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Employee Share Schemes in Europe. The Influence of US Multinationals **

The debate on convergence and globalisation of national economies emphasises the role of Multinational Corporations (MNCs) with regard to the export of home-country policies in countries where they have their plants. MNCs set a process of change in motion in which local companies attempt to catch up with the more internationalised companies, particularly those from the Anglo-Saxon world. This process is called Anglo-Saxonisation. In this paper we focus on share (option) schemes. Analysing a European survey of HRM practices in workplaces in selected countries, we can trace a US-MNCs effect in the case of the narrow-based executive type of share (option) schemes in continental Europe. We can also trace a minor effect in the case of broad-based schemes open to all employees. The diversity we find in predictors between countries and the strong significant effects of country suggest that local corporate and institutional factors are more important in the case of broad-based share schemes than in the case of the narrow, executive type of share schemes.

Key words: Employee Share Ownership, Stock Options, Human Resource Management, Multinationals, Europe

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** Article received: February 3, 2004
Revised version accepted after double blind review: August 2, 2004.
Introduction

This paper focuses on the possible transfer of specific HRM practices of US multinationals to European establishments. We focus on the use and spread of share (option) schemes in selected European regions and countries. We make a distinction between narrow-based schemes open to executives and management only, and broad-based schemes open to all employees. The literature offers several explanations for the extent of adoption of broad- and narrow-based employee share schemes. The transfer literature emphasises that, in their striving for internal consistency, MNCs try to disseminate successful practices throughout the entire organisation (e.g. Whitley 1992). However, systematic national differences force MNCs to adapt to local situations. From an institutional perspective, therefore, it is possible to find explanations for differences between European countries in the adoption of employee share schemes. Differences in cultural attitudes and institutional contexts, such as regulatory regimes, state involvement, industrial relations structure and tax incentives, may influence the adoption of HRM practices, such as employee share schemes.

In addition, the agency theory perspective offers insight into the principal-agent relationships between owners (share holders) and management and the employment relationship between management and employees (Eisenhardt 1989). The first can be used to explain the adoption of narrow-based schemes, whereas the latter can be used to explain the adoption of broad-based schemes. Alongside this principle-agent perspective, a human resource perspective can offer more detailed insight into the adoption of employee share schemes.

This article contributes to the transfer literature by adopting an international comparative approach to the adoption and spread of employee share ownership as HRM practices of MNCs. While most of the employee share ownership literature has a national focus, this contribution shows the national institutional embeddedness of employee share ownership in an international comparative approach, and clarifies the diversity of schemes currently not well researched in the literature. While research on share schemes is divided in two separate strands, focusing on executive type of schemes and schemes for all employees, this article combines the two and compares both schemes with respect to their respective determinants.

The article begins with a description of narrow- and broad-based share schemes. Next we discuss the debate on the transfer of HRM practices of multinationals. Then we move on to the institutional perspective, suggesting that, when entering a nation state, MNCs have to cope with institutional contexts that affect, or even shape, the nature of share schemes, their adoption and spread. We focus in this section on specific national frameworks of selected countries and specify hypotheses concerning adoption and diffusion of employee share schemes with these frameworks. Finally, we consider the literature on determinants of share schemes where an agency and human resource perspective is dominant in explaining the adoption of share schemes.

Narrow- and broad-based share schemes

Employee share-ownership provides for employee participation in enterprise results in an indirect way; this is through participation in ownership, either by receiving divi-
dends, or through the appreciation of employee-owned capital, or a combination of the two. While such schemes are not directly related to company profits, they are related to company profitability and so enable participants to gain indirectly from the company’s added value. Employee share-ownership can be both individual and collective. Shares can be in the company where the employee works or in other firms. However, this paper mainly focuses on those employee share-ownership schemes set up with the explicit intention of providing employees with an additional source of future earnings or income related to enterprise results.

Employee share-ownership can take on many different forms (for a detailed overview, see Poutsma 2001: 10-20). Typically a portion of company shares is reserved for employees and offered on privileged terms, or employees are offered options to buy their company’s shares after a certain amount of time, under favourable tax provisions. Alternatively, an employee benefit trust (EBT) is set up through Employee Share-Ownership Plans (ESOPs), which acquire company stock that is allocated periodically to each employee’s ESOP account. Workers’ buy-outs of their companies are a special form of employee share-ownership.

The distinction between so called ‘broad-based’ all employee financial participation schemes and ‘narrow-based’ management oriented schemes is important. Narrow-based schemes are typically executive incentive schemes aimed at monitoring management performance. Broad-based schemes, where all employees are eligible to participate in the scheme, tend to be more collective and may be directed towards increasing identification with the company rather than direct performance.

The generic term ‘employee share-ownership’ is frequently used in the literature to denote both share-based profit-sharing, and employee share-ownership; ‘profit-sharing’ is sometimes used to refer to both profit-sharing in the strict sense of profit-related pay, and share-based profit-sharing. The distinction between individual and collective employee share-ownership is not clear cut either. In other words, the phenomenon of employee financial participation includes a variety of schemes that need to be clarified before statements can be made about the extent and impact of financial participation.

Most research in the USA deals with ESOPs while European research is more focused on general employee share schemes, since typical ESOP arrangements are rare in Europe: some of these USA schemes are related to pension savings (e.g. 401K plans) and these are rare in Europe. It is to be expected, therefore, that US MNCs will probably not transfer the ESOP type but probably tend to shape the scheme according to national facilitated and preferred schemes or more universally applied schemes, like stock option schemes. In Europe, research is also more oriented towards profit-sharing. It is also typical of Europe that discussion of employee financial participation considers both profit-sharing and employee share ownership while these different schemes tend to be treated separately in the USA. This is probably caused by European Union policies combining both forms and the typical diversity of promotion policies for these forms by different leading European Member States: the UK promotes share options savings, France promotes profit-sharing and Germany promotes asset savings. We will go into more detail about these differences later. Use of these schemes increased in the 1990s both in the US and Europe. It became common prac-
tice in larger corporations. For an overview for the US, see: Blasi, Kruse, Sesil, and Kroumova (2003) and Blasi, Kruse, and Bernstein (2003); and for Europe: Pendleton, Poutsma, Van Ommeren, and Brewster (2001) and Poutsma and De Nijs (2003).

**HRM practices transfer**

The debate on convergence and globalisation of national economies has emphasised the role of Multinational Corporations (MNCs) with regard to the export of home-country policies to countries where they have their subsidiaries, especially since MNCs’ importance as actors in the world economy is increasing (UNCTAD 2002). Through the dissemination of ‘best practices’ MNCs spread managerial knowledge and techniques internationally (Quintanilla and Ferner 2003: 363). In order to be effective global competitors, MNCs try to replicate successful recipes in all economies they operate in (Whitley 1992; Bartlett/Goshal 2000; Gooderham et al. 1998) and seek internal consistency in their managerial systems (including HRM) throughout the entire organisation (Rosenzweig/Nohria 1994; Gooderham et al. 1998).

In contrast to these convergent forces, many (empirical) studies highlight the existence of systematic national differences in aspects of corporate governance systems and business organisation, that force MNCs to adapt to local environments (Whitley 1992; Breuer/Hegewish 1994; Ferner 1997; Gooderham et al. 1998; Gooderham et al. 1999; Sorge 2004; Communal/Brewster 2004). Whitley (1992: 267) argues that effective forms of economic organisation vary considerably across European countries and that they are deeply embedded in their particular institutional contexts. These variations are closely linked to nation states, because these contain many of the key institutions which affect the business systems that develop in market economies. According to new institutional theory (see for instance Gooderham et al. 1998; Sorge 2004), firms will conform to expectations of host countries in order to gain legitimacy and acceptance. These expectations emanate from the state (e.g. laws and regulations), other firms (especially those operating in the same field), representative bodies (e.g. labour unions), and public opinion.

In recent years a large number of studies have concentrated on the role of MNCs in promoting or resisting convergence of HRM practices across national borders (Quintanilla and Ferner 2003). Of special interest is the role of US MNCs, whose global dominance in the world economy triggered Ferner and Quintanilla (1998: 711) to research a process of ‘Anglo-Saxonisation’: a convergence in MNC structure and behaviour around a model of international operation typical of highly internationalised British or US MNCs. As Ferner et al. (2004) show, US MNCs have a strong preponderance of market activities on very large (mass) home market. As a result, they have developed distinctive ‘organisational capabilities’ in order to deliver standardised products to mass markets. This provides them with technical means and managerial experience to manage overseas operations in a centralised, formalised and standardised way. This Anglo-Saxon HRM approach can be characterised as calculative (performance-oriented) with an emphasis on shareholder value, as opposed to the collaborative approach to HRM that is aimed at promoting the goals of both employees and employers (Communal/Brewster 2004; Gooderham et al. 1999).
Several studies have found some evidence for a convergent ‘Anglo-Saxonisation’ trend in the dissemination of HRM practices (see for instance Ferner/Quintanilla 1998; Gooderham et al. 1998), but these studies also show that there are important limits to the degree of likely homogenisation of international HR management styles. This is in accordance with Rosenzweig and Nohria’s (1994) findings that affiliate HRM practices generally follow local practices (which they call forces of local isomorphism), with differences among specific practices (as a result of MNCs striving for internal consistency). Gooderham et al. (1998), for instance, found that being a subsidiary of a US multinational in the United Kingdom, Ireland, Denmark and Norway normally acts as a substantial determinant of the application of calculative (performance-oriented) human resource management practices. They also found that the domestic firms in the UK use these practices more than firms in the European continental countries (Gooderham/Nordhaug/Ringdal 1999). However, on the one hand they found support for the notion that US MNCs bring many of their own, nationally idiosyncratic, repertoire of human resource management practices with them to their subsidiaries in Western European countries. On the other hand, they noted that MNCs are at the same time significantly receptive to local institutional conditions in the sense that their use of US inspired human resource practices is markedly lower in settings where the use of such practices by domestic firms is relatively low. They concluded, therefore, that both a partial immunity effect and a partial host-country-specific, mimetic effect exist side by side.

**Narrow-based ‘executives’ schemes**

Research on narrow-based financial participation schemes has largely focused on the merits and pitfalls of executive performance-oriented rewards. Since the pioneering paper of Jensen and Meckling (1976) stock ownership by managers has been seen as a useful instrument for aligning interests. Stock options are perceived as an especially powerful tool because the capacity to increase earnings and wealth is at the core of this instrument (see Baker/Jensen/Murphy 1988). This is why firms adopt shares and options schemes for their executives and management. For this reason, we expected multinationals to adopt these plans depending on variations in agency costs. Bebchuk et al. (2001), however, argued that it is highly unlikely that executive options are used primarily for incentive purposes because options take such similar forms between companies (i.e. 10 year expiry terms, 3-4 year vesting periods etc.). Given variations in circumstances between firms, and consequent variations in agency costs, it would be expected that greater variation would be observed in the character of options.

Critics have suggested on these grounds that stock-based performance measures may lead to managerial actions to influence the outcomes. There is evidence to suggest that executive agents exploit their insider information advantages to influence the terms of the ‘optimal contract’, by influencing the timing of stock option awards and issues. There are reasonable grounds for the ‘rent extraction’ perspective (Bebchuk et al. 2001), which argues that in effect managers are able to award themselves stock options to enhance their returns from employment via their capture or manipulation of shareholder institutions such as remuneration committees.

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In addition, in the US there is a considerable body of evidence that suggests that executive insiders dominate shareholder representatives in pay-setting (Bertsch et al. 1998). Main et al. (1995) found that directors who serve on remuneration committees are influenced by notions of reciprocity, authority, and similarity in setting executive remuneration. In addition to this internal pay-setting, US stock exchange rules give considerable latitude to firms to award options, this may boost the use of options for ‘rent extraction’. We could, therefore, predict that there is a higher push to diffuse these practices in US MNCs. It remains to be seen if such practices are transferred to subsidiaries in countries with a less voluntary climate of pay settings, as for instance in Germany.

From this overview of the transfer and executive compensation literature, we expect being a subsidiary of a US MNC to be a good predictor of the use of both narrow- and broad-based schemes.

**Hypothesis:**
1. Being a subsidiary of a US MNC is a good predictor of the use of narrow- and broad-based schemes.

**Institutional perspective**

The literature on employee share schemes in Europe shows an increasing interest in the comparative incidence of profit-sharing and employee share ownership (see, for instance, the studies of profit-sharing in France, Germany, Italy, and the UK conducted by the IPSE team1, (Uvalic 1991), and the studies reported in a special issue of Economic and Industrial Democracy in 19992). In general, these studies show that there are differences in cultural attitudes, regulatory and fiscal regimes that create differences between countries in the use and incidence of financial participation, i.e. profit-sharing and employee share ownership. Uvalic (1991) found a wide divergence between Member States. Similar results have been replicated by, for example, Vaughan-Whitehead (1995) and Poutsma (2001). The general consensus in the literature so far is that variations in statutory identity and fiscal concessions have a major impact on cross-national variations in the incidence of financial participation. Although not fully developed in the literature so far, national differences in corporate governance and ownership also appear likely to influence the incidence of share ownership schemes. For instance, share ownership schemes seem likely to be facilitated by the extensive use of stock market listing in countries such as the UK, and obstructed by the pyramidal and cross-ownership structures of corporate ownership in countries such as Italy and Germany.

Given the known variations between nations in institutional support for financial participation, we predict substantial differences between countries in the incidence of

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1 The results are reported in IPSE (1997), and in numerous papers by members of the country teams. See Biagioli (1995); Carstensen, Gerlach, and Hubler (1995); Del Boca and Cupaiuolo (1998); Mabile (1998); Perotin and Robinson (1998).

2 See Poutsma and Huijgen (1999); Poutsma, de Nijs, and Doorewaard (1999); Festing, Groening, Kabst, and Weber (1999).
the various forms of financial participation. These differences in usage would broadly correspond to known differences in legal, fiscal, and other institutional features of the financial participation environment. In addition, variations in national support for financial participation may have a major impact on managerial assessment of the costs and benefits of financial participation. For instance, the costs of using share ownership schemes (set-up costs, administrative costs, and share dilution) may be off-set by a reduction in monitoring costs and tax deductions (accruing either directly to the firm or to employees). Without tax breaks, the net cost of using financial participation may be sufficient to deter the introduction of a plan, especially for smaller companies.

To give the paper focus we selected a small number of European countries: France, Spain and Germany on the continent, and the Anglo-Saxon country UK. These represent the three ‘varieties of capitalism’ that Hall and Soskice (2001) distinguished in Europe: Liberal Market Economy (UK), Co-ordinated Market Economy (Germany) and Mediterranean (France, Spain). In this section we provide a summary of national frameworks for narrow- and broad-based share (options) ownership. The information is largely based on Poutsma (2001) and Pendleton and Poutsma (2004). The in-depth studies of a number of countries make clear that there are quite distinct patterns of financial participation systems in Europe. On the one hand, this may facilitate or hinder the adoption and spread of the HRM practice to be transferred; on the other hand, this will shape the nature and form of schemes. In other words, when transferred this HRM practice will most probably be modified and shaped according to national specific ‘approved’ practices.

**France**

France has a framework that consists of extensive, state-regulated (mandatory), broad-based, deferred profit-sharing with the aim of enhancing employee savings and wider distribution of wealth and wage flexibility. Started by President De Gaulle to bridge the gap between labour and capital in the fifties, the development of deferred profit-sharing (mandatory for companies with 50 or more employees) and Mutual Fund Savings (voluntary schemes) have been supported by French governments of the right and left with tax incentives. To be approved, financial participation systems must be agreed upon by employees or their representatives. The financial participation system has evolved into a system where employee savings are invested in funds, which in turn either invest in a diversified fund or in the shares of the employer. In this way employee share ownership has been promoted in the French system: recent evidence indicates that nearly half of savings plans are used as a means of employee share acquisition (see Pendleton/Poutsma 2004 and Income Data Services 2001). In other words, French companies are responsive to employee share schemes provided they fit the legal framework and are agreed by the employees or their representatives, including unions.

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3 These reports contain descriptions of the situation in each country based on reports by national experts. We have focused on the descriptions for 2000 but do not rule out later developments, because the survey data we used is from the year 2000.
Stock option legislation has existed since 1970. Until recently stock options were mainly held by top executives. Under the influence of globalisation stock option plans became more common. Most multi-nationals have these plans and approximately 50% of listed companies operate such a plan. However, tax treatment is not that favourable toward broad-based plans (income tax and social security charges at collection; see also Directorate-General Enterprise 2002). French companies are more responsive to narrow-based plans. Given the observation that French management has a tradition of autonomous, non-consultative decision-making while at the same time government sets precise rules on various labour issues (Brunstein 1995) (especially in the case of broad-based financial participation) we expected that the willingness of management to adopt voluntary broad-based schemes would mainly be based on tax incentives. Managerial autonomy and a strong emphasis on control (Lane 1995) may enhance the possibilities of narrow schemes being adopted.

Spain

In comparison with France, Spain has a framework of minor regulations for share ownership or share-based profit-sharing. Developments so far have not been substantial. In fact, the policy on employee share ownership has been determined far more by concerns about the development of the co-operative sector and the social economy. The co-operative movement and the use of labour societies are important in Spain. These are gradually diffusing into small employee share ownership types of companies. The Spanish government considers its fiscal support for share-based profit-sharing to be one of its measures favouring local employment in small- and medium-sized firms. In public and private joint stock companies there has been not much development in policy on employee share ownership or any substantial development in the uses of schemes, despite some upswing due to privatisation of national bodies. There are some tax exemptions on benefits from offering stock options, given a certain retention period (more than 2 years). However, since the Telefonica scandal, where top management made use of these possibilities to enrich themselves during the privatisation, regulation has been tightened up by setting a maximum amount of received benefit. Due to this there has been some interest in narrow-based stock option plans in Spain (see Directorate-General Enterprise 2002).

Spain has a long tradition of negotiations and collective agreements on variable pay. However, stocks (options) were seldom included in the debates. Since changes in the regulations in 1994, employers have been more autonomous in setting variable pay. Given the weak institutional structures of industrial relations and a limited countervailing power of trade unions, management has a great deal of autonomy. An increase in individual contracts ‘outside’ collective agreements, mainly for management and higher staff, has occurred. This may boost schemes. On the other hand, as in France, the terms and working conditions for the main labour force is highly regulated and this sets legislative and administrative constraints on the personnel function, leaving little scope for broad-based schemes.

4 The amount is still relatively high. In 2000, it was about 30% of average annual salary (about 5,000 €) times the number of years in which the benefits are generated.


**Germany**

The financial participation framework in Germany is quite different. Germany has a framework that consists of investment savings plans with the principal aim of enlargement of (employee) ownership of capital savings and other assets for the future security of low earners. This exemplifies German governments’ concern about the (re)distribution of wealth. The co-determination-based corporate governance system of Germany has led to the operation of agreed collective schemes. The legal framework in Germany provides for preferential tax treatment on employer payments to various forms of employee investments. These are supplemented by a tax-free government savings premium. Traditionally this system has been primarily concerned with employee participation in productive capital in general and not specifically in own company shares. Since 1999 this system has been modified to favour employee share ownership. The issue of stock options to management and employees was prohibited by company law until 1998. Since this was liberalised, there has been an increase in the use of stock options for management and selected staff.

German management has to face an elaborate system of industrial relations where collective agreements set the standards and works councils, for instance, have the legal authority to negotiate on agreements about broad-based stock options. Personnel departments have to cope with this detailed prescriptive framework and this prevents any large-scale adoption of more recent international human resource management practices. Trade unions appear to have started discussions on plans but in general they are sceptical. In addition, as in France, the capital market is not very developed in Germany. Many firms are privately owned, which leaves little scope for the development of full employee share ownership. All in all, we expected some favourable trends toward the adoption of narrow-based schemes and less development of broad-based schemes. However, due to the recent changes in legislation and tax and benefit policies this may not have reached substantial levels in the year of focus in this study: 2000.

**The United Kingdom**

The UK has a financial participation framework that consists of mainly deferred share-based profit-sharing via option schemes. An elaborated stock market provides ample scope for share-based investments. The development in the UK is heavily supported by UK government policy and measures (mainly tax concessions). The position of unions in the UK can best be described as ‘engaged scepticism’. The introduction of financial participation in many UK companies is kept separate from collective bargaining over pay and terms and conditions of employment. This reflects both the interests of managers wanting to preserve as much freedom of manoeuvre as possible, and trade union representatives anxious to prevent financial participation substituting for annual pay increases or part of ‘base’ wages and salaries. Both parties tend to accept that the legal regulations governing financial participation may limit the scope for negotiation over the content of profit-sharing and share ownership schemes. On these grounds we expect a substantial responsiveness and use of narrow- and broad-based plans in the UK (for further details, see Poutsma/Pendleton 2004).
In summary, from an institutional perspective, country differences with respect to state involvement (national tax incentives, legal regulations), locus of control (managerial autonomy, IR structure) and corporate ownership (use of stock market listings) can explain national differences in the adoption of employee share schemes. Based on these country differences we predict substantial differences between the countries in the incidence of the various forms of financial participation. Since the UK is closest to US calculative management practices, with well developed stock markets (emphasis of share value) and broad acceptance of legal regulations, we expect, in general, a higher incidence of both schemes in the UK than in other European countries. For Germany we expect the lowest figures with some favourable tendencies for the adoption of narrow-based schemes and less of broad-based schemes. Being mainly based on tax incentives, we expect a relatively higher incidence of both, but especially of narrow-based schemes in France. In Spain we expect lower figures with a relatively higher incidence of narrow-based option schemes, because individual contracts for management and senior staff are increasingly kept outside collective agreements.

Hypotheses:

2. The incidence of narrow- and broad-based schemes is higher in the UK than in other European countries.

3. The incidence of narrow- and broad-based schemes tends to be lower in Germany than in the other selected countries.

Determinants from employee share ownership literature

Two perspectives are widely used in the literature on employee share ownership: the agency perspective and the human resource perspective. Research into financial participation using the agency perspective is reported on in two strands of the literature. The first tries to explain the impact of financial participation on performance (see Jones/Kato 1995; Sesil et al. 2002). The second, growing strand examines the determinants of firms and workplaces with financial participation, using variables that proxy for monitoring costs in models of adoption to try to test the agency perspectives (see Drago/Heywood 1995; Kruse 1996). In this paper we focus on the determinants of employee share ownership schemes and we have selected additional control variables from this literature.

Agency perspective

The core of the agency theory perspective is the contract between principal and agent (Eisenhardt 1989). In these agency relationships, a major issue is ensuring that the agent acts in the interests of the principal (Huarng 1995). Agency problems arise when “(a) the principal and agent have different goals and (b) the principal cannot determine if the agent has behaved appropriately” (Eisenhardt 1989: 61). As a result, aligning goals and monitoring output are important management instruments. Employee share schemes are a means to steer agents’ behaviours and, therefore, can be considered as part of behaviour-based contracts if the level of alignment between principal and agent is low and/or if output measurability is low. Regarding employee share schemes, three principal-agent relationships are of interest: between owner (share holders) and management, between management and employees, and, in case of
MNCs, between headquarters and subsidiary. The first relationship is mainly related to narrow-based schemes (for aligning owners’ and management’s goals) and the second to broad-based schemes (for controlling employees’ behaviours). The relationship between headquarters and subsidiary in MNCs combines insights from MNC research with the agency perspective.

**Agency perspective in MNCs**

Regarding the agency perspective in MNCs, the relation between headquarters and subsidiary is of importance. Strategy literature distinguishes between different structures and strategies of MNCs according to their level of local or global responsiveness: the multi-domestic, the international and global product division (Bartlett/Goshal 2000). The ‘agency problem’ in MNCs is probably most felt when the subsidiary plays a key role in the global strategy of the corporation, particularly when the subsidiary itself operates in a global market instead of being oriented to the local market. This will be the case in subsidiaries of global product divisions. Hence, their remuneration systems will be more oriented towards global corporate performance while in multi-domestic firms they will be more oriented to subsidiary performance in the local context. O’Donnell (1999) found support for this, she found that, in comparison with subsidiaries that have a multi-domestic strategic role, for subsidiaries with a strategic global role the percentage of subsidiary management remuneration was based more on corporate performance than on local performance. The question for our research is whether US multinationals (based on their global dominance in world economy) develop more global equity plans for the management of their subsidiaries with a strategic role than for their subsidiaries with a more local orientation.

4. **Being a global player as a business unit of a US MNC has a positive effect on the incidence of narrow-based schemes.**

**Broad-based schemes**

The main argument from the determinants approach in case of broad-based schemes is that firms adopt employee share ownership schemes if direct means of monitoring or controlling the work of individuals is costly. Employee share ownership will be more likely to be used where employee efforts are difficult to observe and output difficult to monitor and it is expensive for the principal to verify and monitor (McNabb/Whitfield 1998; Cheadle 1989). Share ownership has the potential to align the interest of employees with those of the firm. Additional reward is not the only key to this alignment, share ownership may also raise commitment and trust because the firms share results with the employees. This may have an impact on lower absenteeism, for instance (Brown/Fakhfakh/Sessions 1999). In addition, psychological ownership may be developed (Pierce/Rubinfeld/Morgan 1991; Pendleton, Wilson and Wright 1998) and peer pressures may develop to prevent under-performance of colleagues (Fitzroy/Kraft 1987; Freeman/Kruse/Blasi 2004).

Determinants literature has selected several indicators to test these claims. Workplaces where individual output and performance is hard to measure because of the complexity and interdependence of work tasks may be observed in advanced manufacturing contexts, some service activities, and in creative occupations. There are a
range of measures which may be used to approach these indicators: the proportions of various groups of staff (such as professionals whose output is difficult to measure), the presence of automated technology, the complexity/interdependence of work tasks, and the proportion of highly-educated staff. These features might be proxied by the proportion of manual workers on the basis that manual work tends to be more readily measurable than much white collar work, the proportion of graduates in the workforce on the grounds that more highly qualified employees tend to perform relatively complex work tasks, and the proportion of professionals on the basis that professional work is especially difficult to monitor (for use of these proxies, see Pendleton 1997; Festing et al.1999; Poutsma/de Nijs 2003). Another important determinant in the literature on financial participation is size of the workplace. The argument here is that monitoring costs increase in larger organisations, so size may be an important predictor of the adoption and use of financial participation, and indeed many studies have found this to be the case especially in relation to share ownership schemes (see for instance Pendleton et al. 2003). However, the problem here is that with the increase in size more free rider effects may occur, and so the effects of size may be ambiguous. The free rider problem is one of the reasons why determinants literature presents mixed results in relation to the agency perspective.

**Human Resource perspective**

Although the agency argument is mentioned in connection with broad-based share plans, the literature and research on these plans takes much more of a human resource management perspective. In a critique on theories of the firm, Blair (1999) stated that in labour theory the principal-agent model is not directly applicable to the employment relationship especially not when firm-specific investments in human capital are involved. In simple principal-agent modelling the contract specifies outcomes and fees and after the contract is agreed the assumption is that in this asymmetrical relationship the principal will not influence or change the variables that influence the outcomes and hence the fee. In firm-specific investments in human capital by employees in the course of the employment relationship, the outcomes cannot be specified and management can change the conditions under which firm-specific investments in human capital can reach certain outcomes. The consequence of this reasoning is that firms will look for other arrangements beyond contract to bind employees in a long-term employment relationship to protect firm-specific investments by those employees. Expectations that Blair mentions in this respect are that firms will develop bundles of HRM strategies to protect these investments like development plans, corporate culture and ownership and control rights, hence employee share ownership.

Recent HRM literature provides grounds to expect that firms with financial participation will develop such a bundle of HRM practices. An important part of this literature views financial participation schemes as part of a high-performance work system, composed of several, interacting HRM instruments (Becker/Huselid 1998). If employees are to accept a range of performance-enhancing managerial initiatives, it is arguable that they should receive a pay-off from any improvements in performance that might result. Equally, if employees are to share in the performance of the firm, it is arguable that they should actively contribute to performance outcomes.
We therefore expect to find firms with financial participation also having a range of other human resource management features, such as higher than average training expenditure, comprehensive performance appraisal systems etc.

The relationship between financial participation and training is of particular interest. In the literature, it is argued that employees should have equal rights to owners and investors because employees also make firm-specific investments and incur potential opportunity costs from their investment (see Blair 1995, 1999). They bear risk in so far as management or owners may opportunistically capture the benefits resulting from employee investments. The consequence of this reasoning is that employees should receive a dividend on their investment in much the same way as private investors. Financial participation schemes signal to employees that the benefits of investments in training will be shared with employees. Equally, from the firm’s point of view, the use of financial participation helps to protect investments made by the firm in employee training. It raises the costs to employees of shirking (i.e. dismissal may lead to lower remuneration elsewhere) and of leaving the firm\(^5\). In so far as financial participation schemes frequently have deferral periods, it binds the employee to the firm in the medium term. To control this training effect we proxy this by the percentage of employees trained and the level of training budget as a proportion of the wage bill.

**Methodology**

The empirical analysis was performed using the data set of the Cranfield Network on European Human Resource CRANET-2000 (for details of the survey and Cranet Network see Brewster et al. 1994). We performed a secondary analysis on the data collected in 1999/2000 in 14 European Member States. Cranet-E describes company practices and policies in human resource management of medium and large-scale organisations in the private sector (200 or more employees). The organisation could be the firm in its entirety or a relatively independent subsidiary. The data was collected using a mail survey directed at the head of personnel in representative national samples of organisations based in one of the fourteen EU countries (for a detailed description of the sampling procedure, see Pendleton et al. 2001). The unweighted distribution of the organisations between the fourteen countries is shown in Table 1. In the analysis, we used weights (Table 1) in order to compensate for unequal sampling probabilities due to a stratified (i.e. country) sampling design. A representative pan-European picture was reached using the country’s proportion of large-scale enterprises (LSE), i.e. with 250+ employees, in the EU (European Observatory SME’s 2002, Eurostat\(^6\)). Nevertheless, the data cannot claim to be a fully reliable representative picture of the European Union due to slightly different sampling procedures across countries.

This study focused on the practice whereby organisations offer employees a form of share ownership by allocating shares or options to personnel. The question in the survey does not make a distinction between share allocation and the issue of

\(^5\) Except where financial participation is in use in similar firms.

\(^6\) [http://europa.eu.int/comm/enterprise/library/lib-entrepreneurship/series_observatory.htm](http://europa.eu.int/comm/enterprise/library/lib-entrepreneurship/series_observatory.htm)
options\textsuperscript{7}. In the CRANET survey, the respondents indicated which categories of employees this type of financial participation applies to: management staff, professional and technical staff, clerical and administrative staff, and manual workers. Using these specific categories of employees, it is possible to determine not only whether an organisation is engaged in share ownership but also the extent to which its scheme goes beyond the level of management in the organisation. Following Pendleton et al. (2003), we therefore distinguished between organisations with a narrow-based share scheme (limited to less than 50% of the employees, mainly management staff) and those with a broad-based share option scheme open to more than 50% of the employees\textsuperscript{8}.

Being dichotomous dependent variables, Narrow- and Broad-based share (option) schemes were analysed using logistic regression. These statistical models treat the

\textsuperscript{7} The original English questionnaire was translated into the languages of the various countries where the survey was held. In addition the questionnaire was translated back into English to highlight possible differences in national interpretation of concepts, terms and wording. The Cranet Team discussed these and came to an agreement that maximised comparability. The question on incidence of share schemes should therefore be read as schemes that offer bonds related to company shares. This broad category, therefore, covers peculiar national-specific (wording of) schemes to make it comparable. For the sake of readability we use the term share schemes.

\textsuperscript{8} In constructing these two indicators, Pendleton et al. (2003) took into account not only the specific categories of employees but also their proportional representation in the organisation (151-152).
predicted probability of the type of share option scheme occurring as a non-linear function of the independent variables. Positive coefficients (odd ratios) indicate that the specific category concerning the independent variable increases the probability of the scheme at hand, whereas a negative parameter signifies a decrease in this probability. The rate of change, however, will depend on the position on the probability curve (see Long 1997).

Table 2: List of Independent Variables

| Categories                              | 0 'no'; 1 'yes' | 0 'no'; 1 'yes' | UK, = reference category (refcat) | France | Spain | Germany | Other EU countries |
|-----------------------------------------|----------------|----------------|-----------------------------------|--------|-------|---------|--------------------|
| EU states:                              |                |                | United Kingdom*USHQ (refcat)      | France*USHQ | Spain*USHQ | Germany*USHQ | Others*USHQ        |
| Headquarter (Multi)national:            | 1 'Nationally based company' (refcat) | 2 ‘EU-based multinational corporation’ | 3 ‘US-based multinational corporation, USHQ’ | 4 ‘not EU and US based multinational corporation’ |
| Interaction terms EU states*USHQ:       |                |                | United Kingdom*USHQ (refcat)      | France*USHQ | Spain*USHQ | Germany*USHQ | Others*USHQ        |
| Focus on International Markets          | 1 'National orientation' (refcat) | 2 ‘European orientation’ | 3 ‘Global player’ |

Control variables

| Business Size                           | 1 '200-499 employees' (refcat) | 2 '500-999 employees’ | 3 '1000 plus employees’ |
| Total Company Size                      | 1 '200-499 employees' (refcat) | 2 '500-999 employees’ | 3 '1000 plus employees’ |
| Percentage of Professionals             | 1 '0-30%' (refcat)            | 2 '31-60%'            | 3 '61-100%’             |
| Percentage of Manuals                   | 1 '0-30%' (refcat)            | 2 '31-60%'            | 3 '61-100%’             |
| Percentage of Employees trained         | 1 '0-30%' (refcat)            | 2 '31-60%'            | 3 '61-100%’             |
| Training-costs as proportion of Wage Bill | 1 '0-1.5%' (refcat)       | 2 '1.51-3.0%'         | 3 '3.1%-highest’         |
Table 2 presents an overview of the main independent variables and their categories. Our focus in this study was on the adoption of share schemes by corporations. Although this type of payment scheme has distinct features compared with other profit-sharing schemes, in practice these types of payment schemes may be conjoined (Pendleton et al. 2001). We therefore incorporated the prevalence of profit-sharing schemes as control variables.

We specified four large EU-countries to look for country-specific institutional effects: the United Kingdom, France, Spain and Germany. These countries also have satisfyingly high cell frequencies of multinationals using share schemes. Some of the independent variables have a number of missing cases. List-wise deletion would have led to an unacceptably low number of valid cases, so following Poutsma, Hendrickx, and Huijgen (2003), we included missing values as a separate category in the analysis. The indicator contrast was used for the independent variables, i.e. the contrasts within an independent variable were tested against a specific reference category. A significant effect for the ‘missing’ category indicates that missing cases are not random but relate to specific categories more than to others. It is, however, preferred that the ‘missing’ categories be non-significant. At least this procedure ensures that the parameter estimates are based on as large a sample as possible.

Table 4 summarises the parameter estimates for the effects of the independent variables on the Narrow-based as well as for the Broad-based share schemes. Asterisks following the variable’s name indicate the significance of the variable. The chi-square values for each of the added blocks of independent variables can be found in Table 5.

Results

Throughout the European Union a minority of companies have either a narrow- or a broad-based share scheme (Table 3). In the EU countries, the incidence of narrow-based share schemes (14.0%) was comparable with the incidence of broad-based share schemes (14.1%). The incidence of both types of share schemes appeared to be associated somewhat negatively, i.e. a Phi-coefficient of -.164 (weighted, p<.001). This implies that both share schemes are separate phenomena.

Table 3: Incidence of share schemes in EU-countries (%) (weighted)

| Type of share                      | United Kingdom | France | Spain | Germany | Other EU countries | EU countries |
|-----------------------------------|----------------|--------|-------|---------|--------------------|--------------|
| No share-options scheme           | 55.0           | 61.1   | 80.6  | 80.5    | 75.0               | 71.9         |
| Narrow-based share-options scheme | 15.7           | 19.8   | 14.2  | 10.3    | 14.8               | 14.0         |
| Broad-based share-options scheme  | 29.3           | 19.2   | 5.2   | 9.2     | 10.2               | 14.1         |

This univariate analysis table shows that the incidence of share schemes followed the hypothesised pattern. The incidence was highest in the UK followed by France. Lower incidences were found in Spain and Germany. A high incidence of broad-based...
schemes was found in the UK followed by France. Lower incidences of both schemes were found in Germany.

**Determinant factors for Narrow- and Broad-based share schemes**

In this section, we present the effects of the independent variables according to the hypotheses formulated. A general overview of the Chi-Squares of the hypothesised effects are summarised in Table 4 for the Narrow-based and Broad-based share schemes. The parameter estimates, i.e. the odds-ratios, are summarised in Table 5.

| Table 4: Chi-Square values of the terms |
|----------------------------------------|
| Parameter                          | df | Narrow-based share | Broad-based share |
|--------------------------------------|----|--------------------|-------------------|
| Broad-based profit                   | 1  | 1.16               | 35.75**           |
| Narrow-based profit                  | 1  | 13.89**            | .96               |
| HQ_MNC                               | 3  | 49.93**            | 31.61**           |
| EU states                            | 4  | 29.66**            | 83.14**           |
| Interaction EU states * USHQ         | 4  | 5.25               | 18.87**           |
| International Market Orientation a   | 3  | 3.51               | 5.56              |

**Control variables**

| Parameter                     | df | Narrow-based share | Broad-based share |
|-------------------------------|----|--------------------|-------------------|
| Business size                 | 2  | 21.62**            | 4.98              |
| Total Corporation size a      | 3  | 1.64               | 11.33**           |
| Percentage manuals a          | 3  | 5.98               | 3.95              |
| Percentage professionals a    | 3  | 3.54               | .63               |
| Proportion trained employees a| 3  | 1.33               | 13.69**           |
| Training of budget as proportion of wages a | 3 | 1.15 | 4.60     |

Model Chi-square 33 181.00** 312.03**

N 2367 2319

-2 Log Likelihood 1781.38 1660.04

Percentage correct predictions 85.7 85.8

Nagelkerke’s R-Square .13 .22

* significant at .05 ** significant at .01

a including the missing values categories

In the discussion on ‘Anglo-Saxonisation’ and HRM practices transfer, we predicted that not only employee share schemes but also other calculative HRM practices would conjoin (Gooderham et al. 1999). Pendleton et al. (2001) noted that in practice share schemes go together with profit-sharing schemes. Our results confirm this. However, the results show that profit-sharing only increased the probability of organisations also having a share scheme (i.e. the odds-ratio is greater than 1) for the same organisational group. The incidence of narrow-based profit-sharing only increased the presence of narrow-based share schemes, whereas the presence of broad-based share schemes was only increased by the incidence of broad-based profit-sharing schemes. This consistency across different types of payment schemes validates the distinction between narrow-based and broad-based calculative practices.
Table 5: Odds-ratios for the characteristics of corporations with a Narrow-based or a Broad-based share options scheme\(^a\) Logistic Regression

| Categories                                 | Narrow-based | Broad-based |
|--------------------------------------------|--------------|-------------|
| Broad-based profit-sharing                 |              |             |
| 0 'no'; 1 'yes'                            | 1.19         | 2.53**      |
| Narrow-based profit-sharing                |              |             |
| 0 'no'; 1 'yes'                            | 1.95**       | 1.23        |
| HeadQuarter_MNC                            |              |             |
| 1 'Nationally based company' (refcat)      |              |             |
| 2 'EU-based MNC'                           |              |             |
| 3 'US-based MNC, USHQ'                     |              |             |
| 4 'Not EU or US based MNC'                 |              |             |
| EU states:                                 |              |             |
| UK (refcat)                                | 1.38         | .25**       |
| France                                    | 1.09         | .09**       |
| Spain                                     | .39**        | .23**       |
| Germany                                   | .84          | .26**       |
| Others                                     |              |             |
| Interaction EU states*USHQ                 |              |             |
| United Kingdom*USHQ (refcat)               | .58          | .44         |
| France*USHQ                                | .27          | .98         |
| Spain*USHQ                                 | .44          | 13.91**     |
| Germany*USHQ                               | .90          | .53         |
| Others*USHQ                                |              |             |
| Focus on International Markets             |              |             |
| 1 'National orientation' (refcat)         |              |             |
| 2 'European market orientation'           |              |             |
| 3 'Global player'                         |              |             |
| 4 'missing'                                |              |             |
| Business Size                              |              |             |
| 1 '200-499 employees' (refcat)             |              |             |
| 2 '500-999 employees'                      | 1.52**       | 1.45*       |
| 3 '1000 plus employees'                   |              |             |
| Total Company Size                         |              |             |
| 1 '200-499 employees' (refcat)             |              |             |
| 2 '500-999 employees'                      | 1.37         | .71         |
| 3 '1000 plus employees'                   | 1.10         | 1.36        |
| 4 'missing'                                | 1.02         | .87         |
| Percentage of Professionals                |              |             |
| 1 '0-30%' (refcat)                         |              |             |
| 2 '31-60%'                                 |              |             |
| 3 '61-100%'                                |              |             |
| 4 'missing'                                |              |             |
| Percentage of Manuals                      |              |             |
| 1 '0-30%' (refcat)                         |              |             |
| 2 '31-60%'                                 |              |             |
| 3 '61-100%'                                |              |             |
| 4 'missing'                                |              |             |
| Percentage of Employees trained            |              |             |
| 1 '0-30%' (refcat)                         |              |             |
| 2 '31-60%'                                 |              |             |
| 3 '61-100%'                                |              |             |
| 4 'missing'                                |              |             |
| Proportion training of Wage Bill           |              |             |
| 1 '0-1.5%' (refcat)                        |              |             |
| 2 '1.51-3.0%'                              |              |             |
| 3 '3.1%-highest'                           |              |             |
| 4 'missing'                                |              |             |
| Constant                                  | .07**        | .10**       |

\* significant at .05  \** significant at .01
\(^a\) Odd ratios >1 contribute positively to the dependent. Odd ratios <1 contribute negatively to the dependent
An overview of the findings for the hypotheses concerning the perspectives is presented in Table 6. In the institutional perspective, the findings show that the specified EU countries with their different institutional arrangements played an important role in the incidences of both types of share schemes. The different institutional arrangements affected the prevalence of both share schemes, although more extensively for broad-based than for narrow-based share schemes. With regard to a possible Anglo-Saxonisation effect, however, the presence of a US subsidiary had a general and prominent effect on the prevalence of the narrow-based and broad-based share schemes.

| Formulated hypothesis                     | expected   | Narrow-based Share | Broad-based Share |
|------------------------------------------|------------|--------------------|------------------|
| 1. USHQ                                  | more likely| Yes                | Yes              |
| 2. UK compared to other regions          | more likely| Partly             | Yes              |
| 3. Germany                               | less likely| Yes                | Yes              |
| 4. International Market Orientation      | more likely| No                 |                  |

Our first hypothesis predicted that being a subsidiary of a US MNC would affect the probabilities of having narrow- and broad-based share schemes. The results confirm the hypothesised effect, i.e. being a subsidiary of a US MNC (US-based MNC, USHQ) generally increased the odds of the narrow-based and broad-based schemes. The odds were 8.08 (Wald statistic 40.74, p < .001) and 2.38 (Wald statistic 4.20, p < .040) respectively. Especially for the narrow-based share scheme, the odds were raised prominently by US MNCs. A MNC-effect was also found for the EU-based MNCs, although it was less prominent. The odds for both share schemes were increased for these EU-based MNCs compared with the nationally based companies. Seemingly, EU-based MNCs mimic the management practices of US MNCs.

Although the institutional effects described below show that German companies generally were less likely to adopt a broad-based share scheme, a US MNC effect nevertheless appeared to be – present and very prominent – in Germany. The odds increased by 13.91 (Wald statistic 9.3; p < .002). Apparently, US-based MNCs in Germany do adopt the broad-based share scheme more than US-based MNCs in the UK. These findings support our first hypothesis on narrow-based and broad-based share schemes.

Based on the differences between the countries specified (i.e. following the institutional perspective), we hypothesised substantial differences between the countries in the incidence of the share schemes. As predicted, the results show that with regard to broad-based schemes, the continental countries like France, Spain and Germany score lower than the United Kingdom, i.e. the reference category. Likewise, Germany scored lower than the United Kingdom for the narrow-based share schemes. However, the incidence of narrow-based schemes was only significantly lower in Germany. In France, Spain and other EU countries, the incidence of narrow-based share schemes was equivalent to the United Kingdom. We therefore found our second hypothesis to be partially supported, to the extent that the United Kingdom has the highest – or at least equal – incidence of share schemes to the other EU countries. In particular, there was a much higher incidence of broad-based share schemes in the United Kingdom.
than elsewhere in the EU. Spain scored as high as the UK on the incidence of narrow-based schemes. France also scored higher than Germany and as high as the United Kingdom on narrow-based schemes. We can fully accept our third hypotheses stating that Germany scored lowest regarding both types of schemes (Hypothesis 3).

Interpreting the agency perspective in the relationship between multinational corporate headquarters and the management of subsidiaries, we expected that being a global player as a business unit of a US MNC would have a positive effect on the incidence of narrow-based schemes. This cannot be confirmed by our results. A closer look at the relationship between the variables US (and EU) MNC and the international orientation variable reveals that the correlation is strong suggesting that subsidiaries of multinationals already tend to be global players. Additional analysis showed that the separate – positive – effect of this independent variable disappeared when controlling for the EU and US MNC – effect. This suggests that the EU and US variable described in the step before does indeed cover the international orientation effect to a large extent.

**Control variables**

Of the control variables, only size of the business unit and the proportion of employees trained appear to be significant contributors. Business unit size increased the odds for broad-based schemes. This may be interpreted as a possible scale effect as well as a possible agency effect. However, total company size was not a significant predictor, suggesting that scale factors are less important. At least we may say that free rider problems may not prevent the establishment of schemes in larger organisations. Although not explicitly expected, business unit size also increased the odds for narrow-based schemes. This may be interpreted as an additional effect marking the importance of the organisation. Corporate headquarters and owners may use these schemes more often for management of larger units reflecting the importance of the unit.

The results show, as expected, that the Percentage of Employees Trained had a positive effect on the probability of broad-based schemes; the higher the Percentage of Employees Trained the higher the probability of broad-based schemes. On the other hand, we found no evidence for the expected relation between the Proportion of the Wage Bill spent on Training and the proportion of broad-based schemes. Although both indicators are very rough indicators for the nature of training (general and specific) we can interpret this finding as giving some support to the firm-specific skills argument. A higher budget for training may indicate higher expenditure for training provided by external trainers and consultants. This training may be directed to more general skills than firm-specific skills. Firm-specific on the job training may not be covered by explicit budgets. A higher proportion of the workforce may indicate more on the job training of firm-specific skills. Since the budget variable is not correlated to the workforce-proportion variable we may suggest that the latter indicates firm-specific skills training.

The predictors concerning the composition of the workforce (high percentage of professionals and high percentage of manual workers) appear not to contribute to the phenomenon. The results show that the proportion of professionals and manuals yielded no significant effect on the probability of broad-based schemes.
Conclusions and discussion

Some general conclusions can be drawn from this comparative study. First, the countries with their different institutional arrangements and US multinationals played an important role on the extent to which share schemes are available to narrow and broader categories of employees in European companies. The different institutional arrangements affected the prevalence of both types of share schemes, although more extensively for broad-based than for narrow-based share schemes. The largest effect comes from multinationals, especially those based in the US. US multinationals tended to introduce narrow-based share schemes more than broad-based schemes in Europe. European multinationals tended to mimic US practices. This supports the so-called Anglo-Saxonisation effect as found by Ferner and Quintanilla (1998). They stated that tensions arise between the requirements of ‘globalised’ operations and the characteristics MNCs have adopted from their home country environment. MNCs respond to such tensions by adopting various adaptation strategies, the most important if which may be termed ‘Anglo-Saxonisation’: a convergence of MNC behaviour around a model typical of highly internationalised British or US MNCs.

Second, the results also show that this convergence effect applies to narrow-based schemes more than broad-based schemes. This suggests that the adoption of narrow-based schemes fits more easily into a universalist convergence perspective.

Third, this contribution supports the institutional perspective of certain HRM practices and sets out the diversity of institutional arrangements that may influence the adoption of HRM practices. It highlights the varieties of capitalism in Europe by the fact of the existence of distinct national financial participation frameworks. These frameworks determined the nature and incidence of broad-based schemes to a large extent and the nature and incidence of narrow-based schemes to a lesser extent.

Fourth, the contribution suggests that the Agency and Human Resource perspective provide some determinants of share schemes. However, the indicators used were very rough and there is a need for further exploration. There are also grounds for an imitation and rent extraction perspective especially for narrow-based schemes. We discovered the possibility of an additional explanation for broad-based schemes coming from the human resource perspective. Training affects the use of broad-based share schemes. These results are in line with other research results in this domain (Pendleton et al. 2003). However, a more detailed analysis is needed of studies into how companies protect firm-specific skills and the contribution of employee share schemes and profit-sharing schemes to this.

There are some important drawbacks to this study that have to be taken into account when taking research in this area further. Anglo-Saxonisation does have a much broader meaning than simply having US management, despite the fact that US management appeared to have a direct and an indirect effect on the likelihood of having a narrow-based and broad-based share scheme, respectively. However, when introducing a broader scope of Anglo-Saxon HRM practices, it is important to look for diversity in the adoption of some or parts of the listed HRM practices in certain institutional environments. Second, we could not distinguish between types of schemes. Since a broad range of schemes is covered that have substantial differences in nature
and effect, the relevance of certain theoretical perspectives for some of these plans is questionable. In general the literature suffers from a lack of comparison of different schemes. The schemes are also likely to be country-specific in design depending on regulatory and taxation differences. There is a need for further comparative research. Third, the proxy value of the independent variables used in this study are rough indicators. On the one hand, the unobtrusive measurements enabled an interesting comparative study of companies among EU regions, on the other hand, the validity of some measurements can be questioned. Given their effects as demonstrated already in this study, it would be worthwhile studying more precisely the relationship between the proxies used and their inferred meanings.

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