were working from home, but they understood why this will save the company. This will save their job in the future, and it really did. When the orders came back, everyone was willing to work.

As a manager, you need to always divide the resources into wages, investments and so on. We are very transparent when it comes to resource allocation. We openly inform everyone in the company about this. I think this is also important for employees, so they trust that the leftovers of the profit don't go anywhere else. Employees know they are being paid off by the wages, the dividends, or the investments in the development of the company. By law, you have no privilege if you are an owner, but employee-owners know that putting in more effort at work will be paid through the salary, but also through dividends and the growth of the company in the long term.

Also, the company pays back its most loyal employee in other ways. For example, we help their kids get a practical student job or stipendium or another type of support. We also support the local community with the sponsorships of the clubs and so on. It is important that we are very truthful about the purpose of our existence as a company. We are here because of our clients and because of their needs, but in the long term, we are here to benefit all stakeholders, not just get some individuals rich from it the profit.

Interviewer: Thank you so much for the thorough answer. What about the business owners' perspective?

Interviewee 4: The founders and the management team are all the same because everyone is a co-owner of the company. Most importantly, we are all on the same page, and we are truthful in our perspectives. We are trying to develop this for the future. In our case, it is a bit challenging because 50% of the owners are now retired, and less than 8% are outside owners, so not connected to our company anymore. Thus, they have a different view. Although, the retired owners still feel like they're part of the company and we meet twice per year because they want to be up to date. They don't sell their shares unless they have to.

Approximately 6% of the shares were exchanged three years ago, when some retired owners sold them back to the company, and then the current employees bought them from the company. But, right now, there are no shares available.

The exchange of shares from retired employees to current ones is happening naturally, and so far, it has worked for us. We wish to keep this model or maybe structure it as an ESOP, so it is more systemized. It works well when things are good, but when things are not going so well, there is a lot of pressure on the management. For the management, being in an ESOP is trickier because they need to not only care about the economic indicators but also take into consideration the emotions, the people, and the community. For example, you could follow the Pareto principle and focus on the 20% of the business which brings 80% of the profit, while leaving out everything else. This would be easier and economically justified, but it would also mean laying off a lot of people and hurting the local community. This is not something we want to do. We keep the parts of the business that we know aren't very profitable but are covering the fixed costs. We try to keep them as long as we can and make them more profitable. Sometimes this pays out, sometimes it doesn't, but so far, it has worked well for us. Outside owners are not happy with this. They only want to see the profit. In an ESOP, you need to take care of all these perspectives and still earn a profit, because employee-owners too need to see some benefits of ownership. So, this is harder in an ESOP.

Lately, we see that companies worldwide talk about people, planet, and profit. For us, this comes naturally. We care about our people first, we care about the community, and we care about the planet itself. For us, profit is not even the first. In fact, for us, people truly come first. Profit is the outcome. Also, I think that some younger entrepreneurs, especially startups, see employee share ownership as a motivational scheme.

Interviewer: That's a really good way of thinking about business, I agree. What about the general public? You already mentioned that you care about the people, and also about the community. Could you please elaborate more?

Interviewee 4: Yes, we feel a connection with the community, unlike some foreign owners. When they try to support the local community, they need approval from their (external) owners and this is problematic. Basically, they support the community to get something tangible back. Currently, the community is lucky because these companies need workers and they know that they must be present in the local community. Lately, they are more prone to do sports sponsorships and so on. But for us, this is natural. If the figures at the end of the year allow us to do this kind of thing, it is much easier to decide to do so, because, in the end, you do it for your own people, as the local community are your people here.

Interviewer: Thank you so much. And are you aware of some examples of benefits linked to the ESOP model implementation, for example, in the USA?

Interviewee 4: Last year, I took part in several lectures by the Institute for Economic Democracy. They presented the benefits in the USA, and from what I saw, the benefits are

the same in our company too. Maybe, the only difference in the States is that they use the ESOP as a pension scheme, whereas our system allows workers to still own the shares after they retire. And they say that they like to keep the shares because they know that the shares are worthy, and they know that they will get a dividend each year. They say that these dividends are like a present. They gave something to our company when they were working here and now the company gives back. We made calculations and everything they invested into the company was already paid out. So, now it is only profit for those people who started at the beginning. We always say that this company is the heritage that they made, and we need to maintain it because it means so much to us.

Interviewer: I see. Do you personally believe in the advantages of the ESOP model?

Interviewee 4: Yes, I do very much. As I mentioned, there are pluses and minuses. Now, there is a big push on the market or a global direction for the integration of small companies into bigger, multinational ones. This concentration of control starts happening also in Slovenia, with some companies being bought from investment funds or bigger groups. It is hard for us to compete with them because we stay small, and the bigger groups are so strong. Now, they have an infinite amount of money with which they can buy everything. We are also a bit fearful that somebody would come here with money on the table and buy us out. I must admit that I had some phone calls from the US, Germany, and Poland for potential investments, but when I mentioned our spread ownership, with nobody owning more than 3.5% of the company, they lose interest. It is too complicated. They are looking for easy targets.

The small companies that started in the 1990s or beginning of the 2000s have grown quite a lot by now, and the initial owners are leaving the businesses. So, the situation in Slovenia today is comparable to the 1970s in the USA. However, the owners are selling to equity funds, though they could also do ESOP. I think the reason why nobody goes for an ESOP is that there is so much money on the market right now, it is much easier to sell and get one million euros. That is why I appreciate it when someone is spreading the word about ESOPs. Slovenia is still connected with the socialist past, so it is important to hear that employee share ownership models exist in the United States and West Europe, with very successful stories.

I am most happy when the young entrepreneurs are asking how they can do an ESOP because they see its many benefits. It is good to talk about it. I hope there will be more favourable legislation too, also because it is important for us to keep this model running. At the moment, politicians claim that they are in favour of it, though I'm not sure if they truly are because they are at the same time selling everything to Hungary, the United States, etc.

Interviewer: Thank you for the answer. Now, what was the employees' reaction when they were informed about the transition to employee share ownership?

Interviewee 4: The awareness was about keeping the company to ourselves and understanding what is the value of the company. The value of the company is not in the books or the shares but in our knowledge, our know-how. We still have this value after 20 years. There were certain products that only our company knew how to make and we are still among the best in the world even two decades later. People knew that they are protecting the know-how as the biggest value. For many years, we had good wages, good income, and good dividends. It wasn't the case that everyone thought this model is the right decision back then. Not even in the management. But the majority, so 80 to 85% of the employees, believed in this model and gave their money to do this, though it was tough. It took a lot of discussion with each of the workers personally and other relevant stakeholders who needed to trust this model.

Interviewer: I think we already mentioned this but how would you describe the current interest of the Slovenian public regarding ESOPs?

Interviewee 4: As I said before, because of the history of privatization, and because the Slovenian companies are not in Slovenian ownership anymore, I think that more people would be now in favour of it. The general public really likes the Slovenian companies. Personally, as a consumer, I always chose a product made in Slovenia rather than one from abroad, when it comes to similar products. Knowing that the company is also in Slovenian ownership would be an advantage. I think many people are thinking in this way. However, consumers are not always aware that certain companies are employee-owned. So, promoting this would be good for our marketing. Communicating this with consumers will make them respect the employee-owned companies. On the other hand, politicians always talk about 'keeping it Slovenian' when they try to earn points. ESOP is a model that allows us to actually do it. It is not self-management. It is sustainable and favourable for the local community, the country and the business owners. I think they are aware of this, even globally, not just in Slovenia. I know several business owners whose main long-term goal is sharing the value with those who help create it (the employees), instead of getting as much wealth as possible. I hear about it and I like it very much.

Interviewer: So far, we mentioned a lot of benefits linked to ESOPs, yet there are very few of them in Slovenia. What do you think the reason is for this situation?

Interviewee 4: I think that the major reason at that time was the big opportunity for those managers to take over and become wealthy without investing any money. Today, most businesses are mature and not ready to transform. I think that ESOP is a possibility for those companies that are closing down, but the business owners are not aware of it and the legislation is not very favourable to it. For the last two or three years, the legislation was anti-beneficial. The 'zakon o dohodnini' made it impossible to buy own shares, because it was too costly.



Interviewer: I see. Based on desk research, I have created a table of barriers, so maybe I can share the screen and you can look at them and let me know which you think are most relevant for Slovenia.

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 4: The institutional and cultural barriers would be at the top. The structural barriers are also relevant. In the end, they all must come together.

Interviewer: Thank you. In terms of raising awareness and popularizing ESOP in Slovenia, what do you think should be done?

Interviewee 4: Promote good practice and its benefits. First, you need to target the government. Employee-owned companies have never connected as a group, not even today. We don't even know how many such companies there are in Slovenia. But I think there is not a lot of us, and we might even be disappearing, because I know one of them was bought by a bigger company last year. It is almost impossible to trace the employee-owned companies or the supporters of employee ownership. But if we come together, as a group, including Domel, which is a big and successful example, we will become stronger and we could push the government or the chamber of commerce to recognize these models. I think the way is to come together as a group of businesses and request that the topic of employee ownership is addressed. The more of us there are, the stronger we are, and the more we can promote this. Also, promoting the success stories in favour of ESOPs and that the world of economics is moving in this direction, with everyone talking about corporate social responsibility. This is what employee-owned companies already have in their genes, whereas multinational companies are doing CSR only to gain something.

Interviewer: Yes, to employee-owners, this comes naturally. Through which channels do you think companies and employees will look for information on such topics?

Interviewee 4: There is too much information, and it is hard to find the relevant ones. Personally, I get informed through the media, newspapers, and social media, more specifically, LinkedIn. But I might skip over some content, I never read everything that is published. However, I always read the emails that I get from some relevant organisations, such as the Chamber of Commerce and the Association of Managers in Slovenia. These associations usually address agendas that business owners want to hear. This is my filter; I am always reading this. These emails are more focused and more relevant to me. If these organisations and other governmental bodies would address that employee ownership is a successful part of the business world, this would help spread the word. Also, again, it would be helpful to make an association of employee-owned companies in Slovenia. Then, we could meet a few times a year and discuss certain topics.

Interviewer: Thank you, that is useful. In the end, could you tell me about your job title or field of expertise and maybe the age range?

Interviewee 4: I am a general manager for six years. I studied marketing communication and my age belongs in the 41 to 50 category. I hope it was helpful. I support research on this topic very much.

Interviewer: It was very valuable for my research. Thank you so much for taking the time to provide thorough answers.

## **Appendix 13: Transcript 5 – interview with an expert**

Interviewer: Thank you for joining me today. As we discussed, this interview is related to the ESOP model. Let me start by asking you how well acquainted you are with the model?

Interviewee 5: I am well acquainted: 40 years of experience thinking about it, to some extent criticizing it, trying to figure out how to do it better, what the problems were and how could be improved. So, the type of ESOP we are doing in Slovenia is an improvement over the US one.

Interviewer: And how did you learn about the model? How did you get familiar with it?

Interviewee 5: I started working with co-ops, but those were not practical, as you can't do a partial conversion. Co-ops are 100% or 0%. You get all these firms where the owners are leaving and they have succession problems, so you need a mechanism that slowly builds it up. ESOP has proven its practicality, as seen from statistics – in the USA, there are 400 co-ops and 7000 ESOPs, not all of which are 100%. There is a superiority of having a transitional mechanism, so you don't have to go all at once. That is what I have adapted here for Slovenia.

Interviewer: If ESOPs were widely implemented in Slovenia, which economic and societal problems do you believe will be addressed?

Interviewee 5: First of all, I don't think it is a question of the consequences of solving ESOPs; I think it is a matter of human rights. People should have democracy in the workplace and get the fruits of their labour, so I don't justify it on consequential grounds. But there are consequential grounds too: people learn about democratic decision-making and discussion at the workplace, where normally people don't have many chances to really debate with others. As you see in America today, people disagree on something and they just break off contact. And of course, you can't do that. When you are working together in a firm, you must maintain diplomatic relations with your coworkers, you must figure out how to compromise and see things from the other person's point of view. This is just an enormous development of human capacity for reasoning and democratic capabilities, shall we say.

There is much more resilience in the firm because workers are much less willing to walk away from the firm in the downtime and willing to, if they must, cut their wages just to keep producing. In a normal firm, you would lay off workers, then you can't produce as much, then you lose markets, which spirals downward, and the company closes. In an employee-owned firm, you cut your income, you keep producing the same amount, and the firm survives and keeps supplying the market. It is also more productive, but greater productivity and profitability of employee ownership firms begs the question of profitability for who? It is a question of who is getting the greater profitability, and in an employee-owned firm, they are getting the results of their own increased productivity. Also, the environmental thing is important, as in the old expression "Nobody wants to foul their own nest", no one wants to

pollute their own neighbourhood. Whereas if you have a typical firm, where the management is hundreds of thousands of miles away, polluting is not a big expenditure. So, ESOP automatically helps the climate and the environmental issues. And there is just much more stability, the firms that are owned from the outside, not to mention foreign-owned firms, are much more likely to shut down in a downturn. Three big firms shut down recently in Slovenia due to the COVID recession. You get stability in the jobs, incomes, taxes, and the community. That is why several Slovenian firms have fought off take-over bids, like Domel, which fought a take-over bid from an American buyer. Our friends in Dewesoft say that every week they have a take-over offer and they just ignore it. The whole point of the principal owner of Dewesoft is to keep the jobs in Trbovlje, where it is located and build up a whole sector of high-tech firms in that little valley that will eventually become a Slovenian Silicon Valley.

From the owner's point of view, it is the legacy; if they sell it to the competitor, it probably won't be there in 5 or 10 years. The competitor does not want to run two firms, the competitor wants to control a bigger segment of the market. They will take the customer list, some people, and run down the machines without reinventing, so in 5 to 10 years they will shut down. Then your legacy is gone in the town in which you build it, which could be the owner's hometown. All these considerations tie into why ESOPs are a good thing, and that also affects how you market the greater uptake of ESOPs which we are going to talk about.

Interviewer: Yes, thank you. We mentioned quite some benefits but you could maybe let me know which are most relevant for employees, which are for business owners, and which are for the general public.

Interviewee 5: From the business owner's point of view, I was talking to one ESOP advisor recently in the US, and he said that when he talks to his clients, so with a business owner who may or may not do an ESOP, and he hears the word legacy, he knows he is in the right church. In other words, the owner has the right values if he is worried about his legacy because selling to competitors, private equity, and foreign owners will not leave a good legacy while selling to the employees will keep the jobs and taxes in that town.

The main benefit from the worker's point of view is perfectly obvious; they become owners and it doesn't come out of their paycheck, it comes out of their greater productivity, tax benefits, and the owner's wishes and values. If the owner has other values, does not care about his legacy, or if the owner dies and their kids want to get the highest price, you probably won't get an ESOP. So, the employees are getting that not out of their own paycheck or assets, they are not running their own financial risk, they are not taking out mortgages to buy shares or any of that stuff, yet they are getting ownership. In America, they don't see any great cash from this until they are retired, because it is a special type of pension plan, but with the Slovenian ESOP, they will see the money before they leave the company. The shares will constantly be rolled over, the older shares bought out and redistributed to the

current workers. That is one of the improvements that we have made in comparison to the American ESOP.

From the general point of view, I mentioned the environment, but there is a second one. If you are in a small town or small city and some guy sells out to his competitor or foreign buyer, in 5 to 10 years later, that business is gone. And your business very much depended on the other business in town, so when businesses start dying, your business starts dying too. So, it is in your interest to keep as much employee ownership in your town or city as you can, for its economic health, in addition to the environmental benefits. And from the consumer's point of view, it is sort of obvious that workers are going to give you better service, they will make sure that products are not hurting anybody and so forth. Many ESOPs in America are supermarket chains, and supermarkets are service providers. When I lived in California, I shopped at a 100% ESOP supermarket called WinCo and you could notice the difference; the people who worked there really cared and were helpful.

Interviewer: That is amazing, thank you. How do you think the benefits found in the US would apply to the Slovenian context?

Interviewee 5: That depends on the tax benefits that get passed but we haven't passed the law in Slovenia yet. One simple tax benefit would be to make the contribution of the company to the ESOP tax-deductible as if it were an expense. For example, dividends are not an expense, they are after-tax, whereas in the American ESOP, as I mentioned, it is a pension plan, so any contribution to a pension plan is treated as a so-called deferred labour compensation and is deductible. We are not doing a pension plan, but we are certainly doing labour compensation, and it would make sense for it to be deductible, which is in the new draft law.

From the seller's point of view, the question is how they are taxed on the income that they get from the ESOP transaction. There are various ways to make selling their shares less burdensome and incentivise that. For example, if they roll the money over to some other investment in Slovenia, they could get a tax break. In America, there was even a tax break for the banks. If the bank would make a loan to an ESOP, they get a tax break on that. The banks quickly learned about ESOPs and didn't have so much prejudice against them, though this is not in the draft law, as I recall. But there are all sorts of Christmas ornaments you can put on the Christmas tree to make it more attractive to the company, the seller, and the banks.

Interviewer: What you mentioned is truly relevant, thanks. Given your extensive experience, I guess, it is safe to say that you believe in the advantages of the ESOP model, but could you elaborate a bit more about that?

Interviewee 5: For half a century, I have been committed to the idea of workplace democracy, and how to implement it in the existing system. There was one German radical of my generation, Rudi Dutschke, who said that "All we need is the long march through the institutions of society", referring to the Chinese long march. Finding a way to implement

workplace democracy within the shell of the old society, the old economy where most of the firms are not employee-owned by any means is part of that long march. I have had that commitment for more than a half-century since I first started figuring these things out. I worked through various models, including co-ops, and then realized that the ESOP model was much more likely to be implemented because it allows to gradually build up the percentage of shares owned by employees.

I aimed to get ESOP more democratic and closer to a cooperative. When the big change came, in the post-social transition of 1989/1990, I left teaching and moved to Slovenia. I worked with Jože Menzinger and other younger chaps. I run two courses in America for Yugoslavs on ESOPs, so I have already done some training and then moved here and worked with the same people to draft the law. It almost passed. It would have privatized all firms to some sort of employee ownership, but it was defeated by US advisor Jeffrey Sachs, who opposed it. Then I created a consulting company in Slovenia, which still exists, but I was not interested in doing the normal accounting and evaluation work, I wanted to do these ESOP conversions. Then I got an offer to join the World Bank through a back door, as it was fighting from the inside.

As soon as I left my company, they stopped making everybody a partner, it was restructured to a d.o.o. I was disappointed by that outcome but it was not unexpected. Now it has around 80 employees and the original 5 or 6 people are doing pretty well as founders. The main reason why you don't see more employee-owned firms is the so-called founder's dilemma. The founders of a company are the ones that determine its legal form, so they are going to give shares to themselves. Then, as they grow, they have the question of 'are we going to bring all these other people as employees or as co-owners?'. Due to human nature, being what it is, they decide to bring them in as employees. People don't have a moral motivation at the point when it makes a difference, i.e., when establishing the company. But after they get rich from the company, they are ready to retire, then they think that maybe it is time to give the employees some ownership and do an ESOP. That seems to be a likely life cycle, though some companies start as employee-owned, which requires a lot of moral motivation.

Interviewer: How would you describe the current interest of the Slovenian public in ESOPs?

Interviewee 5: It is something that they never heard of. I think most people that hear about it are intrigued and interested, and think it will be a good idea. But that is a very small group.

Interviewer: We talked about the many benefits, but very few such ESOPs exist in Slovenia. What do you think the main barrier is to a wider ESOP implementation in Slovenia?

Interviewee 5: Well, there was no way to do it before. There was only direct employee ownership in Slovenia. The privatization law that was eventually passed was a combination of our law and the one that Jeffrey Sachs and the Lojze Peterle government drafted. It allowed workers to use their vouchers to focus on buying shares in their own company, but it didn't set up a separate ownership vehicle for those shares, so they were directly owned.

There are a lot of companies that did that in the early 1990s, but now the employees are retiring. Retired workers want to get higher prices for their shares, which are part of their retirement, inheritance for their kids, etc. They do not necessarily support ESOPs, because they think - and they are probably right - that they can get higher prices by selling to Germans, Americans, and Chinese. In that sense, this direct ownership of retirees works against ESOPs. There are a lot of companies out of there that have the same problem, as people start to retire and want to sell their shares to whoever offers them the highest price.

Interviewer: Could you describe some obstacles that you have faced when trying to promote or implement the ESOP model in Slovenia?

Interviewee 5: The number one main barrier is ignorance, number two is probably the retired employee shareowners that want the higher price and for the third one, I need to explain a bit more. In America, the ESOPs are supported by both the right and left, because of different reasons, of course. For the right - it makes workers into capitalists, for the left - it is workplace democracy, so they both support it for their private reasons.

So far in Slovenia, we have a narrative that appeals to the left, and we need to create a narrative to appeal to the right. ESOP is certainly a tool to keep conservative values such as wanting to keep their business in the town and believing that businesses are embedded in society and not something to be sold around. There is an older cooperative movement in Slovenia and we are building on that tradition, by making the ESOP itself a cooperative. We need to develop that appeal. The best example of a worker cooperative in the world is Mondragon in Spain, and it was all created by a catholic priest. That is another source of the narrative that would help to spread the idea around in Slovenia because there was a catholic church.

One way to get the word out there is to arrange talks at rotary clubs or any other business associations, whose members may know nothing about it. There are informal breakfasts where CEOs get together, so it would be beneficial if you could join them to talk about ESOPs because getting to the CEOs is important. Although managers are not always the owners, it is good to have them on your side, because if there is a realistic chance for a managerial takeover, as opposed to worker and management buyout, CEOs certainly prefer that. If they could raise the finance for a managerial buyout, they will oppose the idea of an ESOP.

Something similar happened back in the 1990s. A company called Pecivo, based in Nova Gorica had a hundred workers, and we had to do everything very quickly. We set up a private company after everybody put some money and all assets were sold to this private company at the appraised value, so it wasn't a rip-off. They had 25 years of operation as a private firm, in a different way of voucher privatization. But eventually, because there was no ESOP in place, there was no way to perpetuate it. They started getting offers from people on the stock market to buy their shares, and as they didn't want a stranger to buy off the company, they

decided that the managers should buy the company. It was a friendly managerial buyout. If there were an ESOP there, the problem would never arise, the ownership transition would happen automatically as workers retire and management comes and goes. Once you set it up, ESOP is a permanent solution.

Interviewer: Right. When I was doing desk research, I came across some barriers that were listed in the literature in terms of why there aren't more ESOPs. I would like to share my screen, so maybe you can look at the table summarizing the main barriers and decide which ones are most relevant for Slovenia?

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 5: Starting with cultural barriers, employee risk aversion is a complete red herring because employees in an ESOP are not using their own money. The main risk that employees have in normal companies is getting laid off. That changes in an employee-owned firm, where everybody typically tightens their belt instead of laying people off, thus reducing this risk.

There is a big theory behind this, because risk is a big topic in economics, and it is a biological theory. There are two basic strategies in biology to reproduce the species. If the members of the species cannot control the environment for their offspring, then you have what is called the off strategy, which is having a lot of offspring, like fish and insects have zillions of eggs. They can't control it, so they diversify. If you can control the environment, then instead of putting your eggs in many baskets, you put all of your eggs in one basket and you control that basket. That's what mammals do, instead of having thousands of babies, they have one or two and they control the environment to protect their babies. The economists assume risk cannot be controlled, thus they say you should not have all of your wealth tied up to the one firm you are working in, but you should have it diversified over the stock market. But what they do not realize is that your main risk is getting laid off, and when you have an employee-owned firm, then you can control that risk. So, you became like a mammal, instead of an insect. You can control that risk by putting all the resources into one firm. If I own 1% of 100 firms, I will not have that kind of control, but if we own 100% (or even a majority) of one firm, we will have that kind of control. As the ownership builds up in conventional firms, I would think that the first change in the values of the firms is to stop layoffs, to have a program like the German Kurz Arbeit (short-time work), or something similar.

The resistance among advisers came up at a conference in America, attended by a bunch of ESOPs advisors that have been on the field for decades. Most owners have financial advisors that do not know how to do an ESOP because it is fairly specialized. If you are a financial advisor to an owner, and the owner wants to retire or sell the firm, you don't propose doing an ESOP, because you don't get anything out of it. Therefore, they will propose selling to a private equity fund or a competitor, so they get their share of the deal because they know



how to do that, but they do not know how to do ESOPs. So, a bias stems from the self-interest of the advisors who don't know how to do ESOPs and thus will rather advise owners to not do ESOPs.

I already mentioned management resistance. Anytime management buyout is on the table as a possibility, managers won't be keen on ESOPs. There are a certain number of ESOPs in America, where management did try to do a managerial buyout, but due to the tax advantages to the seller and the banks, they preferred doing an ESOPs.

Lack of support by the government - everybody likes the stability of having a legal framework, but here the question is not only being supported by the laws that are passed, but also support by the government financial institutions and procurement. The procurement policies of the government in America favour, first of all, black-owned companies, secondly woman-owned companies, and there are now trying to get employee-owned companies to have the same sort of favour in bidding and procurement in other government agencies. That goes down to the municipal level as well. Once governments understand the idea, they can integrate that into their procurement policies. They could give preference if there is at least 25% employee ownership. This is also true for larger institutions, even private institutions. So, it's not just tax policies or government financial institutions like the SID bank, but also government procurement and even private institutions.

Competing financial services - this is the same bias as the resistance among advisors. All the big international accounting firms, including also my old accounting firm in Slovenia, are opposed to employee ownership because they don't know how to do employee ownership for other companies. Since they are often the advisors to the sellers, they will advise something else. That's the same point about advisors; if advisors don't know how to do ESOPs, they will steer their clients in a different direction. The accounting treatment of an ESOP is more complicated. Some people favour so-called employee ownership, but they do not have internal capital accounts, like in the old Yugoslav firms. There was no incentive to reinvest any earnings back in the company because it became socialized. Having all these accounts makes accounting more difficult.

From structural barriers, I think complexity is the main one. Having a system of accounts, having the rollover, and having a separate cooperative with its board of directors are complexities that people have to get used to. People have to understand that these mechanisms are addressing structural problems and there is no automatically simple way to do it.

Perception is a particular problem in Slovenia because a lot of people say that it is self-management again. Well, 10% of the American workforce work in ESOP, so it is obviously not socialism, there are internal capital accounts that are not socially owned, etc., but that is a common perception in any of the ex-Yugoslav republics. And the thing about not having clear benefits is understanding personal finance. It is astounding how little people understand

about corporations, accounting, and all of these things. In a normal company, it is not encouraged, because they want people to do their work and do it well, then go home and forget about it, and not try to understand what is going on. When you set up an ESOP in a company that is not already employee-owned directly, you have to organise education sessions where employees learn about accounting, balance sheets, income statements, cash flow statements, etc.

The concern about free riders is rampant in conventional firms because their ethos is 'let's do as little as possible so it won't hurt my salary, or my tenure in the firm, and I won't report you if you don't report me'. That turns around in an employee-owned firm because the saying among the workers is 'if you slack off and we are both co-owners, your hand is in my pocket'. That has been long recognized as one of the benefits. The so-called peer-monitoring. There are fewer layers of intermediate managers in an employee-owned firm, because you have more peer-monitoring, and there is no slacking off by employees. People are much more interested in their work and much more likely to enforce a positive ethos, so they don't look kindly on free riding.

Interviewer: Thank you so much, your answer was really useful. You mentioned that the number one barrier is ignorance. What should be done to popularize the ESOP in Slovenia?

Interviewee 5: I think you should have social media, like Instagram, LinkedIn, and Facebook, which are probably the main social media platforms. Then, a website and a blog that people can follow or maybe just come across and learn about it. Publishing on other people's blogs like Damijan, in the standard media and finance media, Mladina, Finance, newspapers Delo, Dnevnik, and so forth. Success stories should be presented also in media events. Another way would be giving talks to Rotary clubs or breakfast meetings of CEOs, as I mentioned.

I don't quite know how to handle the problem of advising firms, because we don't want them to steal our intellectual capital, since they have the brand name and the public relations capital. In America, there are private ESOP advisors and also ESOP departments in the major banks and accounting firms. This will need to happen eventually in Slovenia.

Another group to work through are the trade unions. When I first came to Slovenia in the early 1990s, the first meeting I had was with the trade union leader. One of the problems was that management was setting up what they called by-pass firms, where they would sell the product to their private firm at cost, and then resell it to the usual buyers at profit. They would just take all profit out of the firm into the by-pass firm. Thus, we told the unions that if they have evidence that the managers are doing a by-pass firm, we will contact them and give them two options, either bring everybody in (making the by-pass firm an ESOP) or stop it. So, we got the unions on our side in the beginning. We did that in Nova Gorica, more precisely, in Pecivo. However, their union representative was disabled, so he did not have to work full-time according to union rules. When the question of employee ownership came

up, he was opposed because he thought that it would change his condition in the firm. He complained to the national labour organisation in Ljubljana, but they knew we were doing a good thing. Similarly, now we don't want a bad narrative that ESOPs defeat trade unions to spread, because unions have a role in the firm, though not a traditional one. The same problems between managers and workers will still arise, so you must have the union machinery to take care of that. We have good examples in America where ESOPs have a union and they have a different role. The other group in Slovenia is the worker councils. In such institutions, you must go in the early stages and get them on your side, before some negative narrative gets lodged into their memory, and then you have a harder fight.

Interviewer: Would you say that there is a need for a differentiated marketing strategy to reach employees, business owners, and the general public, or the same channels can be used for all?

Interviewee 5: If the same channels work, then fine, but you certainly need differentiated strategies that speak to worker councils, trade unions, business organisations, the Chamber of Commerce, other financial and legal advisors, and the general public. Each of these different groups needs a differentiated strategy, even though some things may work across the board. For instance, publishing in a newspaper would be read by a lot of people. Once you get an indication of interest, you should send articles, websites, and videos. A newsletter with links would be sent to everybody on the mailing list. Recipients don't have to use it and even if they get annoyed, they can unsubscribe; people who just learned about ESOP don't need to read the newsletter in-depth, but it should tell them that ESOP is a big deal in America and it is progressing in Slovenia. The point is that they see that there are all these conferences, all these legal rulings, all these things happening and you can have it in Slovenia too. Each blog entry and social media post should have a box at the bottom that allows people to subscribe to a newsletter if they want to learn more about this topic.

In the USA, there are some blogs that aggregate news about ESOPs, such as Ownership America, Ownership Matters (which is a pun), and Ownership Works. The latter is funded by a multibillionaire in the private equity business, and this is a new development in America that I'm not sure I'm thrilled about. The private equity normal mode of operation is to buy a company, then squeeze it to maximize short-term profits by cutting down on as much as possible. They bought the company with a loan and transfer the loan to the company, so the company pays off the loan with the increased cash flow from maximizing the short term (by squeezing everybody and laying off a lot of people). Once they pay off the loan, they own it free and clear and try to sell it for as much as they can. This is how they make money. Some people in private equity, after buying a company, make it more efficient by setting up an ESOP. They keep a controlling share and get part of the profits from the greater productivity. This way, their actions are seen as more progressive. This is a new approach to ESOPs, where private equity firms are setting up an ESOP and living off the profits that the ESOP generates because people are more productive.

I have two more suggestions. One refers to the situation when an owner is reluctant to do an ESOP because it is their baby, so they don't want to convert even 10% of the company. A suggestion would be to do a spinoff of some department or division as a separate firm and do an ESOP on it. For instance, Mercator may have a whole fleet of trucks, which they could spin off as a separate trucking firm that would be partly owned, if not majority-owned, by Mercator but it could be 40% ESOP. If it goes well, you like it, and you trust it, you can do an ESOP on the firm itself. That is a way to overcome initial resistance.

The second suggestion is about peer-to-peer learning. Peers learn better from peers than they do from experts. People listen to experts, but as soon as they get a little bit lost or confused, they just tune out, thinking that it is too complicated for them to understand. You would have no such excuse if an equal person, so equal owner or equal worker, understands it. Thus, peer-to-peer learning lifts the usual barriers that people use to tune out, saying they could never learn such complicated matters. All education work should eventually have a component of peer-to-peer learning and transfer as much as possible to that.

For instance, owners who want to learn about ESOPs and have their suspicions typically ask me all sorts of questions and we go into pretty complicated stuff. But it would have been nice if we had another comparable ESOP already set up in Slovenia and enable these owners to visit the already converted company. I am sure the ESOP would love to brag about what they have done. Apart from visits, there could be secondments, spending two days for a few weeks at that company, talking to managers, talking to workers, walking around, seeing how everything works in an unsupervised way, getting the feel of the thing. Once we get a few successful, sizable companies, it would be great to set up peer-to-peer learning. This is a methodology that is usually ignored, but peer-to-peer learning works between owners and between workers.

There is an excellent example of peer-to-peer learning in social work. The standard method is to have social workers who have been trained and have degrees advise poor people on what they should do. That doesn't always work very well. Then, they set up an organisation of 10 or 15 poor families, sort of in the same circumstances, and asked them to document everything they try to do, including trying to get a loan, buy a car, send the kids to college, etc. Whenever any of the 15 families were successful in something, they would train the others. This has been very successful and a whole new type of social work was created. It is a type of marketing strategy as well, presenting successful examples to prospects first-hand.

Interviewer: Yes, and it is the most convincing one, too. Usually, businesses have customer testimonials, but seeing it yourself and talking to the people who walked the path is even better.

Interviewee 5: One of the best programs I ever did in the World Bank was based on peer-to-peer learning, where factory workers from Moldova, which was the poorest of the ex-Soviet Republics, come to work in Slovene factories. They were paid less, but still earned more

than they would in Moldova, and they got training. If one of them escaped or didn't come back, it would ruin the whole program, so there was a lot of peer pressure not to do that. The point is that they worked in Slovene factories, which have a more German or Austrian industrial culture. When they went back to Moldova, we asked them what they learned, and they said that it wasn't the technology that was their main takeaway, but it was a different culture. In a Soviet factory in Moldova, they didn't think about what problems they might cause for other people if they don't do their job properly. They were satisfied as long as they were doing their job at least as well so that management couldn't detect it. They said they were just astounded by Slovene factories, where it was quite apparent that everybody was taking responsibility for their jobs and minding how it would affect other people's jobs. One of the reasons why this Moldovan project was such a success is because it involved cross-learning between workers and workers.

Interviewer: Thank you so much for enriching the marketing strategy with some long-term goals. I appreciate this, it has been a very valuable talk for me.

## **Appendix 14: Transcript 6 – interview with an employee**

Interviewer: Thank you so much for joining me. The purpose of our discussion today is for me to learn about your perception of the employee share ownership plan. First, could you please tell me how well acquainted you are with the model?

Interviewee 6: Are you referring to the US ESOP or the one that we have adapted for Slovenia?

Interviewer: The one adapted for Slovenia would be more relevant, but you can tell me about both if you want.

Interviewee 6: I would say I know the original (US) one in passing and I am deeply familiar with the one for Slovenia. I know the details of it, as I helped prepare some documentation for our transition and I am quite up to date.

Interviewer: Could you please tell me how did you learn about the model?

Interviewee 6: A couple of years ago, our chief commercial officer and chief technical officer were talking with experts about implementing an ESOP in our company and that's when I heard about it in passing. It wasn't until late 2020 or early last year when we underwent our crisis and I started getting more closely familiar with it. I was quickly on board. We formed a group inside the company that was coordinating everything related to the implementation, that I am not a part of, but I work with very often.

Interviewer: I understand, thank you so much for sharing. Which economic or societal problems do you think will be addressed if ESOPs were widely implemented in Slovenia?

Interviewee 6: Oh, where do I start. I think chiefly, the biggest problem that it solves is wealth inequality. It is a personal belief I had way before I even heard of this model, that consolidating too much wealth and too much power in the hands of too few people can only lead to trouble, which is just proven globally again and again and again. I think this is going to be one of the larger issues that the model will help solve.

And then there are a couple of other ones. I would call it an individual's dedication to their profession. I believe that one works way more efficiently if they work for themselves and their collective instead of working for some random corporation that owns you somewhere abroad. This is already quite proven as well. Another thing that ESOPs might help improve is the general state of our economy and our competitiveness because more advancements can be made through cooperation instead of ruthless competition. If we have multiple larger companies that are employee-owned, I think, or I hope at least, that some natural cooperation between them is going to occur. They will become natural allies because they will seek companies that think the same way as them. More wealth, more investment, and more general economic power will be kept inside the country instead of selling it out to the highest

bidder. For instance, our company had a buyout offer for twice the asking price, and we turned it down on this basis.

Interviewer: Besides, employee ownership makes it harder for outside bidders to buy the company because they would need to get the approval of so many people rather than just one.

Interviewee 6: Yeah, we discussed it and it is pretty much impossible.

Interviewer: So, what do you think, what are the benefits connected to the ESOP model?

Interviewee 6: Besides the ones that I've listed before... One is definitely (and I think it is something that we, at least internally, don't promote enough) the natural improvement to work-life balance that comes with economic democracy because the job security in worker-owned companies is so much higher. People are not going to be as stressed about their day-to-day job, especially in factories. We are mostly office workers and technical professionals, so I don't think that applies as much to us because our job security is already by definition pretty high. But for factory workers, the owner somewhere out there can just decide to fire 200 people next week. In employee-owned factories, such massive layoffs would not happen. So, the employees would feel more able to just call in sick, take off days, even suggest improvements to the management, etc. It happens very often that, especially in very hierarchical collectives, people at the bottom are afraid or even don't see it as a possibility to suggest improvement to the management, because they are afraid it will be understood as criticizing the boss and they are going to be the next one getting fired. So, the improvement in job security is a huge benefit.

Interviewer: Yes, and so many good suggestions are probably missed out because the people who do their job are the best people to ask how to improve their job.

Interviewee 6: Obviously, through cooperation comes innovation.

Interviewer: True. Which of the benefits connected to the ESOP model do you believe are most relevant for employees?

Interviewee 6: In general, I think it is fixing wealth inequality, because even a well-supportive country like Slovenia is, especially compared to others globally, even here, our pension system is crumbling and our social support is being reduced year by year. I don't think younger generations even have the feeling that we are ever going to retire. Giving a bit of a safety cushion with company ownership, even if it is just a very small part, is still something. Even if the share is a couple of thousand euros, this can change someone's life in times of difficulties. It may prevent them from going homeless for a while. I think it is a huge benefit for society. I don't think the average engineer in our company needs to be worried about being unemployed, but for us, economic competitiveness is important. Having ownership of the company and knowing that we have it, is going to increase the motivation

to produce excellent work because we are doing it for ourselves. The more certainty in life someone has, the more the individual aspect shines. I don't think ESOPs only benefit those that are socially disadvantaged, I think it benefits everyone across the board, no matter their wealth or status.

Interviewer: I understand. What do you see are the benefits for business owners from ESOP?

Interviewee 6: Continuing their legacy. If it is a company that a single entrepreneur built and is now a company of 100 people, they can be almost certain in the fact that if they sell the company to their employees, the company is going to continue to perform well, because they personally know at least a large part of the people that they are selling the company to. They are not selling to some outside investor that might just take the top talent, dissolve the company, and make it a subdivision of some corporation. I know this is a huge driver for a couple of our current and former owners. Because this isn't just their legacy, it is also the 80 people that they worked with and 80 families they support. I know on a personal level that some of them truly care about leaving the company in good hands so that they can enjoy retirement without any regrets or concerns. I am certain that they want to see their coworkers being taken care of.

In a more general broader sense, it solves the issue of succession, because you don't have to appeal to investors and build a portfolio that someone would be willing to buy if you have workers willing to buy the company with the added value that they already create. It applies across the board, regardless of the size of the company.

Interviewer: That is a good point. What about the general public?

Interviewee 6: Wealth inequality, keeping money at home, keeping economic power at home - those are the big ones. Here in Slovenia, we are very proud of ourselves. The second biggest selling point besides low prices is "made in Slovenia". People like to buy food produced at home, Gorenje appliances, etc. ESOP is going to improve our general perception of self-sufficiency. We don't need outside investors because we own our companies. We don't need to import XYZ because we are making it at home and keeping jobs at home. Even if you have no insight into the quality standards or let's say you have the exact same knowledge of two factories, I think you are going to instinctively trust the one that was built at home more. It may be a placebo effect, but it is a big one for the general population. I think that making a brand "made and owned in Slovenia" is something that will resonate with most people.

Interviewer: Maybe you are aware of some benefits that have been proven by research done in the USA. How do you think these benefits would apply to the Slovenian context?

Interviewee 6: I don't see a reason why they wouldn't apply. I think that wealth inequality is a bigger problem to solve in the US than it is here. But the main thing is that it would apply.



Interviewer: Okay, and do you personally believe in the advantages of this model?

Interviewee 6: A 100 times yes. Yes! I don't think I can give a more precise answer than this.

Interviewer: May I ask why?

Interviewee 6: Where do I begin? I come from a background that is common to a lot of Slovenian people, one where we didn't lack anything but we didn't have too much either, one that is a bit conservative in their economic views in that 'you are a child, you go to school, you finish school, you get employed at whatever factory is across the street, you work there for 40 years, then you retire'. You never ask for more and it seems to me that a lot of blue-collar workers have become used to this situation, the 'it is the way it is' mindset. I have to go in on a Saturday because my boss told me so, I can only take vacations in this period of the year because my boss told me so, I have to work in unsafe conditions because we are cost-cutting. They never sought improvement because those that did and made an improvement are much rarer than those that were beaten down so many times that they just gave in and became a part of 'it is what it is' crowd. This never sat very well with me. I always considered myself ambitious but not ruthlessly. I know people of my age would metaphorically step over their best friends' dead bodies to achieve whatever vision of success, even if it is just slowly climbing up the ladder. They consider becoming middle management in their 20s a success. That never sat well with me, because that is neither a good view on life to have nor it is actual success.

Removing the owner class helps the average person to see that they can be part of a larger change and they can have a voice in their life. People are constantly told 'you should go vote, you should engage in your local matters, in the matters of the state, you should be a proud citizen (and vote for my party, of course)'. Some are incredibly proud of being voting citizens and improving people's lives every four years while giving away their so-called right to vote 8 hours a day for 40 years. No one ever thinks about it for some reason, and I always found that very weird, even mindboggling. Growing up in such conditions gave me that outlook, but working here allowed me to see this scenario play out. Some owners wanted to do stuff their way and they put one person's voice above the voices of 80 others. I saw that these 80 people can come together and take power into their hands. Through the miracle of having cooperative owners that were on board with the ESOP idea, our force of will and their help in convincing other owners, I think it is a story that shows what people can do if they just stand together.

Interviewer: It is truly an amazing story. I guess it is needless to ask, but how do you feel about working for an ESOP?

Interviewee 6: Better and better. I consider my own life a string of lucky coincidences and this was very much another one - that I just happened to join a company where the majority

of people already share my ideals. It gives me both a success story and the platform off of which I can promote my own, from a personal standpoint, correct opinions.

Interviewer: Great, and how do you feel about initiating an ESOP transition in your company?

Interviewee 6: Speaking with hindsight, it is very important to have a spark, an idea or a plan that didn't go through, something that makes people ask 'why did they do it that way? What is the motive? Why are they okay with us working such ridiculous hours yet not employing more people? Is it perhaps profit-driven?'. The answer is: of course it is! You need to have that idea planted somewhere in the back of the head of people and you need a couple of vocal people. We have a couple of people that are kind of like the gossip queens of the company. They are the people that know everything about every single person and have some sort of a personal connection with a lot of people. I think it is important to have the buy-in of these community leaders. They may not be in positions of upper management but they are informal leaders. And it is good, but not necessary, to have the buy-in of some formal leaders. When we started thinking about it more fully, we had the buy-in of three out of 4 C-level positions. I think it is important to have just a couple of people at all levels of management, and I think it is most important that the rest learn about success stories, societal benefits of transitioning, and on a very personal level, learn about the benefits of their own. In the end, the personal motive to transition to collective ownership doesn't matter. Is someone in it because it is going to keep jobs at home, because of the broader societal benefits, idealistic reasons, or the retirement fund; it doesn't matter. That is why the informal community leaders matter the most - because they know the others and what their motives may be.

Interviewer: Yes, true. Thank you for that, it was insightful. How did you react when you learned that your company is converting into an ESOP?

Interviewee 6: At that point, I was still working as a student in the company. Whether I become fully employed was dependent on whether we weather through this ownership crisis. The older owners that we eventually voted out were very anti-employing new people, especially in supporting services. I don't directly generate revenue; I am overhead. So for me, it was important on that level. I also started realizing how well ESOP aligns with my ideals, because I have had those issues with life in general and with society, but I wasn't thinking about it in terms of economic power, ownership, or economic democracy. I didn't know those terms yet. As I started learning more and more about the model, I realized that it is spot on. There were so many questions at that point. I was super fresh, being in the company for less than a year at that time. I only knew my manager and I sort of implicitly trusted that she and the other people knew what they were doing, which turned out to be a very good decision.

But, back then, I was still concerned because during our crisis of ownership we were getting so much mixed messaging, it was unbelievable. The old owners were voted out by 49 to

51%, it was that close! Of course, it was very evident that both sides were playing some sort of propaganda war. Except, one side (those pro-ESOP) had just so much better arguments, which helped a lot. I knew that I made the right decision when, right before the strike, the CEO called me into his office and said 'here's a contract, indefinite time, in case things don't go well, I don't want you to end up in the street'. That man has my loyalty until he retires.

There were and there still are people who don't quite understand or believe in the ESOP. I can't speak to their reasoning because I am not close with any of them, but I think it is the classic 'it is what it is' mentality. The 'you are not going to change the world, just go back to work' mindset. It is especially because we had several high-profile issues in the past with hostile managerial takeovers in Slovenia. People who never sought the bigger picture perceive it as the classic story of lying to the employees, so managers can pad their own pockets. Those concerns were quickly diffused, at least with me, and the deeper we got into the ESOP story, the more invested I was in it.

These issues mostly appeared with the co-workers who come to work, work for 8 hours, and then go home. They do excellent work, but the lack of spending time with their colleagues and not knowing the vibe of the company is an issue. If they spent more time, they would see that even the people who are in the positions of upper management, have been the longest with the company, and are physical owners of the company, so have the power, they have your best interests at heart. It is easy to not trust someone you don't know, but if you make an effort to get to know them, you are going to get a clearer picture of what kind of people they are. I think this might be a problem in introducing ESOPs in larger companies, where the disconnect between the average Joe and the manager is even higher. In our company, this disconnect was always record-low, because even before collective ownership, we had a very rigorous base structure and transparency, where every worker knew exactly how much their peers and the managers are getting paid. In companies where that isn't the case and some investment gets postponed and people don't know what is behind that, rumours such as 'management are just padding their own pockets; it is all for dividends, etc.' immediately spark up. Just because we had so many such cases in Slovenia before, people instinctively don't trust them.

Interviewer: Yes, I understand. How would you describe the current interest of the Slovenian public regarding ESOPs?

Interviewee 6: The short version would be: growing, but not significant enough just yet. The long version is - they have no idea what it is. When promoting ESOPs to the general public, the best reasoning would be 'you are giving up your vote 8 hours a day, you are never going to retire, you are not allowed to take your kid to the dentist tomorrow because someone said so'. Initially, it is important to play on those emotions because that resonates with the common person, those are their day-to-day issues. They don't concern themselves just yet with stuff like succession and economic power; they go work, they come back, but they, as a collection of people already have a sense that something isn't right. Explaining that what

doesn't feel right is wealth inequality and lack of economic power while presenting the ESOP as a potential solution is going to be helpful. A lot of people in Slovenia have the problems that economic democracy solves, they just don't see the connection yet.

Interviewer: Yes, if people don't know about it, how can they even think about it?

Interviewee 6: Of course, most people think they have two options, either submit to the boss or be fired. A minority has a third option: save up, invest, and start your own company.

Interviewer: Besides the many benefits, very few ESOPs exist in Slovenia. What do you think are the reasons for this situation?

Interviewee 6: Lack of awareness and knowledge is the biggest reason. But also, until recently, these problems didn't hit hard enough those people that started their companies 30 years ago. For the past 30 years, there was a bunch of new investments, privatization, people starting their own companies and doing just fine, from their perspective. Now they are retiring and start thinking about what is going to happen with their company. When these problems hit them, economic democracy is the solution. If we get the buy-in of those people, ESOPs will spread like wildfire. Showing how much the people worried about their legacy have in common with their workers and how ESOP connects the two is a powerful message.

Interviewer: Yes, for sure. What would you say are the main barriers to a wider ESOP implementation in Slovenia?

Interviewee 6: I don't think people feel empowered enough. The cultural undertone of 'it is what it is' and the feeling of 'I can't do anything, I will go to work, then go home and that's that' is the biggest barrier. The corporate propaganda machines are not helping either. If you could get rid of those powerful people that keep selling out the country to foreign investors, but we keep reelecting for some reason, that would be helpful.

Interviewer: Right. I have prepared a table of potential barriers based on research done in the USA, so maybe you can take a look and let me know which are most relevant for Slovenia?

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 6: For workers, I think the cultural category is most relevant, with history, inertia, and risk aversion being the top three, but the entire cultural column applies. For business owners, the institutional category is most relevant. We had and continue to have many discussions about how to buy out the shares from current owners. Those that are ideologically bought in will not have an issue to give up 5 or 10% of the profits due to tax reasons, whereas those who are not ideologically aligned with employee ownership will have a massive problem with this. If selling to employees is more expensive for me than selling to an outside investor, why would I ever do that? Again, lack of support of government –

very evidently. The law we have on cooperatives is as old as time, and it doesn't reflect what ESOPs want to do. I think passing a law on ESOPs will help a lot, as you won't have to abide by the old one, which is not a proper framework. There is also a lack of support by institutions. In our case, no bank wanted to give us a loan to buy out the owners because of the history of shady dealings in Slovenia. ESOP finds no support from tax offices, lawmakers, the government, and other institutions.

Interviewer: Thank you so much for your answer. We mentioned that one of the reasons for the lack of ESOPs in Slovenia is the lack of awareness and knowledge of the model. What do you suppose needs to be done to popularize ESOPs in Slovenia?

Interviewee 6: A two-level approach. We need to produce a lot of good content, so a lot of success stories. There needs to be scientific research done to which you can point when you are doing the other approach, which is word of mouth. I think that is going to matter a lot in Slovenia because people don't care about what the media says. You can buy a spot on some news show and talk about it, but people will perceive it as a pretentious economist talking about irrelevant stuff. They are going to trust their friends, their colleagues, and their neighbours a whole lot more. It is important to mobilize those people that are already on our side, so talking about it but not in a pushy way. Sharing a personal story of how ESOPs helped someone will help. This cannot work without having any sources to back it up for credibility. I think those two cannot exist without each other. If at the same time we also have a third approach, which is influencing lawmakers, that is even better. So, you need the culture, you need the reasoning to back it up, you need the credibility, and if you have a legal framework, so much better.

Interviewer: What steps would you say need to be taken to come closer to making this reality?

Interviewer 6: When I said a whole lot of content, I meant specifically from the credibility standpoint. I am talking about articles, research, case studies, and personal testimonials. Credibility means a lot when you are doing the second step, which is promoting the idea among the people that are going to be receptive and that you personally know. I have no clue how to get people to activate themselves, even in their personal life. I already have a large personal passion for it, so I am talking about it with others a lot. My internal reasoning is that it is better for everyone and it is just obvious. Nothing is going to change if we try to push it too hard. I think the harder you push, the harder people push back. It is all about planting seeds. It needs to be a slow, gradual approach. It needs to start with people, and then just grow. Once more people are into it, they know the benefits and why it is credible, even the people that don't care about it and it doesn't apply to them directly are going to share the idea forward.

Interviewer: A bit more specific question – through which channels do you or your peers look for information on topics similar to economic democracy?

Interviewee 6: Word of mouth, all levels. I would say that owners and managers talk to other owners and managers, and workers talk to other workers.

Interviewer: Does this include social media?

Interviewee 6: Absolutely. I don't necessarily have proof that social media will work but social media campaigns that have been detrimental to us have been so successful. So, social media absolutely works. People like Donald Trump and Janez Janša mobilize their people on Twitter. The same needs to happen on this side. I am not personally a big fan of it for personal contacts, I despise Facebook and everything that the company stand for, but I still think it can be a very powerful tool. In the 21st-century, social media is an inevitability. It is part of humanity and society now and it is not going anywhere, so we best find a way to use it.

Interviewer: Are there any other marketing activities that you believe would be specifically useful for boosting the interest of the Slovenian public in terms of ESOPs?

Interviewee 6: Could you please provide some examples?

Interviewer: Sure. I was thinking of social media presence, publishing materials online, publishing op-eds in offline channels like newspapers, organizing public events where employee ownership is the topic of discussion or trying to lobby the government. Another approach would be finding potential candidate companies to transition to ESOPs, getting in touch with CEOs and organizing workshops, where they can learn about the benefits.

Interviewee 6: The more people are part of this successful model, the easier it is to build credibility. Thus, finding new companies to quote-unquote convert is, at least initially, the way to go. You don't have to import success stories from abroad, you have them right here. The initial stage is getting more companies willing to do it, which is already happening to an extent.

Public events can be both very good and very bad, because people in general, including myself, are very stubborn. They are set in their ways, and the moment they feel like someone is trying to push an opinion on them, they create a brick wall. So, instead of those events being organised top-down, they should be organised bottom-up, in the sense that I, as an employee-owner in an ESOP, have a friend that I share common things with, who is part of a traditionally organised company, and I share the idea of ESOP with him. I think that going through him and whatever other people they have around them, who share similar interests, values, and views, or that have just heard about it and think it is a pretty good idea can be the most powerful. For example, I introduced the idea of employee ownership through a game, where I suggested unionizing the characters of the game. After the game, we were discussing the game and I casually mentioned and explained the entire ESOP idea through the characters of the game. I think this resonated with the players and I think these people are more likely to change their minds.

Interviewer: Thank you for sharing all of this, it has been extremely insightful. Finally, please let me know what your job title or field of expertise is.

Interviewee: My field of expertise is multimedia. I am a broadcasting engineer by background, but I have more experience in copywriting, so I consider myself a writer. My job title currently is marketing coordinator.

Interviewer: And would you feel comfortable sharing in which range does your age belong to 21 to 30, 31 to 40, etc.?

Interviewee 6: 21 to 30.

Interviewer: Thank you for sharing all of this and taking the time to have the interview with me. I appreciate your collaboration.

## **Appendix 15: Transcript 7 – interview with a business owner**

Interviewer: Thank you for joining me today, this interview will help my thesis. First, I would ask you to tell me how well acquainted you are with the ESOP model?

Interviewee 7: Yes, no problem. I would say that it is a very broad topic. In its essence, it is simple to understand, but when you try to dig in, explain it to someone, and put it into practice, it proves to be complex. There are many moving parts so I still have fundamental questions about how some points work, what will happen if we change the evaluation system, etc.

Interviewer: There are a lot of aspects to look into, for sure. How did you learn about the model?

Interviewee 7: There was some luck and coincidence involved. The co-founder and I were discussing how to give out shares of the company to its early employees and make financial compensations, so I started Googling. I already knew that there were a couple of companies in Slovenia that are employee-owned, especially Dewesoft. I was trying to find somebody who was an expert on the topic, and via an interview between Tej Gonza and Andrej Orožen from Dewesoft, I saw that Tej is working on a project like this. I decided to contact him since I couldn't find anyone else anyways. This is how it happened.

Interviewer: Great, thanks for sharing. Now, if ESOPs were widely implemented in Slovenia, which economic and societal problems do you believe will be addressed?

Interviewee 7: Probably more of the companies would stay in domestic ownership. For example, there was this company, a food delivery platform, that was sold for approximately 10 million dollars. And it was a very big sum of money for an individual or a couple of individuals. But there are other economic consequences; lots of people were restructured and it was all made lean. If this company would have been employee-owned, the company would not be sold off. I think ESOPs would enrich the economic system, give out a sense of ownership and responsibility to employees, and bring closer the owners and those working for somebody. Because now I feel that we are very disconnected. Employees in a lot of companies feel as if owners are living on another planet, owners are in charge of their destiny, and there is nothing employees can do about it, so they are thrown into this system and will always be there. I think that ESOPs bring down this barrier. It would bring the owners and the employees together.

The traditional employee is angry or mad at the owner because they think 'the owner is taking away something, the owner has the money and doesn't want to give it to me, they bought five computers for \$10,000 but they didn't give me a raise'. In an ESOP, this is different. When employees become owners, they can influence the decisions. This would accelerate the rate at which we are activating people, so they start thinking because, in the developed world, we need heads, not hands. It would activate more people to be more



responsible and not stigmatize the owners. It is really hard to bring up a company and nobody sees all the work you have put in in the beginning, when there were only two or three people. Everybody just sees when there are 30 employees and the owner has a nice car and it is like 'yeah, he stole that money'.

Interviewer: Yes, I understand. What are the main benefits connected to the ESOP model?

Interviewee 7: Getting financial compensation for the work and involvement. You are not just there with your hands but with your head also. More importantly, I think it brings a sense of responsibility to each participant in the ESOP. I guess this collectively shared responsibility could also be bad, because when million people are responsible, then nobody is responsible. But in smaller systems, it does good, because people are not detached from the decisions and they treat the company and its assets like their own. I think that ESOP increases the success rate, the survival rate of companies, and their potential to grow and innovate.

Interviewer: Thank you. Now, which are the most relevant benefits for employees?

Interviewee 7: It has got to do with financials, so paying out dividends and remuneration. I think that these two play the most significant role. In essence, we are very simple creatures and we understand what we can touch or what influences us. The biggest benefit that is visible to the employees is the money. There is another benefit that is pushed back but is still very important, just the same or maybe even more important; ESOP brings a sense of safety and stability. In hard times, ESOPs tend to fire fewer employees and agree on lowering the wages. Feeling safe is a very important aspect of life. In the Maslow pyramid, all the bottom boxes have to be checked. Also, when people are involved and take responsibility, things tend to move faster and grow better, which means that people get more chances to develop themselves.

Interviewer: Yes, true. What would you say is most relevant for the business owners?

Interviewee 7: I can judge it from a perspective of a small company. When you are a small company in a very competitive environment, it is very hard to compete with wages, because bigger companies have money to burn and small companies don't have money to burn. So, you must have leverage, and ownership is that kind of leverage. It is not just ownership, there must be more things like the relationship between people, the culture, everything has to fall in its place. Ownership increases the retention rate or reduces the turnover rate of employees. It also disburdens the founders, especially in the early stages, when they have a lot of responsibility. ESOPs bring down that wall and, if it is done right, make the company transparent. There should be more understanding from both sides on what is going on and why certain things have to be done. This communication is the key to a good relationship, just like between opposite sexes.

Interviewer: I understand. And now, what about the general public?

Interviewee 7: I would call it 'the human development index'. Very often outside big companies buy a smaller company to either starve it or make it a unit of theirs. They make it lean by cutting off everything that is not profitable, but sometimes something that is not profitable in the beginning proves to be profitable later on. For example, R&D, innovation, etc. In that sense, ESOP brings opportunities to the country. People get a stronger feeling of control over their lives and it also brings up morale. I see that people think better of employee-owned companies, especially when something goes wrong. If it is an employee-owned company, people don't judge it that hard, but if it is a company owned by one person, the public thinks things are going badly because the owner is just greedy. Overall, they support employee ownership, they feel more involved, they feel they are not slaves or that somebody is taking something from them. They feel that they are in control of their destiny, that they are reaping both the profits and the negative sides, so the pros and cons.

Interviewer: Could you maybe tell me if you think that the benefits proved by research in the US would also apply to the Slovenian context?

Interviewee 7: Yes, I think those benefits should be visible also here. ESOP brings benefits to the country as a whole. ESOPs would decrease the wealth inequality and I think those things are essential in the new world. However, inequality and job stability are bigger problems in the US, because their wealth inequality there is greater and the job stability is lower, compared to Slovenia. There is no reason to believe that some benefits are US-specific, only some of them would be emphasized more. ESOPs will play a smaller role here but a very significant role.

Interviewer: Thank you for the answer. Do you personally believe in the advantages of the ESOP model and why?

Interviewee 7: Yes, I do. I believe in the advantages because I am also an economist, thus those phenomena are logical to me. I understand the causation and correlation between those factors. This topic of discussion is also very present when I talk to my friends, especially regarding taxes and the development of countries. We all know that there are benefits, we just didn't see or find a way that would be easily executable in our country until now.

Interviewer: I was wondering how do you feel about converting your company to an ESOP?

Interviewee 7: There are many aspects of it. I will give you an honest answer. On one part, we were very excited to implement it, especially because we saw it is something that people are afraid of here, though both we and they see it is good. So, it felt good to be one of the first movers, those who crossed the line and say this is how it is going to be done, this is how we do it, we believe in it, we are not just talking the talk, we are walking the walk. Also, we are looking forward to all these future benefits like lower turnover rates, stability, etc., but, in the end, it all comes down to what you have on the table today. Today, I cannot feel the benefits yet.

But one of the hardest feelings to overcome is that, when I check out Instagram, Facebook, Wall Street Journal, and Bloomberg, I see all those entrepreneurs that set up software companies and got mega-rich. We of course are in love with certain material things like nice cars. From that perspective, we had a feeling that we are giving up on the material part. Because, in the beginning, it was hard, we were working overtime all the time, not financially compensated, happy to just make ends meet and give out salaries to people. We kept going because we dreamed about all those financial and material things that we crave coming later on. So, in the future, we are going to be on top of the pyramid, the pharaoh, and we are going to have lots of money or maybe sell the company for a multimillion-dollar sum. It was a bit hard to give that up, especially because you are dreaming about it all the time, you are exposed to it from the media, you see all those guys rolling around in expensive cars, in nice suits, etc. But, as you grow older, you mature and see that an expensive car is going to bring joy for a certain amount of time, but this story, this experience, making it happen for many people, not just me and my partner, gains more value and weight. When put on a scale, it is better to create a huge system that is going to stay for aeons to come and do something else to get the money.

Interviewer: Yes, yes. I was wondering how did the employees react when you informed them about the transition to an ESOP?

Interviewee 7: They were happy but they didn't quite imagine what does it mean, because maybe we got it a bit wrong in terms of steps. We didn't first sit down behind the table and ask them what they think and whether they would like to be part of the model. We didn't first get their green light. It was done in a very traditional way, just me and the other co-founder discussing how to give out shares, to whom, whether to include someone else later on, etc. We found that there needs to be a system around this, so we decided that we are doing an ESOP. Because of the lack of communication, the joy that was expressed was lower than what you would imagine. So, the first step should be talking with everyone involved, explaining it and asking if they want to be a part of it. If a lot of people agree, the fire should burn inside of them, and you go on from there. In our case, we decided and projected it to everyone else. But, overall, they were happy and satisfied, they are looking forward to it and taking it seriously, just positive things. It just took some time for this idea to settle down and gain momentum.

Interviewer: Understandable. What would you say is the current interest of the Slovenian public regarding ESOPs?

Interviewee 7: I am not really sure because I don't read a lot of media. I know the Institute for Economic Democracy is creating a lot of articles. I think that the general sentiment toward employee ownership is very positive, so people encourage it, want it, and support it. But, I don't think there is a wider discussion about making this a standard, though I am not sure because I am not reading that stuff.

Interviewer: True, given the benefits that we mentioned, this topic should be more broadly discussed. Yet, there are very few ESOPs in Slovenia. What do you think is the reason for this?

Interviewee 7: I think that the main reason is that nobody knew that this system exists, nor that someone would be able to execute it in our country. Also, being aware and wanting to implement it is not enough. You need the expertise, and usually, you don't have it, so there has to be an expert to which you can send the money and he puts it into motion. If there were an institution offering this expertise for the last 10 years, I think there would have been more ESOPs in our country. The other factor is that traditional owners are very entitled and attached to their stake in the company. They feel that they are the smartest ones in the company. I guess it is connected to trust. Or maybe it is fear of loss, like loss aversion. Most business owners don't go through the hassle of it, saying 'those idiots on the bottom are just going to take over and give out maximum wages to all, and everything will go to hell'. But you don't have to give power to each and everyone if you don't want to. No one says you have to make everybody a supreme leader. There are many ways to put ESOP into practice. You can start with small steps, you don't have to go all-in at the first moment.

Interviewer: For sure, that is one of the advantages of the model. What would say are the main barriers toward a wider ESOP implementation in Slovenia?

Interviewee 7: Maybe it is because the leaders are sometimes not on par with the knowledge that they should have so that they can see the benefits. They don't see the connection to the retention rate, the turnover rate, the stability, and everything. They are sometimes not educated enough. Especially when small entrepreneurs are still trapped in the same mindset after they have grown their company and act like it is their own company, although 50 other people are pushing it in the wanted direction. If the CEO leaves the company, it will still survive, but if the 50 people go away, the company will not go on.

Also, there are financial barriers to its implementation. We did it early on when we are still small, but as I know, the price is going up as the company grows. I don't know if we could afford to pay the expertise at those prices. For smaller companies, the price you have to pay may be a barrier. But also, you need to believe in the process and the ESOP because you have to put money on the table now but the benefits are 5 to 10 years away. Plus, people want to make the transition happen at the snap of the fingers, without being involved, like 'call me when it is going to be done'. However, you must be involved and you must make time for it because this brings up the success rate. You must be there with your mind to set it up properly because a lot of processes have to be established. So, lack of time and organisation may be obstacles.

Interviewer: Were those the same challenges that you faced when implementing the model?

Interviewee 7: Yes, money was one obstacle, but we overcome it. Time was also a big obstacle because we were so early on and we were so disorganised. We misjudged how much

time it was going to take. We initially thought that it is going to take a just little bit of time, but then it took a lot. But we are already involved, so we pushed through. Despite the obstacles, we saw the value in the ESOP model. We also realized that it will only be more complicated to wait another year and the implementation will cost more, so it is better to do it as soon as we can.

Interviewer: Thank you for the answer. I have created a table summarizing common obstacles found in US research in terms of ESOP implementation and I would like to share my screen so you can see it. Could you please let me know which are most relevant for Slovenia?

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 7: There are several relevant ones. Looking at the cultural barriers, I see the following: even in young companies, they say 'I am not just going to give my company shares out to anybody if they don't prove that they are worthy. If they are not 120% involved in this, it is just going to be for my family'. I would say the most relevant barrier from the cultural ones is managerial resistance, which is also connected to the lack of information.

From institutional barriers, I would say certainly the lack of support by governments is relevant, because now, giving out shares, even if it is a limited liability company, is super expensive. We tried to do it and it is mega expensive. If we would give it out as a gift, the tax burden for a share worth around €15,000 would be around €13,000. So, why would anybody want to do that? Although the whole system will benefit when I give out my share, if I decide to do so, I need to pay huge taxes to the state. There is a big tax burden on it. If there were tax incentives to have ESOPs or another type of employee share ownership, which would empower people and provide companies with the needed stabilities, more companies would go into it. From environmental barriers, I would say that the lack of know-how is important. People certainly think that doing an initial public offering or giving out shares are the two main ways. They don't go for an IPO because there are very few employees they want to include, and giving out shares is heavily taxed, so they just give up on the idea.

From the structural obstacles, lack of long-term perspective. I already mentioned that you need to put money up front and the value will come in the future. How can I imagine what is going to happen in five years? Am I still going to be around? Will my company survive? Where am I putting my money? Am I being a good executive if I put my money there? These are all questions that have to be answered related to the long-term perspective. People tend to have this hyperbolic discounting, where we like the present more than the future.

From knowledge-related barriers, there is maybe a concern about free riders, but, otherwise, people certainly see benefits in it. I am not sure if they see all the benefits or what the weights of those benefits are, but business owners know that employees will like getting shares and this will attract other talents, whereas employees know that getting a share means having more money. I think they understand that the impact on their finances is going to be positive. It is perceived positively, though I see that they are concerned about free riders, thinking that

their co-worker who does nothing is going to get a share, I think that the problem is somewhere else.

Interviewer: Thank you for that, it was very helpful. We mentioned that one of the reasons why there are very few ESOPs is the lack of knowledge. What should be done to popularize ESOPs?

Interviewee 7: In terms of straight-up popularity, I think that there needs to be a winning horse. There needs to be a mega ESOP company that people believe is successful because of ESOP, even though there will probably be multiple success factors. A very successful ESOP story has to be publicized, acknowledged as good by influential people, and somebody has to say that it is not that hard to set it up. Especially in Slovenia, people recognize that someone is doing good when foreigners say he is doing good. So, this has to happen.

Interviewer: I see. Do you have any ideas of what steps would need to be taken to get there?

Interviewee 7: The best thing that could happen for us would be some tax incentive so that people included in the ESOP get more money through it. This would enable hiring more competent people or educating more people from scratch and accumulating brainpower. This would be a success factor for us. Otherwise, it needs to be presented in the same way that Herbalife is presented as beneficial for the health. Similar steps must be taken to present why ESOP is beneficial for the economy, society, and the government. It has to be made very simple to understand, very easy to execute, and easy to buy the expertise or order it.

Interviewer: Which are the channels that you think companies, business owners, and employees look for information on this topic or similar topics?

Interviewee 7: Because I am younger, I did it on Google, but I think that word of mouth is important. A lot of people have to experience it and see it in person first. In Slovenia, we have newspapers like Delo, Finance, and Dnevnik, which are very popular, handed out in both a paper and digital form. These newspapers have authority, people read and trust them. It would be good to be popularized there. Then, social media and Google. Probably everything could be useful, but it is mostly dependent on the number of people listening to that discussion. You should first figure out who you are targeting because you must reach executive-level people and employees. The desire has to be on both sides, but the text and the messages won't be the same for both segments. It needs to be made easy to understand and suitable for each individual. What effect does it have on your wallet or your company? From that perspective, you should look at Herbalife because they are very good at selling. First, you would need to understand why are employees not thinking about it, or why they are thinking about it, then why are they not telling their managers about it, but I think it is a whole other discussion because of the cultural thing - being afraid of the leaders or the executives. There is a variety of problems that have to be addressed and walls to be put down.

Interviewer: Are there any other marketing activities that would be useful?

Interviewee 7: Podcasts, blog posts, and other types of education for students. Educating the youth that is going to be in power within the next 10 or 15 years is important. There need to be both short-term and long-term campaigns. Once there are more ESOPs and employees migrate toward ESOP companies, executives will understand that they are losing capable people because workers are willing to even get a lower salary but be in an ESOP that offers a lot of other things. When the competition for brainpower is going to be also correlated with somebody choosing the ESOP side, it will start happening organically. Then the tax incentives would enable people in ESOPs to get paid more while providing the same burden for the company, which would be an unfair advantage, but everybody would want to become an ESOP.

Interviewer: Thank you. Finally, could you please tell me what your job title and age are?

Interviewee 7: Business developer. 31 to 40 years.

Interviewer: Thank you so much for taking the time, this interview was very useful.

## **Appendix 16: Transcript 8 – interview with an employee**

Interviewer: Thank you for joining me today. Could you please tell me how well acquainted you are with the ESOP model?

Interviewee 8: I am fairly acquainted. I am pretty familiar with the rollover and the ESOP in general. I have participated in workshops and helped adapt the ESOP to our company. I will be part of another set of workshops shortly, so I will get even more in touch with that.

Interviewer: How did you learn about it?

Interviewee 8: Through one of our retired employees, who is a born and raised democrat. I have no idea where he heard of that, but he brought it to our attention four years ago. In 1987, our company was founded as the first of its kind through a model of several owners. Our elders still remember how hard it was 35 years ago, so we were a bit hesitant at first. But, it was written in the stars for us to be pioneers again. We found that ESOP is the only sustainable way.

Interviewer: If ESOPs were widely implemented in Slovenia, what economic or societal problems do you think will be addressed?

Interviewee 8: Our major drive was the fact that the Slovenian d.o.o. policies only allow 50 shareholders before you have to transform into the d.d. As a d.d., you don't necessarily have to have an open stock market but there are still a lot of costs associated with it, like audits, etc. We estimated it costs around € 200,000 each year just to have a d.d. We were interested in having the majority of our employees also shareholders, and the 50 limit strictly contradicted our wish for growth. If you grow the company, the wealth of employees must also grow to be able to buy the shares. So, if the company grows by 10% and you have the same number of shareholders, the shareholders or the potential new employee-shareholders should have 10% more money, which they don't. The majority of our employee base is 30 years old, so they don't have that kind of money. We figured out that one of the two things had to go: either the 50 limit or the company won't grow anymore. We have to find a way to increase the number of owners, and we didn't want to be a d.d., thus ESOP was the only possible option.

Also, we know that employee-owned companies, just like our company was back in the day when we started with seven owners, have a longer duration, higher profits, and a different culture. The culture in our company has always been like that, even though 10 or 15 years ago the internal ownership model got distorted, as people were getting retired and the new folks didn't want or didn't have the money to buy the shares. But we still act like an internally owned company because it is in our DNA. To prove my point, I can tell you that our employee turnover is incredibly low. If you join our company, you have a 50/50 chance that you are going to stay here till you retire. When I say we are different, nobody believes me, but then I show them our employee turnover number and it tells its own story. People like



staying here and most of us have been here since our internship, since our student years. We feel like a family company, which is one of the side effects of being internally owned.

In regards to social responsibility and sustainability, on a global scale, you don't want to centralise the capital on a handful of people. You need to disperse the capital. The only capital that the normal person has is their knowledge and their work. That is the only way to invest, especially for the younger generations, which should be part of the economical ecosystem. In terms of social responsibility and long-term well-being on a state, continental, or even world scale, it makes sense to decentralize the wealth. ESOP is a good and sustainable way to do so.

Interviewer: You mentioned several benefits connected to the ESOP model, but could you let me know which you believe are most relevant for the workers?

Interviewee 8: There are two of them that we talk about the loudest. One benefit is obviously that if you are part of making the profit, you should be part of receiving the profit. A small or medium-sized company should not have an abstract shareholder that you have never seen. If you wanted to invest in a company that way, you would choose a big corporation like Petrol or Krka, or buy Bitcoin, etc. In a small company, it matters that the employees see the fruits of their labour, not just earn a paycheck. If you give an employee a normal paycheck, then he is just a normal employee, he won't give it another thought when he leaves the building at 4:00 PM. We are not that kind of a company.

The second one affected us quite closely in the last year, as a big percentage of the shares were in the hands of a few people. In a d.o.o., if you own more than 10% shares, you can call a shareholders' meeting anytime. We went through a whirlpool of shareholder meetings because there was a big drive to completely overturn the company that we felt was ours, the employees felt is theirs. These abstract people that we have never seen wanted to sell it! If you have a company that is owned by people that live it, you are bound to do what is good for the company. If employees own the building they are in, they take care of it. If they own the shares, they worry about the profits. If they have a voice in choosing the general manager, they think about it. On one hand, you get the profit that you make, and on the other hand, you have a say in what you are doing. Both aspects are quite important.

Interviewer: I agree. And why would business owners be interested in the ESOP model?

Interviewee 8: For the smaller companies, it has to do with legacy. These business owners are concerned with what happens to their company after they retire. If they don't have a son or a daughter, or they do but the children are not the most appropriate people to run the business, ESOP is a way to drive the continuum of the company and give part of the profit back to the employees. ESOP is not the only way you can give a little bit of the profit back to the employees, but it is a good one, especially if you get to a number above 50 employees. For larger companies like Krka, I have no idea how ESOP would work. I think they would probably put a part of it in ESOP. I know some global corporations have stock option plans,

but it is only for upper-level employees, which is only a good incentive if the shares do well in the trade.

Interviewer: What about the general public? How does the general public benefit from ESOP?

Interviewee 8: It partially addresses unemployment, because ESOP companies are stronger, survive for a longer time, and are less susceptible to any kind of recession or COVID. I think it is sustainable. I am not sure if ESOP companies are more responsible toward society (donations, etc.), but I would say that business sustainability is probably the biggest aspect here.

Interviewer: True. How do you think the benefits connected to ESOP found in the US would apply to the Slovenian context?

Interviewee 8: Well, if we had the same type of tax exemption as the US, we would have a lot more cooperatives coming up. But we need some time to make a trend, ESOP is not a thing in Slovenia just yet. Other than that, I think the findings like the increase in profits and productivity can apply anywhere in the world. I am sure there are cultural differences, but I think in the Western world, it could be very well applied. However, the different generations might shift that a little bit. The youngest people that join (either as students, as their first job, or have been with the company for only a year), don't possibly feel as attached to the idea of being tied to the company in yet another way. They think 'I have a contract here but I also have these stocks. I didn't sign up for this. I wanted to buy Bitcoin'.

Interviewer: Thank you for raising that question. My next question would be if you personally believe in the advantages of the ESOP model and why?

Interviewee 8: I am a deep advocate of the ESOP model. It is all in the numbers. If the company is worth 10 million and there are 20 employees, in 5 years when the company is going to be worth 20 million, the next generation of owners will need to have twice the amount of money. But do they get twice the amount of the salary? Of course not. The company cannot afford that. The only possible way to do that is to keep increasing the number of shareholders.

The next reason is the culture. I am not a big fan of huge corporations, where you need four sign-offs to get a plane ticket, or you don't know a person that is walking down the hall and working two offices down. I believe in SMEs that do their job well. I think it is the best fit for an ESOP model. For instance, nobody that is still employed in our company has ever seen one of our owners. We even discussed if he was still alive. A d.o.o. cannot have such owners. I sat in shareholder meetings where they asked why the profit is low, and at the same time, they did nothing to help us grow our business. These absent shareholders belong to a d.d. They should buy their share somewhere else. In a company that has 90 employees, every shareholder should have a first name, last name, and a face, and should contribute. Then, if

there are tax exemptions, that is even better. I am all for sharing the profit amongst the people that made it happen.

Interviewer: I see. How do you feel working for an ESOP?

Interviewer 8: Awesome. I am happy that we are one of the first companies that are doing this, and that we have a bit of an influence on what the legislation is going to be. That is the pioneer aspect; it is always good to be the first in something. Besides, I already mentioned that our company always felt like a second home, and I would like to keep it that way even with the number of employees growing.

Interviewer: How do you feel about initiating the ESOP transition in your company?

Interviewee 8: About five years ago, we thought that this would be done gradually. We would first assign 12% of shares to ESOP and the percentage would grow as people are retiring or dying, God forbid. This would also give us a bit more time to adapt. It is like with the newborn, you don't get an 18-years-old right away, you get a small newborn, and they grow and you have time to adjust. Then, all of a sudden, we were forced into a situation where we had to find a solution for 70% of the shares, and there was no sustainable model. Not just sustainable, but no feasible model! How do you call your employees and tell them that they need to raise € 7.5 million to buy the shares?! In the end, we were forced to do an ESOP. It was always our wish, just the speed at which it happened wasn't anticipated. But, it could be a blessing in disguise.

Interviewer: How did the rest of the employees react when they learned that the company is transitioning to an ESOP?

Interviewee 8: The model is not easy to understand, so there were sceptics, endorsers, drivers, and even full-blown antagonists. The biggest challenge was to give just the right amount of information, so as not to overwhelm everybody but to still be transparent. There is no place to hide anymore when you are setting up an ESOP, everyone will be involved. But when we got into a simulation model and talked about the rollover and the individual capital accounts, a lot of people get lost. People are sceptical about the things they don't understand. We heard comments like 'I need to buy diapers now, I cannot wait for the rollover'. We had a lot of those discussions where we had to explain that they are not getting any less out of it, it is just a matter of repaying the loan toward the ex-shareholders before starting with the rollover. Each year, for the first 7 years, we are only going to pay out the same amount of money that we already did in the past, which includes the wages, the bonuses based on the profits, and so on. But we need to wait 7 years for the actual dividends, which will be paid out only after the loan is covered. During these 7 years, our dividends will be deposited in the direction of paying out the previous shareholders or the banks. When we were trying to explain all of this, people just heard 7 years and commented that they cannot wait for 7 years. Then, we had to shift the story a little bit; 'if I gave you 7 years, would you bring me € 300,000 for your share? Could you do that? Out of your own pockets?'. It is a

no-brainer! If we want to be employee-owned, we have to rent the shares until we pay the other guys out. It wasn't easy getting the message across and ensuring everyone that they are not losing anything, they are just becoming owners in five years, which they wouldn't have otherwise.

Interviewer: Yes, if they don't understand, people always think there is some hidden cost. How would you describe the current interest of the Slovenian public regarding ESOPs?

Interviewee 8: I don't see it is there. People that I talk to don't know what I am talking about. When I say 'zadruga', which is a Slovenian word for cooperative, they associate it with farmers. A lot of people are saying that this is not going to work. When we spoke to our legal advisor, who is very knowledgeable, he said the last time he studied co-ops was for his bar exam. During his 20 years of legal service, he never had to use it! We are using the co-op principle to make this happen, but somebody else could use a different tool, like the d.d. Also, our credit score is not that good right now, so we have two challenges simultaneously, plus COVID.

Interviewer: As we discussed, there are many benefits connected to ESOPs, but there are very few of them in Slovenia. What would you say the main barriers to a wider ESOP implementation are?

Interviewee 8: The decision-makers have all the money and all the power because power and capital are the same thing. A person that owns a huge company and takes 50% of the profit into his pockets, probably wouldn't understand why he would share that profit with somebody else. And that is probably the same person pulling the strings in the parliament, the government, or even the mafia. But if you look at sustainability, thinking in the long-term, like where we are all going to be in 20 years, ESOPs make perfect sense. People should realize that capital isn't necessarily money, the centralized money isn't necessarily the driving force of the gross domestic product, legislation policies, and the government.

Interviewer: Yes, true. Now, I would like to share my screen so you can see a table summarizing a few barriers to ESOP implementation mentioned in the literature. Maybe you can tell me which do you believe are most relevant for Slovenia?

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 8: Institutional barriers are quite big for sure: lack of support by governments, tax incentives, and legal issues. Otherwise, our company would already be an ESOP. Then, no clear benefits and concerns about free riders, too. Complexity - possibly yes. If you want to make a system fair, it is always complex.

Interviewer: Thank you so much. What should be done to popularize ESOPs in Slovenia?

Interviewee 8: When we talked with the ex-shareholders and employees, they kept saying that ESOP is not even legally established in Slovenia, so we are forcing something that doesn't even have a tax and legal groundfloor. How can you be doing this if there is no law for it? We kept explaining that we are taking the advantage of the cooperative principle and we are implementing those laws, so there is a legal and tax ground for everything that we are doing. The cooperative is still only financed after you pay profit tax. We are not cheating any government out of any money, not breaking any laws, and not making stuff up as we go. But they weren't convinced because there is no specific law for ESOPs. We had to discuss this several times to get the message across that there is a law for cooperatives and this exists since Yugoslavia, so it has been around for a very long time.

Business influencers need to raise their voice. Dewesoft or some of the widely known companies in Slovenia should stand up and say 'we implemented this, and it is the only good, sustainable way to the future'. Our company is not really in a position right now to be a business influencer. But we have a marketing communication strategy and we are going to talk about it in Finance and RTV Slovenia. ESOPs need publicity all over, with business influencers and renowned experts in the field. We need companies that are thinking about it or doing it to speak up and talk about it on daily basis. We need to go to PopTV, Delo, and also abroad. Sometimes, the best approach for the Slovenian market is to go out of Slovenia, do a story there, and let that story resonate back because we have a bit of a small country complex. In short, Slovenians tend to believe what the Germans say.

Interviewer: So what channels do you or your peers use when looking for information on this topic or similar topics?

Interviewee 8: We read blogs and follow LinkedIn. We mostly went into the websites that our ESOP advisors provided for us, including a lot of studies, use cases, and research on benefits. I know there are a lot of thick books on this, but I haven't read them yet. I think public events or discussions would be great after we have one or two best practice examples. I wouldn't talk about it too much in theory. I would avoid saying 'Slovenia is going to do this, we are thinking about this, and we are passing the law, etc.'. We need a concrete example; 'we have done this a year ago, it was excellent, and we recommend it'. Another good idea is having a certificate. I know that some American companies have a little black stamp on their webpage, saying '100% employee-owned'. The certificate should be promoted on PopTV, creating some publicity. For instance, being selected for Delova Podjetniška Zvezda created a lot of publicity for our company. Finance asked us for an interview, and high-end Slovenian companies congratulated us, which have never heard of us before because 90% of our products and services are exported out of Slovenia.

Interviewer: Thank you so much. Finally, could you please tell me what your field of expertise is? And maybe you could share in which range your age belongs.

Interviewee 8: I am a computer scientist and I have two roles in my company. I am the head of the manufacturing intelligence department, but I am also the chief commercial officer. And I am a big fan of ESOP, so I am officially managing this transformation project. I am between 41 and 50 years old.

Interviewer: Thank you so much for all your input, it was very helpful.

## **Appendix 17: Transcript 9 – interview with an employee**

Interviewer: Thank you for joining me today. My first question would be how well acquainted you are with the ESOP model?

Interviewee 9: That is a tough question because I don't know how much there is to know. I feel like there is so much more to learn. I know the theory, but given that we just took it into practice, I will need some time to get the gist of it and what it truly means or how it is going to influence my career or even my personal life. So, I am moderately familiar with the model.

Interviewer: How did you learn about the model?

Interviewee 9: I work for a company that is transitioning to an ESOP. Otherwise, I would never know about it, at least in the near future. The first time I ever heard of ESOP was when I applied for this job. I didn't know at the time what it was, it just sounded cool. The first time I was at the office, they mentioned a little more. We got into more detail during the workshops.

Interviewer: What do you think, if ESOPs were widely implemented in Slovenia, which economic or societal problems would be addressed? Please think about the benefits from the perspective of employees, business owners, and the general public.

Interviewee 9: Financial welfare in general. I would say that one of the aspects that will be addressed is employee well-being, and not only financially speaking. This is probably the most obvious one. It goes beyond the employee themselves, so their families will also benefit, just as the regular salary influences the lives of people nearest to the person getting paid. The ESOP model just adds to it, from the financial perspective, you cannot ignore it.

From the perspective of employees, having a voice is what I like the most. I look forward to being able to be there when it is time to decide on something. In an ESOP, what I say is going to mean something, it is going to have a bigger influence, which I like. I get to influence decisions so that they align with my personal goals regarding the industry of the partners and clients (which is very important to me). I also get to vote on whether we are going to make investments and the way we are going to conduct business in the near future and the long term. We are already motivated to do our work, we enjoy our jobs. From day one, I had this feeling that this team is meant to do something huge, something good, and something that matters. I can see that the personal values of each one of us align with the values that were set when the company was established. Responsibility is one of the values and I can feel it in myself and the others, I can count on them. This, it is hard to imagine how much more motivated we are going to get, but probably on some level, in some way, it is going to happen. I look forward to seeing how it will influence our business. It can only just bring value and take it to the next level because it is a question of motivation and drive. It makes a lot of sense when they say that you teach employees how to think, act, or feel like an owner, they can maybe even imagine how it is, but it probably never going to have any

real effect and be enough as long as those employees aren't put in the same shoes as the owners. I expect it to give me clarity and a new perspective.

For the owners of my company, ESOP makes it a lot easier as they were looking for a system in which they could share the ownership with the employees. They were convinced that the ESOP is the right way or at least the best model of those that they knew of. From their point of view, it helps prevent a silo culture in the company and allows the whole team to grow with all the changes. ESOP is predictable and trustworthy, making communication much better and more systematic. The ESOP also helps the founders to relax a little because they know that the company stays in the hands of the community that built it in the beginning and that the culture continues to stay for as long as the company exists.

For the general public, if more companies converted to ESOPs, it is going to get the public thinking that it can be better, that they deserve it, and they are going to start looking for companies which offer something like that.

Interviewer: Yes, thank you. There are many benefits connected to the wider implementation of the ESOP model found in the USA. How do you think these would apply to the Slovenian context?

Interviewee 9: ESOP would help a lot with wealth inequality. I think that the politicians will try to prevent the ESOP model from influencing the Slovenian economy too much because it will maybe affect their wealth. But in the long-term, I think it is inevitable. The fact that these people are selling the leading Slovenian companies to foreigners is a huge problem. It is just sad. Contrary, incorporating the ESOP model into the company means keeping the company in the employees' hands and within the country in the long term. It is the right thing to do. So, yes, in the long-term, it could be similar to the situation in the USA. I don't see why not.

Interviewer: Do you personally believe in the advantages of the ESOP model and why?

Interviewee 9: As I said before, ESOP makes sense. With employees being owners, it opens up the horizon. Given what I have experienced in my company, I feel ESOP is right. It is the first time I ever heard about any company owner doing such a thing. I trust that he truly wants to do good. We can't know for sure that our company transition will play out the way we plan, but it is the best thing we got on the table. I just can't think of why ESOP would be the wrong thing. One of the things I learned here is that the best you could do is make an informed decision and know in your heart that it is the right decision. Then you should be satisfied, even if it doesn't work out. I just have this feeling that we are on the right path.

Interviewer: How does it feel to work for an ESOP?



Interviewee 9: I could probably give you a better answer a year from now. The ESOP has just started, but I certainly look forward to it. I want to be involved in strategy and decision-making.

Interviewer: And how would you feel about initiating an ESOP transition?

Interviewee 9: I don't think I could try initiating an ESOP transition in the companies I have worked in the past. You need to work very hard to come up with a plan on how to even get them to start seriously considering something like that. The culture has to be there already, otherwise, it would feel fake. I can't see why you would want to do ESOP for real and reap all the benefits it brings if you are not already trying to run the company in a way that puts employees first. And I didn't have that feeling where I worked in the past. It is not that I felt undervalued, but it was still obvious that the employees are expendable. I don't see how ESOP would work in such an organisation.

Interviewer: So, do you believe that in most companies, the transition idea would have to come top-down, rather than from the employees?

Interviewee 9: Yes, I have to agree with you.

Interviewer: What was your reaction when you learned that the company is converting to an ESOP?

Interviewee 9: I was a little confused because I didn't know what it would mean in real life, but I thought it was cool. It seemed okay based on the way they described it to me. Why not. But I honestly couldn't see how it would impact me because I felt like I will do my best anyway.

Interviewer: Thanks for that. How would you describe the current interest of the Slovenian public regarding ESOPs?

Interviewee 9: I had never heard of it before I joined the company. When I talk to people about it, now that I am part of it, nobody knows of it. When I start describing it, the first thing that comes to their mind is that it is some trust and people start mixing it with those traditional types of benefit systems. People don't have an opinion because they don't know about it.

Interviewer: What would you say is the reason that there are so few ESOPs in Slovenia?

Interviewee 9: I see two main reasons. The first one is that the Slovenian politicians, or more precisely, the decision-makers are not ready for it or not willing to consider it seriously. Also, there are not enough advocates for the ESOP models, so we need more organisations like the Institute for Economic Democracy.

Interviewer: Thank you. I have summarized the barriers found in the literature and I would like to share the screen, so you can let me know which ones you believe are most relevant for the Slovenian context.

The interviewer shares the screen and shows the summary of the barriers.

Interviewee 9: The most relevant would be the institutional and knowledge-related barriers. As I said, one of the biggest barriers would be politics and the lack of advocates or experts.

Interviewer: We mentioned that people in Slovenia lack knowledge about the ESOP. What do you suppose needs to be done to make ESOPs more popular?

Interviewee 9: The first step would be to have more advocates and experts. Secondly, any other novelty that is introduced to society or the world of economy or politics should have a really good marketing communication strategy and then a marketing plan on how to execute it. I don't see it being much different than anything else. When there is something that people don't know about, and you want them to know about it, you have to think it through and know every detail. As we said, there are many things that people don't know yet and it is really hard to teach them. Raising awareness takes a lot of effort. First, you need to know who you are targeting. In this case, it is probably company owners. You have to do research, and then based on the results, you must come up with a strategy and an execution plan. Finally, just start doing it. I don't see marketing itself being a lot different from any other endeavour that we have seen at any other time in history. You need to go step by step. If you want to do it right, you must do the research, otherwise, you are just shooting in the dark. Maybe you will hit, but you are probably going to miss. People seem to forget about the importance of the first step, which is doing the research. Then, in the implementation of the plan, you need to stay true to yourself and keep trying hard.

Interviewer: You mentioned that decision-makers at the company level would be the target audience. How would you reach them?

Interviewee 9: It depends on various factors, one of which is the industry in which they are working. Raising awareness includes a lot of content marketing. LinkedIn is for sure the number one channel, maybe also some online or even printed magazines. It would help to speak about ESOP at conferences. Also, roundtables would be one of my go-to channels.

Interviewer: And where have you looked for information on this topic?

Interviewee 9: I would just Google it and visit the website of the only advocate for ESOP in Slovenia, the Institute for Economic Democracy. That is what I have done so far. The form of the content isn't as important, I would read anything that seems worth taking the time in the first couple of seconds, regardless of whether it is a blog post or a landing page on a website.

Interviewer: Thank you for sharing all of this. My final questions are what is your field of expertise and if you don't mind sharing, in which range does your age belong?

Interviewee 9: I am a marketing manager, and I am between 31 and 40 years old.

Interviewer: Thank you again for taking the time to help me out with the research.