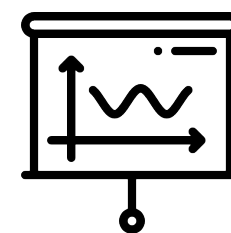


RESEARCH BRIEF

Institute for the Study of
Employee Ownership and Profit
Sharing

ESOPs and Supervisor-Employee Relationships

QUESTION: Do ESOP employees have better relationships with their supervisors, or better leader-member exchange (LMX) as measured by business researchers?



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THE STUDY: Rutgers compared a survey of ESOP workers to a survey of non-ESOP workers.

ANSWER: ESOPs in and of themselves do not have significant effects on supervisor-employee relationships. However, ESOP employees are more likely to report their supervisor is willing to help them solve problems at work.

Also, ESOPs can indirectly help improve supervisor-employee relationships: Better communication about ESOPs and employees' higher satisfaction with ESOPs contribute to better supervisor-employee relationships.

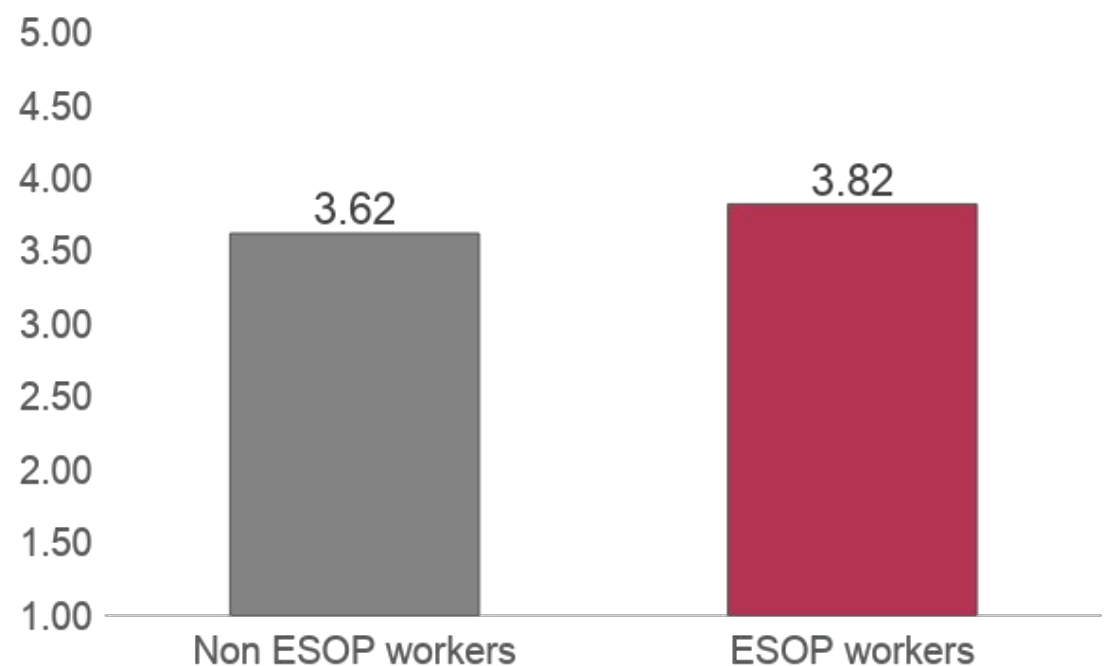
Institute for the Study of Employee
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This report is based on the National ESOP Survey administered in 2019-2021, supported by the Employee Ownership Foundation. For comparison data, the Rutgers Institute funded the Amazon Mechanical Turk Survey for non-ESOP workers that allowed us to survey a sample of non-ESOP workers across the nation.

ESOPs do not automatically lead to better supervisor-employee relationships.

- ❑ The quality of supervisor-employee relationships is measured with the seven-item leader-member exchange (LMX) measure.
- ❑ The average score of the seven LMX questions was slightly higher among ESOP workers, but the difference was not statistically significant.
- ❑ ESOP workers did, however, show a higher average score in one of the seven LMX questions: Question 4 about the supervisors' willingness to help employees solve problems in their work.

Average LMX scores: ESOP workers vs. Non ESOP workers



LMX questions in our surveys: "Please indicate the degree to which you think the item is true for you."

Question 1

- Do you know where you stand with your leader... and do you usually know how satisfied your leader is with what you do?

1=Rarely
5=Very often

Question 2

- How well does your leader understand your job problems and needs?

1=Not a bit
5=A great deal

Question 3

- How well does your leader recognize your potential?

1=Not at all
5=Fully

Question 4

- Regardless of how much formal authority your leader has built into his or her position, what are the chances that your leader would use his or her power to help you solve problems in your work?

1=None
5=Very high

Question 5

- Again, regardless of how much formal authority your leader has, what are the chances that he or she would "bail you out" at his or her expense?

1=None
5=Very high

Question 6

- I have enough confidence in my leader that I would defend and justify his or her decision if he or she were not present to do so.

1=Strongly disagree
5=Strongly agree

Question 7

- How would you characterize your working relationship with your leader?

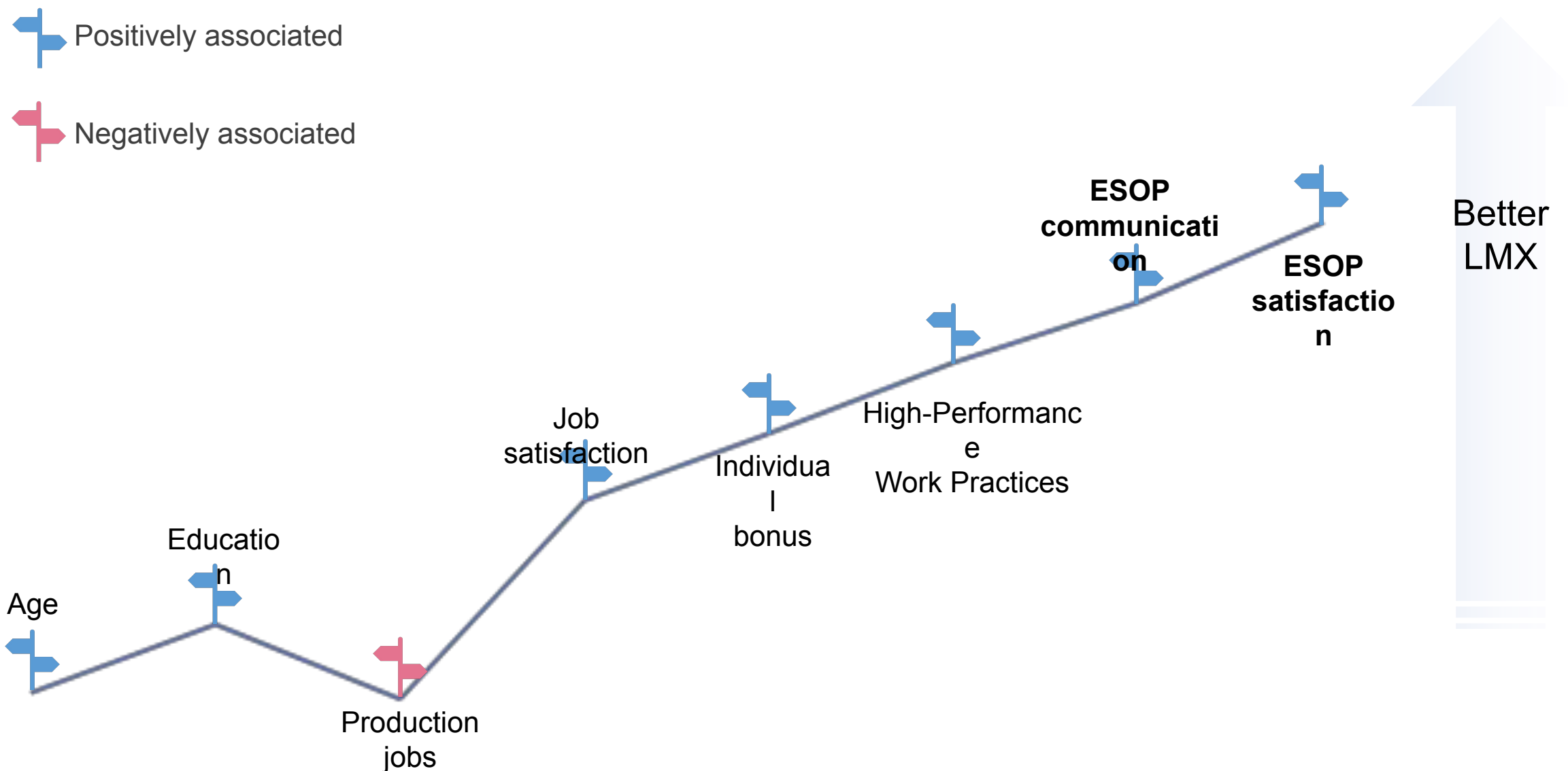
1=Extremely ineffective
5=Extremely effective

Although ESOPs on their own may not directly enhance supervisor-employee relationships, good communication about ESOPs can contribute to better relationships.

- ❑ Greater individual bonuses and high performance work practices are linked to better supervisor-employee relationships.
- ❑ In addition, ESOPs can indirectly help improve supervisor-employee relationships through better communication about ESOPs and employees' higher ESOP satisfaction.

Better ESOP communication and ESOP satisfaction can provide an advantage in supervisor-employee relationships for ESOP companies.

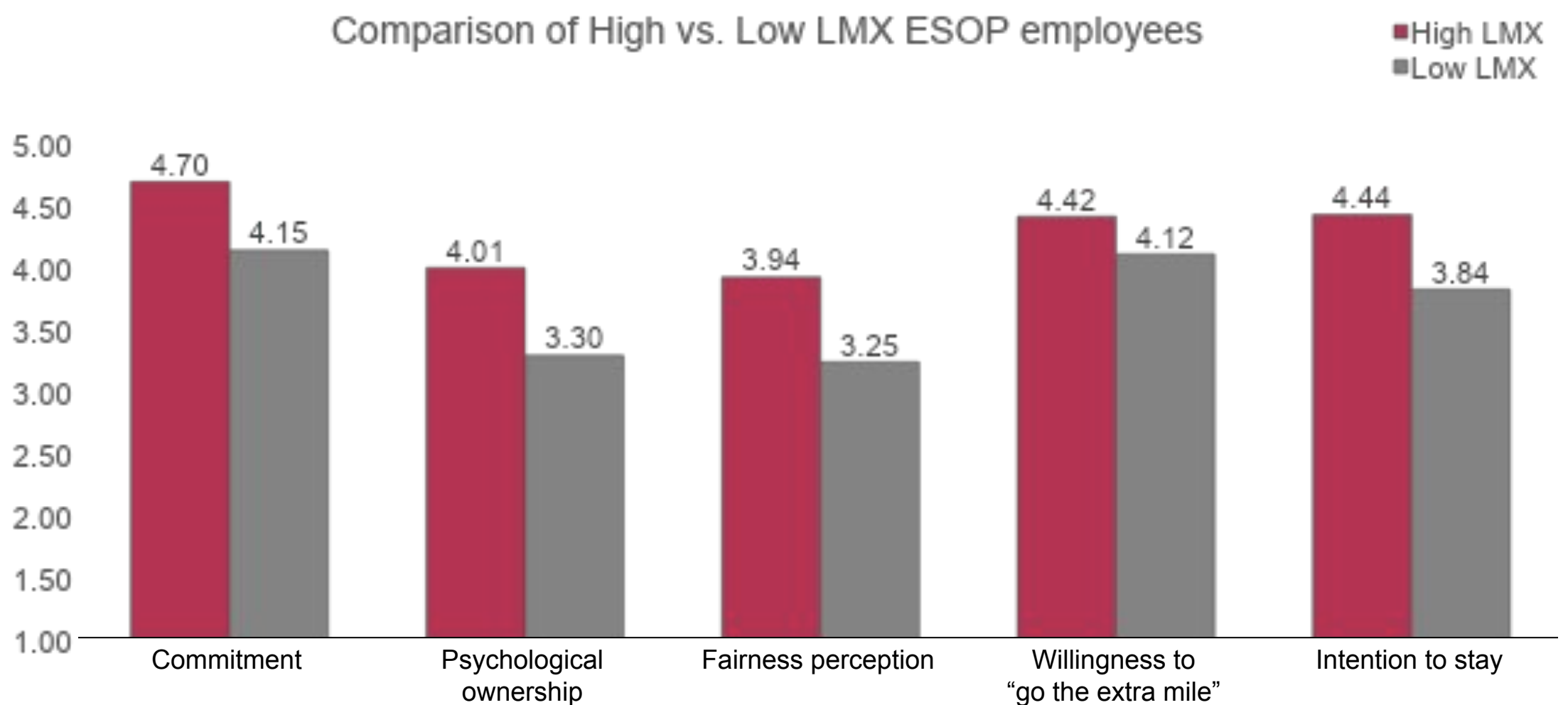
Roadmap to better supervisor-employee relationships



Better supervisor-employee relationships help employees to have a greater sense of ownership, stronger willingness to “go the extra mile,” and to be more committed and less likely to leave.

- Better supervisor-employee relationships lead to:
 - Higher commitment;
 - Stronger intention of voluntarily “going the extra mile” for their coworkers and their company;
 - Greater sense of ownership;
 - Greater sense of fairness; and
 - Greater intention to stay with the company.

When ESOP employees with high and low supervisor-employee relationships were compared, ESOP employees with better supervisor-employee relationships showed higher scores in all attitudes.



All scores are converted to 1-5 point, with 5 being the most positive.

Conclusions

QUESTION: Do ESOP employees have better relationships with their supervisors?

ANSWER: ESOPs in and of themselves do not have significant effects on supervisor-employee relationships. However, ESOP employees are more likely to report their supervisor is willing to help them solve problems at work.

Also, ESOPs can indirectly help improve supervisor-employee relationships: Better ESOP communication and higher ESOP satisfaction contribute to better supervisor-employee relationships.

In turn, better supervisor-employee relationships can lead to higher commitment, stronger intention of voluntarily “going the extra mile” for coworkers and the company, a greater sense of ownership and fairness, and greater intention to stay with the company.

In conclusion, for an ESOP company to have an edge in terms of supervisor-employee relationships over non-ESOP competitors, better communication about an ESOP and helping employees stay satisfied with the ESOP are essential.
