

Employee stock ownership and job attitudes: Does culture matter?

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Abstract

The large majority of the existing research on the attitudinal effects of employee stock ownership is Anglo-Saxon by nature. Considering that the cultural relativity of management practices is largely documented in the cross-cultural management literature, the international external validity of existing evidence can be questioned. Since virtually no past studies have addressed this issue, it seems important to wonder to what extent cultural values determine the attitudinal effects of employee stock ownership. According to the Lytle et al. [Lytle, A. L., Brett, J. M., Barsness, Z. I., Tinsley, C. H., & Janssens, M., (1995). A paradigm for confirmatory cross-cultural research in organizational behavior. *Research in Organizational Behavior*, 17, 167–214] paradigm, four cultural dimensions have been identified as likely moderators of the employee ownership–attitudes relationships and some theoretical propositions have been generated. Finally, some adaptations in the employee stock ownership plan's design and communication are recommended in order to improve its attitudinal effects in different cultural settings.

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Keywords: Employee stock ownership; Cultural values; Attitudinal effects

1. Introduction

Employee stock ownership (EO) is a phenomenon that has developed since the mid-1980s in most industrialized countries and in some of the emerging market economies and that has aroused a considerable interest both in scholars and practitioners (Kuvaas, 2003, pp. 193; Pendleton, Wilson, & Wright, 1998, pp. 99).

There is a variety of ways by which employees may own stocks in their company: EO is not a simple, unidimensional concept. A company may be, for example, 100% owned by only 25% of employees, or only 25% owned by all employees or 100% owned by all employees but one person holds a majority of the stock (Kruse & Blasi, 1997, pp. 114). Many typologies of EO companies have been proposed (e.g. Ben-Ner & Jones, 1995, pp. 534; Toscano, 1983) but one of the most relevant distinctions is between worker cooperatives and capitalistic firms which have implemented some EO scheme (Kruse & Blasi, 1997, pp. 115). Such practices may therefore yield varying combinations of owner/manager/worker roles, rights, and responsibilities, and workers can hold anything from a nominal stake to full collective ownership (Rousseau & Shperling, 2003, pp. 554). There is no obviously correct universal definition of the concept. The National Center for Employee Ownership (in the United States) defines EO as “a plan in which most of the company’s employees own at least some stock in their company, even if they cannot vote it, and even if they cannot sell it till they leave the company or retire.” (Rosen, Klein, & Young, 1986, pp. 13–14). The

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French Federation of the Associations of Employee Shareholders, defines the employee stockholder as “a stockholder who has purchased some shares of his/her employing company during a broad-based stock offering and who holds these shares both directly or through a fund.” (FAS, 2006, pp. 43).

Academic research has typically studied the effects of EO on corporate performance. A first body of research concerns mainly financial and econometric studies which suggest overall that EO tends to have some positive effects on corporate performance assessed through different indicators (Arcimoles (d') & Trébucq, 2003; Bradley, Estrin, & Taylor, 1990; Jones & Pliskin, 1988; Kruse & Blasi, 1997). Concerning the suggested processes, authors mostly explain the effects of EO on performance by changes in employees' work attitudes and behaviors (Ben-Ner & Jones, 1995; Blasi, Conte, & Kruse, 1996; Kruse, 1996; Welbourne & Cyr, 1999). A second body of research consists of studies in psychology and human resource management that have addressed particularly the attitudinal effects of EO.

Since her seminal article of 1987, the three “models of satisfaction” of Klein are widely accepted as well-grounded approaches for distinguishing the ways EO may affect attitudes (Klein, 1987). The “Intrinsic Satisfaction Model” suggests that ownership itself is the critical variable in explaining the psychological impact of EO. According to the “Instrumental Satisfaction Model”, EO has some attitudinal effects if it enhances the employees' rights to information and participation in decision making. Finally, the “Extrinsic Satisfaction Model” suggests that EO has positive attitudinal effects if it is financially rewarding to employees (Klein, 1987, pp. 320–321). In about 30 years of empirical research the three models of Klein have been tested in several ways with different ways of conceiving the mere ownership of stock (comparisons between employee owners and non-owners working in the same company, individual or collective levels of stock ownership...), the financial value of stock ownership (stock return, size of the company's contribution, financial value of individual ownership...) and the rights to information and participation in decision-making (perceived participation, actual voting rights...). Overall, the majority of existing evidence suggests that EO may have positive attitudinal effects, while some studies found no effects or negative effects (Kaarsemaker, 2006, pp. 44). Concerning the processes by which EO operates, three main conclusions may be drawn: first, stock ownership itself rarely appears to lead to major changes in individual work attitudes (Pendleton, 2001, pp. 155), second, the positive effects of EO seem to be related more to the capacity of such a management practice of being rewarding in terms of financial returns (extrinsic model) and rights of participation (instrumental model), and third, some studies underline the importance of psychological ownership as a moderating variable (Pierce, Rubinfeld, & Morgan, 1991; Van Dyne & Pierce, 2004; Wagner, Parker, & Christiansen, 2003).

Kaarsemaker (2006) has reviewed most of the relevant literature on the attitudinal effects of EO: among the 58 cited studies, 30 were from the United States, 8 from the United Kingdom, 7 from English-speaking Canada, 3 from Australia, 2 from New-Zealand and 1 from South-Africa. Overall, 51 out of 58 studies (88%) have been done by Anglo-Saxon scholars and were based on Anglo-Saxon employees. This certainly implies a lack of external validity in the existing knowledge about the attitudinal effects of EO. In fact, research evidence (Gupta, Hanges, & Dorfman, 2002, pp. 13; Ronen & Shenkar, 1985, pp. 449) shows that the United States, Canada, the United Kingdom and New Zealand can be clustered into an “Anglo Cluster” according to attitudinal data. However, the cultural relativity of the attitudinal effects of management practices is largely documented in the cross-cultural management literature (Adler, 1983, pp. 226; Hofstede, 1983, pp. 75–76; Steers, 1989, pp. 23). It seems therefore important to wonder whether the principles of the literature on the attitudinal effects of EO can be applied are related to the dominant values of Anglo-Saxon countries. Such a knowledge would be relevant both for managers of non-Anglo-Saxon countries and in multinational corporations where EO schemes are usually proposed to the majority of the employees worldwide.

The purpose of this paper is to suggest that employees' cultural values may moderate the effects of EO on key work attitudes. To illustrate this idea, we will first briefly present some theoretical explanations of the way by which EO may affect employees psychologically. We will then present some propositions about the moderator impact of some cultural values on the employees' emotional reactions to EO.

2. Employee ownership and work attitudes: theoretical foundations

One of the striking characteristics of the EO social psychological empirical literature is a lack of theoretical foundations (Pierce et al., 1991, pp. 122). Most empirical papers do merely evoke the Klein's models as the theoretical foundations of the undertaken study. In order to show how cultural values are relevant to the attitudinal effects of EO, this gap had to be filled.

We have selected the following three key work attitudes: work motivation, job satisfaction and affective organizational commitment because they are certainly the most researched outcomes in the EO literature as well as in the HRM literature. In order to understand how EO may affect such attitudes, we will first review the determinants of such key outcomes and suggest to what extent EO may lead to such attitudes. EO has also been conceptualized as a bundle of rights to ownership, to financial return and to rights to information and decision making. Therefore, the theories related to property rights, compensation and participation are likely to be helpful in explaining the attitudinal effects of EO.

2.1. The determinants of motivation, satisfaction and commitment

EO, motivation and satisfaction. Even if work motivation and satisfaction are distinct concepts, their respective determinants are based on common theories (Roussel, 1996, pp. 32). These are basically related to employees' needs and expectations.

Needs theories as presented by Maslow (1943, 1954) and Herzberg (1966), suggest that work satisfaction depends on the extent to which the work setting is able to satisfy some human needs such as self esteem, responsibility and social recognition (see also Francès, 1981, pp. 184). Psychologists do agree that possessions are one of the basic human needs (Pierce, Kostova, & Dirks, 2003, pp. 91) Therefore, the mere ownership of stock of one's company may have the potential of satisfying employees by filling the human need for property. Concerning the financial facet of EO, such elements as dividends and stock price growth may fulfil both employees' financial needs and be considered as recognition by the company of the importance of the employees' work. Accordingly, the financial gains related to stock ownership may also lead to improve employee satisfaction. Finally, the instrumental elements of EO such as information and decision making rights have the potential of reinforcing the employees' self esteem. They can also be considered as a responsibility and recognition for employees. As a consequence, we suggest that EO can improve work satisfaction through instrumental rights as well.

In his book of 1971, Lawler III proposes a theory of pay and motivation (Lawler, 1971). This work builds on the Vrooms' expectancy theory based on the concepts of expectations and valence, where the first is defined as "a momentary belief concerning the likelihood that a particular act will be followed by a particular outcome" and the latter as "affective orientations toward particular outcomes" (Vroom, 1964, pp. 15,17). In the model presented by Lawler III, the employee's willingness to make efforts depends (1) on his/her belief that if he/she puts effort into performing at a specific level, he/she will be able to perform that well (called expectation), (2) on the perceived relationship between one's own performance and some expected outcome (called instrumentality), and (3) on the valence of the outcome related to performing well (Lawler, 1971, pp. 107–108). Building on the valence/expectations theory, we suggest that EO may motivate employees if the following conditions are met: (1) the employee must believe that if he/she makes efforts, his/her performance would increase (expectation 1), (2) the employee must believe that his/her own performance impacts positively and significantly on the company's performance (expectation 2), (3) the employee must believe that the company's performance impacts positively and significantly on the stock value (instrumentality), and (4) the financial value of stock must represent something important for the employee (valence).

Another way by which EO may affect employee work satisfaction is certainly by limiting feelings of unfairness. This is especially true in large multinationals. Large multinationals tend to make considerable profits on average because they can benefit from the global growth (the companies of the French CAC40 Index have seen their profits growing of about 30% during the last year) while at the same time, the salaries tend to stagnate because of the global competition (salaries have grown of 0.6% per year between 1998 and 2004 in France). This situation is likely to give rise to feelings of injustice in employees. Also, as suggested by Rousseau and Shperling (2003, pp. 563), there is a trend in the contemporary employment towards a reallocation of risk from investors to workers partly related to job insecurity. Therefore, workers absorbing risk without benefit of seniority might expect to receive some portion of the "wealth premium" typically reserved for entrepreneurs and financial investors. Yet, we suggest that by making employees participating in the distribution of dividends and in the growth of stock price, EO has the power of limiting feelings of injustice.

EO and affective commitment. There is no real theory explaining how affective organizational commitment develops. However, it has been suggested that any variable that contributes to the likelihood that an individual will (a) become involved in a course of action, (b) recognize the value of association with an entity or pursue a course of actions, and/or (c) derive his/her identity from association with an entity, or from working toward an objective, will

contribute to the development of affective commitment (Meyer & Herscovitch, 2001, pp. 316). EO may have the potential for developing affective commitment by associating employees to different “courses of actions”. Financial participation and participation in information and decision making represent certainly ways by which EO may involve employees in a “course of action” related to the company (Rousseau & Shperling, 2003, pp. 558). EO also allows employees to recognize the value of their association with the company, again through financial and participation in decision-making rights. Finally, EO can allow employees to derive their own identity from their association with the company, especially if the company is successful and/or prestigious.

2.2. *The attitudinal effects of possessions, financial rewards and participation in decision-making*

Drawing on the Klein’s three models as well as on Alchian & Demsetz (1973), Ben-Ner & Jones (1995), Pierce et al. (1991) and Rousseau & Shperling (2003), EO can be conceptualized in terms of (1) stock ownership per se, (2) the financial value of stock ownership and (3) the rights to information and decision-making associated with stock ownership. Therefore, we propose that the theories of ownership, compensation and participation may be useful in explaining how EO may affect employees’ morale. The mechanisms that account for the attitudinal effects of financial rewards have been evoked when presenting the theories of motivation and satisfaction. Consequently in what follows, we will only present the theories concerning possessions and participation.

2.2.1. *Possession of one's company stock and work attitudes*

The concept of psychological ownership (PO). The idea of psychological ownership for the organization has received increasing attention from scholars as a potentially important predictor of employee attitudes and behaviours (Pierce et al., 2003, 1991; Vandewalle, Van Dyne, & Kostova, 1995). PO has been conceptualized both at a general level and at an organizational level, often referring to employee stock ownership. At a general level PO has been defined as “the state in which individuals feel as though the target of ownership or a piece of that target is “theirs” ” (Pierce et al., 2003, pp. 86). PO has also been defined at the organizational level as “the psychologically experienced phenomenon in which an employee develops possessive feelings for the target.” (Van Dyne & Pierce 2004, pp. 25). How does PO develop? According to Pierce and his colleagues, PO finds its source in three basic human motives.

The first is the need of efficacy and effectance. People have an innate need for interacting in an effective way with their environment. These person–environment interactions may result in the exercise of control and subsequent feelings of personal efficacy and competence (Pierce et al., 2003, pp. 89).

The second source of PO is related to the need for developing self-identity. People develop a sense of self-identity as a result of viewing themselves from the perspective of how others view them. Possessions play an important role because of the meaning and the importance ascribed to possessions by society. Then, people come to feel pleasure and comfort and develop an understanding of themselves through the relationship with their possessions (Pierce et al., 2003, pp. 89–90).

The third source of PO, finally, refers to the human need of “having a place”. Such a need may be fulfilled by a house but also by other elements individuals are strongly identified to (Pierce et al., 2003, pp. 91).

Pierce and his colleagues further suggest that people may fulfill these three basic needs through three major experiences: the control of the target, the active participation or association with the target and the self investment in the target (Pierce, Kostova, & Dirks, 2001, pp. 301–302; Pierce et al., 2003, pp. 92–93). Some empirical studies have addressed the determinants and consequences of PO in the context of employee stock ownership. The results suggest that PO plays a moderator role in the relationship between EO and some work attitudes such as organizational commitment or job satisfaction (Pendleton et al., 1998, pp. 114; Vandewalle et al., 1995, pp. 216; Wagner et al., 2003, pp. 863).

As a conclusion, we suggest that EO may affect employee attitudes through PO. However, stock ownership does not lead automatically to PO. Drawing of past theory, we suggest that stock ownership must allow employees (1) to exert some form of control over the company, (2) to receive some information on the company and (3) must imply an investment for the employees in their company. If these conditions are met, EO is likely to lead to PO which in turn impacts positively on employees’ organizational commitment and job satisfaction.

The “mere ownership effect” (MOE). We propose to use a psychological bias called “mere ownership effect” as a further explanation for the EO-attitudes relationship. As far as we know, this theory has been firstly presented by Nuttin in 1985 who showed that children preferred the letters contained in their first name compared to other letters (Nuttin,

1985, pp. 358). Other cross-cultural studies by Nuttin and colleagues confirmed the existence of the MOE i.e. the hypothesis that mere ownership or belongingness to self of a compound stimulus is a sufficient condition for the enhancement of the attractiveness of the own(ed) object's constitutive elements (Hoorens, Nuttin, Herman, & Pavakanun, 1990, pp. 182; Nuttin, 1987). Further studies on the subject have been carried out by Beggan and Brown (Beggan, 1992; Beggan & Brown, 1994) but concerned the possession of objects. The results showed that individuals tended to evaluate more favourably the objects that were owned compared to the objects that were not owned by those individuals (Beggan, 1992, pp. 234). The author explains such an effect by the fact that individuals desire to maintain a favourable self-image and tend therefore to overestimate the objects associated with themselves i.e. the objects they personally own (Beggan, 1992, pp. 235).

To what extent can the MOE be relevant in explaining the attitudinal effects of EO? First, we may wonder whether employee stockholders consider equity stocks as a representation of their company. In fact the MOE theory would suggest that an employee who has never owned any equity stocks and who would purchase some stocks in his/her company would then show a preference for his/her company's stocks in his/her future investments. However, in our current reasoning, the question is whether stock ownership would also lead to a more favourable evaluation of the company as a whole and whether this positive attitude toward the company would lead to a positive attitude towards one's job and even to enhanced attachment for and identification with the company. It is difficult to answer this question but we believe that the MOE theory can potentially explain the Klein's intrinsic model. Klein suggests in fact that the more company stock employees own, the more satisfied employees should be with the EO plan, and that these feelings generalize to positive feelings about the company as a whole in terms of organizational commitment and lower turnover intentions (Klein, 1987, pp. 321).

2.2.2. Information and participation in decision making as a result of employee ownership and work attitudes

Participation in decision-making can take many forms, ranging from operational decisions affecting day-to-day work practices, to strategic choices impacting the firm as a whole (Bernstein, 1976, pp. 492; Dachler & Wilpert, 1978, pp. 10; Rousseau & Shperling, 2003, pp. 558).

EO does not always increase perceived and actual employee participation in decision making as well as shared information with employee stockholders. Employee ownership schemes can be implemented for several reasons: some companies want to benefit from advantageous tax structures or use EO primarily for financial reasons, while others focus on reasons more related to employees themselves. It has been suggested that the extent to which EO increases perceived and actual employee's participation in decision making depends on the reason why the company established its EO scheme (Klein & Hall, 1988, 636; Pierce et al., 1991, pp. 131; Rosen et al., 1986, pp. 63): the more employee-focused, the more perceived and actual employees' participation. Building on this argument, it has been suggested that the extent to which EO can increase perceived and actual employee participation in decision making depends on the "management's philosophical commitment" to the concept of employee ownership i.e. the extent to which management sees EO as a part of the company's overall culture, human relations policy and/or commitment to employees (Rosen et al., 1986, pp. 64). Let us imagine now that we are talking about an EO plan which actually gives employees some rights in terms of information and decision making. To what extent can these rights explain the attitudinal effects of EO? Three theoretical models of the effects of participation may give some insights to this issue.

2.2.2.1. Cognitive models of participation. The cognitive models of participation suggest that participation in decision-making enhances the flow and use of important information in organizations. Employees typically have a better knowledge of their environment than management. Hence, if employees participate in decision making, decisions will be based on information of better quality. Also, it is suggested that when employees participate in decision making they tend to implement such decisions more efficiently (Miller & Monge, 1986, pp. 730).

According to Mitchell (1973, pp. 674–675), including people in the decision making process clarifies expectations regarding instrumentalities. The effort–performance relationship should be clearer and higher in magnitude under a participative system. Also, participation may directly influence the components of expectancy theory through the value that workers assign to organizational outcomes. More specifically, through the process of participation, employees may be able for example to negotiate working conditions or influence the reward structure. They would therefore ascribe high valences to the outcomes that are contingent on their effort (see also Schuler, 1980). Finally, participation has been considered as a way to facilitate an agreement between employers and employees regarding the terms of the psychological contract thereby leading to better job performance (Rousseau & Shperling, 2003, pp. 561).

Affective model of participation. The affective model of participation is based on the classical human relations school of management (Hertzberg, 1966; Maslow, 1954; Mc Gregor, 1960...) and refers particularly to the effects of participation on work satisfaction. The rationale is that when management gives the workers some participation rights in any important decision, workers are implicitly considered as being intelligent, competent, and valued partners. This leads workers to fulfill such high-level needs such as recognition, independence, respect, equality and self-esteem, thereby leading to higher job satisfaction and motivation (French, Israel, & As, 1960, pp. 5). Participation may also lead to higher affective organizational commitment. Tannenmaun explains in fact that “the man who exercises control gives more of himself to the organization. He is likely to be more identified, more loyal, more active, on behalf of the organization.” (Tannenbaum, 1962, pp. 244). Finally, it has been suggested that the ability to control and direct activities in an organization leads to more favorable attitudes towards the norms and goals of the organization (Styskal, 1980, pp. 927).

2.2.2.2. *Contingent models of participation.* In the contingent models, the effects of participation are considered to be moderated by such individual variables as personality variables and values (White, 1978, pp. 36) or by the situations of their implementation such as job levels and the relationships between superiors and subordinates (Miller & Monge, 1986, pp. 731).

To summarize, we can say that EO may have positive attitudinal effects if it provides the employees with some rights in terms of information and participation in decision-making. According to the cognitive model, participation may have a positive effect on work satisfaction if workers are well informed about the decisions they participate in and if such decisions are perceived as interesting by workers because they can really bring some relevant insight. Participation can also lead to higher motivation by clarifying the effort–performance relationship and by helping employees attributing higher valences to the outcomes that are contingent on their effort. Finally, according to the affective model, participation can lead to higher satisfaction by helping employees to fulfill some of their high-level needs. Participation can also increase affective organizational commitment because control rights enhance employees’ identification with their company while developing positive attitudes toward their organization’s values and norms.

The theoretical foundations explaining the ways by which employee ownership may affect work attitudes are summarized in Fig. 1.

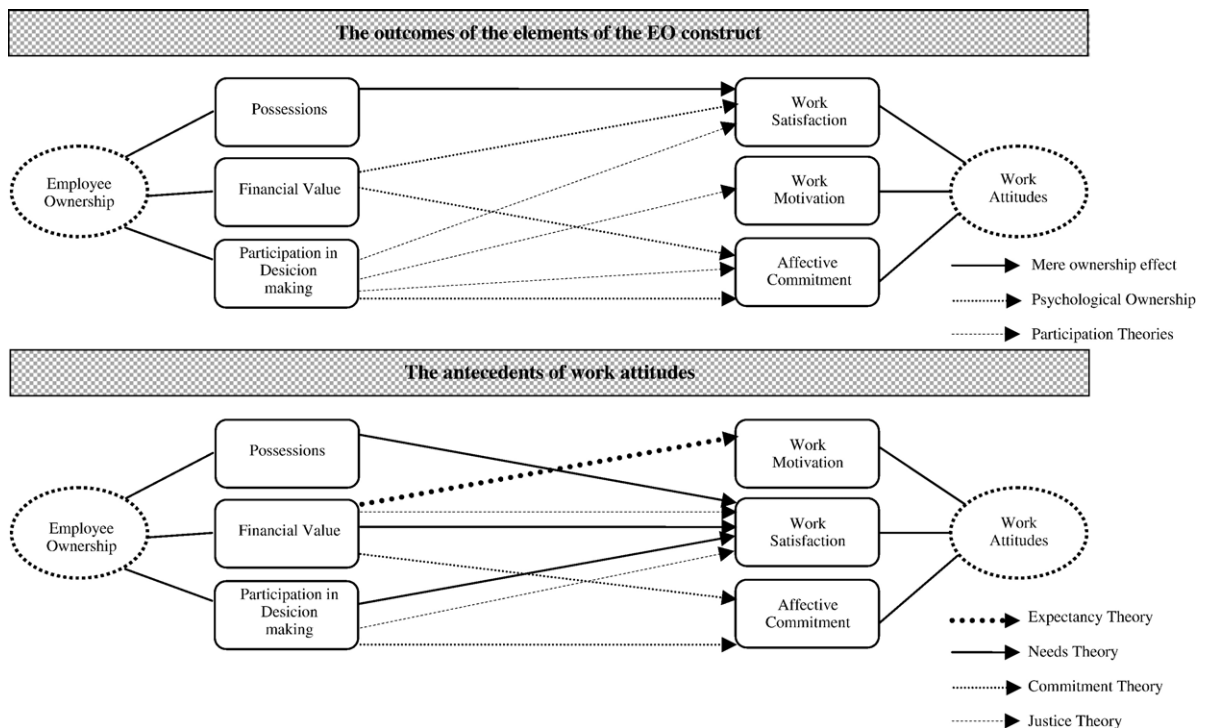


Fig. 1. The theoretical foundations of the attitudinal effects of employee ownership.

2.3. Culture as a moderator of the attitudinal effects of employee ownership?

In reviewing some theoretical bases explaining how EO may affect work attitudes we have continuously suggested the moderating influence of some variables such as values or norms. Concerning the theories of valence/expectations, Francès suggests for example that the valence of the output is determined by employees' values (Francès, 1995, pp. 30). This means that the motivational properties of a management practice is moderated by the extent to which the output is valued by employees. Cultural norms shape employees expectations towards EO. The effect of EO on attitudes is likely to be moderated by the degree of congruence between the actual experiences and socialized ownership expectations (Pierce et al., 1991, pp. 127; Rousseau & Shperling, 2003, pp. 562). We have previously suggested that EO can lower feelings of injustice thereby enhancing satisfaction. It has been also suggested that cultural norms determine the perception of what is fair or unfair (Barber & Simmering, 2002, pp. 28). Concerning the attitudinal effects of such elements of the EO construct as ownership per se, financial rewards and participation in decision-making, there is some evidence suggesting that such elements may be more or less valued by employees thereby leading to differentiate attitudinal effects.

In the next section, we will present some theoretical propositions about the moderating role of some cultural values on the attitudinal effect of EO. Such a theoretical framework will be based on the paradigm for confirmatory cross-cultural research of Lytle, 2005 (Lytle, Brett, Barsness, Tinsley, & Janssens, 1995), and will be conceived for empirical tests at the individual level of analysis.

3. Cultural values as moderators of the attitudinal effects of employee ownership

3.1. Culture and management practices: theoretical background

There is no definition of culture that is consensually agreed upon by social scientists (Koopman et al., 1999, pp. 506). The most popular definition is certainly the one proposed by Hofstede (1983, pp. 76): “culture is a mental programming: it is that part of our conditioning that we share with other members of our nation, region or group but not with members of other nations, regions or groups.” Most authors agree that culture is composed of several logically interrelated elements such as behaviours, values, norms, or basic assumptions. Values are largely conceived as being the core element which determines attitudes and behaviours (Connor & Becker, 1979, pp. 72; Hofstede, 2001, pp. 11; Trompenaars & Hampden-Turner, 1997, pp. 23). That is why values are the dominant construct used to operationalize cultural characteristics in cross-cultural research (Leung & Bond, 2002, pp. 287; Schuler & Rogovsky, 1998, pp. 162).

Values have been defined as “preference orderings over states of segments of the universe.” (Baligh, 1994, pp. 18), as central conceptions of what is desirable (Rokeach, 1979, pp. 2), or as criteria founding judgements, preferences and choices (Williams, 1979, pp. 16). By setting the rule of what is good and bad, important and unimportant, etc., values are considered as the determinants of attitudes and behaviours in determinate situations. They are therefore likely to moderate the attitudinal and behavioural effects of management practices (Robert, Probst, Martocchio, Drasgow, & Lawler, 2000, pp. 643). Since culture is a complex construct, cross-cultural researchers have used dimensions of cultural variation to understand the way culture relates to social psychological phenomena (Lytle et al., 1995, pp. 170; Triandis, Bontempo, Villareal, Asai, & Lucca, 1988, pp. 323) and such dimensions represent usually values. Different values are relevant in the study of particular phenomena; researchers have therefore used a series of cultural dimensions (for a review see for example Hofstede, 2001 pp. 29–34; Lytle et al., 1995; Morden, 1999). In order to analyse to what extent culture moderates the attitudinal effects of EO, we need to identify the key values likely to significantly impact the way employees will evaluate the elements of the EO construct. This refers to step 2 of the Lytle et al. (1995) paradigm which implies the identification of cultural dimensions believed to affect the cross-cultural generalizability of the focal model (pp. 198).

According to our analysis of the concept of culture and drawing on Robert et al. (2000), we will adopt the general hypothesis that variations in national culture may moderate the relationship between managerial practices and employee attitudes i.e. cultural differences may enhance or diminish the impact of managerial practices as they bear on job attitudes (Robert et al. 2000, pp. 643). This general hypothesis suggests that the success of managerial practices and implementation procedures is dependent on an appropriate fit between the assumptions, values, and beliefs inherent in any given managerial practice and the culturally based assumptions, values and beliefs held by those who are being

managed (Robert et al., 2000, pp. 643; Townsend, Scott, & Markahm, 1990, pp. 667; Von Glinow, Huo, & Lowe, 1999, pp. 3).

Cultural dimensions have been developed at both individual and ecological level. The analysis at ecological level has been typically used by Hofstede, while psychologists are in general much more comfortable with the individual level of analysis (Bond, 1988, pp. 1009). Culture dimensions at group-level describe groups while cultural dimensions at individual levels describe individuals. The theoretical propositions that we will generate are conceived for being tested at the individual level of analysis. However, we will draw on past research at national level as well. In order to avoid the ecological fallacy, it is important to explain how we conceive the relationship between the two levels of analysis. Basically, we consider a group's culture as the normal distribution or aggregation of the values of the group's members. (Hofstede & McCrae, 2004, pp. 76; Trompenaars & Hampden-Turner, 1997, pp. 24).

3.2. *Employee stock ownership and cultural values*

3.2.1. *Employee ownership and individualism*

Individualism and collectivism (IND and COL) are undeniably the most popular cultural dimensions, both theoretically and empirically, in contemporary cross-cultural psychology and have generated a plethora of research studies (Green, Deschamps, & Paez, 2005, pp. 321; Shulruf, Hattie, & Dixon, 2003, pp. 1). The fundamental issue involved in this dimension is the relation between an individual and his or her fellow individuals (Hofstede, 1983, pp. 79) or group (Schwartz, 1999, pp. 26). According to Hofstede, in individualistic societies, the ties between individuals are very loose; everybody is supposed to look after his/her own interest or his/her immediate family. In collectivistic societies, however, the ties between individuals are very tight; everybody is supposed to look after the interest of his/her in-group, which can be represented by one's extended family, tribe or village (Hofstede, 1983, pp. 79). From a recent and extensive review of the literature, Oyserman and her colleagues (Oyserman, Coon, & Kimmelmeier, 2002) suggest that the core element of individualism is the assumption that individuals are independent of one another (pp. 4). Individualism is generally conceptualized as a worldview that centralizes the personal, personal goals, personal uniqueness, and personal control, and peripheralizes the social. Concerning collectivism, the core element is the assumption that groups bind and mutually obligate individuals (Oyserman et al., 2002, pp. 5).

EO allows employees to sharing in the company's profits and to participating in the stock price growth. It can therefore be considered as incentive compensation based on collective performance. According to Hofstede (1994b, pp. 93), in individualistic societies, management practices must be individualized: bonuses must be based on individual performance to be effective in terms of satisfaction and motivation.

Empirical evidence however, does not fully corroborate this view. Chow (1992) studied the preferences of Chinese employees in terms of compensation practices. Note that China is generally considered as representative of collectivist culture (Earley, 1993, pp. 337). The results of the Chow's study showed that Chinese employees saw both bonuses based on individual and collective performance as desirable with the latter being only slightly preferred (Chow, 1992, pp. 48). Lowe, Milliman, De Cieri, & Dowling (2002) asked individuals from ten countries to what extent they thought pay should be contingent to group performance. The result patterns were inconsistent with the respective individualistic/collectivistic orientations since there were individualistic and collectivistic countries having both low and high mean scores (pp. 51). The study of Schuler and Rogovsky (1998) confirmed the relation between individualistic culture and the implementation of compensation practices based on individual performance. However, this latter study was not based on the employees' preferences but on the companies' preferences and used data from existing databases.

The inconsistent results of past research can be explained in two ways. First, individualism has not been directly measured in the first two cited studies. Chinese employees, for example, have been considered as collectivistic because of past evidence suggesting that Chinese tend to be collectivistic on average. However, one may wonder whether the sample used in the Chow study was representative of the average country's values. Another explanation can be the difference between values, attitudes and norms. Even if we have previously suggested that such components are logically related, actual practices are likely to depend more on norms which may differ from employees' values and attitudes.

To what extent can individualism moderate the attitudinal effects of EO? First, we suggest that the level of individualism of employees can moderate the effect of the financial value of EO on work satisfaction. We have previously suggested that EO may influence satisfaction through feelings of justice. It is likely that individualistic

employees develop more feelings of justice or injustice towards elements which are directly related to their individual performance. The financial value of the EO is therefore hypothesized to have a lower impact on work satisfaction for individualistic employees.

Proposition 1. *The financial value of employee ownership is more strongly (positively) associated with work satisfaction for less individualistic employees.*

Individualism is also likely to influence the respective importance of individual and collective ownership. Individualistic employees are likely to attach more importance to the quantity of equity stocks they own personally while collectivistic employees are more likely to conceive EO as a group phenomenon and therefore in terms of percentage of capital owned overall by employees.

Proposition 2. *The individual level of stock ownership is more strongly (positively) associated to affective organizational commitment for high individualistic employees.*

Proposition 3. *The collective level of stock ownership is more strongly (positively) associated to affective organizational commitment for low individualistic employees.*

3.2.2. *Employee ownership and power distance*

Power Distance (PWD) has been defined by Hofstede as the "degree of inequality among people which the population of a country considers as normal" (Hofstede, 1994a, pp. 5), as "a measure of the interpersonal power or influence between B (a boss) and S (his/her subordinate) as perceived by the less powerful of the two, S." or as "the difference between the extent to which B can determine the behaviour of S and the extent to which S can determine the behaviour of B." In cross-cultural research, PWD has been found to be an important construct in the study of employee's reactions to leadership styles (House et al., 1999; House, Javidan, Hanges, & Dorfman, 2002), empowerment (Eylon & Au, 1999; Robert et al., 2000), conflict management (Oudenhoven, Mechelse, & Dreu, 1998) voice and participation in decision-making (Brockner et al., 2001). More specifically, in low PWD cultures people in lower power positions are more likely to believe that they should have voice in decision processes, or at least more than would be the case in high PWD cultures. The tendency for people to respond unfavorably to low levels of voice is more pronounced in low PWD cultures than in high PWD cultures (Brockner et al., 2001, pp. 302). Individuals from high PWD cultures are more accustomed to centralized and paternal leadership whereas those from low PWD cultures prefer delegated and autonomous leadership and are more comfortable with relatively equal power distribution (Eylon & Au, 1999, pp. 376).

Empirical research on EO suggests that when employees perceive increased information and decision making rights as a consequence of employee ownership, they show increased levels of satisfaction and commitment and decreased levels of turnover intention (Buchko, 1992, pp. 73; Pendleton, 2001, pp. 170–173). The underlying assumption is therefore that participation in decision making is considered as desirable by employees. The Anglo-Saxon countries are generally considered as low in power distance (Hofstede, 1983, pp. 82). That is probably why in the literature on participative management which is mainly from Anglo-Saxon countries, participation is generally considered as something positive and desired by the employees. However, according to Hofstede (1983, pp. 82), in high PWD cultures, subordinates do not want to participate in decision-making process and decisions are expected to be taken by superiors. To what extent do the Anglo-Saxon research findings generalize to high power distance employees? We have previously seen that EO may have a positive effect on employees' satisfaction by fulfilling their needs of power and control through information and participation in decision making. These principles were also based on the hypothesis that participation was valued by employees. However, the PWD dimension precisely suggests that individuals may value more or less such rights. Low PWD employees are therefore likely to react more favourably to participative practices related to EO.

Proposition 4. *The employees' perception of employee ownership-related information is more strongly (positively) associated to work satisfaction and organizational commitment for low power distance employees.*

Proposition 5. *The employees' perception of employee ownership-related participation in decision-making is more strongly (positively) associated to work satisfaction and organizational commitment for low power distance employees.*

3.2.3. *Employee ownership and masculinity*

In masculine societies, assertiveness, achievement, and acquisition of money and other material possessions are emphasized, whereas in feminine societies, interpersonal harmony, quality of relationships, and caring for others are important (Aycan, Kanungo, & Sinha, 1999, pp. 504).

We have previously suggested that the attitudinal effects of EO might be explained by the mere ownership of equity stocks and by the financial value of such stockholding. Pierce and his colleagues (Pierce et al., 2003, pp. 98) suggest that “culture is an important condition that needs to be examined to better understand the phenomenon of psychological ownership. Reflected in traditions, customs, norms, mores, and beliefs in a society, culture shapes the individual’s self-concept and values with regard to control, self-identity, self-expression, ownership, and property.” According to Hofstede (1980, pp. 46, 1994b, pp. 112) in masculine cultures, the acquisition of money and things and having a high compensation are part of the dominant values. While possessions and financial values lead certainly to positive attitudes universally (Pierce et al., 2003, pp. 87–88), the possession and the financial value of equity stocks are likely to have a more important psychological effect in “masculine” employees compared to more “feminine” employees. Note that the Anglo-Saxon countries are considered as being rather masculine countries (see Hofstede, 2001, pp. 286).

Proposition 6. *The strength of the positive relation between the financial value of the shareholding and affective organizational commitment and job satisfaction is higher for masculine employees compared to feminine employees.*

Proposition 7. *The strength of the positive relation between the individual level of employee stock ownership and affective organizational commitment and job satisfaction is higher for masculine employees compared to feminine employees.*

3.2.4. *Employee ownership and uncertainty avoidance*

The concept of ambiguity tolerance or its many synonyms has been defined as “the way an individual (or group) perceives and processes information about ambiguous situations or stimuli when confronted by an array of unfamiliar, complex, or incongruent clues.” (Furnham & Ribchester, 1995, pp. 179). People with low tolerance of ambiguity experiences stress, reacts prematurely, and avoids ambiguous stimuli, while people with high tolerance for ambiguity perceives ambiguous situations as desirable, challenging, and interesting (Furnham, 1994, pp. 94; Furnham & Ribchester, 1995, pp. 179). Hofstede defines uncertainty avoidance as the extent to which people feel either uncomfortable or comfortable in unstructured situations, where unstructured situations are defined as “novel, unknown, surprising, or different from usual.” (Hofstede & Bond, 1988, pp. 11). Individuals in cultures with high UAI are described as being more risk averse and less tolerant to ambiguities and deviations from norms (Aycan et al., 1999, pp. 504; Hofstede, 1984, pp. 395).

Even if the level of risk implied varies considerably according to different schemes, EO is generally considered as a risky investment (Kuvaas, 2003, pp. 19; Sparrow, 2002, pp. 49). The level of risk depends for example on the percentage of discount over the stock price, on the level of the company’s contribution, or on the risk of the stock itself. Desbrières (2002, pp.59) suggests that through stock ownership, employees have to invest an amount of their financial capital in their company when they have already invested their human capital in it. Moreover, this financial investment is not available before several years (usually five) of unavailability. The consequence for employees is a concentration of risk in the company.

In the French EO schemes, the employees can often choose between investing money in stock of their employing company and investing in diversified funds for example. Accordingly, more risk adverse people are likely to prefer diversified investments than EO. Note that Anglo-Saxon countries are generally considered as being low in uncertainty avoidance (Hofstede, 2001, pp. 151).

Proposition 8. *The preference for employee stock ownership over other investments is higher for low uncertainty avoidance employees.*

4. Discussion and conclusions

This paper discusses how cultural values may moderate the attitudinal effects of employee stock ownership. Most of the existing empirical evidence suggests that EO may have positive effects on such variables as affective organizational commitment or work satisfaction through three phenomena: the mere ownership of equity stocks, the financial rewards

related to stock ownership and the information and participation rights related to some EO schemes. However, as suggested by cross-cultural management theory, the attitudinal effects of management practices depend on the fit between the assumptions, values, and beliefs inherent in any given managerial practice and the culturally based assumptions, values and beliefs held by those who are being managed. Since the existing empirical literature is essentially Anglo-Saxon, it may be crucial for EO manager to be aware that employees may perceive and react differently to the different elements of the construct of EO. Drawing on the Lytle et al. (1995) paradigm for cross-cultural confirmatory research, we have selected four cultural dimensions hypothesized to impact on the attitudinal effects of EO. Individualism has been considered important in determining the relevance of the individual vs. collective level of stock ownership. The level of power distance has been considered as important in determining the employees' expectations and how employees will react to participative practices. We have also proposed that the level of masculinity determines the extent to which the mere ownership of stock and its financial value are considered as important by employees. Finally, the employees' level of uncertainty avoidance has been hypothesized to be a determinant of the employees' ownership preferences (see Fig. 2).

Some adaptation in the employee stock ownership plan's design may therefore be needed in order to maximise the positive effects on employee attitudes e.g. to highlight the most valued elements and to "exorcise" the elements perceived negatively by individuals.

Following are some examples of adaptations likely to improve the attitudinal effects of an EO plan according to the employees' values. For high uncertainty avoidance employees for example, the "vesting period" can be lowered when permitted by the local law, or a system of insurance can be created to insure employees' capital from decrease in stock value. Some multinationals use to propose leveraged offers to their employees which typically work as follows. For each stock the employee buys with his own funds nine additional stocks are purchased in his/her name and for his/her account. The stocks are non-transferable for 5 years (except in the case of an early exit). At the end of the lock-up period, the employee's personal investment is returned (capital guarantee) increased with a certain percentage of the surplus value of all subscribed stocks.

The level of employees' participation in information and decision-making can also be modulated to fit with the employees' expectations and avoid frustration or stress (e.g. too much participation than expected).

The communication of the EO plan is widely considered as a critical issue (Schneider, 2001, pp. 138) and represents an element which is particularly easy to locally adapt. Some discussions with EO managers of French Multinationals revealed that they usually adopt a global communication when implementing global stock ownership plans. However, as suggested by Schneider (2001, pp. 141) "(...) we need to be sensitive to the cultural issues surrounding stock ownership. Communications cannot be tailored to the employee population as a whole (...)." To date, only few French groups have started to consider adapting the employee ownership communication to local

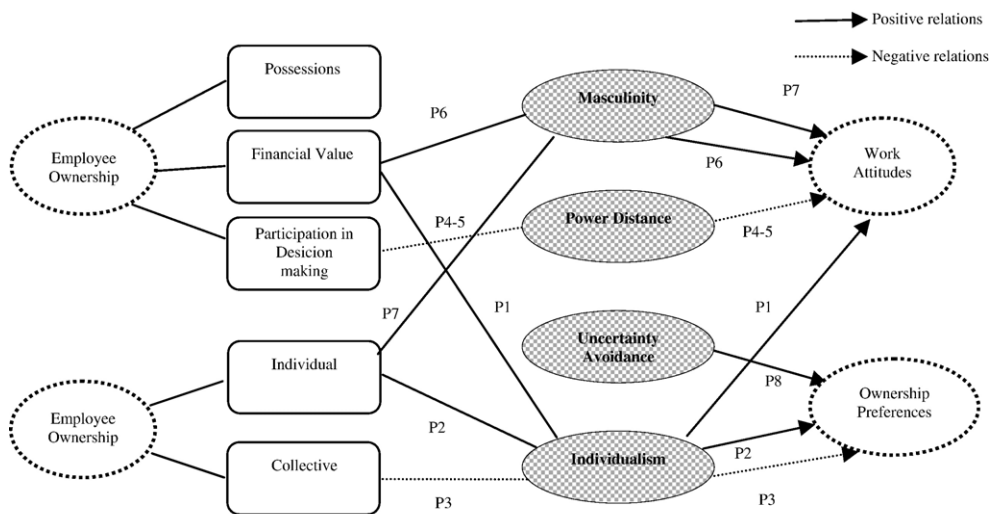


Fig. 2. Cultural values as moderators of the attitudinal effects of employee ownership.

specificities. To some extent, our theoretical results bring some insight to the kind of communication adaptations needed in different countries in order to maximize the psychological incentives to subscribe to stock and to minimize the psychological brakes.

We have previously briefly presented the classical distinction between individual and ecological levels of analysis in cross-cultural research. At this point, it seems useful to analyze this debate from a managerial point of view. A manager who would read research findings at individual and national levels would certainly find that both are actually problematic. The national level of analysis is problematic because managers have to deal with subsidiaries where employees are often from different nationalities and that are often not representatives of their nation. Managers may therefore find it risky to apply such results to their businesses. On other side, research evidence at individual level is also problematic. Imagine for example the results of a study suggesting that low power distance employees react more favourably to participative management than high power distance employees. Such a result would be considered as useless by a manager if he/she does not know what the level of power distance of the employees he/she has to manage is. One solution to this dilemma would be for companies, to measure some of their workforce individual values. Some companies like for example large consultancies, use to regularly measure their workforce's individual traits and values through surveys. By doing so, managers would have a cultural map of the workforce at theirs' disposal which would allow using research findings at individual level for implementing corporate practices and policies.

The theoretical propositions presented in this paper are exploratory in nature since there are virtually no past studies of the cross-cultural attitudinal effects of employee ownership. There is obviously a need for empirical testing in order to draw more relevant conclusions. This paper has focused on cultural values as determinants of different attitudinal effects of employee stock ownership plans at individual level. However, at a national level of analysis the emotional responses to employee ownership may also be due to different ways to conceive this management practice. Let us show for example the main differences between the Anglo-Saxon ESOP¹ and the typical French practice of employee ownership. The Anglo-Saxon ESOP is essentially a collective form of employee ownership. The employees do not take specific steps to purchase stocks. The company actually sets a trust fund into which it contributes new stocks of its own stock or cash to buy existing stocks. Alternatively, the ESOP can borrow money to buy new or existing stocks, with the company making cash contributions to the plan to enable it to repay the loan. Stocks in the trust are then allocated to individual employee accounts. The employees do not decide themselves to purchase stocks and do not take any direct financial risk in the sense that they don't buy the stocks with their own funds. Finally, the American ESOP holds essentially the function of providing a source of pension provision (Pendleton, 2001, pp. 35). In France however the employees may almost always choose between investing in stocks of their employing company or in diversified funds: when they own stocks of their company, they have decided so. Also, when companies propose a "stock purchase offering", the employees may invest money from their personal patrimony: the financial risk is therefore higher. In some cases, the French employee stockholders can vote their stock directly and many large French multinationals have set an association of employee shareholders. Finally, employee ownership in France is more conceived as a mid-term investment than as part of a pension scheme because most of the pension benefits are paid by the compulsory public system.

The differences between the Anglo-Saxon ESOP and the French classical employee ownership scheme have certainly a strong impact on the attitudinal effect of employee ownership. For example, the Anglo-Saxon empirical literature refutes generally the Klein's intrinsic model suggesting that the percentage of capital owned by employees (Klein, 1987, pp. 325; Rosen et al., 1986, pp. 110) and the individual level of stockholding (Hammer & Stern, 1980, pp. 87; Long, 1982, pp. 208) do not make a difference in terms of work attitudes and that there are no differences of attitudes between employee stockholders and non-stockholders working in the same company (Buchko, 1992, pp. 74; French & Rosenstein, 1984, pp. 866; Hammer & Stern, 1980, pp. 89; Keef, 1994, pp. 98). These results are not surprising as they refer to Anglo-Saxon ESOPs. In France however, we would expect a difference in work attitudes between employee stockholders and non-stockholders working in the same company. Some of the determinants of such a difference would be the membership to an association of employee stockholders, the exercise of voting rights, or the fact of receiving dividends individually. Individual stock ownership is also likely to be more relevant in the French context. There are for example some reasons to believe that individual ownership may have a positive effect of affective organizational commitment. In fact, we have previously suggested that such an effect depends on the extent to which stock ownership associates employees to different "courses of actions" with financial participation and participation in

¹ We refer here particularly to the ESOPs currently used in the United States and the United Kingdom.

decision making representing ways by which EO may involve employees in a “course of action” related to the company. In the French context, employee ownership seems more likely to develop a “consciousness of being stockholder” through the individual exercise of voting rights, the individual attribution of dividends and the specific risk related to personal investments in employee ownership.

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