

Empowering the 99%...One ESOP At A Time! A 3 Phase Mixed Methods Study of Employee Owned Company Acquisitions

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Abstract

Phase One Qualitative Study: Interviewed 20 ESOP Executives with successful & unsuccessful acquisition experience. Interviewed 10 target company executives acquired by the ESOP. All 20 acquiring company executives completed 442 acquisitions with only 12 being unsuccessful, which is a 95% success rate.

Phase Two Quantitative Study: This study was marketed to the 3 US ESOP Associations, emailed to 3700 members, & data from 86 respondents was analyzed. All respondents completed 467 acquisitions with 465 fulfilling expectations & 442 being considered successful, which again, is greater than a 95% success rate.

Phase Three Qualitative Study: Since the Phase One & Two studies were self-reported by ESOP executives, a 3rd party viewpoint was desired & obtained by interviewing 25 consultants. Sixteen consultants were experienced with ESOP acquisitions & 9 consultants had experience with non-ESOP acquisitions. The non-ESOP consultants completed a total of 525 acquisitions with 74% meeting the buyer's expectations & 23% exceeding their expectations. The ESOP consultants completed a total of 268 acquisitions with 91% meeting the buyer's expectations & 43% exceeding their expectations.

Findings: ESOP executives are risk averse by meticulously selecting & attempting to match cultures with their target companies even prior to the acquisition. Certain organizational behavioral management strategy practices of Shared Vision, Strategic Planning, Ethical Values, Long Term Orientation, Altruistic Behavior, & Organizational Empowerment by ESOP Executives were discovered to cause these successful & productive acquisitions to occur. These ESOP acquiring companies provided employment for 90-95% of the target company employees & approximately 90-100% of the target company employees joined the ESOP. ESOPs are clearly different from the Non-ESOP conventional companies. In 2016, the Dealogic Research Institute reported the value of withdrawn & rejected mergers & acquisitions offers were at the highest level since 2007 & that the US was at the top of the list for withdrawn deals. In addition, failed deals set new records as 47% of mergers & acquisitions failed or appeared to not be worth the deal.