

A balancing act? Employee ownership in SMEs and managers' social versus economic motivations and orientation

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Objectives

Examine how **manager motivations** relate to employee ownership implementation (intentions) in SMEs.

Examine how **manager's overarching social or economic orientation** moderates this relationship

Representative survey of 402 Dutch SME managers.
Enriched by 7 CEO **interviews and expert group** consultation.

Hypotheses

H1a: Managers motivated by employee welfare are more likely to adopt employee ownership.

H2a: Managers motivated by firm performance are more likely to adopt employee ownership.

H1b: A social orientation of managers positively moderates the relationship between managers' employee welfare motivations and employee ownership.

H2b: An economic orientation of managers positively (negatively) moderates the relationship between managers' firm performance motivations (employee welfare motivations) and employee ownership.

Economic orientation

Social orientation

Nature of the firm Firm as property (economics)

Firm as social institution (sociology)

Theory Agency theory

Institutional / political theory

Labor relations Employee involvement

Employee participation

HRM Focused on the individual

Focused on the collective

- High performance work practices / systems
- Commitment HRM
- Communication

- Horizontal and participatory processes
- Co-monitoring
- Communication

Motivations Firm performance:

Employee welfare:

- Increase profits and efficiency via workers
- Reduce costs, raise capital

- Sharing of wealth
- Sharing of control, democratization of the firm

Rationale Instrumental, extrinsic

Intrinsic, expressive

Mechanism Alignment of interests via incentives and rewards

- Self-efficacy
- Psychological ownership
- Voice

Who & what forms of EO

- Narrow-based employee ownership
Shares/certificates/options to key talent and managers
- Broad-based employee ownership:
Options/RSA to (almost) all employees

Broad based employee ownership:
Shares to all employees / members

- Effects**
- Attraction and retention of talent
 - Increased innovation and risk-taking behavior
 - Increased productivity and efficiency
 - Improved firm valuation
 - Resilience

- Increased participation
- Shared ownership and decision making
- Organizational citizenship behavior
- Resilience (inter-generational)
- Broader societal value creation

Results & discussion

(preliminary)

Results

- **H1a and H2a accepted**
Motivations > orientation
 - Employee engagement
 - Firm performance (lower costs, improve liquidity, attract talent)
- **H1b not accepted**
Moderation effect is mild and non-significant for H1b
- **H2b not accepted**
Moderation effect is contrary to expected and non-significant

Discussion

- Managers implement employee ownership for both employee welfare and firm performance motivations
- These are not reinforced by overarching social/economic orientation
- Managers do not seem to connect employee ownership to overarching firm mission
- Implications for theory & practice?

Further data analysis and theoretical development needed
(and future research)

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Appendix

Methodology

- Quantitative research strategy with a cross-sectional design
- Self-completion **survey** targeting a probability sample of 410 Dutch SME managers (CEO, CFO, COO, etc.)
- Using the NIPO.base panel, with ex-ante and ex-post representativity measures
- Questions adapted from earlier research

(Kaarsemaker, 2006, 2009; Stam et al., 2019)

- Enriched and triangulated by 7 **semi-structured interviews** with SME CEOs, and **expert group** (5) consultation
- **Potentially: repeat analysis on second cross-sectional (SMEs & large firms)**

Survey questions

- Orientation towards social or financial value creation
- Employee ownership type
- Broadness of employee ownership
- Intention to implement employee ownership
- Motivations for implementing employee ownership
- Motivations for *not* implementing employee ownership
- Perceived impact of employee ownership
- Firm background information

Table 2: Employee ownership use

Variable	N	No¹	Yes¹
Employee ownership (prospected) use	358	302 (84.3%)	56 (15.7%)
Employee ownership use	358	317 (88.4%)	41 (11.6%)
Employee ownership prospected use	358	343 (95.8%)	15 (4.2%)

Table 3: Employee ownership forms

Variable	Frequency	Percent
Cooperatives	7	16.9%
Stock options	18	42.7%
Economic ownership of shares	1	2.7%
Non-voting shares	1	2.5%
Share certificates	6	13.7%
Shares	15	36.2%

Table 4: Employee ownership access types

Variable	Frequency	Percent
Broad-based employee ownership	22	53.4%
Narrow-based employee ownership	21	50.9%

Table 7: Descriptive statistics of continuous model variables

Variable	Employee ownership (prospected) use		
	Overall, N = 358 ¹	No, N = 302 ¹	Yes, N = 56 ¹
Orientation	-2.0, 2.0, -0.10, 0.00 (-1.00, 0.0), 0.9	-2.0, 2.0, -0.10, 0.00 (-1.00, 0.0), 0.9	-2.0, 2.0, -0.10, 0.00 (-1.00, 1.0), 1.0
Firm age: years	0, 222, 44, 33 (19, 56), 37	0, 222, 46, 37 (22, 59), 37	1, 222, 31, 22 (12, 40), 33
Firm FTE growth	-3.0, 3.0, 0.45, 0.00 (0.00, 1.0), 1.5	-3.0, 3.0, 0.40, 0.00 (-1.00, 1.0), 1.5	-3.0, 3.0, 0.72, 1.00 (0.00, 2.0), 1.8
Firm revenue growth	-3.0, 3.0, 0.84, 1.00 (0.00, 2.0), 1.5	-3.0, 3.0, 0.85, 1.00 (0.00, 2.0), 1.5	-3.0, 3.0, 0.75, 1.00 (0.00, 2.0), 1.8

¹Minimum, Maximum, Mean, Median (Q1, Q3), Standard deviation

Table 8: Descriptive statistics of categorical model variables

Variable	N	Employee ownership (prospected) use		
		Overall, N = 358 ¹	No ¹	Yes ¹
Motivation: engage employees	116	66 (56.4%)	19 (30.7%)	47 (84.4%)
Motivation: firm performance	116	27 (23.0%)	7 (11.5%)	20 (35.5%)
Motivation: other	116	24 (20.6%)	7 (11.9%)	17 (30.0%)
Firm size: 50-250 employees	358	61 (17.0%)	49 (16.4%)	12 (20.5%)
Firm sector: business economy	358	263 (73.5%)	217 (72.1%)	46 (81.0%)
Firm sector: industry	358	65 (18.2%)	56 (18.4%)	9 (16.6%)
Firm sector: trade	358	76 (21.1%)	70 (23.3%)	5 (9.5%)
Firm sector: professional services	358	41 (11.4%)	33 (11.0%)	7 (13.0%)
Firm location: urban areas	358	165 (46.2%)	138 (45.8%)	27 (48.4%)

Table 9: Binary logistic regression model comparison: adjusted odds ratios, confidence intervals, p-values

Characteristic	Model 1: Orientation			Model 2: Orientation and motivation			Model 3: Orientation, motivation and interaction terms			Model 4: Orientation, motivation, interaction terms and adjusted controls		
	AOR ¹	95% CI ²	p-value	AOR ¹	95% CI ²	p-value	AOR ¹	95% CI ²	p-value	AOR ¹	95% CI ²	p-value
Intercept ³	0.35	0.22, 0.56	<0.001	0.17	0.07, 0.43	<0.001	0.14	0.04, 0.46	0.001	0.19	0.10, 0.36	<0.001
Orientation	1.00	0.79, 1.26	0.988	1.23	0.85, 1.78	0.272	0.75	0.45, 1.25	0.263	0.71	0.43, 1.17	0.178
Motivation: engage employees				6.88	3.40, 13.94	<0.001	8.40	4.01, 17.60	<0.001	8.67	4.36, 17.23	<0.001
Motivation: firm performance				2.45	1.05, 5.71	0.038	3.86	1.20, 12.39	0.024	3.67	1.25, 10.82	0.019
Motivation: other				3.69	1.12, 12.20	0.032	5.60	1.42, 22.03	0.014	5.55	1.37, 22.50	0.017
Firm age (years)	0.99	0.99, 1.00	0.093	1.00	0.99, 1.00	0.213	0.99	0.99, 1.00	0.191	0.99	0.99, 1.00	0.202
Firm size: 50-250 employees	1.39	1.00, 1.93	0.050	1.79	0.88, 3.63	0.108	1.92	0.90, 4.10	0.092	1.89	0.95, 3.76	0.071
Firm sector: business economy	1.89	1.12, 3.19	0.017	2.03	0.81, 5.10	0.132	2.06	0.73, 5.82	0.169			
Firm sector: industry	0.64	0.36, 1.14	0.128	0.54	0.20, 1.47	0.227	0.56	0.21, 1.48	0.243	0.79	0.32, 1.95	0.607
Firm sector: trade	0.46	0.24, 0.89	0.022	0.86	0.30, 2.45	0.779	0.92	0.29, 2.89	0.884	1.39	0.48, 4.04	0.539
Firm sector: professional services	0.70	0.36, 1.34	0.276	0.19	0.05, 0.70	0.014	0.14	0.04, 0.56	0.006	0.18	0.05, 0.68	0.012
Firm FTE growth	1.05	0.87, 1.27	0.599	1.14	0.91, 1.43	0.241	1.18	0.92, 1.51	0.189	1.25	1.01, 1.55	0.038
Firm revenue growth	0.93	0.75, 1.15	0.486	1.06	0.86, 1.30	0.601	1.03	0.82, 1.29	0.794			
Firm location: urban areas	1.08	0.72, 1.62	0.712	0.89	0.45, 1.75	0.726	0.93	0.45, 1.93	0.841			
Orientation * Motivation: engage employees							1.30	0.65, 2.61	0.449	1.41	0.72, 2.79	0.316
Orientation * Motivation: firm performance							1.91	0.86, 4.27	0.112	1.65	0.78, 3.51	0.191
Orientation * Motivation: other							2.51	0.83, 7.54	0.100	2.76	0.89, 8.56	0.079