Sharing in the Company

Which Companies Adopt Sharing Arrangements and Why?

Erik Poutsma, Paul E. M. Ligthart,

WHICH COMPANIES ADOPT SHARING ARRANGEMENTS AND WHY?

Erik Poutsma and Paul E. M. Ligthart

ABSTRACT

This chapter analyzes the determinants of adoption of sharing arrangements by companies. Using propositions from agency and strategic human resource management frameworks predicting the adoption of sharing arrangements, we test the relationships with a large international dataset. The study finds that adoption of sharing arrangements is related to human capital investments, individual incentives, involvement practices, and human resource management practices and that adoption is affected by country differences.

Keywords: Employee share ownership; stock option; profit sharing; human capital investments; involvement; performance-related pay

JEL classifications: J33; J54; M12; M52; M54

INTRODUCTION

In this chapter, we focus on the question of which organizations or workplaces adopt financial participation and why. We investigate the determinants of financial participation, that is, employee share ownership, profit sharing, and stock options, by looking at the characteristics of organizations and workplaces

Sharing in the Company: Determinants, Processes and Outcomes of Employee Participation
Advances in the Economic Analysis of Participatory & Labor-Managed Firms, Volume 17, 23–48

ISSN: 0885-3339/doi:10.1108/S0885-333920160000017005

with financial participation and possible contextual influences on adoption. Propositions derived from agency theory are used in the literature on the characteristics of firms or workplaces with financial participation. The prevailing assumption is that financial participation has the capacity to lower agency costs where contracts are incomplete. Since workers have the discretionary capacity to behave opportunistically following their own interest, firms face costs arising from moral hazard and adverse selection (Eisenhardt, 1989). Empirical studies have sought explanations for variations in company and workforce characteristics as proxies for the above-mentioned underlying economic processes and relationships, such as the costs of monitoring worker performance and the need to develop a highly committed workforce. For instance, adopting the assumption that certain types of professions are typically more difficult-to-monitor than others, studies suggest that the composition of the workforce influences the chance of having share ownership or profit-sharing schemes in place for employees. Professionals engaged in more autonomous and complex work are typical proxies used in these studies.

The HRM and OB literature similarly focuses on characteristics of workplaces and demographics in explaining the adoption of financial participation as an incentive or commitment practice. In addition, the strategic HRM literature focuses on the relationship between financial participation and other HRM practices including participation in decision-making arrangements as elements of high-commitment workplaces. Finally, largely operating with a neo-institutional theoretical lens, the international comparative literature seeks explanations for country differences in the adoption of financial participation.

This chapter focuses on a number of new emerging themes in the above bodies of literature and tests some of the relationships derived from the literature using a large international dataset. First, we discuss the relationship between financial participation and other individual incentives. Second, we draw attention to the emerging theme of the relationship between investment in training and financial participation. Third, we cover the theme of the relationship between financial participation and other forms of participation in decision making. Fourth, we address the theme of peer monitoring and financial participation. Fifth, we discuss the role of broader HRM configuration in the development of financial participation. Finally, we address the important theme of country differences in the adoption of financial participation arrangements.

CONCEPTS AND RELATIONSHIPS

Relationship with Individual Incentives

The financial participation literature typically makes another prediction regarding the use of broad-based stock plans, drawing on agency theory. This literature suggests that group-based incentives, such as share ownership plans, may be used by firms as an alternative for individual incentive pay. A new approach (Pendleton, 2006) suggests that firms may use multiple incentives, and employee share plans may complement individual incentives (Gibbons, 1998; Holmstrom & Milgrom, 1994). The argument is that (groups of) employees typically have multiple tasks with varying levels of problem monitoring and scope; thus, a single incentive may have strong distortion effects (Prendergast, 1999). In this type of reasoning, stock plans may mitigate the costs arising from the use of individual incentive pay by encouraging employees to focus on long-term targets and broader interests rather than just short-term financial or output goals. Cooperative behavior, supported by group incentives, is necessary to counterbalance the self-interested focus of individual incentives. Thus, various forms of monitoring and incentives may be complementary to each other, and financial participation may be found where close monitoring and individual incentives are also in use. Indeed, Pendleton (2006) finds that individual incentives are a covariate rather than a substitute for employee share plans. The interpretation of these results is that the merits of employee share plans, in combination with individual performance-related pay, shift the stimuli emanating from stronger incentives in the direction of longer-term time frames, collective performance outcomes, and more cooperative behavior (Pendleton, 2006, p. 755).

Investment in Training

Another determinant arises from the possible complementarity between share plans and employer-provided training, in the sense that the use of one facilitates the use of the other (Pendleton & Robinson, 2011). The argument is that employee share plans mitigate the risks for employers, the risk being that workers are not willing to commit to the company, which reduces the potential benefits of training. In addition, from the employee perspective, employee share plans offer a guarantee that employees will benefit from the use of their human capital, and these plans signal that employers will not opportunistically reap the benefits of employee engagement. In this way, share plans reduce the potential hold-up problem that may arise with regard to training offered by the employer. In particular, firm-specific training – in contrast to general training – may cause the hold-up problem. From the point of view of employees, firm-specific training bears the risk that the increase in human capital will have less value in other firms. At the same time, managers may opportunistically benefit from the surplus from the investment. These risks may decrease employee engagement. The potential hold-up may discourage both parties from investing in human capital (Blair, 1995). Share ownership plans signal to employees that they will benefit from investing their human capital in the firm. Employee share ownership plans can also reinforce the long-term-focused behavior of employees as they are locked in by retention periods that are usually attached to deferred share plans. In addition, psychological arguments list the possible alignment of interest and commitment through three factors (Klein, 1987): employees are intrinsically satisfied when owning shares; they may gain extrinsic satisfaction from the expected reward; and they may gain instrumental satisfaction derived from participation in decision making related to the ownership of shares. These three factors have received support from several studies (Pendleton, Wilson, & Wright, 1998; Wagner, Parker, & Christiansen, 2003) and emphasize the possible mechanism of the sense of ownership beyond any incentive mechanism (Pierce, Kostova, & Dirks, 1991, 2001; Pierce, Rubenfeld, & Morgan, 1991).

There are several studies that identify the complementarity of share plans and investment in training (Ben-Ner, Burns, Dow, & Putterman, 2000; Core & Guay, 2001; Pendleton, Poutsma, Van Ommeren, & Brewster, 2003). Robinson and Zhang (2005) find that participation in share plans is related to training requirements and the proportion of employees receiving off-the-job training. Pendleton and Robinson (2011) find that the use of share plans and high employee participation in them is associated with high training coverage. Guery (2015) finds that the use of employee share ownership favors investment in human capital rather than serving as a motivational and incentive tool.

Employee Participation and Representation

Another focus developed in the financial participation literature concerns the complementarities between voice and financial participation (Croucher, Brookes, Wood, & Brewster, 2010; Poutsma, Hendrickx, & Huijgen, 2003; Poutsma, Ligthart, & Veersma, 2006). Voice is defined as a process that allows employees to exert some influence over their work and the conditions under which they work. Employee voice can incorporate a representative voice and various forms of participation developed directly between management and workers, also called mechanisms of indirect and direct participation, respectively. Indirect participation covers collective bargaining (which allows influence on the general terms of work), and representative participation works through union representation, work councils, and joint consultation committees (which allows influence over the more detailed terms and conditions of work within organizations). Direct participation may encourage employees to coordinate their work tasks without supervision, thereby saving management time. Joint problem-solving in production/service delivery may facilitate organizational learning, leading to higher-quality human capital and greater efficiency. The consequence of this thinking is a strong "consensus orientation" (in practice and research) (Keegan & Boselie, 2006), and arguments for democratization have widely become arguments for more efficiency (Boselie, Dietz, & Boon, 2005).

The relationship between the forms of participation in terms of employee voice and financial participation has emerged as a key issue in discussions of financial participation and its outcomes. It has been argued that companies adopt direct participation practices for reasons of "dynamic efficiency" and "organizational capabilities." To sustain and develop these capabilities, financial participation may provide for a return on these employee investments in human and social capital (Blair, 1995; Blair & Kochan, 2000). Financial participation may be perceived as a reward for becoming more involved in the firm and thus may be seen as a pay-off for direct participation (Levine & D'Andrea Tyson, 1990), while involvement in a financial participation scheme may stimulate demand for greater communication and involvement in work decisions (Kato & Morishima, 2002). The effects of other forms of participation have a rather symbiotic relationship with financial participation, as shown by Levine and D'Andrea Tyson (1990). They note that "sustained, effective participation (in decisions) requires that employees be rewarded for the extra effort which such participation entails, and that they receive a share of any increased productivity or profits […]." In addition, participation can lead to demands for participation in decision making. "When there is profit sharing, workers' incomes depend on the decisions of the firm, and workers want to have a say in these decisions" (Levine & D'Andrea Tyson, 1990, p. 209). Finally, a perceived willingness of management to share information may signal to employees that managerial motives for a financial participation plan are not opportunistic. This may enhance the levels of commitment and trust.

The empirical evidence is mixed. Financial participation has been found to have beneficial impacts on performance when other forms of participation are present (McNabb & Whitfield, 1998), but there is empirical counter-evidence (Kalmi, Pendleton, & Poutsma, 2005). Poutsma and Huijgen (1999) find significant correlations between financial participation and direct participation in European countries, especially in France and the United Kingdom, the two countries with the highest incidence of financial participation. However, Festing, Groening, Kabst, and Weber (1999) find weak relationships between direct participation and the presence of either profit sharing or share ownership, although job enlargement and flexibility are related to share plans in France and the United Kingdom and to profit share plans in France. On a more strategic level, high-commitment strategies are a significant predictor of the presence of profit sharing in Canadian firms (Long, 2002). However, Poutsma, Kalmi, and Pendleton (2006) find no relationship between an index of "direct participation" practices (i.e., employee surveys, suggestion schemes, quality circles, and teamwork) and the presence of profit sharing or employee share ownership in four European countries.

Another study on the bundling of participation and ownership practices and their relationship with investment in training is Guery (2015). Guery (2015) differentiates between two forms of direct involvement: downward communication from management to staff (traditional meetings between the manager and his/her team, team meetings with senior managers, company newsletters) and upward problem-solving practices, which focus on the employee's capacity to make proposals (quality circles, team meetings designed to improve performance, procedures for employees to make proposals, such as suggestion boxes). His research results emphasize the complementary nature of employee share ownership and direct involvement. He finds that bundling these participation practices with employee share ownership favors investment in training. The more a firm invests in training, the more it uses a multitude of practices to encourage employees to commit during their own training, use acquired skills, and remain loyal to the firm. These results echo those of Kato and Morishima (2002) in their study of productivity; they conclude that gains in productivity are insignificant when a single form of involvement coexists with ESO.

Complementarities between financial participation and indirect participation are less obvious. To date, there is little evidence of representative involvement in the design of financial participation. UK evidence indicates that collective bargaining and financial participation usually operate independently, even though both may be present (Pendleton, 1997). It is possible, though, that there are differences between types of financial participation. Profit sharing may be considered a form of rent sharing that readily fits with the practice of collective bargaining. Employee share ownership, on the other hand, can be seen as occurring in the "ownership domain" of the company and thus is distinct from employment and its regulation.

Trade unions are often hostile to financial participation initiatives (Poole & Jenkins, 1990), which they consider promoting consensus and bypassing union representation (Gollan, Poutsma, & Veersma, 2006). Recently, in Europe, unions have become more favorably inclined toward share ownership plans, and though they have not had direct effects on union representation in most cases, there is residual suspicion among some unions in some countries (Pendleton & Poutsma, 2004). Share ownership plans function independently of pay bargaining to a large extent because they are governed by separate regulations. As a result, their capacity to bring about major changes in bargaining structure is probably very limited.

The argument for a positive correlation between financial participation and indirect participation is based on building commitment and trust. The aligning of interest by financial participation is accompanied by an improvement in management–employee relations. A perceived willingness of management to share information may signal to employees that managerial motives for a financial participation plan are not opportunistic, while the presence of representative participation may ensure that employees are not exposed to excessive risk. A negative correlation between financial participation and indirect participation is based on the argument that management tends not to accept double control of their behavior through the ownership channel of voice or through the channel of representative participation. The expected negative correlation is also related to arguments regarding the limited viability of worker-owned firms. The chance for a higher risk of dissolution is related, for instance, to inefficient investment and risk-taking decisions and costly collective choice problems (for a review, see Dow, 2003; Dow & Putterman, 2000; Pencavel, 2012).

Peer Monitoring

Another argument for the complementarities of voice and financial participation is the possibility of ameliorating the free-rider problem. The free-rider effect states that no extra effort accrues from collective incentive plans and that no better collective performance results from the possibility of colleagues' free riding. Firms may combine financial participation with other forms of employee participation and other human resource policies to encourage a sense of ownership, draw more fully on worker skills and information, and create a company spirit and work norms (Kruse, 2002, p. 71; Kruse et al., 2004). Employee ownership and profit sharing align the interests of employees with the goals of the firm and are supported by the mechanisms of teamwork, cooperation, information sharing, and employees' indirect or direct participation and involvement in decision making at other levels of the hierarchy (Kato & Morishima, 2002; Poutsma et al., 2003). A major study examines action against shirking due to the ownership and commitment effect of financial participation plans. Freeman, Kruse, and Blasi (2010) find that workers are most likely to take action against shirkers in workplaces where employees participate in profit sharing, gain sharing, stock options, or other forms of ownership. They also show that workers in workplaces where there is more anti-shirking behavior report that their co-workers work harder and encourage other workers more and that their workplace is more effective in several dimensions related to productivity and profits.

Human Resource Management Practices

Advocates of strategic human resource management argue that HRM practices need to be "bundled" (Delery & Doty, 1996; Lepak, Liao, Chung, & Harden, 2006) in order to be effective. These bundles may be considered strategies for the effective management of employees. The literature discovers various bundles, of which the distinction between control and commitment çstrategies (Arthur, 1994) is the most well-known. Financial participation schemes are considered an important complement of the commitment strategy (Kaarsemaker & Poutsma, 2006; Pil & MacDuffie, 1996; Rosen, Case, & Staubus, 2005).

In employee ownership, the argument is as follows. Ownership of an asset comes with rights: the right to use the asset, the right to its returns, and the right to sell it. These rights can be translated into HRM practices. In addition to participation in decision making, these practices include such issues as information sharing, profit sharing, and training for business literacy (so that employees can understand information and participate in a meaningful way).

Together with employee ownership, these practices theoretically form a "high-performance work system" that can signal to employees the importance of employee ownership to the firm and its leadership (Kaarsemaker & Poutsma, 2006). Together, these practices may underwrite a "sharing and ownership culture." Organizations that possess such a culture have the strongest impacts of employee ownership on employee attitudes and behavior (Blasi, Kruse, & Bernstein, 2003; De Jong & Van Witteloostuijn, 2004; Kaarsemaker, 2006; Maaløe, 1998; Rosen et al., 2005). If these arguments are correct, then firms practicing a high-commitment strategy should be more likely to adopt financial participation than firms not practicing a high-commitment strategy. We, therefore, expect to find that firms with financial participation also have a range of other human resource management practices directed toward increasing participation, such as explicit policies for employee communication, information sharing, and briefing employees on the firm's strategy.

Critics of the high-commitment strategy suggest that the related HRM practices may be merely an additional control mechanism for management to increase the effort of employees. Following a neo-Fordist labor process approach (Friedman, 1977), they argue that financial participation may lead to work intensification, which may reach unhealthy levels (Harley, 1999). An alternative focus is, therefore, on the extent to which key dimensions of the control strategy (dubbed calculative HRM by Gooderham, Nordhaug, & Ringdal, 1999) are associated with financial participation. UK evidence suggests that firms offering share plans are also likely to make use of "calculative" individual performance-based pay (Pendleton, 2006, p. 772). Thus, incentives that are open to groups are combined with those operating at an individual level. Kochan and Osterman (1994) note that both bring greater flexibility in the price of labor, suggesting that financial participation may constitute part of a broader calculative HRM strategy. However, Ramsay, Scholarios, and Harley (2000) find no strong support for such an approach. In sum, the question emerges as to how far financial participation may be found in organizations practicing calculative or participative HRM and the degree to which financial participation may be a dimension of the latter.

Country Differences

There is cross-national variety in the incidence and character of financial participation. Several studies over the years (Lowitzsch & Hashi, 2006; Poutsma, 2001a) have shown that the availability of fiscal benefits to companies and employees is an important determinant of the adoption and use of financial participation schemes. However, this variety is based on a complex set of factors rather than only government actions regarding fiscal benefits. Poole (1989) indicates that "favorable conjunctures" of economic and political circumstances can explain the growth of financial participation in given countries. For instance, the widespread use of financial participation in the United Kingdom can be attributed to the shift in economic power from workers to firms and the political emphasis on undermining trade unionism and promoting employer–employee cooperation in the early 1980s, when some of the current financial participation schemes were introduced by the government (Pendleton & Poutsma, 2012). More recently, the concepts of "national business systems" and "varieties of capitalism" have provided a more comprehensive and theoretically grounded way of explaining variations in the use of financial participation between countries (Croucher et al., 2010). Explanations for the cross-national variation require analyses on two levels. One concerns the presence of legislation and fiscal concessions for financial participation. The second concerns the propensity of firms to use financial participation facilitated by such legislation and fiscal concessions. The second level focuses on the role of the institutional environment, e.g., ownership structures, trade unions, and industrial relations systems, as well as broader prevailing norms and values (national culture). To make the situation complex, both levels also interact in the influence on companies' financial participation decisions (or "non-decisions"). There is thus a highly complex set of inter-relationships between actors and institutions.

Other objectives of actors in the institutional environment may make the adoption and use of financial participation more or less likely, for example, the objectives, policies, and strength of the "social partners": trade unions and employers' associations (Pendleton & Poutsma, 2004). Some unions tend to oppose employee share ownership on the grounds that it blurs a fundamental opposition between capital and labor. As for employers' associations, there is a tension between desires to promote cooperation and an anxiety that employee share ownership might weaken managerial control. In addition to the role of specific groups, governmental action is influenced by the broader national business system. For instance, share ownership schemes seem likely to be facilitated by the extensive use of stock market listing in countries such as the United Kingdom and obstructed by the pyramidal structures of corporate ownership in countries such as Italy. Black, Gospel, and Pendleton (2007) find that the prevalence of share ownership plans in countries is associated with the extent of ownership dispersion in the listed company sector.

Through the lens of varieties of capitalism, it is found that share ownership plans receive the most support from governments and are most prevalent in those countries that are viewed as "liberal market economies" in the "varieties of capitalism" literature. In these countries, it is said that exchanges between key factors, such as labor and firms, are predominantly market or transactional in character, whereas in "coordinated market economies," there is a greater emphasis on relationships (Gospel & Pendleton, 2005). Thus, in the latter, employee commitment might be secured through well-developed systems for employee involvement and representation, whereas in liberal market economies there is a greater reliance on market-based rewards, such as company stock plans (Blair, 1995).

At the company level, institutional isomorphism (homogenization) in the use of employee financial participation is likely. Firms may mimic their rivals in the use of practices, they may react to coercive pressures to conform to legislation and informal rules, or they may uphold and follow certain employment practices and norms found in the business system. The existing "order," however, may be disrupted by outsiders. For instance, the spread of financial participation in countries that have not been noted for extensive financial participation has been stimulated by USA multinationals' transfer of practices common in the United States to their overseas subsidiaries (Poutsma, Ligthart, & Schouteten, 2005).

In recent years, there have been major changes in institutions, especially in systems of collective bargaining and other elements of employment relations. The decentralization of pay-setting has been under way for some time (Keune, 2008; Traxler, Arrowsmith, Nergaard, & Mollins Lopez-Rodo, 2008), though the extent varies between countries. Alongside these changes in the processes of collective bargaining, pay systems themselves have become more individualistic (Traxler, Brandl, & Glassner, 2008). Financial participation is often considered a key component of these trends. Since financial participation is usually linked to some measure of company performance, it tends to be associated with single employers rather than multi-employer collective bargaining. By contrast, national or sector-wide systems of pay determination seem incompatible with financial participation, although profit sharing is easier to add to the bargaining agenda than employee share ownership. However, as Nergaard, Dolvik, Marginson, Arasanz Diaz, and Bechter (2009) note, variable pay and collective centralized bargaining are distinct and, though often connected in practice, are not necessarily so. A recent cross-national study of financial participation found no clear relationship between the presence of collective bargaining and the use of share ownership, stock option, or profit sharing plans by companies (Croucher et al., 2010). A complicating factor is that there is diversity of pay determination arrangements at the company level within national collective bargaining regimes and that it is too simplistic to expect a relationship. Recent case study evidence illustrates the diversity of pay-setting arrangements and the use of pay schemes even within single sectors (see Marginson, Arrowsmith, & Gray, 2008; Nergaard et al., 2009), making it a "complete study of hybridization" (Arrowsmith & Marginson, 2011, p. 74, cited in Kalmi, Pendleton, & Poutsma, 2012). A company's use of financial participation schemes may be influenced by the prevailing national pattern of pay determination as well as the specific form of pay determination used by the company (Kalmi et al., 2012).

WHY ARE MANAGERS/OWNERS MOTIVATED TO ADOPT FINANCIAL PARTICIPATION?

The text above summarizes the antecedents of the adoption of financial participation arrangements and covers the possible motivations of actors, particularly managers/owners, to promote the adoption. Proponents may have different motivations for different schemes and have a variety of beliefs in the targets that are said to be reached by the schemes. However, while ample research has been performed on discovering the aforementioned antecedents, not much research has focused on the subjective motivation of managers/owners regarding the introduction of these plans in their company. These views are related to broader frames of reference on financial participation that actors may have when considering financial participation. D'Art (1992) summarizes these frames of reference nicely. He distinguishes four frames of reference: (1) the traditional philanthropic or altruist perspective, (2) the managerial perspective, where financial participation is considered a management tool, (3) the neoliberal perspective, where financial participation is perceived to resolve the perceived contradiction between capitalism and democracy, and (4) the social democratic or union movement perspective, focusing on collective forms of ownership and profit sharing. Although important, the first and fourth perspectives are both not very common in mainstream financial participation. The third perspective is at the heart of the development of the ESOP system in the United States, while the second (managerial) perspective forms the background for mainstream stock purchases, stock options, and profit-sharing adoption. This latest perspective can be divided into three subcategories that reflect different managerial intentions. The first is sophisticated managerialism, where management's intention is to bind employees to the firm based not only on an incentive view but also on the offering of additional fringe benefits, representing the company as a preferred employer and enhancing the pool of potential recruits. The second is cost-benefit managerialism, where the intention is to increase the productivity and profitability with a labor cost-reduction perspective of financial participation, focusing mainly on profit sharing or tax exemption forms of financial participation. The third is what D'Art calls Machiavellian managerialism, where the intention is to develop an individual relationship between the company and its employees, to weaken the appeal of collectivism and thus to avoid unionism. Of course, these different intentions may not be played out in full, and though there will probably be a difference between rhetoric and observed practice, they do influence employee reactions and may have unintended consequences. Employees may make positive or negative attributions to the intentions management may have (see the chapter on the employee perspective). Rhetoric may observe traditional altruistic objectives, while employees may perceive an exploiting control focus.

As said, only a few studies have explored management intentions with financial participation plans. Two studies in 2001 and 2006 asked why firms adopt and to what extent the objectives were met (Poutsma, 2001b; Poutsma et al., 2006). The survey targeted the managers of listed companies in six European countries. In the two years, similar patterns were found. From the previously discussed determinants in the literature and the above perspectives, the following objectives are surveyed:

1. To increase productivity and profitability
2. To attract suitable recruits
3. To increase work motivation
4. To enhance identification with the company
5. To increase job satisfaction
6. To enhance entrepreneurial attitudes and behavior among employees
7. To lower labor turnover
8. To show employees that the company values them
9. To provide additional pension provision
10. To secure tax concessions
11. To raise capital
12. To inhibit takeovers of the company

Managers were asked to assess to what extent the initial set objectives were met. There were differences between share purchase, stock options, and profit-sharing plans. It became obvious that profit sharing was able to better meet the objectives than share purchase plans and stock option plans, while stock option plans scored better than share purchase plans.

In general, the objectives that were mainly met with profit-sharing plans were, in order of importance:

1. Improve work motivation
2. Promote identification with the company
3. Show that the companies value their employees
4. Increase productivity

Targets that were not very successfully met were:

- Reduce labor turnover
- Provide additional pension

For share purchase plans and stock options, the patterns of objectives that were met were:

1. Promote identification with the company
2. Show that the companies value their employees
3. Improve work motivation

Significant differences existed between share purchase and other plans, where share purchase was perceived as less effective in meeting the objectives. Profit sharing appeared to be perceived as better able to meet productivity objectives. In general, the results suggest a traditional and sophisticated managerial perspective.

A TEST OF ANTECEDENTS: DATA AND METHODS

The next section reports an analysis of the possible antecedents, as mentioned in the earlier sections. The survey gathered data from 2487 companies in 23 (mainly European) countries. The companies investigated were larger organizations employing more than 100 people. The survey was performed in 2009–2010, right after the start of the global financial crisis, which may have affected the outcomes. The Cranet survey was carried out on a global scale, involving a network of more than 40 top business schools and universities, to collect factual, representative, and comparative data. The data were collected using a postal survey of senior HRM directors from organizations with more than 100 employees in all sectors of the economy. The survey was conducted periodically and therefore also provided longitudinal information about human resource management policies and practices. We present here the data for European countries and the United States.

We distinguish between employee share ownership schemes, including stock options (ESOS), employee share ownership schemes (ESO), stock option schemes (SO), and, for the sake of comparison, profit sharing schemes (PS). These dependent variables are so-called broad-based schemes in which all or most employees are eligible to participate. However, broad-based schemes do not cover the participation rate in the scheme; these rates are usually lower than eligibility rates.

Fig. 1 presents the proportion of companies with schemes per country. The country differences are larger for profit sharing than for employee share ownership, including stock options. The United States, the United Kingdom, and Ireland have a higher proportion (approximately 30%) of companies with ESO, reflecting the general support for these schemes in Anglo-Saxon countries.

The appendix presents the descriptives of the independent variables used. Apart from the level 2 effect of country, we group the independent variables into five clusters based on the above conceptual framework. The "country +" cluster covers the market capitalization and listing of companies on the stock exchange and country-specific fiscal incentives that are provided for either ESO or PS. We predict that the extent of stock market development in each country, as shown by the valuation of domestic listed firms as a proportion of GDP (weighted average of 2007–2009; sources: World Bank and Federal Reserve Bank St. Louis), and stock listing will have a positive influence on the presence of share schemes but not profit sharing. Fiscal incentives are obvious reasons for companies to adopt.

The "work and organization characteristics" cluster covers various variables to test for monitoring cost explanations. Size is used to cover the problem of monitoring with increasing size, although the free-rider effect may counter this. Workforce composition is used as a proxy for less or more complex and

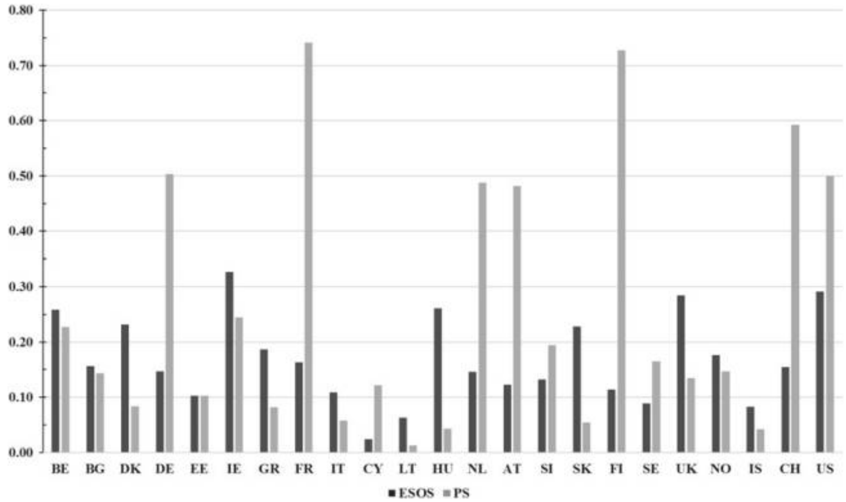

Fig. 1. Proportion of Companies with Financial Participation per Country (Companies with > 100 Employees; $N = 2{,}487$; ESOS = Companies with Employee Share and/or Stock Options).

difficult-to-monitor tasks of certain staff categories. The percentages of manual and clerical workers, professional workers, and graduate employees are used. The latter two may also proxy for safeguarding human capital investments. We also include a measure of the rate of innovation (firms that judge themselves to be in the top 10% of innovators in their industry are coded as 1) and a measure of market growth (growth is coded as 1, 0 otherwise), arguing that those variables proxy for a greater scope of employee discretion. In this cluster, we also control for whether the organization is part of a larger group or has foreign headquarters.

The cluster of communication and participation covers bottom-up communications and information sharing, where management seeks the views of employees via briefings on strategic and financial management topics. These determinants test to what extent there are complementarities between these involvement practices and financial participation. In addition, the existence of work councils or similar groups is recorded, as are the unionization degree and whether the company is covered by collective bargaining.

The cluster of HRM lists variables regarding the sophistication of HRM in the company (written HRM strategy and whether the HRM director is member of the board) and the existence of a performance management system (broad-based appraisal and individual performance-related pay). To cover the expectation of the protection of HR investments, we add the expenditure on training and the number of training days.

The last cluster is organizational performance, where respondents are asked to assess the productivity and gross revenue performance relative to the average in the sector (rating "superior" compared with otherwise). Finally, we control whether the organization is a subsidiary of a foreign multinational company or a part of a larger (domestic) group ("subsidiary").

RESULTS

We perform a multilevel logistic regression analysis (country: L2) and present the odds ratios of the determinants of ESOS, ESO, SO, and PS. Fig. 2 presents the effect sizes in terms of the Cragg–Uhler pseudo R-squared of the different clusters of variables for the four schemes. Compared with share ownership schemes, the variance in profit sharing in companies is determined much more by country, reflecting the longer standing of promoting regulations in France and Finland and the nonexistence of regulations in other parts of Europe. ESO-related schemes appear to be much more determined by fiscal incentives and stock listing (country factors). Compared with PS, ESO-related schemes are also more determined by work and organization characteristics. Communication/participation and HRM practices appear to explain less variance compared with the other factors. Organizational performance appears to be almost irrelevant as a driver of adoption of schemes.

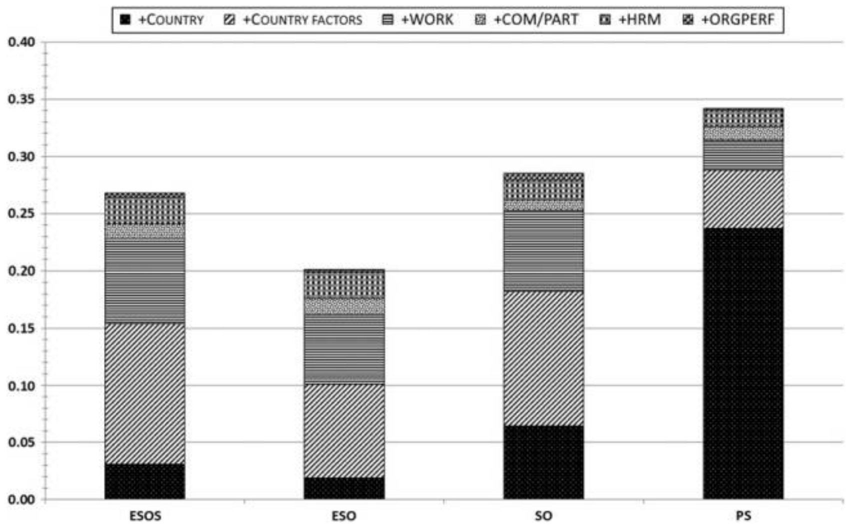

Fig. 2. Effect-Sizes of Clusters of Determinants in Terms of Cragg–Uhler Pseudo R-Square of the Model Compounds.

Table 1 presents the detailed odd ratios for each variable. Stock listing, size, and being a subsidiary of a foreign multinational are important antecedents of share-related schemes. While training expenditures are unexpectedly not significant, the proportion of graduates, the level of innovation, and market growth are significant determinants, indicating that these schemes focus on the retention of workers with high-level knowledge in innovative environments. In particular, stock options appear to relate to a higher proportion of graduates and level of innovation. Companies that have broad-based strategy briefings with their personnel tend also to have share-related schemes, indicating a high-involvement policy. Representative participation, collective bargaining, and unionization are not significant determinants, indicating that companies are not focused on non-unionized settings for their share schemes. Finally, companies with stock option schemes also tend to have broad-based individual performance-related pay, indicating that companies tend to combine collective incentives with individual incentives.

Profit sharing is significantly supported by tax incentives and tends to be found in domestic workplaces, in large and small firms (size is not significant) and where there are more manual and clerical personnel (the proportion of graduates and level of innovation are not significant). In those companies, a joint work council or similar group is present, and the company experiences a higher gross revenue performance but not productivity.

DISCUSSION

We started this chapter by focusing on new, emerging themes in the financial participation literature regarding determinants of the adoption of these schemes by companies. It is discovered that there is a relationship between financial participation and human capital investments, individual incentives, involvement practices, and human resource management practices and that it is affected by country differences. By and large, the results of the analysis support these new insights.

The relationship between financial participation and human capital investment is particularly supported. This feeds into recent research by Guery and Pendleton (2016), who are also able to address the issue of causality via panel research. They find that significant and continuous investments in human capital take place prior to the implementation of employee share ownership. This supports the view that share ownership provides bonding mechanisms for both employers and employees, thereby mitigating the risk related to training and overcoming the hold-up problem between employers and employees. This staging of employee share ownership following earlier investments in training also suggests that management may seek to understand the effectiveness of investments before trying to align interests and to retain employees with share

Table 1. Determinants of Financial Participation (Companies >100 Employees).

Determinants	ESOS Broad-based[a]	SE	ESO Broad-based	SE	SO Broad-based	SE	PS Broad-based	SE
Country characteristics								
Market capitalization	1.000	[0.002]	0.996	[0.003]	1.005	[0.004]	1.021**	[0.005]
Stock listed	4.524**	[0.635]	3.171**	[0.495]	5.292**	[1.065]	1.077	[0.128]
Fiscal incentives ESO|PS								
Low	1.869 +	[0.609]	1.338	[0.512]	1.519	[0.755]	0.342*	[0.147]
High	1.789 +	[0.612]	2.251*	[0.899]	0.793	[0.421]	3.157**	[1.379]
Missing	1.382	[0.684]	1.414	[0.829]	0.605	[0.500]	0.189*	[0.135]
Work characteristics								
Foreign headquarters	1.437**	[0.201]	1.522**	[0.231]	1.398 +	[0.265]	0.677**	[0.095]
Subsidiary	1.409 +	[0.288]	1.380	[0.317]	1.479	[0.457]	1.222	[0.253]
Industry								
Construction	1.001	[0.312]	1.086	[0.375]	0.701	[0.335]	1.174	[0.303]
Transport/Communication	1.220	[0.312]	1.204	[0.338]	1.101	[0.382]	0.596*	[0.152]
Banking and finance	1.522*	[0.288]	1.985**	[0.407]	0.952	[0.254]	0.956	[0.177]
Chemicals	2.052**	[0.467]	1.763*	[0.434]	1.841*	[0.564]	1.101	[0.236]
Other industries	1.311 +	[0.207]	1.316	[0.232]	1.309	[0.282]	0.624**	[0.092]
Firm size	1.252**	[0.060]	1.203**	[0.061]	1.201**	[0.075]	1.061	[0.050]
Prop. Manuals, clerks	2.701*	[1.197]	1.475	[0.738]	6.861**	[3.845]	3.139*	[1.473]
Graduates	1.642**	[0.245]	1.391*	[0.226]	1.669*	[0.343]	1.076	[0.154]
Graduates missing	1.408*	[0.233]	1.263	[0.229]	1.131	[0.269]	0.954	[0.146]
Innovativeness	1.470*	[0.248]	1.199	[0.223]	1.879**	[0.401]	0.928	[0.156]
Market growth	1.300*	[0.160]	1.431**	[0.193]	1.264	[0.212]	1.262*	[0.148]

Table 1. (*Continued*)

Determinants	ESOS Broad-based[a]	SE	ESO Broad-based	SE	SO Broad-based	SE	PS Broad-based	SE
Communication/Participation								
Strategy briefing (broad-based)	1.505*	[0.246]	1.496*	[0.274]	1.639*	[0.385]	1.183	[0.172]
Financial briefing (broad-based)	1.286	[0.215]	1.286	[0.241]	1.182	[0.275]	1.484**	[0.226]
Joint work council	0.924	[0.131]	1.132	[0.176]	0.855	[0.166]	1.482**	[0.210]
Joint work council missing	0.804	[0.272]	0.962	[0.355]	0.927	[0.400]	1.211	[0.374]
Collective bargaining	0.839	[0.111]	0.914	[0.134]	0.788	[0.144]	0.927	[0.122]
Prop. Unionization	1.000	[0.002]	0.999	[0.003]	1.001	[0.003]	0.998	[0.002]
HRM								
Written HRM strategy	1.249 +	[0.162]	1.384*	[0.199]	1.055	[0.189]	1.016	[0.124]
Training spending (> median)	1.125	[0.157]	1.132	[0.172]	0.910	[0.173]	0.999	[0.131]
Formal appraisal system (broad-based)	0.950	[0.147]	0.913	[0.155]	0.929	[0.209]	1.098	[0.157]
Individual performance-related pay (narrow-based)	0.638*	[0.142]	0.488**	[0.124]	0.927	[0.305]	0.969	[0.181]
Individual performance-related pay (broad-based)	1.414*	[0.219]	1.165	[0.197]	2.080**	[0.488]	1.260	[0.182]
HRM director	1.093	[0.147]	1.020	[0.152]	1.014	[0.188]	0.917	[0.117]
Organization and performance								
Productivity	1.027	[0.183]	1.048	[0.203]	1.149	[0.262]	1.112	[0.192]
Gross revenue	1.222	[0.153]	1.248	[0.174]	1.036	[0.176]	1.303*	[0.158]
Firm constant	0.002**	[0.001]	0.003**	[0.001]	0.001**	[0.000]	0.023**	[0.011]
Country constant	0.849 +	[0.078]	0.762**	[0.069]	1.547**	[0.157]	2.032**	[0.249]
Model statistics								
N	2,487		2,487		2,487		2,487	
Log likelihood	−1,815		−1,489		−1,364		−1,787	

Cragg–Uhler pseudo R^2	0.268	0.201	0.285	0.342
Chi square	552.4	366.8	463.7	287.3
df	64	64	64	64
p-value	0.000	0.000	0.000	0.000

Notes: ** $p < .01$, * $p < .05$, + $p < .1$.
[a]Base is no ESO/PS; narrow-based schemes are not reported.

ownership. The results of the study of managerial motivations for managers' adoption and assessment of the effectiveness of employee share ownership also support the protection of human capital investment. Managers consider employee share ownership effective in promoting identification with the company.

Another interesting theme that gains support is the significant relationship between individual performance-related pay and financial participation as a collective incentive. This combination can be considered a solution to the smaller incentive effect of share plans, also called a "weak incentive effect" due to the longer-term pay-off. The combination with individual performance-related pay provides for strong incentives. In addition, share plans may have specific characteristics that may mitigate dysfunctional effects of individual incentives, such as an emphasis on particular targets relative to other desirable outcomes and low-trust relationships (Pendleton, 2006, p. 773). Share ownership signals to employees that employers will share the benefits of good performance and value them, a signaling outcome that was considered by managers as very effective. It may develop cooperation in collective outcomes in the longer-term. Share plans may provide weak direct incentives, but they may encourage employees to think and act with a long-term focus.

The next theme that gained support is the relationship between involvement practices and share plans. It supports the symbiotic relationship of involvement and financial participation (Levine & D'Andrea Tyson, 1990). Effective participation in decisions requires that employees be rewarded for the extra effort such participation entails and that they receive a share of any increased productivity or profits; moreover, when there is financial participation, workers' income depends on the decisions of the firm, and workers want to have a say in these decisions. Guery (2015) constitutes an interesting addition to this relationship, linking involvement and employee share ownership with the above theme of protecting human capital investment. The study finds that the bundling of employee share ownership and involvement practices is significantly associated with a higher investment in training. In this way, employee share ownership can be considered part of high-involvement management practices that boost competitive advantage. Moreover, the relationship holds across borders.

Finally, there are important country differences in the adoption of financial participation. Fiscal incentives appear to be a key determinant. This national policy of fiscal incentives for employee share ownership may be warranted, given the above-mentioned relationship with human capital investments and competitive advantages. Policy initiatives to promote companies' investments in human capital may take into account a fiscal framework of employee share ownership plans. However, policy actors in certain countries (for instance, France and Germany; see also the other chapter on international frameworks in this volume) may also have other targets with fiscal initiatives for financial participation, such as a wider redistribution of wealth. However, the possible effect of fiscal benefits in a context of promoting investment in human capital and targeting high-level potential may lead to focusing the benefits on this category of personnel, inducing more inequality in the distribution of wealth (see also the chapter in this volume on the distribution of benefits to employees). It would be wise to set criteria for a wider distribution to limit this effect.

ACKNOWLEDGMENT

We thank the partners of the CRANET network for providing the data and the Cranfield School of Management for coordinating the network.

REFERENCES

Arrowsmith, J., & Marginson, P. (2011). Variable pay and collective bargaining in British retail banking. *British Journal of Industrial Relations*, *49*(1), 54–79.

Arthur, J. B. (1994). Effects of human resource systems on manufacturing performance and turnover. *Academy of Management Journal*, *37*, 670–687.

Ben-Ner, A., Allen Burns, W., Dow, G., & Putterman, L. (2000). Employee ownership: An empirical explanation. In M. Blair & T. Kochan (Eds.), *The new relationship: Human capital in the American corporation* (pp. 194–225). Washington, DC: Brookings Institution.

Black, B., Gospel, H., & Pendleton, A. (2007). Finance, corporate governance, and the employment relationship. *Industrial Relations: A Journal of Economy and Society*, *46*(3), 643–650.

Blair, M. (1995). *Ownership and control: Rethinking corporate governance for the twenty-first century*. Washington, DC: Brookings Institution.

Blair, M., & Kochan, T. (2000). *Human capital: The new relationship*. Washington, DC: Brookings Institution.

Blasi, J. R., Kruse, D., & Bernstein, A. (2003). *In the company of owners: The truth about stock options (and why every employee should have them)*. New York: Basic Books.

Boselie, P., Dietz, G., & Boon, C. (2005). Commonalities and contradictions in HRM and performance research. *Human Resource Management Journal*, *15*, 67–94.

Core, J. E., & Guay, W. R. (2001). Stock option plans for non-executive employees. *Journal of Financial Economics*, *61*(2), 253–287.

Croucher, R., Brookes, M., Wood, G., & Brewster, C. (2010). Context, strategy and financial participation: A comparative analysis. *Human Relations*, *63*(6), 835–855.

D'Art, D. (1992). *Economic democracy and financial participation: A comparative study*. London: Routledge.

De Jong, G., & Van Witteloostuijn, A. (2004). Successful corporate democracy: Sustainable cooperation of capital and labor in the Dutch Breman Group. *The Academy of Management Executive*, *18*(3), 54–66.

Delery, J. E., & Doty, D. H. (1996). Modes of theorizing in strategic human resource management: Tests of universalistic, contingency and configurational performance predictions. *Academy of Management Journal*, *39*, 802–835.

Dow, G. K. (2003). *Governing the firm: Workers' control in theory and practice*. Cambridge, MA: Cambridge University Press.

Dow, G. K., & Putterman, L. (2000). Why capital suppliers (usually) hire workers: What we know and what we need to know. *Journal of Economic Behavior & Organization*, *43*(3), 319–336.

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*(1), 57–74.

Federal Reserve Bank of St. Louis. Retrieved from https://fred.stlouisfed.org/. Accessed on August 31, 2016.

Festing, M., Groening, Y., Kabst, R., & Weber, W. (1999). Financial participation in Europe: Determinants and outcomes. *Economic and Industrial Democracy*, *20*(2), 295–329.

Freeman, R., Kruse, D., & Blasi, J. (2010). Worker responses to shirking under shared capitalism. In D. L. Kruse, R. B. Freeman, & J. R. Blasi (Eds.) (2010). *Shared capitalism at work: Employee ownership, profit and gain sharing, and broad-based stock options* (pp. 77–104). Chicago: University of Chicago Press.

Friedman, A. (1977). Responsible autonomy versus direct control over the labour process. *Capital & Class*, *1*(1), 43–57.

Gibbons, R. (1998). *Incentives in organizations*. No. w6695. National Bureau of Economic Research.

Gollan, P. J., Poutsma, E., & Veersma, U. (2006). New roads in organizational participation? *Industrial Relations: A Journal of Economy and Society*, *45*(4), 499–512.

Gooderham, P. N., Nordhaug, O., & Ringdal, K. (1999). Institutional and rational determinants of organizational practices: Human resource management in European firms. *Administrative Science Quarterly*, *44*, 507–531.

Gospel, H. F., & Pendleton, A. (2005). *Corporate governance and labour management: An international comparison*. Oxford: Oxford University Press on Demand.

Guery, L. (2015). Why do firms adopt employee share ownership? Bundling ESO and direct involvement for developing human capital investments. *Employee Relations*, *37*(3), 296–313.

Guery, L., & Pendleton, A. (2016). Do investments in human capital lead to employee share ownership? Evidence from French establishments. *Economic and Industrial Democracy*, *37*, 567–591.

Harley, B. (1999). The myth of empowerment: Work organisation, hierarchy and employee autonomy in contemporary Australian workplaces. *Work, Employment & Society*, *13*(1), 41–66.

Holmstrom, B., & Milgrom, P. (1994). The firm as an incentive system. *The American Economic Review*, *84*(4), 972–991.

Kaarsemaker, E. (2006). *Employee ownership and human resource management: A theoretical and empirical treatise with a digression on the Dutch context*. PhD Dissertation, Radboud University, Nijmegen, The Netherlands.

Kaarsemaker, E., & Poutsma, E. (2006). The fit of employee ownership with other human resource management practices: Theoretical and empirical suggestions regarding the existence of an ownership high-performance work system, or Theory O. *Economic & Industrial Democracy*, *27*(2), 669–685.

Kalmi, P., Pendleton, A., & Poutsma, E. (2005). Financial participation and performance in Europe. *Human Resource Management Journal*, *15*(4), 54–67.

Kalmi, P., Pendleton, A., & Poutsma, E. (2012). Bargaining regimes, variable pay and financial participation: Some survey evidence on pay determination. *International Journal of Human Resource Management*, *23*(8), 1643–1659.

Kato, T., & Morishima, M. (2002). The productivity effects of participatory employment practices: Evidence from New Japanese Panel Data. *Industrial Relations*, *41*, 487–520.

Keegan, A., & Boselie, P. (2006). The lack of impact of dissensus inspired analysis on developments in the field of human resource management. *Journal of Management Studies*, *43*(7), 1491–1511.

Keune, M. (2008). Introduction: Wage moderation, decentralization of collective bargaining, and low pay. In B. Galgoczi (Ed.), *Wages and wage bargaining* (pp. 7–27). Brussels: European Trade Union Institute.

Klein, K. J. (1987). Employee stock ownership and employee attitudes: A test of three models. *Journal of Applied Psychology*, *72*(2), 319–332.

Kochan, T., & Osterman, P. (1994). *Mutual gains bargaining*. Boston, MA: Harvard Business School Press.

Kruse, D. (2002). Research evidence on the prevalence and effects of employee ownership. *Journal of Employee Ownership Law and Finance*, *14*, 65–90.

Kruse, D., Freeman, R., Blasi, J., Buchele, R., Scharf, A., Rodgers, L., & Sage, R. (2004). Motivating employee-owners in ESOP firms: Human resource policies and company performance. *Advances in the Economic Analysis of Participatory and Labor-Managed Firms*, *8*, 101−128.

Lepak, D. P. Liao, H. Chung, Y., & Harden, E. E. (2006). A conceptual review of human resource management systems in strategic human resource management research. *Research in Personnel and Human Resources Management*, *25*, 217−272.

Levine, D. I., & D'Andrea Tyson, L. (1990). Participation, productivity, and the firm's environment. In A. S. Blinder (Ed.) *Paying for productivity: A look at the evidence* (pp. 183−243). Washington, DC: The Brookings Institution.

Long, R. (2002). Performance pay in Canada. In M. Brown & J. S. Heywood (Eds.), *Paying for performance: An international comparison* (pp. 52−89). Armonk, NY: M.E. Sharpe.

Lowitzsch, J., & Hashi, I. (2006). *The PEPPER III report: Promotion of employee participation in profits and enterprise results in the new member and candidate countries of the European Union*. Inter-University Centre Split/Berlin, Institute for Eastern European Studies, Free University of Berlin.

Maaløe, E. (1998). *The employee owner: Organizational and individual change within manufacturing companies as participation and sharing grow and expand*. Aarhus: Academic Press.

Marginson, P., Arrowsmith, J., & Gray, M. (2008). Undermining or reframing collective bargaining? Variable pay in two sectors compared. *Human Resource Management Journal*, *18*(4), 327−346.

McNabb, R., & Whitfield, K. (1998). The impact of financial participation and employee involvement on financial performance. *Scottish Journal of Political Economy*, *45*(2), 171−187.

Nergaard, K., Dolvik, J., Marginson, P., Arasanz Diaz, J., & Bechter, B. (2009). Engaging with variable pay: A comparative study of the metal industry. *European Journal of Industrial Relations*, 125−145.

Pencavel, J. H. (2012, October 20). *Worker cooperatives and democratic governance*. IZA Discussion Paper No. 6932.

Pendleton, A. (1997). Characteristics of workplaces with financial participation: Evidence from the Workplace Industrial Relations Survey. *Industrial Relations Journal*, *28*(2):103−119.

Pendleton, A. (2006). Incentives, monitoring, and employee stock ownership plans: New evidence and interpretations. *Industrial Relations: A Journal of Economy and Society*, *45*(4), 753−777.

Pendleton, A., & Poutsma, E. (2004). *The policies and views of peak organisations towards financial participation* (synthesis report). Dublin: European Foundation.

Pendleton, A., & Poutsma, E. (2012). Financial participation. In C. Brewster & W. Mayrhofer (Eds). *Handbook of research on comparative human resource management* (pp. 345−368). Cheltenham: Edward Elgar.

Pendleton, A., Poutsma, E., Van Ommeren, J., & Brewster, C. (2003). The incidence and determinants of employee share ownership and profit sharing in Europe. *The Determinants of the incidence and effects of participatory organizations* (Vol. 7, pp. 1−37), Advances in the Economic Analysis of Participatory and Labor Managed Firms. Bingley, UK: Emerald.

Pendleton, A., & Robinson, A. (2011). Employee share ownership and human capital development: Complementarity in theory and practice. *Economic and Industrial Democracy*, *32*(3), 439−457.

Pendleton, A., Wilson, N., & Wright, M. (1998). The perception and effects of share ownership: Empirical evidence from employee buy-outs. *British Journal of Industrial Relations*, *36*(1), 99−123.

Pierce, J. L., Kostova, T., & Dirks, K. T. (2001). Toward a theory of psychological ownership in organizations. *Academy of Management Review*, *26*(2), 298−310.

Pierce, J. L., Rubenfeld, S. A., & Morgan, S. (1991). Employee ownership: A conceptual model of process and effects. *Academy of Management Review*, *16*(1), 121−144.

Pil, F. K., & MacDuffie, J. P. (1996). The adoption of high-involvement work practices. *Industrial Relations: A Journal of Economy and Society*, *35*(3), 423−455.

Poole, M. (1989). *The origins of economic democracy: Profit-sharing and employee-shareholding Schemes* (Vol. 1). London: Taylor & Francis.

Poole, M., & Jenkins, G. (1990). *The impact of economic democracy: Profit sharing and employee shareholding schemes*. London: Routledge.

Poutsma, E. (2001a). *Recent trends in employee financial participation in the European Union*. Dublin: European Foundation.

Poutsma, E. (Ed.). (2001b). *Patterns of financial participation in Europe: A survey among listed firms in six European member states*. Nijmegen, NL: Radboud University, Nijmegen School of Management.

Poutsma, E., Albaraccin, D., Kalmi, P., Pendleton, A., Trebucq, S., & Voss, E. (2006). *Changing patterns of employee financial participation in Europe*. Nijmegen, NL: Radboud University, Nijmegen School of Management.

Poutsma, F., Hendrickx, J. A. M., & Huijgen, F. (2003). Employee participation in Europe: In search of the participative workplace. *Economic and Industrial Democracy*, *24*(1), 45–76.

Poutsma, E., & Huijgen, F. (1999). European diversity in the use of participation schemes. *Economic and Industrial Democracy*, *20*(2), 197–223.

Poutsma, E., Kalmi, P., & Pendleton, A. D. (2006). The relationship between financial participation and other forms of employee participation: New survey evidence from Europe. *Economic and Industrial Democracy*, *27*(4), 637–667.

Poutsma, E., Ligthart, P. E. M., & Schouteten, R. (2005). Employee share schemes in Europe: The influence of US multinationals. *Management Revue*, 99–122.

Poutsma, E., Ligthart, P. E. M., & Veersma, U. (2006). The diffusion of calculative and participative HRM practices in European firms. *Industrial Relations*, *45*(2), 513–546.

Prendergast, C. (1999). The provision of incentives in firms. *Journal of Economic Literature*, *37*(1), 7–63.

Ramsay, H., Scholarios, D., & Harley, B. (2000). Employees and high-performance work systems: Testing inside the black box. *British Journal of Industrial Relations*, *38*(4), 501–531.

Robinson, A., & Zhang, H. (2005). Employee share ownership: Safeguarding investments in human capital. *British Journal of Industrial Relations*, *43*(3), 469–488.

Rosen, C. M., Case, J., & Staubus, M. (2005). *Equity: Why employee ownership is good for business*. Cambridge, MA: Harvard Business Press.

Traxler, F., Arrowsmith, J., Nergaard, K., & Molins Lopez-Rodo, J. (2008). Variable pay and collective bargaining: A cross-national comparison of the banking sector. *Economic and Industrial Democracy*, *29*, 406–431.

Traxler, F., Brandl, B., Glassner, V., & Ludvig, A. (2008). Can cross-border bargaining coordination work? Analytical reflections and evidence from the metal industry in Germany and Austria. *European Journal of Industrial Relations*, *14*(2), 217–237.

Wagner, S., Parker, C., & Christiansen, N. (2003). Employees that think and act like owners: Effects of ownership beliefs and behaviors on organizational effectiveness. *Personnel Psychology*, *56*(4), 847–871.

APPENDIX: INDEPENDENT VARIABLES

Determinants		Mean	St. dev.	Min	Max
Market capitalization	(% of GDP)	58.54	37.53	6.38	207.98
Stock listed	(Base: no)				
	Yes	0.55	0.50	0	1
Fiscal incentives ESO	(Base: no)				
	Low	0.56	0.50	0	1
	High	0.32	0.47	0	1
	Missing	0.06	0.24	0	1
Fiscal incentives PS	(Base: no)				
	Low	0.32	0.47	0	1
	High	0.16	0.37	0	1
	Missing	0.06	0.24	0	1
Foreign headquarters	(Base: domestic)				
	Foreign HQ	0.27	0.45	0	1
Subsidiary	(Base: no)				
	Yes	0.85	0.36	0	1
Industry	(Base: Manufacturing)				
	Construction	0.05	0.22	0	1
	Transport\Communication	0.06	0.24	0	1
	Banking and finance	0.14	0.35	0	1
	Chemicals	0.07	0.26	0	1
	Other industries	0.32	0.47	0	1
Firm size (log)	Firm size (log)	6.32	1.27	4.61	13.24
	Firm size (median)	419			
Manuals and clerks	Proportion	0.34	0.21	0	1
Graduates	(Base: below median)				
	Above median	0.36	0.48	0	1
	Missing	0.23	0.42	0	1
Innovativeness	(Base: otherwise)				
	Top	0.14	0.35	0	1
Market growth	(Base: otherwise)				
	Increasing	0.45	0.50	0	1
Strategy briefing	(Base: otherwise)				
	Broad-based	0.72	0.45	0	1
Financial briefing	(Base: otherwise)				
	Broad-based	0.75	0.44	0	1

(*Continued*)

Determinants		Mean	St. dev.	Min	Max
Joint work council	(Base: no)				
	Yes	0.60	0.49	0	1
	Missing	0.04	0.20	0	1
Collective bargaining	(Base: no)				
	Broad-based	0.61	0.49	0	1
Unionization	Percent	30.54	31.45	0	88
Written HRM strategy	(Base: no)				
	Yes	0.55	0.50	0	1
Training spending	(Base: below)				
Above median	Above	0.24	0.43	0	1
Formal appraisal system	(Base: otherwise)				
	Broad-based	0.74	0.44	0	1
Individual performance-related pay	(Base: no)				
	Narrow-based	0.16	0.37	0	1
	Broad-based	0.60	0.49	0	1
HRM director	(Base: no)				
	Yes	0.67	0.47	0	1
Productivity	(Base: otherwise)				
	Superior	0.14	0.34	0	1
Gross revenue	(Base: otherwise)				
	Superior	0.41	0.49	0	1

Note: $N = 2487$.