Title Employee Share Ownership in the UK Bus Industry

Name Lisa Trewhitt

EMPLOYEE SHARE OWNERSHIP IN THE UK BUS INDUSTRY

BY

LISA TREWHITT

Ph.D

2004

UNIVERSITY OF LUTON

EMPLOYEE SHARE OWNERSHIP IN THE UK BUS INDUSTRY

LISA TREWHITT

ABSTRACT

The aim of this thesis was to generate a series of propositions identifying the elements most likely to be found in 'durable' employee-owned organisations. Previous studies in the field had often been marked by the assumption that benefits associated with employee share ownership, including reduced 'social divisions' between employees and their managers and a greater propensity among the former to work harder, would follow in all employee-owned enterprises. Few researchers had addressed the 'empirical reality' and 'diversity' of individual employee share ownership conversions and the circumstances in which systems had been created, implemented and subsequently managed by organisations. Areas covered by the thesis included an examination of employee participation structures in different employee share ownership environments and 'feelings of ownership and commitment' among employee shareholders. The thesis also considered whether the 'traditional' trade union role would be undermined by new forms of representation and participation resulting from the introduction of employee share ownership programmes. Applying an extensive 'multi-method' approach, quantitative and qualitative data were collected over an eighteen-month period from six organisations in the UK bus industry – regarded by the mid 1990s as the most important locus of employee-owned companies. In 1994, some twenty-five UK bus companies were defined as 'employee-owned', generally consisting of non-managerial employees holding at least 25 per cent of the equity in their work places. Results from the investigation revealed that 'direct monetary investment' by employees and extensive information and communication programmes were among the elements characterising durable employee-owned organisations. Preservation of the 'traditional' trade union role was also evident, with employee shareholders generally content to participate in company matters through their union. More broadly, the thesis concluded that recognition in future research of the interplay of different variables was essential to increase understanding in relation to employee commitment, participation and industrial relations outcomes.

Contents

List of tables

List of figures

Acknowledgements

The author wishes to acknowledge a number of individuals who provided advice, support, guidance and the raw data for this thesis. Firstly, thanks go to my Director of Studies, Dr Frank Carr. I also wish to thank my external supervisor Professor Andrew Pendleton, who always showed genuine interest in my research and was always prepared to act as a sounding board for ideas, despite the constraints on his time. Acknowledgement is also given to the University of Luton for the provision of a research bursary, which enabled me to study full-time for almost four years.

Thanks must also go to the companies and particularly to the individuals within them who were prepared to invite me into their world and take up so much of their precious time. Their insights and reflections on the subject area were invaluable, I learnt so much from them and will be forever in their debt. In no particular order I would like to express sincere thanks to David Wheatcroft, Nigel Featham, David Pardoe, Simon Durrant, Rhod Fisher, Roger French, Harry Foley, Elvis Vaughan, Tom O'Callaghan, Ted Hunn, Gary Phillips, Ricky Haynes, Michael McGrath, George Mutch, George McKendrick, Steve Cobbell, Joe Lawson, David Shaw, Ray Raynsford, Jim Huxley, Martin Mayer and Colin Ellis.

On a personal note I would like to thank friends and colleagues for their support, especially Dr Mike Scannell and Dr Xiaohong Li who read the thesis. Their comments and observations on early drafts were greatly appreciated. Particular thanks go to my parents and grandparents for their financial support during my period of full-time study at the University of Luton and finally, to Richard Newell for everything else.

Author's declaration

I declare that this thesis is my own unaided work. It is being submitted for the degree of Doctor of Philosophy at the University of Luton. It has not been submitted before for any degree or examination in any other University.

Lisa Trewhitt

day of August 2004

List of abbreviations

All-employee share plan	AESP
Analysis of variance	ANOVA
Annual general meeting	AGM
Approved profit sharing	APS
British Organisational Commitment Scale	BOCS
Central negotiating committee	CNC
Centre for Tomorrow's Company	CTC
Centre for Employee Ownership and Participation	CEOP
Collective bargaining	CB
Company share ownership plan	CSOP
Co-operative Development Agency	CDA
Department of Trade and Industry	DTI
Employee benefit trust	EBT
Employee buy-out	EBO
Employee involvement	EI
Employee participation	EP
Employee share ownership	ESO
Employee share ownership plan	ESOP
Enterprise management incentive	EMI
ESOP consultative committee	ECC
European Union	EU
European works council	EWC
Financial involvement and participation	FIP
General Accounting Office	GAO
Human resource management	HRM
Industrial Common Ownership Movement	ICOM
Industrial democracy	ID
Involvement and Participation Association	IPA
Joint advisory committee	JAC
Joint consultative committee	JCC
Kruskal-Wallis	K-W
Local Government Superannuation Scheme	LGSS
Management buy-out	MBO
Management-employee buy-out	MEBO
National Bus Company	NBC
National Center for Employee Ownership	NCEO
National Freight Corporation	NFC
Passenger Transport Executive	PTE
Profit-sharing trust	PST
Qualifying employee share trust	QUEST
Save-As-You-Earn	SAYE
Scottish Bus Group	SBG
Statistical Procedures for the Social Sciences	SPSS
Trades Union Congress	TUC
Transport and General Workers' Union	TGWU
Workplace Employment Relations Survey	WERS

1.0 Outline of research programme

1.1 Introduction

The programme of research sets out to examine various systems of employee share ownership (ESO), their origins and key characteristics and outcomes of 'feelings of ownership', employee participation (EP), organisational commitment, industrial relations and 'employee ownership durability'. Pierce et al (2001, 1991) concluded that different models of ESO were likely to have implications for attitudes to ownership and for the subsequent ownership expectations, rights and responsibilities that were created in the minds of 'employee owners', as well as those with responsibility for managing the ownership system (see also Rodgers 2003).

Within the ESO literature, a number of studies have examined the capacity of ESO to 'transform' the employment relationship via changes in the attitudes and behaviours of employees. Far fewer, however, particularly at the empirical level, have examined in detail the key characteristics of *different* ownership models, the context in which conversions to ownership have occurred, the key parties involved in conversions and how all of these variables might be related to attitudinal and behavioural outcomes (Trewhitt 1999a). Pendleton (2001: 14) argued that the interplay of different variables in ESO conversions had 'a powerful effect on configurations of participation and governance, and on the outcomes of these'. The author additionally highlighted the need for a more systematic explanation within case study accounts of the differing circumstances and outcomes of ESO. Wilson et al (1995) similarly called for a recognition among researchers of the 'contingent characteristics' (p. 11) of different ownership models, adding that differences in outcomes - for example, in the attitudes of employees - could exist independently of the fact of ownership.

The focus for the current investigation is a group of six UK bus companies. During the 1980s and 1990s the UK bus industry was particularly significant for ESO, both in terms of the number of employee-owned bus companies electing to pursue this strategy and the 'rich diversity' of ESO found within the industry. Given the 'diversity of ownership' characterising the companies presented in this thesis, the research aims to address some of the limitations levelled at previous studies that have tended to portray ESO as a singular concept. The remainder of this chapter outlines the context of the study, setting out the main areas for investigation and outlining the approach undertaken to achieve the research aims.

1.2 Defining employee share ownership

ESO has been described as a 'multi-dimensional' phenomenon (Kruse 2002; Pierce et al 1991; Shperling and Rousseau 2001), encompassing a range of meanings across different audiences (Centre for Tomorrow's Company (CTC) 2001). It is credited with providing 'the most promising way of securing the desired joint commitment to business success' (Oakeshott 2000: 18) and of being 'central to the creation of an enterprise in which a "new industrial relations" based on co-operation and shared goals' can emerge (Walley and Wilson 1992: 126). On one level, ESO may be defined as 'financial participation': in addition to a 'financial stake' in their company, employees have access to financial information, the profits of the company, plus a legal claim to the assets of that company should it be sold. At a further level, ESO may encompass 'socio-psychological' factors including social standing, social responsibility and 'psychological ownership' (Rousseau and Shperling 2000). The notion of psychological ownership stems from the theme that has 'pervaded virtually all of the literature on employee ownership' (Pendleton 2001: 9) over the past twenty-five years – that of EP in decision-making. Ben-Ner and Jones (1995) observed that, in addition to 'return rights', such as financial rewards resulting from ownership of an asset, ESO also consisted of rights to 'control' that asset. Moreover, Pierce et al (1991) described the opportunity to exercise some degree of decisional influence as an integral part of ESO, adding that ownership systems without this 'right and responsibility' (p. 128), would be regarded by employees as being incomplete. The authors concluded that subsequent outcomes arising from 'incomplete' ownership systems would differ from those where EP was firmly embedded.

1.3 Context of the study

The significance of EP in employee-owned organisations is based on the application of 'principal-agent theory' (see Conte and Svejnar 1990; Jenson and Meckling 1979), whereby ESO provides employees (agents) with an incentive to share information with their employers (principals). Financial rewards are linked to overall company performance and so employees have an incentive to share information about work processes that can benefit their organisation and that may, in some cases, be superior to information held by employers. The company benefits, therefore, from better-informed decisions and from a breakdown in bureaucratic centralised decision-making and lower agency costs (Wilson 1992). Employees in turn show commitment to their organisation via greater personal effort, increased scrutiny of colleagues' work behaviour and a reduced propensity to leave the organisation (Pendleton et al 1998). A fall in the turnover rate may also increase the average skill level present in the company over a period of time (for a given investment in training) and encourage additional investments in company-specific skills or human capital (Wilson 1992).

A number of studies (GAO 1987; Klein 1987; Long 1979; Pendleton et al 1998; Rhodes and Steers 1981) have highlighted the importance of EP in decision-making for bringing about attitudinal change in employee-owned organisations and these are discussed in Chapter 3. An equally extensive section of the ownership literature (see for example, Blasi and Kruse 1991; Jones and Kato 1993) has found that organisations with ownership systems generally maintain 'conventional' management hierarchies and patterns of control. Moreover, Heller et al (1998) described systems of ownership as 'often undemocratic' (p. 20), providing employees with few control rights. Notwithstanding, there is an assumption that employees with a financial stake in their firm are more likely to work harder for its success (Marchington 1995), though this outcome may depend upon whether the employees themselves are able to identify such a link (Trewhitt 2000).

Much may also depend on the *model* of ownership present in the organisation and the circumstances in which it has been introduced. The CTC (2001) referred to a 'kaleidoscope of alternative patterns of ownership' (p. 8) originating from different traditions. For example, systems of ownership have been formed to take advantage of tax breaks (Blasi and Kruse 2001; Smith 1993), to obstruct hostile take-overs, and to secure the commitment of employees during 'plant-rescue' buy-outs (Heller et al 1998: 34) or privatisations (Walley and Wilson 1992). In contrast, very few have been formed to advance industrial democracy (ID) within firms (Heller et al 1998; Hyman and Mason 1995; Klein and Rosen 1986).

The objectives and philosophies of the parties involved in mounting conversions to ESO are also important for EP and other related outcomes, including commitment to the organisation. Where 'management' has been the dominant influence in the design of the ownership system, it may be anticipated that the primary objective is risk sharing or some other performance-oriented objective, rather than any extension of ID that could challenge the management prerogative (Pendleton et al 1995a). Alternatively, where employees have been an equal or dominant influence on the design of the ownership system, there may be a greater concern to develop institutions that pass some control of decision-making to them, such as the appointment of employee directors (Pendleton et al 1996).

The CTC (2001) has drawn a distinction between 'employee-owned' companies and those with 'employee share ownership'. Employee-owned companies are defined as having a 'deliberate culture and philosophy' of employee ownership (CTC 2001: 10), providing employees with a 'significant shareholding' either directly, or through a trust, to share in the success of the company. In contrast, 'employee share ownership' is defined as a mechanism used by companies to enhance commitment and the performance of their employees. Broad-based ownership systems, including 'conventional' share schemes such as save-as-you-earn (SAYE), have often been subsumed under the umbrella of 'employee share ownership'. Typically involving only a small proportion of equity being passed to employees, generally between 2 and 3 per cent, conventional share schemes have rarely formed part of a large-scale attempt to reshape corporate governance or EP in companies (see for example Baddon et al 1989). Rather, their primary aim has been to provide additional remuneration for employees (Pendleton 2001).

It is posited, moreover, that where managers have fared better than employees from such schemes, any unifying intentions have often been defeated (see for example, Hyman and Mason 1995; Millward et al 1992; Ramsay et al 1990). Nichols and O'Connell Davidson (1992) highlighted the example of British Telecom, where the distribution of shares among executives and employees was particularly skewed. The average employee shareholding amounted to 270 shares, while 1.3 million shares were distributed among just five senior executives. In addition, conventional share schemes have often been viewed with suspicion by the trade union movement. The Trades Union Congress (TUC) (1979) observed that share schemes did little to counteract inequalities of wealth, since those on the highest incomes, typically senior executives, were most likely to benefit. Moreover, share schemes have generally fallen outside the remit of collective bargaining (CB) (Baddon et al 1989; Pendleton 1992), which means that arrangements for share distribution, once set, cannot be modified in annual pay negotiations.

At the other extreme is a subset of ownership systems where share ownership among employees may be set at high levels and intertwined with considerations of governance and participation (Pendleton 2001). Applying the CTC's definition, companies electing to adopt ownership systems of this nature may be defined as 'employee-owned'. For example, where transfers of shares to employees are substantial - in excess of 25 per cent - ownership may become a 'centrepiece of company philosophy and organisation' (Pendleton et al 1995a: 44). For more than a decade through the 1980s and 1990s, two of the more commonly-used ownership mechanisms among UK 'employee-owned' companies were 'employee share ownership plans' (ESOPs) and direct ownership schemes. Particularly prevalent in UK bus company management-employee buy-outs (MEBOs) in the aftermath of privatisation (see for example, Oakeshott 2000), both mechanisms were regarded as offering the potential to facilitate far greater levels of EP in decision-making (Pendleton et al 1996).

ESOPs initially proved a more popular method in some of the earlier bus buy-outs. The distinguishing feature of an ESOP is an employee benefit trust (EBT), which acquires, holds and distributes equity to employees (Trewhitt 1999a). Moreover, the EBT normally has powers to borrow money to finance the acquisition of shares for eventual allocation to employees. Participation rates have, therefore, often been very high (Pendleton et al 1995a) since shares are usually passed to employees at no direct cost. In the UK there are two main forms of ESOP in terms of legal and taxation characteristics - the 'case law' and the 'statutory' ESOP. These are discussed more fully in Chapter 2.

By comparison, a direct ownership approach has usually required substantial amounts of capital from employees (Trewhitt 1999b). Therefore, members of the workforce either unable or unwilling to provide the necessary finance have often been excluded from participating, making inequalities in ownership more likely. Notwithstanding, advocates of direct ownership have argued that it provides a more immediate and direct sense of ownership compared with ESOPs. Employees in ESOP companies may have to wait for up to three years to receive their shares, whereas direct ownership arrangements allow employees to receive their share certificates at the outset, thereby helping to make ownership more 'meaningful' (Pendleton 2001). Direct ownership arrangements may be particularly important in smaller firms where the percentage of employee-owned stock is large enough to influence the direction and strategy of the company (Cotton 1993). In some cases direct share subscriptions have been used in conjunction with an EBT, whereby shares might initially be placed in an EBT as part of the purchase of the company but then more or less offered immediately for sale to employees. EBTs have also been created to buy back shares from departing employees in buy-outs that were brought about primarily by direct share acquisition.

At the same time, companies with direct share ownership pose a much higher degree of risk than ESOP companies, since employees in the former have to finance the share acquisition themselves. Ben-Ner (1988) referred to the 'inescapable bundling' (p. 290) of employees' human capital, equity capital and employment in employee-owned organisations and their subjection to the same risk. It is argued, however, that the level of often considerable financial commitment from employees in direct ownership companies engenders a more 'responsible' form of ownership, in terms of how they view their own work behaviour as relating to the success of the company (Pendleton 2001).

1.4 Industry focus

Case studies presented in the thesis are drawn from the UK bus industry. From 1987 through to the mid 1990s, the bus industry was regarded as the most important locus of employee owned companies in the UK (see for example, Wilson et al 1995). The primary impetus for ownership activity in the industry was provided by the policies of successive Conservative governments towards UK bus operators during the 1980s involving deregulation, privatisation and financial, industrial relations and legislative reform (Pendleton and Winterton 1993). By March 1994, twenty-five bus companies employing around 35,000 employees were 'employee-owned' - generally consisting of non-managerial employees holding at least 25 per cent of the equity of their organisation and management holding the majority share of the remaining equity (Pendleton et al 1995b).

It may be considered surprising that ESO became so widespread in an industry where average union membership exceeded 90 per cent during the period (Pendleton et al 1995b). Concerns that financial participation could lead to employer and employee interests becoming intertwined, thereby contradicting the principles and functions of unions (McElrath and Rowan 1992), had been common in the trade union movement since the 1950s. Some thirty years later, however, trade unions began to look upon financial participation, and particularly ESOPs, more favourably (Pendleton 2001). Since that time, employee-owned companies have often been found in highly unionised sectors and so major changes to company operations via the creation of an ESOP or direct ownership scheme have generally required trade union support (Pendleton 1992). The Transport and General Workers' Union (TGWU) concluded that ESO was 'the only way for many TGWU members to retain some sort of union control over their jobs against the ravages of deregulation and privatisation' (TGWU 1990: 4). Oakeshott (2000) observed that trade unions regarded ESO as the 'least worst outcome of the privatisation process' (p. 290), while there is also evidence to suggest that the 'traditional' trade union role of employee representation may have in fact been strengthened. Pendleton et al (1996) concluded that management and union objectives have often 'coincided' (p. 600) in employee-owned companies, as union concerns to protect representation have, in practice, cohered with management's primary objective to retain 'conventional' management structures. That employee-owned companies do not necessarily bring with them 'revolutions in either governance or participation' (Pendleton 2001: 3) has been reinforced by the work of Heller et al (1998) and Toscano (1983).

In recent years, the majority of UK employee-owned bus companies, or those with employee ownership arrangements, have been consolidated into a far smaller number of transport operators. At the time of writing, only one 'employee-owned' company remains. The company was established in 1993 and has succeeded in maintaining 100 per cent 'insider' equity via a direct share ownership arrangement. Aside from this one exception, what is perhaps most striking about the demise of ESO in the UK bus industry is the rate at which companies were sold on to other operators (Pendleton et al 1998). The life-span of employee-owned bus companies has often been very short, with firms resold at a value considerably in excess of the initial buy-out price (Thompson et al 1990). In 1992, Wright et al (1992) reported that the average exit period of fifteen bus buy-outs eventually sold on to other groups was 2.02 years. By the end of the 1990s, when most of the remaining UK bus companies had been 'sold on', the average exit period had risen to 3.7 years (Pendleton 2001).

A number of factors are said to have contributed to the demise of ESO within the industry. First, opportunities for EP in bus companies were often limited, varying little from opportunities in companies without any form of ESO. Second, non-payment of share dividends by these bus companies provided employees with no clear financial reward (Pendleton 2001). Third, companies were often unable to respond to competitive threats. Even before privatisation, local bus companies had been under pressure to make themselves profitable by shedding labour, increasing prices and placing more emphasis on profitable routes (Oakeshott 2000). Ironically, the most profitable employee owned bus companies often faced the greatest difficulties in trying to compete with other firms. In some cases, shares gradually became too expensive for new employees to purchase, subsequently placing companies under increasing pressure to repay buy-out loans. An emphasis on loan repayment led to under-investment in many companies, leaving them unable to respond to competitive threats. As a result, the rewards to be derived from 'selling on' were seen as far exceeding the financial and psychological rewards of ownership (Pendleton 2001, Trewhitt 1999b). This issue is addressed further in Chapter 8.

1.5 Research methodology overview

Results presented in the thesis are based on primary data collected from six UK bus companies during 1997 and 1998. Three of the companies selected were 'employee-owned' organisations for all or most of the duration of the primary fieldwork and following the aims of the research, offered scope for an examination of different ownership models originating from different backgrounds. The remaining three companies were selected on the basis that they had moved from 'ESO' to consolidation by other major UK transport groups some years earlier, which in turn allowed for an examination of the birth and life-span of employee-owned companies, as well as their demise and aftermath. The background to all six cases is discussed more fully in Chapter 5.

An initial list of approximately ten employee-owned bus companies, or those with 'ownership arrangements', was drawn from business directories and professional associations including the ESOP Centre, the Involvement and Participation Association (IPA), the Centre for Employee Ownership and Participation (CEOP), and the Industrial Common Ownership Movement (ICOM). On completion of the list, companies were contacted either by phone or letter to establish levels of interest for the study. The first point of contact in each case was either the managing director, a senior member of the management team, or alternatively, a trade union representative or employee director. From the ten companies contacted, a final list of six was drawn up. Further details are given in Chapter 4.

Data collected for the thesis were drawn from a range of sources. During the research period, a quantitative employee attitude survey and a series of semi-structured interviews with senior managers and trade union representatives were undertaken in each company. The employee attitude survey set out to examine levels of organisational commitment and EP and to explore employee-manager and employee-trade union relationships. At the interview stage, questions to respondents focused upon the design and operation of the ownership system and the circumstances in which it had been introduced. Respondents were also asked to give individual assessments of their own company's ownership system in relation to employee attitudinal, behavioural and industrial relations outcomes. Where companies were no longer 'employee-owned', respondents were asked to detail events leading to the 'selling on' of their company and to give their own personal reflections on ESO. Attendance by the researcher as a non-participant observer at an 'EBT' and a 'Central Negotiating Committee' (CNC) meeting was also permitted by one company.

Primary data and observations were supplemented by documentary information gathered from each of the companies, including annual company reports, in-house journals and newspapers. Statements of corporate philosophy, where available, were also collected to help place in context data obtained from the survey and interview stages. Further research methodology details are given in Chapter 4.

1.6 Focus of research

1.6.1 Feelings of ownership and organisational commitment

The first of the main research topics is presented in Chapter 6 and examines 'feelings of ownership' and 'organisational commitment' among employee shareholders in three 'employee-owned' organisations, each representing a different model and degree of 'insider ESO' (details are given in Chapter 4 and Chapter 5).

If ESO is to result in changes to the attitudes and subsequent behaviours of employees, then it is likely that employees need to experience a tangible 'sense of ownership' (Pendleton 2001). Pierce et al (1991) concluded that the extent to which employees would experience a sense of ownership, or 'psychological ownership', would depend on the extent to which they were satisfied with the system of ownership in their own company and the salience of ownership. Sparrow (2001), in turn, observed that the psychological consequences of ESO would differ according to the degree and variation of ownership found in companies. Within the ownership literature, researchers have hypothesised that employees with a 'sense of ownership' to their company will also be committed to the company. Klein (1987), for example, identified three alternative but not mutually exclusive models of the psychological effects of ESO - the 'intrinsic', 'extrinsic' and 'instrumental' models of satisfaction. Underpinning each model was the assumption that if employees were satisfied with their company's system of ownership, they would feel committed to the company and motivated to remain working there. In turn, each of Klein's models predicted that different employee ownership conditions were associated with high levels of employee satisfaction to ESO, high organisational commitment and low turnover intentions. A more extensive discussion of Klein's model appears in Chapter 3.

Chapter 6 explores the premise that employees working in a 'direct ownership' company derive a greater 'sense of ownership' than employees in companies with an ESOP. Where ownership is more 'meaningful' to employees and they draw satisfaction from the experience of ownership, a greater sense of commitment to the organisation is, in turn, anticipated. The study also suggests, however, that the *context* in which the conversion to ownership occurs and the *reasons* behind the choice of ownership model are important. Specifically, outcomes of ownership and organisational commitment between employee-owned companies may differ, even where similar systems of ownership are in place. Chapter 6 therefore attempts to shed light on the importance of the varying circumstances of ownership for outcomes of psychological ownership and organisational commitment.

1.6.2 Employee share ownership, employee participation and industrial relations

The second major area of the research programme examines employee attitudes to participation in decision-making across all six organisations and seeks to establish levels of perceived and desired EP at the job, departmental and organisational levels. Results from this stage of the research are presented in Chapter 7. Following the work of Pendleton (2001), EP in the current research context is defined as participation *by* employees (allowing employees a 'voice') in work-level decisions, whether as individuals or groups, affecting them *as* employees. Within the literature, employee influence in decision-making has been defined in a number of ways including 'organisational democracy', 'power', 'involvement', 'participation' and more recently, 'empowerment' (see for example Heller 1998; Heller et al 1998; Hyman and Mason 1995). Moreover, the Influence and Power Continuum, developed initially by Likert (1967) and extended by Heller and Yukl (1969) and later by the Industrial Democracy in Europe research group (1981), identified six alternative degrees of influence and power sharing (Heller 1998). These ranged from 'not involved', where no, or a minimum amount of information is shared, through to 'decide on my own', where an individual or group is given a degree of autonomy or control. Further discussion of the terminology features in Chapter 2.

It may be assumed that employee-owned companies generally would provide greater opportunities for EP in decision-making than more 'conventional' firms: ownership is said to confer rights on owners to control an asset, as well as enjoy its returns (see for example, Ben-Ner and Jones 1995). However, a number of studies, (see for example Heller et al 1998), have concluded that ESO is rarely associated with substantial employee control. Moreover, while it may be assumed that employees, given the opportunity to participate more fully in workplace decisions would welcome the prospect, some studies (discussed in Chapter 3) suggest this is not always the case. Employees who own shares, for example, may *not* actively 'seek out' more participation if they perceive that managers are best equipped to make the right decisions to safeguard their interests (French 1987). A further body of literature, however, has posited that employees will often say they want more influence than they actually have at the present time (see for example, Heller 1998).

Where employees are dissatisfied with their managers or with current levels of participation in decisions, it is argued that they will remain committed to their trade union, as they regard the union as the most appropriate vehicle for representing their interests (see for example, Pendleton et al 1995b). This argument runs counter to the assertion, however, that the traditional representational role of trade unions in an employee-owned company may be undermined where employer and employee interests are aligned (see for example Stern et al 1983). In firms without ownership, employees are seen as having interests that are distinct and often arguably opposed to those of the owners. Hence, the role of trade unions in such firms is clear – 'to provide independent collective representation of employees in their dealings with the owners or their agents' (Pendleton et al 1995b: 577). In employee-owned organisations, the distinction is far less clear cut, though employees may find themselves able to develop simultaneous commitments, or 'dual commitment', to both their union and employer. Factors likely to contribute to a 'dual commitment' climate are discussed in Chapter 3 and Chapter 7.

1.6.3 Durability of employee share ownership

Using data collected from three 'post employee-buy-out companies', the final stage of the research examines whether systems of ownership and the varying circumstances of ownership creation are important for employee ownership durability. An alternative premise is that the eventual demise of employee-owned bus companies generally was perhaps inevitable, regardless of the system of ownership in place and the context in which the buy-out occurred. Findings are presented in Chapter 8. While the UK bus industry has been a principal focus for studies of ESO in recent years, an empirical examination of firms in a 'post ESO' context marks a departure from the approach of previous investigations. Where former employee-owned companies have featured empirically in investigations, they have, in the main, formed part of comparative analyses, typically being 'compared' with employee-owned companies in relation to productivity, employee turnover and absenteeism outcomes.

Chapter 8 focuses on four main areas: (1) the original objectives behind the ESO conversion in each case; (2) the perceived advantages and disadvantages of the ownership system adopted; (3) the perceived impact of ownership upon the attitudes and behaviours of employees; and (4) events leading up to and the circumstances of ESO dissolution in each case. In his theoretical analysis of employee-owned companies, Ben-Ner (1998) concluded that such firms faced dissolution due to either economic failure, or because both employees and managers in the firm recognised that separation was the only solution to their 'common predicaments' (p. 307). In turn, the proposition presented in Chapter 8 is that both micro and macro-level factors are important for employee ownership durability. These factors are discussed in the chapter.

1.7 Summary

Through detailed case study accounts, this thesis aims to highlight the importance of the varying circumstances of ownership for future studies of ESO and outcomes of EP, organisational commitment, industrial relations and company durability. Given the experiences of the UK bus industry, a recognition by employers and policy makers of the 'diversity of ownership' is vital if ESO is to become a viable and durable strategy for organisations in the future. Measures by New Labour to encourage widespread ESO in the UK, such as the extension of tax benefits (see Chapter 2), make this recognition particularly important. Valuable lessons can be learned from the experiences of the companies presented in this study, given the diversity that characterised ESO in the bus industry for more than a decade.

2.0 The development and diffusion of employee share ownership

2.1 Introduction

Chapter 2 charts some of the key developments in and the diffusion of ESO during the 20th Century in the UK, other European states and in the US, while additionally looking at progress made in the early part of the 21st Century. Discussions on some of the main forms of ESO, including ESOPs, direct ownership, workers' co-operatives and 'conventional' broad-based share schemes are presented alongside an overview of different political perspectives of ESO to have emerged over the past twenty-five years.

2.1.1 Origins of employee share ownership

ESO is not a recent phenomenon. Its roots can be traced back to the 19th Century and identified in the guild system, communal self-help associations, socialism and utopian movements (Poutsma et al 2003). During the early part of the 20th Century, ESO began to evolve around the world as business leaders, stimulated by the writings of economic historians, recognised the appeal of using collective and co-operative efforts to build a better way of life. In 1912, the historian Catherine Webb speculated that 'by making an employee a shareholder in the business employing him ... it stimulates his zeal and careful working' (1912: 138). Some nine years after Webb's pronouncement, Ernest Bader founded the celluloid manufacturing company Scott Bader (the name incorporated his wife's maiden name with his own). Originally created as a family-owned and conventionally managed concern operating from a single site in central London, Scott Bader was to become one of the world's most significant and enduring examples of an 'employee-owned' company. In 1951, and with a workforce of around 160, Ernest Bader and other shareholders made the decision to 'gift' the company to its employees, both present and future. Bader held strong social beliefs and recognised that a world where 'capital' employed 'labour' was not sustainable. Rather, he believed that labour should employ capital, acknowledging the equality of everyone as individuals, and only a total restructuring of the way industry was managed would achieve this aim. A charitable trust, 'The Scott Bader Commonwealth Limited', was established to hold the shares of the company. Employees became trustees of the shares, were able to participate in the direction of the company's activities by exercising the voting rights of those shares, and became eligible to sit on one of a number of elected bodies established to promote involvement, commitment and teamwork.

A key element of the gift was a constitutional requirement that a minimum of 60 per cent of company profits had to be retained within the business for investment and development purposes. Of the remainder, up to a maximum of 20 per cent could be paid as a bonus to staff, with an equal, or potentially greater amount, given to charity. In this way, whenever employees benefited from the profits of their company, they were able to share their gains with those less fortunate. By 2001, the company had grown into a multi-national corporation with some 700 employees world-wide and was celebrating the 50th anniversary of its commonwealth structure (CTC 2001). Membership of the Commonwealth and with it, co-ownership of the company, remains open to all employees after a specified period of time. Employees are required to follow an education programme in the purposes of the Commonwealth, while confirmation of membership is given by the Commonwealth management board (Scott Bader 2003).

Scott Bader is an early example of a wholly employee-owned enterprise originating in the UK. At the time of writing, the company has no external shareholders and remains totally independent. The constitutional requirements laid down in 1951 are also still in place. Over the years, substantial amounts of money have been allocated to charitable projects, including the provision of water to rural villages in Africa and India, health care clinics in South America and many schemes for the homeless in the UK. Throughout the 20th Century ESO emerged in a number of different guises, generally in response to political and economic changes such as shifts in government ideology and the privatisation of public utilities. Throughout the period there were numerous instances of co-partnership, common ownership, joint consultation and co-operative enterprises in distribution and manufacturing (Poutsma et al 2003; Wilson 1992). In addition to the UK bus companies that provide the focus for this thesis, a number of other and well-known organisations have, at different times and for different reasons, looked to ESO structures of some kind (see CTC 2001). The John Lewis Partnership, Tullis Russell, the National Freight Consortium (NFC), Tower Colliery and Baxi Partnership are among the more significant examples and discussions of these cases can be found in Bradley and Nejad (1989), Oakeshott (2000) and Pendleton (2001).

2.2 Structures of employee share ownership

In their 1995 publication *Managing Employee Involvement and Participation*, Hyman and Mason said that the concept of financial involvement and participation (FIP) embraces 'a potentially rich variety of experiences' (p. 96). The authors identified a number of FIP 'scenarios', ranging from management-determined monetary supplements to employee income at one extreme, through to full economic democracy at the other. Assessing the implications of the two extremes for employees, Hyman and Mason (1995) described how the former involved no or minimal shifts in capital ownership or organisational control, while the latter provided opportunities for plural ownership and social control of an enterprise or industry (see also Wright et al 1989). Research by Cotton (1993), Heller et al (1998) Oakeshott (2000), Pendleton (2001), Pierce et al (1991), Shperling and Rousseau (2001) and Trewhitt (1999a) among others, has similarly examined in detail the different forms of ESO and implications for employee control and participation in the workplace. Pierce et al (1991) proposed that the actual form of ownership had implications for the formal dimensions of an ownership system and moreover, for the 'ownership expectations' and 'ownership rights and responsibilities' (p. 125) created in the minds of employee owners, as well as those who managed the ownership system. More recently, in a comprehensive study of ESOPs, participation and governance in the UK, Pendleton (2001: 80) examined how 'the interaction of contexts, company characteristics, and actors' objectives' had a powerful effect upon the level and type of ownership in organisations (see also Pendleton et al 1995a).

The recognition that ESO encompasses 'a myriad of meanings' (Rodgers 2003: 1) is not new, however. One of the most significant pieces of research in the area was undertaken almost twenty-five years ago by Toscano (1983), who observed that an awareness and understanding of ownership variation was necessary to 'help explain possible discrepancies in the findings of researchers who study such companies' (p. 598). The author had examined a number of earlier ownership studies (see for example, Hammer and Stern 1980; Livingston and Henry 1980; Ross 1980) and on the basis of their findings, concluded that links between ESO, increased work satisfaction and improvements to productivity and profitability were not inevitable. Rather, the 'form of ownership' was far more likely to be responsible for discrepancies found among the conclusions of various studies.

Toscano (1983) developed a 'typology of employee ownership' to help explain why 'workers in some employee-owned companies have dramatically different attitudes toward their work and their firm than do their counterparts in other companies so organised' (p. 598). The 'typology' identified three general types of ESO – 'worker co-operatives', 'ESOPs' and 'direct ownership' – and compared each type according to 'eight classificatory factors' (p. 581). Toscano (1983) claimed that use of the eight factors, shown in *Table 1* below, permitted comparisons of the different forms of ESO and allowed for identification of the most significant types. Moreover, the typology was intended to help raise understanding as to how and why different ESO structures have 'fundamentally different implications for the worker, workplace and the economy' (p. 583). The eight factors are interlinked and need to be considered collectively by those seeking to bring ESO into their own organisations to ensure that the model chosen is ultimately consistent with the goals of the enterprise.

Table 1: Employee ownership classificatory criteria

• The role that shares of stock play in the company
• The manner in which shares are purchased or acquired by employees
• The manner in which the shares are held
• Provisions regarding concentration of shareholding within the company
• Provisions for sale or transfer of shares by employees during or after their employment
• Provisions regarding the ability of outside investors to hold shares in the company
• Provisions for extension of employee ownership to new employees
• Principles that determine the nature of the decision-making process in the company

Source: Toscano (1983: 584)

Addressing the first factor - *the role that shares play in employee-owned companies* - Toscano (1983) identified three basic share functions. First, shares reflect through their market price the value of the company. In most conventional capitalist enterprises, the share value rises and falls according to the company's general economic conditions, thereby reflecting the 'value' of the company. Second, shares entitle the shareholder to a portion of the company's profits, either in the form of a dividend or share appreciation. Third, shares may carry voting rights in the company and consequently, a legal right to control the company. In such cases the 'formal power of the shareholder' (Toscano 1983: 584) is linked to the number of shares held according to the principle of one share, one vote.

The way in which employee shareholders perceive their own role as 'owners' of the enterprise, however, may be influenced by *the manner in which shares are purchased or* *acquired by employees* at the outset and subsequently, *the manner in which the shares are held.* In some employee-owned companies, employees buy their shares directly at the market value; they may be looking simply for an investment, seek no actual control of the enterprise and the vesting of ownership rights is immediate upon selling the shares. Alternatively, shares can be purchased and then exercised at a rate lower than the market rate, although this kind of acquisition is generally reserved for managerial employees and does 'not usually bring majority employee ownership to companies' (Toscano 1983: 586). A third arrangement, generally found among ESOP enterprises, involves transferring the shares to an EBT and then distributing them to employees over a period of years. Employees are not required to make a financial investment and *share concentration* is often on the basis of seniority. The result has generally been the acquisition of a majority of employee-held stock by senior managers, although there are exceptions among some of the case studies presented in the thesis and these are discussed more fully in Chapter 5. Equal share distributions are most likely to be found in worker co-operatives, where employees may be required to purchase one or a number of shares in order to work in the company, gain rights to participate in its decision-making processes and acquire a portion of the profits.

Thus, the nature of the ESO structure and the way in which shares are 'managed' within an employee-owned enterprise can have a clear impact upon employees' 'feelings of ownership', and moreover, help to explain the contrasting findings of researchers who have undertaken studies of employee-owned companies. Toscano (1983) argued that the more 'indirect' ESOP arrangements could result in employees feeling lesser degrees of identification with their firm and perceiving that they had little control within it. Even in situations where employees were able to acquire a majority of the stock in an ESOP company over a period of time, vesting could take up to ten years. Conversely where ownership was direct, vesting of ownership rights could occur immediately when the shares were sold.

At the same time, since ESO has perhaps been used to counter a plant closure (see Heller et al 1998), or introduced as a management tool designed to raise employee productivity, its presence may rarely alter the 'role' that shares play in an enterprise. There are 'dramatic implications', (Toscano 1983: 585), however, for the ability of employee-owned companies to maintain their 'distinctiveness' and bring a measure of democratic governance to the workplace. Ironically, problems in maintaining ESO often increase as the enterprise becomes more profitable and *employees seek to sell or transfer their shares during or after their employment.* Employees who are planning to retire may experience problems in 'marketing' their shares to younger workers if the shares, in reflecting the firm's higher value, become too expensive for incoming staff to purchase. Moreover, in situations where employee-owned companies are required to purchase the shares of their retiring employees, expensive stock may become a severe financial drain (see Oakeshott 2000). Provisions set down for *outside investors to hold shares in the company* may become particularly significant, therefore, when *the extension of employee ownership to new employees* is based on their ability to buy shares. Retiring employees may have little option but to sell to outside investors who could eventually succeed in acquiring enough stock to gain overall control of the enterprise. Any developments, therefore, that are encouraged by a legal structure linking the value of shares to the financial condition of the company, may ultimately lead to a 'degeneration' of ESO (Toscano 1983: 585) as employees gradually sell their shares 'outside' of the enterprise (also see Ben-Ner 1988).

Finally, ESO arrangements also differ according to the *principles that determine control over decision-making processes in the company.* While effective control of the company may be in the hands of senior managers, ultimate control in a legal sense remains the province of the shareholders and this is true for most though not all companies in which ESO plays a role. In the main, these companies depart little in their legal structure or operations from conventional capitalist enterprises, with the exception that employees hold shares in the company. Formal rights to participate in decision-making processes are derived from the control of capital rather than from the performance of work, though there may be variations. In some ESOP firms, shares allocated to employees carry no voting power and control of the company may be linked to ownership of a certain category of capital. There are also differences in how legal control is exercised. In most companies where employee-held shares carry voting rights, control of the firm is determined on the basis of the number of shares held, according to the regulation of one share, one vote. Toscano (1983) commented that the presence of employees' legal rights to control their company via ownership arrangements should not be taken as evidence that they actually do so. In reality, employees transfer control rights to managers and develop little interest in participating in decision-making as long as their investment is protected (see French 1987). Management may often nurture this inactivity through subtle manipulation of information or by a reluctance to involve other employees in corporate affairs (see Gates 1998; Hammer and Stern 1980; Mulder and Wilke 1970; Pateman 1970). (Aspects of Toscano's typology are developed further in Chapters 5 to 8 within the context of discussions of the different models of ESO presented in this thesis). Using the eight-point criteria, Toscano (1983) then isolated the three general forms of ESO arrangement - worker co-operatives, ESOPs and direct employee ownership - and a number of subtypes within each. Heller et al (1998) observed that, in practice, the three forms overlap and differ mainly in the extent of ESO within the organisation, the purposes for which ESO has been established and the level of actual EP.

2.2.1 Worker co-operatives

> 'If democracy is the most advanced, most adult form of government, then the worker-led co-operative may reasonably claim to be the most advanced, most adult, form of business enterprise. In other words the worker-led co-operative can be thought of as representing the ideal "platonic type" of employee-owned business.'
>
> Oakeshott (2000: 109)

True worker co-operatives satisfy the three basic principles that all employees are owners, only employees are owners and every employee owner has an equal say in making major decisions connected with the business through voting rights and by electing the board of directors (Heller et al 1998; Toscano 1983). In practice, few business ventures legally formed as co-operatives, or nominally called co-operatives, actually comply with these principles. Employees often exert relatively little influence and many co-operatives hire non-members, at least for temporary jobs. Businesses are also typically very small, involving fewer than ten members (Pendleton 2001).

As an organisational form, worker co-operatives have existed for more than 150 years – at least since the 1850s when they emerged in response to the dehumanising characteristics of the factory system in the early years of industrial capitalism. New factory-system methods were spreading into areas of business previously characterised by workshop production and dominated by skilled craftsmen, such as printing and boot and shoe making (Oakeshott 2000). By becoming owners of their work organisations, employees were released from the role of appendage to the machine and able instead to drive their own work activities and direct the overall policies of the firm (Pendleton 2001). Records show that several hundred co-operatives were set up in the UK before the First World War, remaining fairly stable in the inter-war period and then virtually disappearing after the 1950s. Co-operatives enjoyed a resurgence from the mid-1970s, however, increasing from around thirty to nearly 900 ten years later. Renewed enthusiasm was encouraged partly by the provision of some support from government and additionally, from a more general evolution of social values favouring democracy at work. The 1974-9 Labour Government passed the Industrial Common Ownership Act in 1976 to promote co-operatives in small-scale manufacturing enterprises and established the Co-operative Development Agency (CDA) in 1978 (Pendleton 2001). Labour local authorities provided further support to co-operatives in the 1980s by setting up local CDAs.

Despite measures to encourage growth, however, fewer than one hundred businesses reached a substantial size or prospered for any length of time in the world's competitive markets during the 20th Century (Oakeshott 2000). Even in France and Italy, where 'thousands of them have been started – and are still being started' (Oakeshott 2000: 110), very few co-operative enterprises have been long-term survivors. It has been documented extensively in the co-operative ownership literature that these businesses will likely degenerate over time. As early as 1914, Sidney and Beatrice Webb, social activists and founders of the Fabian Society, argued that co-operatives would fail because employees lacked the relevant commercial knowledge to manage them and because no one group would be able to co-ordinate and control the activities of owner managers. More recently, Pendleton (2001) identified the root of the problem as lying in the particular relationship between ownership, management and control. Employees 'as owners' not only have complete control of the direction of the business; they also typically expect close involvement in the management process, especially where self-management and personal development are important ideals in the firm. However, the emergence or appointment of professional and expert managers may become inhibited as a result.

Furthermore, co-operatives may be regarded as a 'bad investment' generally. Financial problems can occur if members bring in too little capital at the outset, the co-operative is starved of investment and employees subsequently lose both their initial investment and their job (Heller et al 1998). Conversely, if the business is successful, the present owners may hesitate to share their good fortune with newcomers and as the business expands new employees are denied ownership rights, the original owners become the 'bosses' and the organisation loses the unique characteristics that defined it as a co-operative. At the very least, members who are approaching retirement may be unable to find replacements to buy out their investment and elect instead to sell out to a capitalist organisation, or simply shut down. Moreover, economists have concluded that co-operative firms will not pursue profit-maximising objectives, preferring to channel funds into wages that ought to be used for investment, thereby maximising revenue per employee rather than profits (see for example, Dow and Putterman 1999; Jensen and Meckling 1979). Nevertheless, Robinson and Wilson (1993) reported that co-operative members tended to pay themselves lower wages than the norm, this being a 'trade-off' for employment stability and job security. Similarly, average managerial pay in co-operatives was found to be significantly lower than in small private firms, though this reinforces the argument that management may often be 'under-developed' in a co-operative structure. Notwithstanding, there is evidence to suggest that co-operatives can survive as long as small 'conventional' firms, if not longer (see for example Ben-Ner 1984; 1988. At first, co-operatives are as productive as their capitalist counterparts and sometimes more so, particularly those displaying the most 'co-operative features' (Jones 1984), although this advantage may decline over time (Estrin and Jones 1987).

Among the more successful examples of co-operative organisations is the 'Mondragon' movement in Spain. Located in the Basque region, Mondragon comprises a network of co-operatives, including manufacturing companies, a large savings bank and technical schools. Some 27,000 employee owners are involved and annual sales are around £1.3 billion. The general membership of each co-operative meets once a year to elect the board of directors, which then hires the rest of the management team (see Heller et al 1998). Each member has one vote although jobs are designed in traditional ways with little opportunity for input (Cotton 1993). Annual profits are divided three ways: between 10 and 15 per cent is used to benefit the community; 15 to 20 per cent goes into a reserve fund; and 70 per cent is distributed to members in proportion to the number of hours worked and their rate of pay. Profit share is not paid out in cash and instead goes into a fund while the interest is paid to members (Zwerdling 1984). During the 20th Century further prominent manifestations of co-operative organisations included Yugoslav workers' councils and the Israel Kibbutz. More detailed discussions can be found in Barkai (1977), Heller et al (1998), Helman (1992) and Rus (1984).

2.2.2 Employee share ownership plans

Whereas worker co-operatives take the form of 'labour-managed' businesses, ESOPs can be viewed as 'labour-governed' entities (Pendleton 2001). A clearly defined and specialised management function is able to operate within an ESOP company without undue day-to-day interference or intervention from employee owners. Moreover, since ESOPs permit a form of ownership where top managers can have disproportionate ownership rights over employees, the former may hold a substantial, possibly dominant role in governance.

The first UK ESOP was established in 1987 at Roadchef – a motorway service and catering company. With the assistance of a loan from the trade union bank Unity Trust, around one-quarter of the equity was purchased by an EBT and passed to the company's 850 employees (Pendleton et al 1995a; Wright and Robbie 1992). Roadchef heralded the start of a series of highly publicised ESOP ventures in the UK during the late 80s and early 90s. Managers saw ESOPs as a way of avoiding some of the problems associated with worker co-operatives, namely possible interference from employees (see Pendleton 2001). Interest was similarly aroused in business, academic and political circles and in 1988, the ESOP Centre was established to promote and facilitate the growth of this ownership form in the UK.

In the main, UK ESOPs have taken the form of 'case law' and, as the term indicates, evolved as a result of case law rather than statute (Oakeshott 2000). Case law ESOPs were developed in the mid 80s by employee ownership lobbyists and are the offspring of individual company initiatives to establish trusts, usually EBTs, for the benefit of their employees and then to make payments to them. The EBT acquires equity in a company, in most cases by purchase, generally using a loan repayable over five to ten years (Pendleton et al 1995a). In the main, Unity Trust was the source of funding for the early ESOPs, including a number of the bus company ESOPs, although a wider range of financial institutions became popular in the 1990s (see McClean 1994).

Assuming a company has traded profitability, a portion of the profits is passed to a profit-sharing trust (PST) each year to purchase shares from the EBT for distribution to the workforce. In most cases shares are distributed free of charge to employees in equal amounts or according to length of service, though there are no legal restrictions on the way shares are distributed and no legal requirement that shares are distributed at all (Pendleton 2001). Where the shares are transferred to employees, however, this may be done using an Approved Profit Sharing scheme (APS), an approved Sharesave scheme, a Company Share Ownership Plan (CSOP), or an unapproved share purchase or share option scheme. Most case law ESOPs have used an APS scheme, since it makes shares available to all employees reasonably quickly and provides tax benefits to recipients. The EBT then uses receipts from the share distribution to repay the original loan and also needs to purchase shares from departing employees if the sale of shares is restricted, so further loans or financial transfers from the company are necessary to finance these purchases.

A second form of ESOP found in the UK is the 'statutory' ESOP, which was created amid concerns from ESOP campaigners that case law ESOPs were administratively complex and expensive to establish. Lobbying by representatives from all of the major political parties to provide ESOPs with a clearer legal identity (see Pendleton 2001) culminated in the introduction in the 1989 Budget of the statutory ESOP, which received subsequent formal statutory backing in the Finance Act of that same year. Legislation provided for the creation of EBTs or Qualifying Employee Share Trusts (QUESTs) to acquire, hold and distribute equity. In addition, revisions to the Companies Act, also in 1989, considerably widened the scope for listed companies to provide loans and financial guarantees for the purchase of their own shares when the shares were to be used for ESO schemes. However, Section 132 of the Companies Act stipulated that financial assistance to an ESOP had to be given in 'good faith'. The proviso was put in place to prevent boards of companies abusing the ESOP by loaning large sums to the EBT to buy up shares and increase the employee shareholding in the company to an extent where it became unattractive to a bidding company (McClean 1994).

The statutory ESOP had tax advantages over the case law ESOP, mainly in relation to corporation tax, though conditions governing the trust composition were far more stringent for the former than the latter. Statutory ESOPs required that there be at least three trustees, all of whom had to be UK residents and including at least one 'professional' person, such as a solicitor. Directors, or anyone with a material interest in the company, were precluded from trust membership while in addition, a majority of trustees had to be employees of the firm and selected by a majority of the whole workforce or by their elected representatives. These conditions, coupled with the requirement that shares held in trust had to be fully distributed to employees within seven years to qualify for tax relief, effectively prevented the take-up of the statutory ESOP over the next five years (Oakeshott 2000). In 1994, however, a new Finance Act extended the length of time for share distribution to twenty years and removed the requirement that a majority of trustees be drawn from the workforce. In addition, only half of the non-professional trustees had to be selected by the workforce or their representatives and where an election was held, trustees were elected by a simple majority of those voting, rather than from a majority of the entire workforce (Pendleton 2001). Moreover, QUESTS could be comprised of either individual trustees or a single UK corporate trustee, whose directors had to fulfil the same requirements as those set for individual trustees. Further legislation introduced in the 1996 Finance Act removed the requirement that beneficiaries had to have a minimum of one year's qualifying service.

Support for ESOPs was maintained in New Labour's programme during the 1997 election and with a new Prime Minister seemingly committed to the promotion of a 'stakeholder' economy, there appeared at the time to be genuine grounds for optimism (see Oakeshott 2000). No specific policies were mentioned, however, and since gaining office, New Labour has concentrated on 'conventional' share schemes in general, rather than ESOPs in particular. This may be considered surprising, since ESOPs were seen as having the potential to achieve Labour's traditional goals of common ownership, industrial democracy and improved relationships at work, while using mechanisms that had attracted a considerable amount of support during the Thatcher years (Pendleton 2001).

In the 1998 November Pre-Budget Report, the Government stated that its objective was to promote long-term shareholding by employees to build a stronger sense of partnership in industry and increase productivity. In a report from the Treasury in that same year, the Chancellor declared his aim 'to encourage the enterprise culture of team work in which everyone contributes and everyone benefits from success' and 'to double the number of companies in which all employees have the opportunity to hold shares'. A new all-employee share plan (AESP) was incorporated into the Finance Act 2000. Announced in that year's budget, the Chancellor proposed that shares held in a QUEST could be transferred into a new trust formed to operate the new AESP without any tax clawbacks. Since there were no statutory requirements governing the composition of the new trusts, QUESTS could be more flexible in practice. Further details are given in section 2.3.

Attempts to determine the current total number of 'actual' ESOPs in the UK are problematic: 'ESOP companies tend to be subsumed within official statistics for the various statute-based forms of profit-sharing and share ownership, and no specific statistics exist for firms with substantial employee ownership' (Pendleton 2001: 3). The ESOP Centre includes in its definition of ESOPs 'all-employee share schemes', even though such schemes tend to facilitate transfer of relatively modest amounts of equity to employees, typically less than 5 per cent. Furthermore, many employees in share-based profit-sharing schemes have preferred to take their rewards in cash rather than equity, thereby renouncing ownership rights (Pendleton 1992). Hence, schemes are usually marginal in character and have few discernible effects on the management of a company (Pendleton et al 1995a). True ESOPs in contrast can enable flows of up to one hundred per cent of equity and offer the potential for more advanced and extensive structures of EP in the workplace.

By the mid-1990s, there were thought to be up to one hundred 'proper' ESOPs in the UK including around thirty statutory ESOPs, covering between 50,000 and 200,000 employees (see Wilson et al 1995). Prior to relaxation of the statutory framework in 1994, it is thought that fewer than five statutory ESOPs had been created (IRS Management Review 1998). However, Pendleton (2001: 4) commented that figures were 'based on little more than inspired guesswork'. Moreover, after the mid-1990s, a large number of ESOP companies were sold on to other firms. There are now many more companies with ESOP structures, but most of them are using an ESOP in conjunction with all-employee share schemes to secure a tax benefit, rather than as a means to transform ownership, governance and participation in the workplace. Currently, more than 2,000 UK organisations operate all-employee schemes covering in excess of 3 million employees (ESOP Centre 2004).

However, the first real wave of interest in ESOPs can be traced back more than fifty years to the US and the work of Louis Kelso - a San Francisco investment banker. Kelso argued that everyone should own productive capital, ultimately building a personal estate, which would not only be more equitable but would also create support for a capitalist system. Growth and equity could therefore become mutually supportive policies, rather than being at opposite ends of a partisan seesaw. Kelso's ideas were set down in the 1958 publication *The Capitalist Manifesto,* where he declared that the best way to achieve his vision was 'to create a mechanism whereby corporate finance would automatically make workers into owners' (Rosen et al 1986: 14). However, it took a further fifteen years to convince employers that by using an ESOP they could improve productivity and obtain tax breaks: many were concerned that the US courts would rule any ESOP structure improper and thus 'make void' possible tax benefits. The breakthrough came in 1973 when Kelso met with the southern Democrat senator, Russell Long. At that time Long was chairman of the Senate's tax-writing committee and 'arguably the most powerful member of Congress' (Rosen et al 1986: 15).

A year later, Long helped steer through Congress the Employee Retirement and Income Security Act, which made contributions to ESOPs tax deductible. What then followed from the mid-70s through to 1986 was the passing by US Congress of some fifteen pieces of legislation granting special tax advantages to ESOPs (Pendleton 2001; Young 1990). During the period, two kinds of ESOP were created - leveraged and unleveraged (Oakeshott 2000). In unleveraged cases, the costs of the shares transferred to employees were normally financed directly, with help from significant tax reliefs. For leveraged ESOPs, the money was borrowed and what the company paid for, again normally out of tax-relieved profits, was the subsequent stream of interest on those borrowings and their repayment. The general purpose of leveraged ESOPs was to buy large blocks of shares, with a view to the gradual allocation of those shares to employees and in many cases, to acquire 100 per cent of the equity capital. From 1974 through to the mid 80s, the total number of ESOPs grew from 300 to nearly 11,000 and around one-third were estimated to be leveraged (Conte and Lawrence 1992). By 1986, some 10 million US employees working in companies as diverse as an asbestos mine in Lowell, a furniture-manufacturing plant in New York, a knitting mill in Saratoga and a textile manufacturer in Lewiston were covered by ESOPs. Judged on take-up after 1974, therefore, US ESOP legislation could be regarded as a 'first-class success' (Oakeshott 2000: 496). 'Put simply, Long made it in the economic self-interest of owners to adopt share ownership' (Rosen et al 1986: 15).

Tax breaks are not the only explanation for ESOP growth during the period, however (see Conte and Lawrence 1992; Rosen et al 1986). By the end of the 1970s, it had become increasingly apparent that US companies needed to be as productive and efficient as possible if they were to survive in a much more competitive and global marketplace. In addition, a more educated workforce was beginning to demand more from their work than just a wage at the end of each month. Employers began to realise that if they could integrate employees more effectively into their companies, they could improve productivity and also meet employees' demands. Evidence from a number of studies undertaken during the 70s and 80s measuring the relationship between ESOP ownership and company performance indicated that, 'if linked up with appropriate schemes and policies of non-financial employee involvement, significant employee ownership can be followed by measurable improvements in performance' (Oakeshott 2000: 496). 'Significant' can be defined in two ways: firstly, for the individual employee, the ownership stake needs to be significant and worth considerably more than the value of a few days' wages; secondly, for employees as a group, the aggregate of ESO needs to be significant – such as to make the group's voice an important and even perhaps the dominant one in setting the long-term policies and objectives of the business.

One study confirming the importance of participative management in ESOP companies was undertaken in 1986 by the National Center for Employee Ownership (NCEO) and based on evidence from forty-five ESOP companies and 225 non-ESOP companies (see Rosen et al 1986). The study found that companies combining ESO with a participative management style grew between 8 per cent and 11 per cent faster per year than would otherwise have been expected, based on how they had performed prior to becoming ESOP companies. Subsequent studies by the US General Accounting Office (GAO) and by several academics in Washington and New York found the same relationship. In addition, studies examining participative management alone found a small positive impact on performance, but not sufficient to explain the synergy between ownership and participation found by the other studies (Oakeshott 2000). The relationship between ESO and company performance is discussed further in Chapter 3.

Despite the findings of the NCEO and others, the number of US ESOPs declined after the mid-80s (Conte and Lawrence 1992) and this has been attributed to three main factors. First, in 1986, Congress decided to eliminate earlier tax-credit ESOP provisions. These provisions had produced rather meagre amounts of ESO at a rather high tax cost and so Congress was quite easily persuaded to revoke them. The two remaining factors arose from changes in the economic rather than the tax climate in the second half of the 1980s. After the stock market crash in 1987, it was suggested that for some time thereafter, employers were reluctant to pass what would have been seen as undervalued shares to their employees. Moreover, as economic conditions became tougher, companies became less willing to use profits, even pre-tax profits, to reward their employees with shares (Oakeshott 2000).

As in the UK, discrepancies have also been recorded in relation to the number of 'proper' US ESOPs. Blasi and Kruse (1991) cited some 10,000 ESOP companies and 10.8 million employee shareholders in the US by the end of 1990. For the same period, Conte and Lawrence (1992) identified around 7,500 ESOP companies with just over 7 million participants. The difference is said to stem from the way in which ESOPs are defined in each case (Oakeshott 2000). Conte and Lawrence (1992) focused narrowly on companies with 'actual' ESOP plans while figures from Blasi and Kruse (1991) included deferred profit-sharing plans, employee stock-purchase plans and stock-bonus plans. The Blasi and Kruse (1991) figures also fixed the threshold of significance at only 4 per cent of the equity capital of a business being held by its employees. In many cases, the top management team alone could own that percentage of a firm's equity between them (Oakeshott 2000). By August 2002, some 6,431 US companies with around 3.4 million employees were using actual ESOPs, worth a total estimated value of $58 billion (Blasi et al 2003). Figures are based on corporate filings to the US Department of Labor and the US Securities and Exchange Commission. Additionally, at the end of 2003, the NCEO calculated that the number of ESOPs, stock bonus and profit-sharing plans combined came to 11,000, with a value of more than $400 billion and involving 8.8 million employee participants.

Oakeshott (2000) has observed that the relative stagnation of ESOP numbers in the US in the years after the mid 1980s should not obscure the fact 'that the phenomenon of the American ESOP dwarfs all experiences at other times and in other places' (p. 500). Compared with the US, government support for ESOPs and for other FIP schemes also has generally been far more limited in European Union (EU) member states such as Austria, Belgium, Denmark, Germany, Greece, Italy, Luxembourg, Spain and Sweden. Where incentives do exist they are modest and range typically from tax-free issues of shares or bonds to employees, to tax-free amounts on distributed profits, or a profitable change of the taxation basis (Poutsma and de Nijs 2003). During the 1990s, there were strong official appeals to Germany, Ireland, Italy and Spain to promote FIP schemes, including ESOPS, in the course of political negotiations and these appeals resulted in some successes. Germany substantially improved the possible revenues for employees and employers, Ireland developed a National Partnership Programme policy and the Belgian Government introduced its first raft of legislation on FIP schemes in 2000. Blasi et al (2003) concluded that EU employee ownership would be more likely to develop if countries expanded citizen partnership in their public stock markets and created legislative support for selling smaller family businesses to employees.

However, as well as the more practical legal arrangements, commentators have argued that differences across countries in the take-up of FIP schemes can be attributed to important variations in 'ownership philosophy' (see for example, Hyman and Mason 1995). Notably, and despite the findings of the GAO and NCEO studies which highlighted the importance of participative management for corporate performance in ESOP companies (see p. 28), US employee ownership is regarded in some quarters as being deficient in providing direct EP in corporate governance (see Blasi et al 2003; Hyman and Mason 1995). Instead, political values driving ESOP growth have 'been about the importance of spreading wealth rather than about shifting power at the place of work from the agents of capital to the shop floor' (Oakeshott 2000: 495; see also Klein and Rosen 1986). Moreover, since the first piece of legislation in 1974, US ESOPs have been largely associated with company retirement plans and 'have never totally shaken off their image of being a poor substitute for a pension plan' (Stevens 1991: 16; see also Hanford and Grasso 1991). Conversely, therefore, if US employees are to be provided with reasonable rights to protect their investment risk, the country needs to converge with the EU in terms of the latter's greater appreciation of co-determination rights (Poutsma et al 2003).

Within the UK, ESOPs have not been tied or related to company-based retirement schemes and have been promoted largely as a means of allowing and encouraging employees to become shareholders in their own companies. Further, unlike other tax-approved employee share schemes, ESOPs could offer majority shareholdings to employees and some observers have argued that this is the reason why employer-take-up in the UK has been relatively small (Hyman and Mason 1995). Complex statutory arrangements, coupled with associated fiscal and legal advisory costs, acted as further deterrents for employers. Concerns were also raised about the requirement that the majority of the trust membership be selected by employees, thereby leading to possible trade union domination of trust activities (see Allen et al 1991; Labour Research 1990) and an undermining of the managerial prerogative (Hyman and Mason 1995). Notwithstanding, ESOPs have remained attractive to managers because they generally allow for 'conventional' management hierarchies and patterns of control to be maintained, unlike in many co-operatives. In addition, employers who were first attracted by the tax advantages of ESOPs, or by their 'defensive potential' (Oakeshott 2000: 501), may have later come to appreciate the more 'human opportunities' of increased EP and subsequently the greater commitment of employees to their organisation.

ESOPs also provided a model for the type of ESO that trade unions could actively support (Pendleton 2001). Historically, the trade union movement had expressed concerns that ESO undermined trade union strength and solidarity by encouraging employees to identify with capital rather than with labour (Bradley and Nejad 1989; Pendleton et al 1995b). Thus, the separation between employee and employer was at risk of becoming blurred, thereby compromising the union role and resulting in the union being drawn into representing 'owners' as well as employees (Pendleton 2001). Moreover, during the 1970s, the TUC had argued that FIP schemes gave employees little real control over managerial decisions, exposed them to risks that they were not, on the whole, well placed to shoulder and precipitated inequalities of wealth in organisations. By the late 1980s and in line with the Labour Party, these concerns had been overtaken by the recognition that ESOPs offered a way of sustaining the traditional role of union representation in the aftermath of privatisation (Pendleton 2001). In addition, the collective nature of shareholding in ESOPs allowed for an expansion of employee control of management decision-making (Pendleton et al 1995a; Pendleton 1992). The (now former) TUC General Secretary, John Monks, said that FIP was 'not an alternative to the other elements of involvement and commitment' but instead, could complement them and was 'a useful way of recognising the work that employees have done in creating a profitable and successful company' (1998: 178). Further discussion on ESOPs and the involvement of the UK trade union movement is presented in Chapter 5.

2.2.3 Direct employee share ownership

The third and final form of ownership identified by Toscano (1983) is 'direct ownership', which the author describes as an arrangement 'in which employees own stock in a company personally and individually' (p. 590). Pendleton (2001) said that in practice, it was not always possible to make a clear distinction between ESOP arrangements and the direct acquisition of shares by employees, since 'case law' ESOPs allow for shares to be distributed using direct purchase mechanisms. Some companies have used a combination of ESOPs and direct share purchases, while others converting to ESO through direct ownership have then created an EBT to buy back shares from employees when they leave the company (see Trewhitt 2000).

In the strictest sense, many companies around the world may be defined as 'employee-owned', in that employees hold at least some shares in the enterprise. However, there may be no link between the 'employee-owned' shares and company strategy, employee behaviours or other potential outcomes. The company may adhere to the traditional corporate governance arrangement that links ultimate control of the company to the ownership of capital (Toscano 1983). Shares may be bought and sold at any time, thereby making it easy for an outside investor to gain gradual control of the company. Concentrations of ownership and control then emerge, frequently resulting in inequalities of participation. Cotton (1993) concluded that in order for ESO to be an important factor in direct ownership enterprises two conditions had to be met. First, employees needed to have sufficient control over their company to significantly influence its strategy and decisions: if only one employee owns one of several million shares, ESO exists but it is trivial. During the period of large-scale UK privatisation flotations in the 1980s, typically up to 5 per cent of equity was available to employees (see Nichols and O'Connell Davidson 1992; Pendleton 2001). Second, individual employee owners must perceive a significant stake in the company and feel that they have some influence. Pierce et al (1991) referred to this state as 'psychological ownership' (p. 122), whereby the integration of the employee owner into the ownership experience can result in a number of social-psychological and behavioural outcomes.

Advocates of direct ESO have argued that the approach provides a more immediate and tangible sense of ownership than provided by most ESOPs. In addition, employees have to finance the share acquisitions themselves and so bear a much higher degree of risk, thereby engendering a more 'responsible' form of ownership. Employees become much more aware of the importance of corporate success and the relevance of their own work behaviour to achieving that success (Pendleton et al 1995a, b). Hence, direct ownership can be particularly important in smaller firms where the percentage of shares owned by current employees can be large enough to influence the direction of the company and make employees feel involved (Cotton 1993: 203). ESO may still be eroded over time, however, if the company becomes 'too' successful and the shares increase in value to such an extent that employees can no longer afford to buy them and external investors have to be found. This issue is addressed further in Chapter 6.

Pendleton (2001) described the clearest form of direct purchase as one 'where employees subscribe directly to shares without any use of an ESOP or EBT' (p. 71). One example is the buy-out of the NFC in 1981, acquired initially by its management team by means of a highly leveraged buy-out. Shortly after the formal transfer out of public ownership had occurred, existing employees, their families and retired employees were then invited to subscribe to a substantial part of the equity of the new company. Some 9,000 employees invested in the business – around 40 per cent of the entire workforce – although little is known about the distribution of shares (Bradley and Nejad 1989; Oakeshott 2000). It is the UK bus industry, however, which has provided some of the most significant examples of 'substantial' ESO resulting from direct share purchases. During the late 80s and early 90s, a number of bus companies, including Luton and District, People's Provincial Buses and Chesterfield Transport, selected the direct ownership route after privatisation.

2.3 Broad-based employee share ownership

Within the UK, a further category of ESO, taking in profit-sharing and more broad-based ESO schemes such as SAYE, CSOPs, Enterprise Management Incentives (EMIs) and AESPs, also merits examination. Schemes under the 'broad-based employee share ownership' umbrella became particularly widespread in the 1980s, encouraged by a raft of legislative measures and a culture of wider share ownership espoused by successive Conservative governments (Pendleton 2001). Commentators have described the extension of ESO as 'a central tenet of Conservative beliefs' (Pendleton 2001: 43) and as one of the party's 'outstanding achievements' (Taylor 1988: 6) after 1979. Profit sharing and ESO schemes were seen by Conservatives, and by some economists also, to have three main positive elements. First, they increased employee morale and productivity by offering incentives. Second, they introduced much needed flexibility into pay packages and moved away from the concept of the 'fixed wage'. Third, they had an effect on the overall economy by undercutting inflationary forces involved in wage push bargaining (Gold 1991).

It was the year 1978, however, that marked the major turning point for broad-based ESO in the UK. For the first time, a UK Government introduced and passed through Parliament a set of tax reliefs designed to encourage broadly-based 'all-employee share schemes' by allowing companies to allocate free ordinary shares and pay for them out of pre-tax profits. Known as 'approved profit sharing', shares were placed in a PST for a minimum of two years and if employees retained them in trust for a further three years (one year after 1995), they attracted no income tax liability as a benefit from employment. Instead, employees were liable to capital gains tax on their growth in value. The Labour Government of the day, in association with its then Liberal partners, introduced the measures as part of the Finance Act 1978 (Hyman and Mason 1995).

Commentators have noted that, in the one hundred years prior to 1978, the UK's employee ownership record had perhaps been best explained by the fact that neither of the main political parties, Conservative or Labour, had shown any real enthusiasm for the concept (see for example, Oakeshott 2000; Pendleton 2001). The Conservative Party had been 'the voice of special interests' – firstly, 'of the landed and aristocratic interest' and later, 'managerial and paternalist capitalism' (Oakeshott 2000: 51). For Labour, ESO was an ineffective means of bringing about capital redistribution, providing little scope for employee influence in corporate decision-making and potentially undermining trade union representation. The agenda of the Labour movement for much of the 20th Century had been dominated by two objectives. The first was 'to secure legal recognition for trade unions and strengthen their legal rights' and the second was 'to bring dominant sectors of the economy into Government ownership and State control' (Oakeshott 2000: 49). It was not until the 1980s that Labour policy warmed towards all-employee share schemes and vocal support was given to ESOPs in particular, reflecting the substantial change in Labour's economic and industrial philosophies and policies during the decade (Pendleton 2001). The Liberal Party, in contrast, had been associated with various pronouncements in support of ESO stretching back as far as the late 19th Century. Moreover, in a 1928 report on Britain's industrial future, the party identified the 'master-servant' relationship as one of the key sources of Britain's industrial unrest and poor performance (Benn 1928). A second area of discontent examined in the report related to the division of society into two quite different classes – those who earned their living by working and those whose income derived mainly from the profits of that work (Oakeshott 2000). It was these two sources of discontent with 'conventional capitalism' that some sixty years later, ESO came to address.

The Conservatives' election victory in 1979 signalled the start of a proliferation of employee share scheme initiatives that sat alongside a new era in industrial relations and the introduction of new management techniques in the workplace (see Guest and Hoque 1996; Pendleton 2001). In part, the new techniques, often subsumed under the title of 'employee involvement' (EI), lay claim to fundamentally transforming the climate of labour-management relations (see for example Metcalf 1989), signifying a move away from 'labour-driven' initiatives to programmes 'advanced and operated by practical managers' (Hyman and Mason 1995: 1). The reduction of trade union power was seen as 'central to Thatcherite ambitions' (Dunn and Metcalf 1996: 67) and was centred around the argument that a free market economy could only operate effectively if unhindered by the distorting effects of collective trade union behaviour. Based on the writings of the Austrian economist Friedrich Hayek, Dunn and Metcalf (1996: 68) described the Conservative argument thus:

> 'Left to itself [a competitive market] distributes rewards according to individual energy, talent, skill, risk and luck. Its manipulation, whether by the State, or by private monopolies and cartels (notably unions in pursuit of fairness, equality, security or a share of rents), invariably tends towards coercion. Individuals become subjugated to a collective will and additionally, in restricting enterprise, such manipulation restricts those entrepreneurs who thrive on risk. And in interfering with complex processes, it causes a misallocation of resources. The result is a poorer economy and a less free society than would exist if the market were left to its own devices.'

Hayek's argument can also be used to explain Conservative hostility to nationalisation and public ownership, and why, by the end of the 1980s, the public enterprise sector had changed almost beyond recognition (Ferner 1989). During the period a large number of public corporations were privatised and employment in the sector fell by 59 per cent from just over two million in 1979 to under 850,000 in 1989 (Beaumont 1992). The corporations that remained in public ownership had witnessed 'far-reaching changes in their industrial relations landscape' (Ferner 1989: 1). Pendleton and Winterton (1993: 8) described the Thatcherite critique of public enterprise as being 'formed of ideological, economic and industrial relations components which were substantially interrelated but which have had varying priority at particular times'. However, the underlying belief driving the Conservative privatisation programme was that the more extensive the functions of government, the greater the restrictions on the public's freedom of choice. Moreover, nationalised industries were viewed as inherently bureaucratic, which meant that, by definition, entrepreneurial initiative was largely absent. Businesses were also unable to respond fully to consumer preferences and were generally under little pressure to do so since most were monopolistic organisations.

A further key element of Conservative policy during the Thatcher years, deregulation, led to the repeal or rescission of a number of statutory protections regulating labour and product markets. One such protection, Schedule 11, enabled unions to take to arbitration employers whose rates of pay were below the recognised industry norm. Schedule 11 had been used to protect the wages of bus company employees by limiting the extent to which private operators could undercut publicly-owned bus companies when tendering for contracted services. The 1980 Transport Act, which deregulated long-distance coach services and weakened the powers of Traffic Commissioners to exclude new entrants from stage carriage services, could be viewed as an attempt to weaken the privileged position of employees in publicly-owned companies (Pendleton and Winterton 1993). The 1985 Transport Act, which almost entirely deregulated bus services outside of London, was seen to accelerate the process. Deregulation in the UK bus industry during the 1980s is addressed more fully in Chapter 5.

The emergence of EI in the early 1980s as a means by which to meet managerial objectives began to overtake many of the standard texts on ID and EP (see for example Cotton 1993; Hyman and Mason 1995; Poole 1986; Schuller 1985). EI was said to offer a 'less specific, milder and more general connotation' than ID and EP (Marchington et al 1992: 5). The latter were more closely oriented to an examination of how pluralistic concerns could best be promoted through representation and negotiation between collective entities such as trade unions and employers (see Farnham and Pimlott 1995). Commenting on the differences, Marchington (1995) said that EI started from the assumption that 'managers might see the advantage of allowing employees to become involved', while the source of ID and EP lay 'in the right of the governed to exercise some control over those in authority' (p. 282).

Conceptually, EI tends to be an amalgam of US human relations management techniques that date back to the 1920s and are derived from the Japanese management methods of consensus management, compliant trade unions, total quality awareness and a seniority-based reward and promotion system (see Hyman and Mason 1995; Ouchi 1981). EI acquired greater prominence during the 1980s, however, within the rubric of 'human resource management' (HRM), which emerged as a possible solution to the challenge of an increasingly competitive national and international industrial environment (Guest and Hoque 1996). Storey (1995) defined HRM as 'a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce, using an integrated array of cultural, structural and personnel techniques' (p. 5). Perhaps more pertinently, Guest and Hoque (1996) observed that HRM 'generally conjures up an image of a high technology non-union environment' (p. 11). Essentially unitarist in nature, writings on the subject have often seen trade unions relegated to a very minor role (see for example, Miles and Snow 1984, Schuller 1989; Tichy et al 1984).

Within the HRM rubric, EI has been associated with a 'softer' variant of the concept. The 'soft' HRM model emphasises the 'human' aspect of the term and thus advocates investment in training and development, plus the adoption of commitment strategies to ensure that highly-skilled and loyal employees give the organisation a competitive advantage. In turn, definitions of EI have stressed the opportunities available for employees to influence and where appropriate, take part in decision-making on matters that affect them, thus going beyond simple performance of the contractual wage/work bargain (Hyman and Mason 1995; Marchington et al 1992). The 'hard' HRM model, in contrast, focuses on the 'resource' aspect and adopts a more rational approach to managing employees in aligning business and HR strategy while viewing people as a cost that must be controlled (Bratton 1999).

Despite its association with the 'softer' HRM model EI remains an approach that has been described as 'redolent of employer initiatives' (Marchington 1995: 282). Employers are able to define and limit the terms under which EI is introduced and gear their operations to strengthen the' individualisation' of employment relations (Sisson 1993). Broad-based share ownership schemes, for example, do not provide the rights or the basis for employees to take responsibility for the management of their company. Rather, such schemes can be viewed as an 'individualist' form of involvement and primarily as a form of remuneration 'rather than a means of fostering partnership and developing employee ownership' (Pendleton 2001: 32; see also Creigh et al 1981; Heller et al 1998; McClean 1994; Rosen 1984).

Possibly for these reasons, support for ESOPs during the 1990s was somewhat limited and conditional, or as described by Oakeshott (2000: 58), 'at a rather low level of intensity'. Conservatives regarded ESOPs primarily as a means for spreading wealth rather than as a route towards ID. Moreover, given that by 1990 several important battles had been won against the trade union movement (see Cox and Parkinson 1999; Dunn and Metcalf 1996), the Conservative Government of the time was wary of providing new mechanisms to give employees a collective voice. Similarly, preferential terms for employee buy-outs (EBOs) during some parts of the privatisation programme were very much conditioned by the specific objectives and context of particular initiatives. In the bus industry, the promotion of competition was a central element of government policy and further, there was a danger that open sales would lead to further market dominance by a small number of large companies. At the same time, given the 'open' and 'voluntaristic' approach advocated by successive Conservative governments of the 80s and 90s that UK employers knew best how to run their own businesses without interference from the State, enabling legislation for employees partaking in share programmes was itself significant (see Marchington 1995).

Up until 1996, the only legal obligation upon employers to introduce some kind of EI to their workplace had been contained in Section One of the UK Employment Act 1982. Companies employing over 250 employees were required to state in their annual reports details of any initiatives they had implemented to promote EI (Hyman and Mason 1995; see also Marchington 1995). The legal pressures on employers via this route were negligible, however, (Marchington 1992) and contrasted starkly with the more formal and legalised approach of the UK's European partners, which placed greater emphasis on 'processes' of EP such as consensus-building collective forums (Hyman and Mason 1995). Moreover, opt-out of the European Social Chapter meant that UK businesses were under no obligation to adhere to some of the terms set down in the European Works Councils (EWC) Directive introduced on 22 September 1996. Under the terms of the Directive, companies in EU Member States with at least 1,000 employees and a minimum of 150 employees in each of two or more Member States, were required to establish an EWC or equivalent procedure for the purposes of informing and consulting with employees. Despite Britain's 'opt-out', many UK-owned multi-nationals were obliged to set up an EWC of their subsidiaries if operations met the Directive's workforce criteria in other European countries. In December 1997 the Directive was extended to cover the UK and subsequently implemented in the Transnational Information and Consultation of Employee Regulations 1999. Implementation of the second Directive meant that UK employers had to be included in present and future EWC agreements. The Regulations finally came into force on 15 January 2000 although the Government claimed that in many cases, UK employees in both UK-based and non-UK undertakings had already been voluntarily included in EWC arrangements concluded by undertakings subject to the original Directive (Department of Trade and Industry (DTI) 2004).

Broad-based share schemes have received more ringing political endorsements than any other form of EI as illustrated by a succession of Finance Acts providing statutory support for cash-based profit sharing, deferred share-based profit sharing and various kinds of share option scheme. SAYE schemes and CSOPs brought in under the Finance Acts of 1980, 1984 and 1995, for example, attracted tax concessions and more detailed discussions about the operation of these schemes can be found in Hyman and Mason (1995), McClean (1994), Oakeshott (2000), Pendleton (2001) and on the Inland Revenue website.

Since 1997, New Labour's rationale for ESO has been expressed in terms virtually identical to those used by the Conservatives, except that 'the language of "partnership" has replaced that of "popular capitalism" in discussions of the broader context' (Pendleton 2001: 53). However, the argument that share schemes align the interests of employees with those of their firm and increase commitment to the organisation remains the same. While the New Labour focus has been on 'conventional' share schemes, 'no major innovations have been introduced to stimulate the growth of ESOPs' (Pendleton 2001: 54). However, the AESP, introduced in the Finance Act of 2000, can in principle operate in conjunction with an ESOP trust. Shares held in a statutory ESOP trust can be passed to a trust set up under the 2000 legislation without the loss of tax benefits granted earlier to the ESOP. Provision for rollover relief to owners selling shares to a statutory ESOP has also been incorporated into the legislation. Under the AESP, free shares are passed to employees who also have the opportunity to buy shares from pre-tax income, which can be a combination of 'matching', 'partnership' or 'dividend'. Shares purchased by employees are free of income tax and social security contributions if held for five years. Amendments to the AESP were brought in under the Employee Share Scheme Act 2002, including an early corporation tax deduction for companies on the money paid to an AESP, provided the AESP trustees used the money to acquire shares in the company (Inland Revenue 2004). EMI plans were a further New Labour share initiative introduced in the Finance Act 2000. The plan permitted a maximum £100,000 worth of options (later increased to £3 million in the 2001 Budget) to be made available to up to fifteen selected employees in small and medium-sized enterprises with gross assets below £15 million (Inland Revenue 2004). More recently, measures to simplify share schemes legislation and reduce the administrative and regulatory burden on companies with CSOPs, SAYE schemes and AESPs were introduced in the Finance Act 2003.

Pendleton (2001) observed that perhaps the main difference between Conservative and New Labour approaches to ESO was the latter's recognition of the importance of mechanisms of EP used in conjunction with ESO to help realise productivity benefits. Labour's orientation to ESOPs, for example, was conditioned by its support for extensions of ID, its traditional relationship with the trade union movement, its suspicion of popular capitalism during the 1980s and its evolving policy on public ownership. Nevertheless, current legislation still fails to define or stipulate those mechanisms of participation that should be conjoined with ESO schemes. In this sense, the legislation remains in the same tradition as that brought in by the Conservatives and in keeping with the traditional reluctance on the part of UK governments to introduce EP via statutory means.

Some key changes are due in 2005. First, a new accounting standard, 'IFRS 2', will be introduced Europe-wide on 1 January 2005. The standard was issued in February 2004 and requires that a charge be made to the profit and loss account on all invested options granted after 1 November 2002. Previously, a charge had only been made in exceptional circumstances, resulting in understated expenses and overstated profits. The purpose of IFRS 2 is to ensure that companies recognise the associated expenses of ESO schemes. Second, the EU Employee Consultation Directive is set for implementation in March 2005, though it is open to debate whether UK employees and EP lobbyists have reason to be optimistic. Outlined in the Official Journal of the European Communities on 23 March 2002, the terms of the Directive establish 'a general framework setting out minimum requirements for the right to information and consultation of employees in undertakings or establishments within the European Union' (IPA 2002: 1). For the first time, UK employees will have a general legal framework for the sharing of information and consultation. The Directive applies to companies with fifty or more employees in a single Member State. However, the UK Government succeeded in negotiating some compromises to the Directive, thereby allowing for phased implementation. Thus, the terms will only apply to UK undertakings with 150 or more employees from March 2005, to those with one hundred or more employees from March 2007 and those with fifty or more from March 2008. Significantly, 'much about the text of the Directive leaves Member States and/or individual establishments or undertakings a high degree of discretion in implementing its key requirements' (IPA 2002: 3). Moreover, the UK Government has stated that information and consultation arrangements will not be imposed on workforces, but will give those who want it the right to information and consultation. Guidance from the DTI in relation to interpretative issues of the Directive was subject to a process of public consultation ending on 22 October 2004. Commenting on the amendments secured by the UK Government, the CBI's Deputy Director General, John Cridland, remarked:

> 'The Government has done well to stop damaging European Parliament proposals that would have wrecked a finely balanced compromise. We oppose EU intervention in national rules on employee involvement as a matter of principle. But we recognise that ministers have negotiated the least damaging deal available. It is important that the Directive is now implemented in a way that helps rather than hinders genuine employee involvement' (DTI 2004).

2.4 Summary

This chapter has outlined some of the key developments in ESO and suggested that at best, it has had a somewhat chequered history. Much has been written about the potential of ESO to 'transform' the employment relationship and bring about productivity benefits by increasing the commitment of employees to their organisation. Researchers have also indicated, however, that ESO can comprise a multitude of meanings and experiences which in turn, may affect both organisational and employee outcomes: Toscano's (1983) typology of ownership, which identified eight interlinking factors to be considered by employers seeking to implement a programme of ESO in their own organisations, remains one of the most significant pieces of research in this area.

Early sections of the chapter discussed the main features of the systems of ESO identified by Toscano and the reasons why some models more than others tend to provide greater opportunities for employees to exercise influence in their place of work. Worker co-operatives, for example, have been described in some quarters as representing the 'ideal' form of ESO in that they satisfy a number of key principles: all employees are owners; only employees are owners; and every employee has an equal say in making major decisions connected with the business. In practice, few co-operative ventures have complied with the three principles although the Mondragon group of co-operatives is a significant exception. Whereas worker co-operatives have, at least in theory, taken the form of labour-managed businesses, ESOP organisations are seen to be labour-governed entities: managers are largely able to carry out their responsibilities without 'interference' from employee owners and often have disproportionate ownership rights. As discussed earlier in the chapter, aspects of Toscano's typology are developed further in Chapters 5 to 8 within the context of discussions of the different models of ESO presented in this thesis.

The chapter concluded with an examination of a further category of ESO, which in recent years has been championed by UK Conservative and Labour governments alike. Broad-based share ownership, including profit-sharing and SAYE, is essentially unitarist in nature and is not intended to provide any rights for employees in terms of greater influence in the workplace. Unlike other EU member states which have placed greater emphasis on EP and consensus-building collective forums, UK governments have remained wary of giving employees a collective voice, although New Labour has shown its support for extensions of ID, albeit without the introduction of new assisting legislation. Further discussion on the 'political context' of ESO can be found in Chapter 5, while Chapter 3 examines in more detail some of the main arguments surrounding ESO with a critical review of the key literature.

3.0 Employee share ownership: theoretical and empirical outcomes

3.1 Introduction

Over the last three decades empirical studies have examined linkages between ESO and a number of different variables, including: organisational productivity and profitability; employment stability and job creation; organisational survival; EP; organisational commitment; and industrial relations. Emanating largely from the US and Canada, but also from Europe and more recently Asia and Africa (see for example Keef 1998; Wright et al 2000), studies have examined various forms of ownership structure. A variety of methodological approaches have also been used: some researchers have undertaken 'snap-shot' cross-sectional qualitative and quantitative 'comparisons' between companies with and without ownership plans; others have taken a longitudinal approach, involving on-going investigations of employee-owned enterprises. There is also a considerable body of theoretical work on the subject, which focuses largely on the ways in which ESO operates in organisations and results in certain outcomes, particularly greater satisfaction among employees with both their work and the ESO scheme in place. The purpose of this chapter is to present some of the seminal theoretical and empirical ESO literature from the last twenty-five years, outlining the main themes to have emerged and identifying issues that have been raised, though not always addressed, in previous studies. Within the context of the current research the chapter provides an overview of the ESO literature to have addressed: EP in decisions within employee-owned companies; workplace industrial relations outcomes; and ESO durability. The key themes addressed in the chapter are outlined briefly in section 3.2 below while issues relating to the methodological approaches of earlier studies are also highlighted. The chapter goes on to discuss the main research areas in more detail and concludes with an overview of the research questions to be addressed in Chapters 6 to 8.

3.2 Overview of key themes

Pendleton et al (1998) observed that most of those advocating ESO do so on the basis of a three-part argument involving changes in the attitudes of employees, their behaviours and ultimately, in the performance of the organisation. Firstly, it is suggested that ESO will generate more 'favourable' attitudes among employees to their organisation and reduce any feelings of 'them and us' between employees and their managers (Kelly and Kelly 1991). Subsequently, a 'commonality' of goals (Wilson 1992: 27) between the two sides will emerge and lead to a greater level of organisational commitment, though perhaps at the expense of commitment to the employees' trade union (Poole and Jenkins 1990). Specifically, ESO may 'signal and confirm' (Hyman and Mason 1995: 104) management assertions that they and their employees are on the same side (Copeman et al 1984), thereby helping to encourage co-operation and foster positive attitudes to work and management decision-making (see also French and Rosenstein 1984; Hammer et al 1982; Long 1981, 1979, 1978a, b).

Second, changes in employee behaviour including greater personal effort, increased scrutiny of colleagues' work behaviour and a reduced propensity to leave the organisation, will follow (Pendleton et al 1998). A lower turnover rate may also lead to an increase in the average skill level present within a company over a period of time for a given investment in training (Wilson 1992). Companies, in turn, will be more likely to encourage additional investments in firm-specific skills or human capital. If businesses with some degree of ESO are better able to retain employees, then it may also be the case that these same businesses will be better placed to attract high-quality workforces. Third, positive changes in employees' behaviour will subsequently be reflected in improvements to company performance as measured, for example, by increased productivity and profitability (see Blasi and Kruse 2001; Conte and Tannenbaum 1978; Estrin and Jones 1992; Logue and Yates 2001).

Pendleton et al (1998) concluded, however, that attempts to trace the three-stage 'attitude-behaviour-performance' linkage are often fraught with 'conceptual and methodological difficulties' (p. 101). Few researchers have attempted to trace all three stages in a single investigation, preferring instead to concentrate on investigating linkages between two of the stages and assuming that the third will follow more or less as predicted. In addition, many researchers have 'fought shy of the attitude-behaviour link since this is an especially complex and contested linkage' (ibid), although there are exceptions including Rhodes and Steers (1981) and more recently, Logue and Yates (2001) Pendleton et al (2001), Pierce et al (2001) and Rodgers (2003).

A tendency to consider *all* forms of ownership in the same way, while failing to take account of 'contextual' and 'ownership' differences in organisations, has also been a feature of some ESO studies (see Trewhitt 2000, 1999a, 199b for relevant discussion). In general, few researchers have attempted the conceptual or empirical work of comparing and contrasting employee attitudes and behaviours across *different* ownership systems, which would help to identify the conditions whereby ESO produced positive social-psychological and behavioural effects (Klein 1987). Toscano (1983) observed that 'different forms of employee ownership have different effects on companies and their workforces' and 'without this recognition, subsequent research and policy recommendations will suffer' (p. 581).

Klein (1987) identified three approaches typically used by researchers in the US to study ESO and its effects: examining the relationship between employee attitudes and the number of shares owned by individuals (see French and Rosenstein 1984; Hammer and Stern 1980); comparing the attitudes of 'employee owners' and 'non-owners' (Long 1978a; Tucker et al 1989) and comparing matched 'employee-owned' and 'non employee-owned' businesses (Rhodes and Steers 1981; Russell et al 1979. Across the three approaches, research has often produced inconsistent and thus inconclusive results, while 'generalisability' has also been limited. Studies have often been based on small single-site samples of worker co-operatives, direct purchase EBOs, or employee share purchase plans involving the 'purchase' of stock by employees to save a failing firm. The three forms of employee-owned enterprise have relatively little in common with the vast majority of US employee-owned entities - ESOPs in profitable firms where employees 'receive' stock as a benefit and who may, therefore, have very different expectations.

Low response rates have also been a feature of ESO studies. Logue and Yates (2001) described low response rates as the 'Achilles heel of ESOP surveys': since firms that are enthusiastic about ESOPs respond at a much higher rate than firms that are not, the lower the survey response rate, 'the worse the data are skewed toward favourable reports' (p. 22). Employee-owned companies are often identified through press reports and other types of publicity and these reports tend to focus more on successful than unsuccessful companies, since the latter are naturally less willing to be studied in any great detail (see Cotton 1993). Logue and Yates (2001) concluded that selection bias was a key reason why ESOP studies in the US during the 70s and early 80s were 'so far off base in their results' (p. 23).

Some researchers, moreover, have described ESO studies as being characterised by 'methodological shortcomings' to the extent that 'it is difficult to quantify the effects of share ownership upon employee attitudes' (Wilson et al 1995: 3). A major problem has been the sole reliance upon univariate and bivariate methods of analysis, which have tended 'to preclude a precise assessment of the causal efficacy of share schemes in changing attitudes and of the influence of share ownership relative to other determinants of employee attitudes' (Pendleton et al 1998: 100; see also Klein and Rosen 1986). Moreover, the 'cross-sectional' approach adopted by many studies has been described as a 'dubious indicator of actual attitudinal change' and 'prone to respondent bias and misperceptions, not only in the assessment that there has been attitudinal change since employees became shareholders, but also in the claim that ownership is causally responsible' (Wilson et al 1995: 7). Moreover, 'the often fraught circumstances of conversion' (Wilson et al 1995: 9) have generally precluded the sustained co-operation between organisations and academic researchers that is necessary to undertake longitudinal studies. Dunn et al (1991) is an exception for the UK, although the authors themselves acknowledged that an interval of one year between two surveys undertaken in a North Midlands manufacturing firm was 'perhaps far too short a time to gauge the effect' (p. 13) of ESO upon employee attitudes.

Following a fertile period during the 1980s, ESO research 'tapered off' (Orlitzky and Rynes 2001: 74) after the early 90s, partly as a result of complex methodological issues and partly because researchers became discouraged by the variable and often weak relationships between ESO, employee attitudes and organisational performance. More recently, it has been observed that ESO still provides a 'fertile ground for future research' (Orlitzky and Rynes 2001: 74). The purpose of the current study is to develop a greater understanding of the implications of different ownership systems, their origins and key characteristics for outcomes of 'feelings of ownership', EP, organisational commitment, industrial relations and employee ownership longevity and durability. As discussed in Chapter 1, few empirical investigations have examined at length the characteristics of *different* ownership models, the context in which different ownership conversions have occurred and the relationships of these variables with EP, employee commitment to the organisation, organisational durability and industrial relations outcomes. The 'dynamics' of ESO may differ, for example, particularly in terms of 'feelings of ownership', when employees purchase shares in their company directly ('direct ownership') as opposed to receiving them as a 'company gift' (through an ESOP) (see Klein 1987: 329). In turn, the extent to which employees experience 'a sense of ownership' may impact upon their desire for participation in the workplace, although research discussed in this chapter suggests that desire for participation among employee shareholders may not always be in the direction anticipated.

In summary, it is necessary that future ESO studies take account of the 'empirical reality' of individual cases (Wilson 1992: 22), while 'certain contingent characteristics [of ESO] must be investigated in tandem with the fact of ownership per se' (Wilson et al 1995: 11). Only through an understanding of the true 'diversity of ownership' can the inconsistencies of previous studies be addressed.

3.3 Employee share ownership, company performance and employee participation

There exists a substantial literature from industrial psychologists and researchers in organisational behaviour examining the causal flows describing the relationship between ESO and corporate performance. Between 1980 and 2001, more than thirty-two studies exploring the ESO/company performance relationship and focusing on indicators including profitability, sales and job growth, were estimated to have been undertaken, (see Blasi and Kruse 2001). Performance outcomes have largely been divided between 'neutral' (see GAO 1987; Sesil et al 2002) and 'positive' (see Bradley et al 1990; Conte and Tannenbaum 1978; Estrin and Jones 1987; Long 1980; Rosen and Quarrey 1987; Wright et al 1989, 1992), although Blasi and Kruse (2001) noted that positive outcomes have not always established direct causality with ESO. Rather, good performance may be a 'cause' rather than an 'effect' of ownership, or it may depend on other factors in the organisation (see also Heller et al 1988; Tannenbaum 1983). As highlighted in the previous section, there may also be bias in terms of the organisations and the employee respondents featured in these studies. Comprehensive reviews of the ESO/company performance literature can be found in Blasi and Kruse (2001), Cooper and Rousseau (2001), Cotton (1993) and on the NCEO website.

One theme consistent to many 'ESO and organisational performance' studies, particularly those from the US, is that of 'participation'. Researchers have argued that organisations need to have in place appropriate schemes and policies of non-financial EP in order that ESO can spur on increased productivity, commitment and job satisfaction and give 'substance' to the employees' ownership stake (Oakeshott 2000; see also Robinson and Wilson 1992; Wagner and Gooding 1987; Wilpert 1989). In addition, given a role in running their company, employees may respond by providing critical information on operational problems and co-operating in developing solutions to those problems (see Levine and Tyson 1990; Wilson 1992). Employee shareholders may, in turn, acquire more information from their employer about the financial position of the company (French and Rosenstein 1984).

Oakeshott (2000) argued, however, that ESO needs to be 'significant' if the relationship between employer and employee is to be reciprocal: for the individual employee, the ownership stake needs to be 'worth a good deal more than the value of a few days' wages' (p. 406); for the workforce as a whole, the aggregate of ESO needs to be such that their voice is an important and even perhaps the dominant one in setting the long-term policies and objectives of the business (see also Long 1980). It is said that ESO creates perceptions among employees of the 'right' to participate in decision-making, although Tannenbaum (1983) posited that the extent to which these perceptions occur may depend on the authority and status of individuals in the organisation. 'White-collar' or managerial employees, for example, are more likely than other employees to have opportunities to participate in decision-making, are less prone to question their participation 'rights', usually enjoy greater access to financial information and are better equipped by training and experience to understand it (see also Heller 1992; Heller et al 1988; Marchington and Loveridge 1979)

If perceptions of increased EP are realised in practice, benefiting employees are incentivised to work harder to protect their own investment (see French and Rosenstein 1984; O'Toole 1979; Long; 1981; 1978; Pierce et al 1991; Rosen and Quarrey 1987) and improvements in company performance then follow. Among some of the more significant ESO/participation/company performance studies, Quarrey (1986) reported a 'strong and consistent relationship' between performance and employees' perception of influence in their company. Rosen and Quarrey (1987), moreover, found that ESOP companies with 'participation plans' grew at a rate three to four times faster than ESOP companies without such plans. In the 1987 GAO study, ESOP firms in which non-managerial employees participated in company decisions had a 54 per cent more rapid rate of productivity growth than firms where participation was absent.

Marchington (1995) commented that, while it was commonplace to link EP with high levels of commitment and company performance, the linkage was based upon two key assumptions: firstly, line managers were committed to participation and able to make it operate effectively in the workplace; secondly, participation had a positive effect on employee attitudes, leading to changes in work behaviour, which in turn fed through to higher levels of productivity and effectiveness. Tannenbaum (1983: 255) had noted some years earlier:

> 'Research does not justify the simple assertion that companies with satisfied workers or companies that are relatively participative will be correspondingly productive and profitable. Employee ownership, however, implies conditions that, relatively speaking, are lacking in conventional companies and these conditions, in combination with participation, should have implications for the performance of a company.'

3.3.1 A test of three employee share ownership models

Katherine Klein (1987) addressed some of the key 'employee ownership conditions' in her study of three alternative ownership models suggested by some of the earlier literature. The models were identified by tracing the possible route from ESO to improved organisational performance, while underlying each model was the assumption that if employees were satisfied with their company's ESOP, they would, in turn, feel committed to the company and motivated to remain working there. Each model predicted that different ESO conditions were associated with high levels of employee satisfaction towards ownership, high organisational commitment and low turnover intentions.

The first model, termed the 'intrinsic satisfaction' model, suggested that ownership on its own increased employees' commitment to and satisfaction with their organisation. Ownership is itself a reward for employees and the intrinsic feeling of reward influences subsequent employee attitudes and behaviours. Conversely, the 'extrinsic satisfaction' model suggests that ESO will have favourable consequences only when it is financially rewarding to employees (see Wilson 1992). If employees regard ESO as being financially rewarding, they will experience greater feelings of satisfaction and commitment to their organisation (Buchko 1992). Klein identified two key ESOP characteristics for determining how lucrative an ESOP was for its participants: (i) the size of the company contribution to the ESOP; and (ii) the return on company stock. The former (i) is calculated as a percentage of an employee's salary; hence, the larger a company's ESOP contribution the larger the percentage of salary each employee acquires through the ESOP. The latter (ii) also influences the value of employees' ESOP accounts and if the share price increases employees' accounts are more valuable. Thus, the extrinsic satisfaction model predicts that both the size of the company's contribution to the ESOP and the return on stock are positively related to satisfaction with ownership and organisational commitment. A study undertaken by Rosen et al one year prior to Klein's investigation reported that the amount of stock contributed to an ESOP was the most important predictor of positive employee attitudes.

The third and final perspective, the 'instrumental satisfaction' model, establishes an intervening link whereby the positive consequences of ESO are deemed to occur only via the wider EP and influence in corporate governance and decision-making that results. In turn, employees' commitment to their organisation, job satisfaction and company performance all increase (Klein 1987). Klein set out to test the three models by examining the relationships between employee attitudes and ESOP characteristics, including: the percentage of company stock owned; the size of the annual company contribution; voting rights; reasons for introducing the ESOP; and methods used to communicate information about the ESOP to employees. The measures of employee attitude dependent variables were: satisfaction with the plan; organisational commitment; and turnover intention. Data were collected from 2,804 ESOP participants in 37 ESOP companies between May 1982 and November 1984. Results indicated that employees were generally most satisfied with ESO and most committed to their companies when the company made a large contribution to the ESOP, when management was highly committed to the concept of ESO and the company maintained an extensive ESOP communication programme. The results, therefore, supported the extrinsic and instrumental satisfaction models of ESO but offered no support for the intrinsic model.

In 1993, Jones and Kato reported that, 'of the top 1,000 US ESOP firms, non-managerial employee influence via ESOPs was typically modest ... fewer than ten firms have non-managerial employees representing employee shareholders by serving on the board' (p. 359). Fewer than 5 per cent of employers, moreover, were actively finding ways to encourage EP in their companies and to train and empower employees to be involved in joint problem-solving teams. Studies by Klein and Rosen (1986), McElrath and Rowan (1992) and Rosen (1984) similarly reported that employees did not consider themselves to enjoy greater influence as a result of working in an ESOP company. More recently, a study of 270 Ohio-based ESOP firms undertaken by Logue and Yates (2001: 45) concluded that 'the average ESOP is more participatory than previously' with close to two-thirds (63 per cent) of employers operating one or more formal channels of EP in the workplace.

In general, however, US ESOPs have been regarded as an employee benefit provided by the employer who, in return, could expect closer allegiance alongside a possible increase in employee morale and motivation and by association, productivity and performance (Allen et al 1991). At the same time, US employers have had little to fear in terms of the loss of a managerial prerogative associated with ESOP provision (see Hyman and Mason 1995; McElrath and Rowan 1992). Schuller (1985) observed that employers and even employees regard FIP and participation in decision making as unconnected (see also Ramsay 1991). Some early empirical studies (Greenberg 1981; Rhodes and Steers 1981) suggested that employees typically purchased stock for financial reasons and had few expectations of greater influence in decision-making. Thus, the lack of control by most employee shareholders under more 'conventional' forms of ESO may be less likely to weaken the relationships of shareholding with identification and satisfaction than is often supposed. Additionally, it is conceivable that these relations are more positive among employees with less control because their identification and satisfaction may be more dependent on ownership than that of individuals with greater authority, influence and status. Russell et al's (1979) study of San Francisco refuse collection co-operatives found high rates of EP in several areas, including attendance at most or all of the shareholders' meetings in the previous twelve months, or serving on the company board or on other workplace committees. The study also found, however, that the influence of managers and supervisors was greatest under a co-operative structure and so concluded that employee-owned organisations could be effectively democratised. Moreover, the authority of management need not necessarily be weakened, nor strengthened, to the disadvantage of lower levels.

Within the UK, members of the trade union movement have claimed that in many cases, insufficient mechanisms of participation are being developed to allow shareholders a real say in how their company is run (see Pendleton 1997). In a 1992 Department of Employment study (see Marchington et al 1992) based on information from twenty-five cases, only a small minority of employees thought that FP had provided them with a greater understanding of management decisions. An earlier study by Fogarty and White (1988) similarly failed to find majority support among employees for FIP as a tool to provide them with influence and empowerment in the workplace.

Where 'traditional' and perhaps 'undemocratic' power relations remain intact, this may frustrate employee owners who desire and 'expect' more participation and ultimately lead to a decline in their levels of satisfaction, motivation and commitment to the organisation (Conte and Svejnar 1990, 1988; French 1987; Rhodes and Steers 1981). O'Toole (1979: 188) referred to the 'failed expectations' of many non-managerial employees in relation to increased workplace democracy, when, for example, the voting rights of employee stock were restricted. Such conflicts were often at the heart of poor performance in employee-owned businesses. In his own empirical study, O'Toole (1979) found that 'rights of ownership' had no positive effects on employee behaviour, morale, or productivity where managers withheld voting responsibilities from employees (see also Tannenbaum 1983; Whyte et al 1983). Indeed, in such situations, employees generally displayed a degree of 'indifference' to ESO, manifested in several instances by voting to 'sell off' their shares to the first attractive bidder. Thus the extent to which ESO reduces alienation and discontent depends on changes in the power relationships that meet employee owners' expectations of control (French 1987: 428). Bradley and Nejad (1989) observed that high expectations were most likely to be met in co-operative models of ESO. Conversely, profit-sharing or all-employee share schemes were unlikely to arouse hopes of greatly increased EP in decision-making (see Chapter 2), while companies in which these mechanisms were present were unlikely to introduce participative structures independently. Essentially, therefore, the potential for disappointment is greatest in 'majority employee-owned firms'. However, if expectations of increased EP are not raised, then the transition to ESO need not be accompanied by new mechanisms of participation and conflict can be averted.

3.3.2 Employees' expectations of employee share ownership

One of the most significant theoretical studies to address employees' expectations of ESO was undertaken by J Lawrence French in 1987. French looked at ESO from two perspectives – as a 'financial investment' and as a 'mechanism of control'. From a 'control' perspective, employees regard ESO as giving them the 'right' and providing them with opportunities to influence decision-making in the workplace. The control perspective assumes, moreover, that employee shareholders are an homogenous group and that their ownership status per se affects work attitudes and behaviours (see Hammer et al 1982). In contrast, the 'financial perspective' contends that employee shareholders do not have an increased desire for organisational influence and control and regard ownership merely as a 'financial investment'. Prior to French's study, Kruse (1981) had commented that employee shareholders often resembled most non-shareholders and moreover, defined ownership solely in terms of rights to the profits generated by the invested capital. In other words, employee owners perhaps view themselves simply as financial investors who, by coincidence, own shares where they work and limit their expectations to a satisfactory rate of return on their investment rather than greater control in company decisions (see also Hammer and Stern 1980). If financial returns are not adequate, however, dissatisfaction on the part of employee investors may increase their desire to participate in the decision-making process to ensure that appropriate solutions are sought for their company's financial, managerial and personnel problems (French 1987). Alternatively, employee-owners may choose to adopt the 'exit' rather than 'voice' strategy and sell their shares (Hirschman 1970).

The 'financial investment' perspective further suggests that the number of shares employees own and the value of those shares are more important than ownership per se (French 1987). Thus, if shares are viewed solely as 'investments', the work attitudes and actions of employees who hold large numbers of shares will be expected to differ from individuals holding fewer shares. The 'economic significance' employee owners attribute to their individual shareholding, plus the share price and dividend level, may also affect their attitudes and actions in the workplace. More specifically, when share performance is perceived as favourable, employee shareholders are likely to have greater levels of satisfaction than employees without shares, since the former benefit more directly and immediately in the firm's success than the latter. By contrast, where the firm is perceived to have financial problems, employee owners are less likely to be satisfied than employees without shares since the latter have less to lose. Further, in organisations characterised by high levels of ESO and EP, the satisfaction of a relatively small number of employees with few or no shares could equal that of the more numerous employee shareholders, since all employees benefit from the 'democratisation of control relations' (French 1987: 429). Up until the time of French, research on a variety of forms of ESO had produced evidence of a 'financial' rather than a 'control' orientation. For example, in their study of an employee-owned library furniture factory in the North East of the US, Hammer and Stern (1980: 96) observed that, 'rather than having a collective consciousness of ownership, many employee owners saw themselves as traditional investors' (see also Rhodes and Steers 1981).

Three years before the French study, French and Rosenstein (1984) had tested the 'financial' ESO perspective within an ESOP organisation. The distribution of share ownership within the company was very unequal and at the end of 1980, managerial employees who made up 20 per cent of the workforce held about 76 per cent of the shares. Moreover, the ESOP made no provision for representation of employee owners on the company board. Along with a lack of union representation, non-managerial employee owners had limited influence in their workplace. Nevertheless, the substantial appreciation of the company's shares had left employees with few grounds to challenge management on the basis of poor leadership. The study was significant due to the fact that, until that time, little attention had been given to more common and weaker forms of ESO that were initiated by managers for financial and/or motivational reasons and operated through ESO trusts which held and managed the shares. Previous ESO studies, moreover, had focused largely on blue-collar employees occupying lower positions in both status and authority hierarchies. Thus, earlier studies provided little information on the way in which control differences among different employee groups in organisations affected the relationships of ownership with attitudes and behaviours.

In their conclusions, French and Rosenstein (1984) reported that over three-quarters of employees surveyed, both managerial and non-managerial, regarded shareholding as an investment rather than as an opportunity to become an 'owner' in their company. At the same time, non-managerial employee owners were reluctant to seek more influence, which the authors attributed to a lack of expertise preventing them from participating effectively (see also Fenwick and Olsen 1986; Heller et al 1998; Leitko et al 1985). Nevertheless, the relationship of shareholding with 'organisational identification' was more positive for non-managerial owners with lesser authority than for individuals accorded higher status in the organisation. French and Rosenstein (1984) observed that the strength of the relationship among the former perhaps stemmed in part from lower expectations of control compared with the more likely expectations of the latter. Nevertheless, the results also challenged the notion that desire for influence among employees with greater control was increased more by shareholding than that of employees at lower levels of status, authority and influence. The authors proposed that the 'financial orientation' of higher-status employee owners, alongside satisfaction with the share performance, had dampened interests of a more active role in decision making.

Pierce et al (1991) argued that in order to understand the social-psychological and behavioural effects of an ESO system, it was first necessary to develop an understanding of the ownership construct. The authors saw ownership as being 'multi-dimensional' in nature, operating both as a formal and psychologically experienced phenomenon; moreover, each form (formal and psychological) had its own role in the ownership-employee/attitude-behaviour relationship. Ownership was also unlikely to operate directly and/or independently on employee attitudes, motivations and behaviours. Rather, there appeared to be a number of intervening and moderating stages between formal ownership and employee attitudes and behaviours. Pierce et al (1991) presented a theoretical model depicting an elaborate network of relationships articulating one set of conditions through which ownership could produce some of the social-psychological and behavioural outcomes linked to ESO. Like Klein (1987), Pierce et al (1991) sought to advance the notion that 'a number of intervening and moderating stages' (p. 124) were more significant for attitudinal change among employees than the notion of simply 'being an owner'.

Ownership expectations, perceptions of ownership 'legitimacy', management's philosophical orientation to ownership, employees' financial orientation, the type of ownership system and its context of origin all play a role in the operation of an ESO system. Pierce et al (1991) observed that many empirical studies had looked at a particular form of ownership and had tended to implicitly portray ESO as a singular concept, rather than addressing the social-psychological effects across different ownership systems. Few theorists, moreover, had identified the dimensions (i.e. structural design features) of ownership, as well as the saliency of those dimensions in ownership research. Finally, there was a 'near void' (p. 124) in the understanding of employee expectations and response differences across the different forms of ownership. ESO can cover a whole spectrum of possible cases (Wilson 1992), each comprising a different form of ownership (direct ownership, co-operative) and control (concentration of shares within the enterprise) (see Tannenbaum 1983). Cases often originate for different reasons, have different aims, and operate in very different ways (Cotton 1993).

3.4 Employee share ownership and industrial relations outcomes

A further section of the ESO literature has focused on the relationship between ESO and industrial relations outcomes. In particular, studies have examined whether attempts to strengthen ties between employees and employers via ESO will result in a 'loosening' of collective sentiments towards union membership and activity (see for example, Baddon et al 1989; Bradley and Nejad 1989; Kruse 1984; Pendleton et al 1995b and Poole and Jenkins 1990). Trade unions may also find their position weakened and the CB process subverted: for example, employees whose compensation is partly dependent on their company's success may be willing to accept lower wage increases or reduced benefits to help pay for necessary investments in plant and equipment to boost productivity (see McElrath and Rown 1982). Even broad-based share schemes have been described as representing a progressive diminution of influence in pay determination (see Baddon et al 1989). Broad-based schemes generally provide few opportunities for large-scale ESO and influence in the workplace (see section 2.3 in Chapter 2) and so it may be assumed that the union role as 'representative of employee interests' will remain unchallenged. However, such schemes are typically introduced and controlled unilaterally by managers and are not regarded as 'negotiable'. Thus, broad-based schemes comprise an element of the pay and conditions of employees located formally outside the boundaries of collective regulation (see Dunn et al 1991; Nichols and O'Connell-Davidson 1992).

Arguments surrounding ESO and industrial relations are not clear-cut, however, and have been described as 'complex' (Pendleton 2001: 125) and paradoxical (see Kruse 1984). Hammer and Stern (1986), moreover, suggested that the dynamics of union involvement in employee-owned companies were likely to be inherently unstable and compared them to the movement of a yo-yo, alternating between co-operation and conflict with management. Based on their investigation of the employee-owned Rath Meat-Packing Company in Iowa, Hammer and Stern (1986) reported that unions often embarked on co-operative strategies based on the fusion of employee and owner interests both during and in the immediate aftermath of ESO conversion. Subsequently, adverse economic circumstances resulted in the introduction of policies that were harmful to employee interests such as wage cuts, thereby leading to the withdrawal of union co-operation. Once the crisis had passed a return to co-operation was likely, though not to the same extent as before. Hammer and Stern (1986) concluded that over time, swings between co-operation and opposition moved the union back towards its traditional role, although it gradually became discredited among its members during the process.

Trade unions may also 'find their employee representation role contaminated by ownership concerns, and hence their independence compromised' (Pendleton et al 1995b: 580; see also Dilts and Paul 1990). Generally, it may be expected that new forms of participation emanating from an ESO conversion would be kept separate, at least in procedural terms, from existing union structures, but would be subject to scrutiny or control by union representatives. In some cases, employers that are ideologically committed to EP and believe that ESO entitles employees to board representation (see Hammer and Stern 1986; Rosen et al 1986) have appointed employee directors to the company board. However, as highlighted in Hammer et al's (1991) study, there can be 'widely divergent definitions' (p. 661) of the employee director role: in the study both employee directors and their workforce constituents regarded the protection of employee interests as the main purpose of the role. Managers, in contrast, stressed the 'downward communication' function of employee directors to disseminate board decisions to employees 'after' those decisions had been made, thereby de-emphasising an active labour advocacy role. Pendleton et al (1995b) observed that, whatever the precise configuration of participation structures, a greater emphasis on ID would be expected where union representatives were a dominant influence on organisational design than in cases where they played a more subordinate role.

3.4.1 Dual commitment

The issue of dual commitment to trade unions and management is not unique to ESO, however, and was being addressed by researchers during the 1950s and 1960s (Gallagher 1984). Dean (1954) and Purcell (1960) indicated that most employees showed allegiance to both their trade union and management, although findings were restricted in both cases due to the application of inconsistent 'dual allegiance' measures. Other scholars of the period, including Barkin (1950), England (1960) and Kornhauser et al (1956), argued against employees' ability to display simultaneous loyalties. Barkin, for example, asserted that the notion of employees maintaining loyalty to companies and unions concurrently 'does not stand up under even a cursory examination' (1950: 64). After 1960, the issue of dual allegiance lay essentially unresolved for around a quarter of a century until a new generation of researchers raised it once again (see for example, Fukami and Larson 1982; 1984; Gallagher 1984; Martin 1981; Martin et al 1982). In the intervening period, a strong research theme developed around the concept of organisational commitment (Porters, Steers, Mowday and Boulian 1974), described as 'having obvious relevance to dual allegiance' (Angle and Perry 1986: 32).

One of the most significant studies to investigate dual commitment was undertaken by Angle and Perry (1986). Based around twenty-two municipal bus companies in the Western US, the study set out to examine whether unionised employees could develop simultaneous commitments to their unions and their employing organisations. The alternative hypothesis was that an inherent conflict of allegiance in dual-membership situations forced an 'either-or' choice. In the study, dual commitment was analysed in terms of two variables: the 'ambient labour-management relationship climate' and 'the extent of members' participation in union activities' (p. 31). The study was significant in that it was the first to use independent sources to measure labour-management relationship climates and dual commitment. Describing the general approach of previous studies Angle and Perry (1986: 36) observed:

> 'It has been the norm to assess dual commitment by counting the numbers of people whose attitudes were positive toward both union and management. Furthermore ... both the commitment measures and the judgement of the overall union-management relationship derived from the same self-reports. Thus, yea-saying response bias could inflate both the extent of dual commitment per se and observed covariation in measures of relationship climate and commitment.'

Results from the study confirmed that the extent of dual commitment expressed by rank-and-file union members was related to the ambient labour-management relationship and that the likelihood of simultaneous commitment appeared to grow where relations between the sides were co-operative. Angle and Perry (1986) added, however, that people are often 'imperfectly rational' (p. 44) and can 'compartmentalise' their logic so as to hold simultaneously incompatible opinions (Cyert and March 1963; Simon 1976). The cross-sectional nature of research, moreover, could not establish whether ambient labour-management relationship climates actually resulted in varying levels of dual commitment, or whether other factors co-determined climates and commitments. The authors concluded:

> 'We believe a logical case can be made that role dilemmas imposed by membership in conflicting systems must necessitate a loyalty choice between adversaries. However, it remains to more elaborate, perhaps longitudinal designs to have the final say' (p. 45).

For the UK, Guest and Dewe (1991) were the first researchers to undertake an empirical investigation of dual commitment. The study, based around three electronics plants in the South-East of England, was part of a larger investigation of attitudes to work and trade unionism in ten countries sponsored by a Japanese trade union organisation operating in electronics and electrical consumer industries. Two of the plants produced electrical consumer products while the third was involved in telecommunications. Each plant was part of a larger company, two of which were British and one was Japanese. All three companies were characterised by a well-established relationship between management and the unions; in each case the industrial relations tradition was co-operative and there was very little history of industrial conflict. Guest and Dewe (1991: 80) observed:

> 'The combination of predominantly integrative bargaining and long-term acceptance by management of the legitimacy of the union role would seem to favour the development of dual commitment.'

However, levels of dual commitment in the three plants were found to be low and indeed lower than reported in most of the countries featured in the comparative study. A clear majority of employees in the UK firms did not regard the unions as effective and since there were no compensating feelings of collective solidarity, there was no strong basis for union identity. The picture with respect to organisational commitment was 'slightly less clear' (Guest and Dewe 1991: 91) but satisfaction with many aspects of work was generally low. Figures on the propensity of employees to quit their organisation, for example, indicated a weak basis on which to build a strong organisational identity.

Setting the results in a wider context, Guest and Dewe (1991) observed that forms of pluralism in countries like Sweden and Germany were characterised by a variety of built-in participative mechanisms to take account of employees' interests, which helped in turn to generate greater shared identity through genuine integrative bargaining. In the UK, however, pluralism was rather more passive and based partly on apathy. Guest and Dewe (1991) added that, compared with other European countries, UK employees were less well educated, had a greater degree of cross-company work experience and were considerably more dissatisfied with their jobs. UK employees also thought more about quitting their present company than any other workforce in the ten-country study. Company disaffection, coupled with a lack of faith in the ability of unions to improve matters, was reflected in a high proportion of employees who failed to show identity of any kind. For employees displaying some degree of dual commitment, or organisational commitment on its own, the key variable was satisfaction with the scope for EI and EP in the workplace. Hence, Guest and Dewe (1991) suggested that there were 'potential pay-offs' (p. 93) for companies in pursuing such policies more fervently, or perhaps in selecting more carefully those employees with a propensity to respond to opportunities for involvement and participation.

3.4.2 Relevance of trade unions in employee-owned companies

Within the context of ESO, research addressing industrial relations outcomes has tended to focus largely on the question of whether trade unions are still regarded by employee owners as relevant and necessary within employee-owned firms. Pendleton et al's (1995b) UK study of thirteen employee-owned and twenty-six 'conventional' bus companies examined twin-related hypotheses: firstly, following conversion to ESO, employees' allegiance to their union will decline and may switch to new institutions of representation; secondly, new institutions will undermine the trade union role in CB by becoming involved themselves in these issues. Earlier evidence from the UK had indicated that the union role had become more restricted in a number of cases in the aftermath of ESO conversion. In the John Lewis Partnership, structures of employee-owner participation not only operated separately from union representation but also appeared to take precedence over the unions (Flanders et al 1968):

> 'Alternatively, where new institutions of employee-shareholder representation have not been created, any pressures for increased industrial democracy may mean that unions themselves will function as representative of owners, thereby potentially compromising the independence and effectiveness of the union as defender of workers' interests' (Pendleton et al 1995b: 581).

Using union membership as an indicator of employees' allegiance to their union, Pendleton et al (1995b) found that results did not support the hypothesis that union membership would fall in employee-owned firms. In fact, union density was slightly higher and Pendleton et al (1995b) suggested that ESO had actually enabled firms to retain their public sector industrial relations characteristics when they moved out of public ownership. A strong sense of ownership, moreover, resulting from conversion to ESO, did not appear to have led to a decline in the perceived utility of union representation. Employees who felt ownership strongest found trade unions the most useful, perhaps indicating that the unions were regarded as necessary to protect ownership rights and perhaps more importantly, that a new role was emerging for unions within employee-owned companies.

An earlier study undertaken by Toscano (1984) involving an examination of workforce attitudes to trade unions in a New England textile ESOP company with 100 per cent employee ownership had reported similar findings. The study noted that employee owners who are also union members 'do not abandon their support for the union and its role in protecting labour from potentially arbitrary management' (p. 86). However, although employees in the company viewed the union as it had traditionally functioned, 'other workers in other types of employee-owned enterprises may perceive the union role differently' (ibid). In a co-operative, for example, employees are given more democratic control and consequently, may perceive a lesser or different role for the union. In the company studied, shares had been allocated to employee accounts according to a formula based on wages and salaries and consequently, employees with the highest wages and greatest seniority had the largest blocks of stock in the company. Employees were able to vote on a 'one share one vote' basis, while unallocated shares (80 per cent of the total) were voted by a trustee. The distribution of voting power thus prevented employees from acquiring representation on the board of directors and this relative lack of control translated into support for the trade union as the one body to voice their concerns and act on their behalf.

Sockell's (1985) study of three employee-owned companies also found that ESO did not significantly affect union functioning in an enterprise. Comparisons of companies' pre- and post ESO-transfer annual grievance rates and pre-and post-collective agreements revealed no change in the scope of executed clauses, leading Sockell (1985) to conclude that 'inertia preserves attitudes and behaviours' (p. 137). As one survey respondent (and management negotiator) from the study observed: 'Employee ownership doesn't make a difference because of the fact that people are indoctrinated as union people and it's hard for them to change'. Sockell also commented, however, that financial instability was a feature of each of the companies under investigation and may have drawn the parties' attentions away from ESO per se. Moreover, in line with Toscano's (1984) study, the absence of formal participation at each company may have helped to explain the kinds of attitudes and behaviours demonstrated by employees.

Kruse's (1984) investigation of two ESOP companies found some evidence that the trade union had grown stronger in one case. Explanations were two-fold: first, financial benefits from ESO were too small in relation to the benefits from employment to transform employees' perceptions of themselves as employees first and foremost (see also Klein and Rosen 1986). Second, EP in decision-making was generally insufficient for employees to feel like 'true' owners (see also Conte and Svejnar 1990). Therefore, the increased desire for participation resulting from ESO, coupled with limited opportunities to achieve it, may mean that the union's function as the main vehicle of representation may not only be maintained but actually enhanced (see also McElrath and Rowan 1992). Conversely, in Poole and Jenkins' (1990) study of twenty-two UK companies with some form of profit-sharing or employee share scheme, shareholders were more likely than non-shareholders to emphasise that channels other than the union were appropriate for obtaining greater decision-making influence in the workplace. As the authors acknowledged, however, the reality is perhaps somewhat more complex: whereas the introduction of profit-sharing or share schemes may well produce greater identification among employees with the goals of the company, it is unlikely that union activities will be completely undermined by these mechanisms. Nevertheless, the study concluded that it was necessary for unions to modify to some extent their traditional set of attitudes and assumptions if they were to continue to retain an appeal to both union members and non-members alike.

Bradley and Nejad's (1989: 109) study of the NFC examined the propositions that industrial relations could either improve or deteriorate as a result of ESO. Taking the 'improve' proposition, the authors reported that, following the transition to ESO, improved labour relations could be achieved in at least two ways. First, ESO could change the structure of financial incentives and the actual amount of an employee's financial rewards. Second, ESO could create or heighten a sense of identification with or commitment to the company and subsequently, a greater feeling of responsibility in the pursuit of joint wealth maximisation. Whether an employee takes shares to protect their job or to seek capital gains, the financial stake may reduce the perceived gap between individual rewards, both financial and non-financial, and the company's objectives. This change in perception may, in turn, engender more co-operative industrial relations.

Several variables may distort these relationships, however, so that individual ESO in a buy-out may have little or no effect on a shareholder's attitudes and upon industrial relations outcomes. The size of an employee's shareholding may not be large enough to reduce perceptions of the differences between the individual reward and a company's objectives. Further, any income from ESO is likely to be small compared with salaries and wages and is, therefore, also unlikely to affect financial incentives. Consequently, an individual employee shareholder may retain allegiances to the traditional institutions of labour-management relations in the firm (Bradley and Nejad 1989). It may also be the case that a certain threshold proportion of a workforce must take shares in order to make employees feel they are part of an employee-owned firm and legitimise any additional horizontal or vertical monitoring that may result.

Addressing the second proposition that industrial relations could deteriorate as a consequence of ESO, Bradley and Nejad identified two potential sources of tension: first, a division in the workforce between employee shareholders and non-shareholders; second, a gap between employees' expectations of ownership and actual outcomes. If ESO is not widely dispersed, a division in the workforce between shareholders and non-shareholders may generate new tensions rather than harmonise labour relations. Following a conversion, there may be pressure to restrain wage increases in order to allow high dividend payments to shareholders, particularly in view of specific tax advantages. If, however, a significant proportion of the workforce has not invested, their resistance to this pressure could create tensions during CB. In addition, if the conversion to ESO has succeeded in creating large capital gains for shareholders, non-shareholders may become resentful. Conversely, an unsuccessful conversion may intensify horizontal and vertical monitoring and possibly worsen labour relations. Additional tensions could arise if the shareholders' rights of ownership are extended in practice at the workplace, particularly in relation to issues such as promotion, job security and redundancy priorities. If ESO was to create a 'two-tier' workforce, tensions between employees could increase.

3.5 Employee share ownership and company durability

The final part of this chapter looks at some of the key issues surrounding ESO and outcomes of company durability and longevity. There exists a considerable body of literature examining the durability, and more specifically the likely demise, of workers' co-operatives and studies can be traced back to the work of Sidney and Beatrice Webb in the early part of the 20^{th} Century. Arguments concerning the apparent failure of co-operatives to survive long-term (and already outlined to some degree in Chapter 2) are centred around a number of factors including: under-investment; a lack of commercial acumen among members (employees); difficulties in co-ordinating members; and 'perverse forms of firm behaviour' (Pendleton 2001: 193), such as the expansion of output during a recession. For co-operatives that manage to survive, it is said that they will eventually degenerate into 'conventional' organisations, since they come to recognise the need to hire professional managers and create organisational hierarchies (see Ben-Ner 1988; Pendleton 2001).

There are studies, nevertheless, which contest the proposition that co-operatives are generally predisposed to eventual demise. Among them are Estrin and Jones' (1991) investigation of French worker co-operatives, where results did 'not support the view that worker co-operatives are bound to fail' (p. 19). The authors refuted the prediction of rapid demise on the basis of the low mortality rate of French worker co-operatives during the 1970s and the ability of many to survive for more than thirty years. More recently, however, Oakeshott (2000) observed that very few French co-operatives could lay claim to being long-term survivors (also see section 2.2.1 in Chapter 2).

Estrin and Jones (1991) further concluded that different life-cycle patterns could be expected to emerge according to the unique institutional arrangements present within individual co-operative organisations. In particular, the authors noted that it was necessary to recognise the 'diversity' of co-operative ownership and that what was needed was 'a broad, multifaceted model that includes both economic and social variables and is not wedded to a single traditional disciplinal perspective' (p. 21). To date, no such model has been applied empirically, though this may be due, in part, to a lack of willing, suitable and available subjects for analysis. Life-cycle patterns in other kinds of employee-owned organisation, such as ESOP firms, have received considerably less empirical attention than co-operatives although as Pendleton (2001: 193) observes: 'ESOPs are not likely to be subject to degeneration in the same way [as co-operatives] as there is less to degenerate from.' Moreover, unlike workers' co-operatives, management hierarchies are present in ESOPs from the outset, equity ownership is often unequal and as numerous studies have shown, there are generally few opportunities for employees to participate directly in running their company. Nevertheless, Pendleton (2001) added that life-cycle patterns in ESOP and other employee-owned enterprises merited examination in future studies of ESO.

3.5.1 Employee share ownership life-cycles

One of the most significant theoretical investigations of employee ownership life cycles was undertaken by Avner Ben-Ner (1998) and involved an examination of the birth, evolution and demise of both employee-owned and capitalist firms operating within market economies. The study put forward the proposition that the population of employee-owned businesses is likely to grow counter-cyclically: for example, many employee-owned firms are born during recessions, frequently out of capitalist organisations, then transform once more into capitalist firms during economic booms. There exists an 'offsetting tendency' (Ben-Ner 1988: 287), however, as employee-owned firms are often formed during periods of sustained increase in the standard of living and subsequently dissolved in times of economic decline. Ben-Ner's study considered the birth and demise of employee-owned companies from two perspectives. First, a company may be formed by the assemblage of technologies and inputs not previously combined or by a radical change in the source of authority, objectives, or internal organisation of a previously existing firm. Demise similarly occurs via dissolution or radical change in the source of authority, objectives or internal organisation. The second perspective proposes that birth and demise represent transformation of one type of organisation into another.

The study was underpinned by analysis in three key areas: obstacles to employee ownership formation; the efficiency attributes of such firms; environmental changes and the influence of these changes upon organisational life-cycles. Addressing the first area – obstacles to formation – Ben-Ner identified three main obstacles relating to problems of 'entrepreneurship', employees' aversion to risk and high set-up costs. Entrepreneurial problems stem from the premise that a 'self-interested entrepreneur will not choose to establish an employee-owned firm and share entrepreneurial profits with others if the establishment of a capitalist firm is a viable alternative' (p. 290). Specifically, when establishing a new firm, entrepreneurs must identify a niche for the firm, assemble inputs, organise and co-ordinate economic and technical functions and allocate risk bearing. Individuals undertaking these tasks are said to have combinations of abilities and skills that are not widely found in market economies and they may thus decide to appropriate a return to entrepreneurship in the organisations they established.

The second obstacle - employees' aversion to risk – addresses the potential losses to employees' income when an employee-owned organisation is formed. Ben-Ner argued that because of their relatively small wealth, many employees preferred a lower average of steadier income to a higher average of more variable income. Problems were exacerbated by what the author described as the 'inescapable bundling' (p. 290) of employees' human capital, equity capital and employment in an employee-owned firm and their subjection to the same risk. The study concluded, therefore, that employees were probably better off working for a capitalist firm, whereby less risk-averse capitalists acted as internal 'income insurers' and assumed the risk of running the firm. High set-up costs for such 'a rare form of organisation' (Ben-Ner 1988: 307), including the acquisition of relevant information, plus legal, organisational and financial expertise, were identified as a further obstacle. Capital may also be more costly to obtain since employee-owned firms may be regarded as riskier ventures compared with many capitalist start-ups. Moreover, the relatively limited wealth of employees limits the personal collateral available for obtaining loans, while use of the firm's shares is restricted because it dilutes employees' control. Support may be available, however, in the form of special lump-sum subsidies from ESO umbrella organisations.

The magnitude of obstacles varies, however, according to technology, product characteristics, standards of living, market profitability, general economic, social and political conditions and significantly, the personal characteristics of employees. Ben-Ner (1988) argued that superior efficiency was partly dependent on the ability of employees, in terms of their skills and experience of decision-making derived from other organisations, to take advantage of the flexible decision-making and motivation structures that, theoretically at least, are present in employee-owned firms. A further body of literature has argued, however, that the delegation of decision-making by managers to employees may have negative effects upon company performance (Levine and Tyson 1990). Researchers working within the 'agency' framework (see for example, Jensen and Meckling 1979, 1976) observed that participation arrangements were inevitably inefficient since the costs of monitoring increased as the number of decision-makers or agents increased (see also Marchington and Loveridge 1979). Ben-Ner (1988) similarly described how inefficiency in employee-owned businesses could arise when managers attempted to try and democratically address the different preferences of employees in organisations. Termed 'preferences heterogeneity' (p. 298), increased democracy in employee-owned firms could lead to disagreements and decision impasses, or could generate outcomes that were not desirable to all employees. More significantly, heterogeneity could contribute to the formation of interest-based coalitions and accompanying conflicts and erode any efficiency advantages. Notwithstanding, whatever the advantages and disadvantages of different management styles, employee-owned companies' domain of choice is unrestricted and businesses can select a governance structure at least as efficient as that of a capitalist firm, which faces far more restrictions.

The final part of Ben-Ner's study involved an analysis of changes in the external environment and their influence upon employee ownership life-cycles. Organisations may respond to a changing external environment in one of three ways. First, transformation into a capitalist firm may occur in a profitable employee-owned company when members come to expect further gains from changing the organisation's principles of internal organisation, even at the cost of potential losses in efficiency. Transformation may also take place in an organisation that is unsuccessful because of the cumulative effect of its internal weaknesses and where a drastic change in the way it is run may prevent its dissolution. However, if neither reform nor transformation can assure members of at least as much as they could get by leaving the firm altogether, dissolution will occur. Ben-Ner (1988) added that, in some cases, members may rationally expect the demise of an employee-owned firm at the time of its formation, due to predictable environmental changes or internal weaknesses. Members may also expect a net gain from that firm's operation during its limited lifetime relative to other alternatives, such as job losses or a company take-over, as to warrant its formation. Ben-Ner suggested that employee-owned companies had a complicated life cycle exposed to many perils of demise, although the probability and timing of demise for individual firms depended on the mode of formation. Finally, the cumulative effect of organisational weaknesses became more crucial with time and increased the likelihood of demise in mature employee-owned firms.

3.6 Summary

This chapter has addressed some of the key studies and arguments in relation to ESO that have emerged during the past quarter of a century, while setting the context for the current programme of research. The study sets out to explore outcomes of 'feelings of ownership', organisational commitment, EP, industrial relations and ESO durability and address some of the questions that have been raised but not always resolved in previous studies. As highlighted in this chapter and also in Chapter 1, few empirical investigations have examined in detail the characteristics and contexts of different ownership models and the implications for particular outcomes within a single investigation. The main aim of the current research is to address the varying circumstances and diversity of ownership which is vital if ESO is to become a viable strategy for increasing the incidence of workplace EP and in turn, motivation, commitment and organisational productivity.

The results of this research programme are set out in Chapters 6, 7 and 8. Chapter 6 examines employees' 'feelings of ownership' and organisational commitment within three employee-owned companies. Following some of the issues raised in this chapter and also in Chapter 2, the analysis is guided by two propositions: first, employee shareholders working under 'direct' ownership arrangements derive greater satisfaction from ownership than employee shareholders working in firms with more 'indirect' ownership (ESOP) systems in place. Second, where employees' feelings of ownership are more profound, greater levels of commitment to the organisation are duly anticipated. As well as the 'model' of ownership, a further key theme raised in Chapter Six is the 'differing circumstances of ownership'. There are marked differences between the three companies in terms of their route into ESO and this is addressed more fully in the chapter.

In Chapter 7, all six organisations are examined in relation to outcomes of EP and industrial relations to establish whether opportunities for EP in decision-making are greater in employee-owned companies than in enterprises where ESO is absent. It may be anticipated that opportunities and employees' desire for EP will be greater in employee-owned firms, although this is not always the case as results from some of the studies in this chapter have testified. In turn, it is expected that employees' attitudes to EP will impact on their attitudes to their trade union and also their managers and these areas are also considered in Chapter 7. To date, the dual commitment/ESO relationship has received rather limited attention within the empirical literature. Finally Chapter 8 examines ESO durability and examines whether the reasons and methods by which companies convert to ESO are important for their durability as employee-owned businesses. Three of the six cases that transferred from public into private (employee) ownership and were subsequently 'sold on' provide the basis for analysis in the chapter. Aside from worker co-operatives, little empirical work has been undertaken in relation to employee ownership life-cycles and the factors that may be important for establishing the durability of employee-owned firms. Research in Chapter 8 sets out to address the omission with an examination of potentially key influences, including: the model of ESO adopted at the outset; the initial ESO objectives and motives for the conversion in each case; the role of key actors involved in the conversions; and the ways in which each system of ownership was operated and managed.

First, Chapter 4 sets out the research methodology framework with a discussion of the quantitative, qualitative and observational methods used. The approach undertaken aims to address some of the methodological criticisms levelled at previous ESO studies and these are discussed in the following and subsequent chapters.

4.0 Research methodology

4.1 Introduction

Results presented in the thesis are based on primary quantitative and qualitative data drawn from a case study investigation of six UK bus companies. Ethnographic techniques including non-participant observation, plus secondary sources of information collected from all six cases, supplemented the primary data methods. Data were collected over an eighteen-month period between July 1997 and December 1998. This chapter discusses the methods used to conduct the programme of research, the main aim of which was to examine 'diversity in employee share ownership' and the potential importance of diversity for outcomes of ESO satisfaction, EP, organisational commitment, industrial relations and ESO durability. A case study approach was considered the most appropriate to meet the research objectives, since case studies provide scope for application of a variety of research tools. The chapter begins with an overview of case study research and general design issues, followed by an outline of the methodology in the current investigation, including case study selection and survey and interview work undertaken.

4.2 Case study research and triangulation

Use of the case study method in research has been well documented. Yin (1994: 1) referred to the case study as an 'empirical inquiry' and the preferred strategy when 'how' or 'why' questions were being posed. The method also facilitates an assessment of existing hypotheses as well as the generation of new ones, allowing for investigation of a contemporary phenomenon within its real-life context (Glaser and Strauss 1970). One of the major strengths of the case study method, however, is the opportunity it gives the researcher to draw upon many different sources of evidence in an investigation (see Gummesson 2000). Moreover, the scope to acquire multiple sources of evidence by using case studies is said to far exceed that of other research methods, including experiments, surveys and histories (Gillham 2000; Yin 1994). Data drawn from a range of different sources also allows the researcher to address a broader range of historical, attitudinal and observational issues. However, the most important advantage is the development of converging lines of inquiry, otherwise known as 'triangulation' (Yin 1994).

Triangulation has been defined as 'looking at the same phenomenon, or research question from more than one source of data' (Decrop 1999: 158). Specifically, information drawn from different sources can be used to 'corroborate', 'elaborate' or 'illuminate' the research problem (see for example Gillham 2000; Nachmias and Nachmias 1996; Yin 1994). Triangulation is based on the 'triangle' analogy and implies that a single point is considered from three different and independent sources (Decrop 1999). Derived from topography and first used in the military and navigation sciences, the concept has been adapted for social science inquiry. Authors including Webb et al (1966) and Jick (1979) refined triangulation by combining quantitative and qualitative methods and advocated that the two should be viewed as complementary, rather than as symbolising rival camps. Some years later, triangulation received further attention in qualitative research as a way to 'ground' the acceptance of qualitative approaches (Denzin 1978; Rossman and Wilson 1985).

4.2.1 Forms of triangulation

Denzin (1978) identified four basic forms of triangulation: data triangulation; method triangulation; investigator triangulation; and theoretical triangulation. The four forms may be viewed as running along a continuum, beginning with 'data triangulation', which involves the use of a variety of data sources within a study, including quantitative, qualitative and observational data. An additional way to triangulate data is to transcribe field notes during and immediately after an interview or observational session (Decrop 1999). Field notes may be particularly useful as they can shed additional light on the textual content, or indicate specific questions that did not directly appear within an interview transcript. Next on the continuum is 'method triangulation', which entails the use of multiple methods to study a single problem. Method triangulation can include different qualitative methods or a combination of qualitative and quantitative techniques. Since each research method used in an investigation will have its own limitations and biases, and single methodologies result in personal biases, multiple methods pave the way for more credible and dependable information (Decrop 1999). Examples of method triangulation in the management field have been found in the work of, among others, Marchington et al (1992), Poole and Jenkins (1990) and in the 1998 Workplace Employee Relations Survey (WERS). In a change to earlier research in the WERS series, methods used in 1998 included an employee survey. Previous WERS research had been based on interviews with managers and employee representatives, which were not intended to provide an employee perspective (Cully et al 1998).

Third on the triangulation continuum is 'investigator triangulation', which is concerned with using several different researchers to interpret the same body of data. Next to the investigator's subjective understanding, gender, race and culture can also bias the analysis of data (Decrop 1999). Independent investigators may examine a section of the data collected and confirm or invalidate prior interpretations. Investigators may also be invited to read transcripts or a summary of the analysis provided by the researcher and comment on it, with any remarks or disagreement with interpretation reintroduced into the analytical process to enhance the credibility of the analysis. The final form of triangulation is 'theoretical triangulation' and involves the application of perspectives drawn from different disciplines to interpret a single set of data (Decrop 1999). Confronting emerging hypotheses with existing theories and searching for alternative explanations help to make conclusions more sound. Applied to the inductive research process of theory building, multiple sources of evidence can be brought together to define a construct or causal relation.

Decrop (1999) concluded that a combination of data sources, methods, investigators and theories could reduce personal and methodological biases and open the way for richer and potentially more valid interpretations. Since multiple sources of evidence essentially provide multiple measures of the same phenomenon (Yin 1994), case studies adopting a triangulation approach may be rated more highly in terms of their overall quality than those relying on only single methods (see for example, Denzin 1989; Yin et al 1983). Todd (1979) concluded that triangulation was not an end in itself, but an imaginative way of maximising the amount of data collected.

4.2.2 Choices in research design

Easterby-Smith et al (1991) defined 'research design' as the 'overall configuration of a piece of research' (p. 21). In designing the programme of research, the researcher is faced with a number of choices, including the kind of evidence to be gathered, the sources from which the evidence is to be drawn and how it is to be interpreted to provide answers to research questions. The researcher also faces a series of philosophical choices to establish the perspective from which a given phenomenon is to be explored (May 1997). Awareness of research philosophy assists the researcher in recognising which designs will work for their research programme and which will not. Two traditional schools of thought to have emerged from the social science arena are positivism and phenomenology. Easterby-Smith et al (1991) concluded that both positions had, to some extent, been elevated to a stereotype by advocates of the opposing side, though Lehaney and Vinten (1994) argued that individuals did not necessarily fit into either category directly.

The positivist paradigm considers reality to be objective and tangible. Interest is focused on what is general, average and representative 'so that statistical generalisations and prediction are possible' (Decrop 1999: 157). In adopting the positivist perspective, the researcher studies social phenomena 'in the same state of mind as the physicist, chemist or physiologist when he probes into a still unexplored region of the scientific domain' (Durkheim 1964: xiv). Results derived from the positivist method of investigation are said to produce a set of 'true, precise and wide-ranging laws of human behaviour' (May 1997: 10). The researcher is then able to generalise from their observations on social phenomena to make statements about the behaviour of the population as a whole. Within the process, positivism explains human behaviour in terms of cause and effect. Positivist methods can provide wide coverage of a range of situations and produce statistics which, when aggregated from large samples, may be of considerable relevance to policy decisions (Easterby-Smith et al 1991). At the same time, however, methods from the positivist paradigm may be inflexible, artificial and ultimately ineffective in helping the researcher understand the processes or significance that people attach to actions. Moreover, methods may not be helpful in generating theories and since they focus on what is or what has recently occurred, it is difficult for policy-makers to infer what changes and actions should take place in the future. Legge (1984) concluded that positivist methods only provided illusions of the 'true' impact of social policies. Most of the data gathered would not be relevant to real decisions, although they could be used to support the covert goals of decision-makers.

Often regarded as the 'polar opposite' of positivism (Silverman 1993: 22), phenomenology or 'interpretive social science' appears to be the prevailing approach to qualitative research in the social sciences literature (Gummesson 2000), being primarily oriented towards 'the immediate phenomena of human experience such as thinking and feeling' (Odman 1985: 2162). Phenomenology attacks the positivist stance on several fronts: firstly, that the only knowledge of any significance is that derived from the use of objective measures; second, that science should be based only on data that can be observed and measured directly; finally, that science is value-free (Easterby-Smith et al 1991). Habermas (1970), for example, argued that positivist methods, while claiming to be independent of values and interests, generally supported the interests of the more powerful members of society in practice.

Essentially, the task of the phenomenologist is not to gather facts and measure how often certain patterns occur, but rather, to appreciate the different constructions and meanings that individuals place upon their experiences (Easterby-Smith et al 1991). Taylor and Bogdan (1984: 2) concluded that 'the important reality is what people perceive it to be'. In addition, the researcher is a part of what is being researched and will ultimately affect the behaviour of those being 'researched' (Lehaney and Vinten 1994). The phenomenological paradigm is not without its weaknesses, though these are said to be fairly complementary to the strengths of the overall approach (Easterby-Smith et al 1991). For example, data collection can take up a great deal of time and resources, the analysis and interpretation of the data may be very difficult and policy-makers may afford low credibility to studies based on a phenomenological approach. However, the time taken to conduct a study within the phenomenological paradigm allows the researcher to look at change processes over time, to understand people's meanings, to adjust to new issues and ideas as they emerge and to contribute to the evolution of new theories. Moreover, phenomenological methods provide a way of gathering data that are seen as 'natural' rather than 'artificial'.

While a clear dichotomy exists between the positivist and phenomenological paradigms at the philosophical level, differences in practice are by no means so distinct and clear cut (Burrell and Morgan 1979). The reality of research inevitably involves some compromise between the two paradigms. Increasingly, management researchers have developed methodological approaches, combining both quantitative and qualitative techniques, which provide a middle ground and ultimately, some bridging between the two perspectives (Easterby-Smith et al 1991). Moreover, where findings yielded by the different data collection methods are consistent, the validity of those findings is said to increase (Nachmias and Nachmias 1996). Moreover, Gummesson (2000: 142) noted that 'if the results are contradictory, we realise that the use of a single method could have misled us'. Easterby-Smith et al (1991) concluded that the best way to tackle contradictory results was to raise the discrepancy with research participants and establish whether they had any explanations.

The remainder of this chapter discusses the application of different techniques employed in the current research programme. Quantitative and qualitative methods formed the basis of the research design, while observation and secondary data sources provided valuable supplementary information in relation to the issues being investigated. The precise mix and application of research instruments used in the present study varied between the different companies, however. Time spent conducting the fieldwork at each establishment also varied, depending primarily on the number of sites to be visited, the number of employees willing to be interviewed and ultimately, the level of accessibility permitted in each case.

Easterby-Smith et al (1991: 100) described the approach undertaken in the current research as one of 'interrupted involvement'. Over a period of time the researcher is present sporadically within the company, moving in and out of the enterprise to deal with other work, or to conduct interviews with or undertake observations of different individuals across a number of different cases. The process is not one of continuous longitudinal involvement, whereby the researcher gathers 'time-series data' over periods of time significantly longer than the immediate focus (Pettigrew 1985), and does not involve actual participation in the work. Rather, it provides a model for what is often viewed as a 'participant observation' method in that the researcher spends a period of time in a particular setting, combining observation with interviews.

4.3 Research design in the current investigation

A multiple case study design was used for the current investigation. Glaser and Strauss (1967) concluded that the actual number of cases needed in a specific study would be determined by 'saturation', that is, the diminishing marginal contribution of each additional case. When the marginal utility of an additional case approached zero the researcher had no need to continue with further cases (Gummesson 2000). Given the context of the investigation, it was necessary to select a 'sufficient' number of cases to accommodate a detailed examination of the most prominent and diverse forms of ESO to have characterised the UK bus industry from the late 1980s through to the mid-1990s. Further details of the number and types of cases used are given in section 4.3.1.

In his discussion of case study design, Yin (1994) placed single and multiple case designs within the same methodological framework, but noted that multiple-case designs offered distinct advantages over single-case designs. For example, evidence from multiple cases is often considered 'more compelling' and the overall study subsequently 'more robust' (Yin 1994: 45). However, the rationale for single-case designs cannot usually be satisfied by multiple cases: the unusual or rare case, the critical case and the revelatory case are all, by definition, likely to involve only single cases. In addition, multiple-case designs often require extensive resources and time, which may be beyond the means of a single researcher. Every case within a multiple design should, therefore, serve a specific purpose within the overall scope of inquiry, rather than be used simply to assess the incidence of the phenomena under investigation. Gummesson (2000) observed that generalising from statistical samples was rarely applicable to case study research and concluded that generalising from case studies should be approached differently. Similarly, Normann (1970: 53) observed that:

> '... the possibilities to generalise from one single case are founded in the comprehensiveness of measurements which makes it possible to reach a fundamental understanding of the structure, process and driving forces rather than a superficial establishment of correlation or cause-effect relationships.'

Normann's observation focused on the use of in-depth studies based on exhaustive investigations and analyses to identify certain phenomena and lay bare mechanisms that also existed within other companies. More specifically, Yin (1994: 48) concluded that the researcher should follow a 'replication logic' rather than a 'sampling logic' when embarking upon a multiple-case design. Following a replication rationale, each case is carefully selected so that it either predicts similar results (a literal replication), or produces contrary results but for predictable reasons (a theoretical replication). Moreover, half of the cases within a multiple design may be designed for literal replication while the remaining cases are designed to pursue different patterns of theoretical replication. Where results from all of the cases turn out as predicted, compelling support is provided for an initial set of propositions. If cases are in some way contradictory, however, the initial propositions need to be revised and re-tested with another set of cases.

Yin (1994) argued that the development of a rich theoretical framework was an important step within these replication procedures. For example, the framework needs to state the conditions under which a particular phenomenon is likely to be found (a literal replication) as well as conditions where it is unlikely to be found (a theoretical replication). The theoretical framework later becomes the vehicle for generalising to new cases. In their discussion of the replication approach to multiple case studies, Yin et al (1983) concluded that each individual case study consisted of a 'whole' study, in which convergent evidence is sought regarding the facts and conclusions for the case. The conclusions of each case are then considered to be the information needing replication by other individual cases. For each individual case, the researcher should indicate how and why a particular proposition was demonstrated, or not demonstrated. Across the cases, the extent of the replication logic, plus reasons why certain cases were predicted to have certain results and others were predicted to have contrary results, should be noted. In summary, multiple cases should serve in a manner similar to multiple experiments, with similar results or contrary results predicted explicitly at the outset of the investigation.

Gummesson (2000) extended the issue of generalisation further still, asking whether it was at all meaningful to generalise in a social context. The opposite of generalisation is 'particularisation' (Patton 1980: 280), whereby social phenomena are part of a specific situation and are far too liable to change to allow meaningful generalisation. The contingency theory of organisations claims that there is no 'right' organisational structure for a company; it all depends on the circumstances. Gustavsen and Sorensen (1982), for example, placed considerable emphasis on the importance of 'local theory', arguing that it was perhaps the only type of theory that could be created in social situations. In a social context there remains a substantial risk that generalisations act as a prejudice that effectively blocks understanding rather than constituting supportive pre-understanding. Gummesson (2000: 97) concluded:

> 'As long as you keep searching for new knowledge and do not believe you have found the ultimate truth but, rather, the best available for the moment, the traditional demand for generalisation becomes less urgent.'

4.3.1 Case study selection

Six bus companies were selected for the main investigation while one other was chosen for a preliminary pilot study. For reasons of confidentiality the six main cases are referred to hereafter as *Company One, Company Two, Company Three, Company Four, Company Five* and *Company Six* and are located in the North West, South Yorkshire, West London, the North East, the South East and South West London respectively. Applying definitions from the CTC (2001) previously highlighted in section 1.3 in Chapter 1, cases used in the study were defined as 'employee-owned' where employees owned a 'significant' proportion of the equity (25 per cent or more) either directly or through a trust. Conversely, companies with more broad-based systems involving only a small amount of equity passed to employees were defined as having 'employee share ownership arrangements'.

Among the six cases, one 'employee-owned' company (*Company One*) was operating a system of direct share ownership during the period of fieldwork involving 100 per cent employee ownership of equity. At the time of writing, the employee ownership structure remains in place and the company represents the only example of a wholly employee-owned enterprise still operating in the UK bus industry. Two other employee-owned companies in the study had ESOP structures in place at the time of the fieldwork and employee ownership of equity in the two cases was 80 per cent (*Company Two*) and 25.1 per cent (*Company Three*). In the remaining three cases, companies were operating in a 'post-ESO' environment during the period of data collection, having been 'sold on' to other major transport groups some years earlier. One former employee-owned company (*Company Four*) had operated under an ESOP structure for five years, with employees owning a 49 per cent share of the equity and senior managers and directors the remaining

51 per cent. A further former employee-owned enterprise (*Company Five*) operated under a direct share ownership system for almost four years with 100 per cent employee ownership of equity. The remaining company (*Company Six*) had 'employee ownership arrangements' for three years, during which time employees owned 9.5 per cent of the equity. All six cases are profiled more fully in Chapter 5.

In the first instance, business directories and professional associations, including the ESOP Centre, the IPA, CEOP and ICOM were contacted for up-to-date lists of 'relevant' UK bus companies. 'Target' companies included: (1) current 'employee-owned' companies/those with 'employee share ownership' arrangements; and (2) former 'employee-owned' companies /those which formerly had 'employee share ownership' arrangements.

On completion of the initial stage, a list of around ten companies meeting the criteria was drawn up. Companies on the list were generally contacted by phone in the first instance to establish the name of the individual most likely to be able to assist in the initial stages of the research. The contact was generally the managing director, the finance or personnel director, a trade union representative or an employee director. An introductory letter requesting a meeting and outlining the purpose of the research was then sent to the contact. In Rosen et al's (1986) study, the authors found that if the recipient of an introductory letter agreed to a meeting, chances were good that the company would go on to participate in the study. The experience of Rosen et al (1986) was mirrored in the present study with only one exception. One of the companies contacted underwent a change to its employee ownership status three months after an initial meeting and subsequently felt unable to participate in the research during a period of transition. In all other cases, companies agreeing to an introductory meeting in turn agreed to participate in the investigation. Klein (1987: 322) pointed to the possibility of bias in multiple-case designs, insofar as participating companies are those whose management is sufficiently interested to want to become involved in the research. The potentially valuable contributions of companies that do not become involved are excluded from the investigation. In the present study, companies refusing the request for an introductory meeting did so either because it was 'policy' not to participate in research of this nature, or because the timing of the request was inappropriate. Having undertaken extensive secondary research to produce a 'pool' of 'employee-owned' bus companies, the researcher was confident that those included within the sample were 'representative' of the most prominent forms of ESO within the UK bus industry, in line with the aims of the research. However, during the period of data collection, the ownership status of some of the participating bus companies changed. These changes, generally involving 'employee-owned' companies being sold on to other major transport groups, are discussed more fully in Chapter 5.

Where a company agreed to an introductory meeting, a fairly structured interview approach was adopted for the purposes of gathering background information on, among other issues, the company's history and its system of ESO. The meeting typically concluded with a discussion of how the research would be carried out, including the length of time the researcher would need to spend at the company and convenient dates for commencing the fieldwork. Additionally, a contact from the employee/union side was requested by the researcher in each case to assist with 'introductions' to other employees. It was considered necessary to 'win' the confidence of the workforce and to reassure employees that the research was independent of managers at the company and more importantly, that the participation of employees in the research would not lead to recriminations from managers at a later date. Gummesson (2000: 32) identified two key figures essential for helping the researcher to gain access to the company and its employees - the 'gatekeeper' and the 'informant':

> 'Gatekeepers are those 'who can open or close the gate for the researcher/consultants, while informants can provide valuable information and smooth the way to others.'

Without gatekeepers, gaining access to individuals may become a difficult and lengthy process (see for example, Barnes 1977), while informants are needed to help the researcher locate individuals suitable for interview and observation. Gummesson (2000: 33) added that the researcher would become lost in an unfamiliar setting without 'at least one efficient and benevolent informant'.

At the introductory meeting, personnel were informed that the research process would involve two main stages – 'Stage One' and 'Stage Two'. Stage One consisted of a quantitative employee attitude survey in the form of a questionnaire while Stage Two involved qualitative semi-structured interviews, typically with managerial and trade union personnel. In addition, the quantitative and qualitative data were to be supplemented by non-participant observation at meetings and the collation of secondary information. Permission to attend relevant meetings was requested, though granted only at *Company Two* where the researcher was able to attend one EBT meeting and one CNC meeting. The remaining companies were reluctant to grant permission to attend meetings due to the sensitive nature of the issues being discussed. Other opportunities to 'observe' respondents generally occurred 'on site' when the two main stages of the data collection were being undertaken. Scott (1994: 36) concluded that observation can aid an effective understanding of workplace culture, while time spent observing within the workplace can help to correct any erroneous first impressions and prejudices associated with being a newcomer to the industry. Observations were further supplemented by extensive tours of some of the companies, which in turn provided the opportunity to engage with employees at all levels.

Finally, an extensive catalogue of secondary data gathered from company reports, in-house journals and national newspapers was produced. Yin (1994) concluded that documentary evidence could be used to corroborate and augment findings from other, perhaps less tangible sources, including observation. Collation of the data, covering general labour force and commercial information, occurred during successive visits to research sites and formed an on-going part of the research process. In addition, a questionnaire designed by the researcher was used to collate general information on, among other issues, mechanisms used by each company to disseminate information to employees, for example notice boards, meetings, road shows and so on (see Chapter 7 and *Appendix 1* for more details). The questionnaire was sent to all six companies and specifically, to a member of the management team likely to have direct access to this information. Three companies – *Company One, Company Five* and *Company Six* – completed and returned the questionnaire (*Appendix 2(i)* and *Appendix 2(ii)*). Despite numerous requests the questionnaire was never returned by any of the remaining companies.

4.4 Stage One employee attitude survey

In line with the aims of the research and following the methodologies of Marchington et al (1992) and Poole and Jenkins (1990), it was considered necessary to explore the 'attitudes' and 'reactions' of employees in relation to outcomes of 'ESO satisfaction', organisational commitment, EP, employee-manager and employee-trade union relationships. Employee attitudinal data provided a valuable dimension on each case study organisation and allowed for possible relationships between the different variables under investigation to be explored. An anonymous and confidential 'self-completion' questionnaire was distributed to employees across all six companies for the purpose. Techniques for conducting surveys are not restricted solely to questionnaires and may include in-depth interviews, observation and content analysis (see for example, Marsh 1982). However, a questionnaire was regarded as the most appropriate way for a single researcher to survey a large cross-section of employees across the six cases within the time-scale of the project.

Surveys have their origin in the positivist tradition, though to describe surveys as 'positivist' may be an oversimplification. While nearly all surveys aim to describe or explain the characteristics or opinions of a population through the use of a representative sample (May 1987), a number of different forms can be identified. Ackroyd and Hughes (1983) classified surveys under four main headings: factual; attitudinal; social psychological; and explanatory. Attitudinal surveys are said to constitute a shift away from the hard data basis that characterises factual surveys, which in turn 'aim to gain information from individuals concerning their material situation rather than attitudes or opinions' (May 1997: 82). Moreover, by using attitude surveys 'it is believed possible to explain a person's behaviour' (May 1997: 83).

Since surveys measure facts, attitudes or behaviour through questions, it is important that hypotheses can be operationalised into measures. Specifically, hypotheses 'must be turned into questions that respondents can understand and are able to answer' (May 1997: 84).). The answers must then be capable of categorisation and quantification. When the data have been collected and analysed, the researcher is then in a position to decide whether the hypotheses have been confirmed or falsified and what this means for the theory. It is possible, though unlikely, that a single survey may wholly 'confirm' or 'falsify' a theory. More likely is that the theory will be supported in certain respects, while some results will be unanticipated and confusing. de Vaus (1996: 55) said:

> 'This is good since it makes us think and modify or develop the initial theory and is what leads to progress.'

Surveys are also predicated on a rigorous approach that aims to remove as much bias from the research process as possible and 'produce results that are replicable by following the same methods' (May 1997: 84). This can be achieved in a number of ways. The first is through 'standardisation', which refers to the conditions under which a survey is conducted, and specifically, how a questionnaire is designed, administered and analysed. McMiller and Wilson (1984: 84) observed that standardisation:

> '... covers the whole process of exactly specifying the questions to be asked, the manner of asking them, how the replies are to be scored etc. A standardised interview is one that has been constructed in this way, has been tried out, and is ready for use in the population to be studied.'

Specifically, if all respondents are asked the same questions in the same manner and they express differences of opinion in reply to those questions, these variations result from 'true' differences of opinion rather than as a result of how the question was asked or the context of the interview. Thus, questionnaires concentrate upon the replies of respondents within a structured interviewing situation and the responses and characteristics are then quantified and aggregated with others in the survey sample 'to examine patterns or relationships between them by employing the techniques of statistical analysis' (May 1997: 85).

The second method is via 'replicability', which attests that other researchers can replicate a survey by adopting the same approach to sampling and questionnaire design. Regarded as 'one of the key safeguards against falsification' (de Vaus 1996: 340), replication of a survey producing the same results with different groups at different times will increase confidence in the original findings (May 1997). From replicability emerge the issues of 'reliability' and 'validity'. Specifically, a survey is aiming to be both 'reliable', whereby a researcher will obtain the same result from the same measure used on different occasions, and 'valid', whereby it measures what it is intended to measure and 'is free from both systematic and random error' (Diamantopoulos and Schlegelmilch 1997: 33). There are a number of ways in which to assess the validity of a measure, including construct, internal and external validity. In recent years, each of the above have been given due consideration by a number of authors, and extensive discussions can be found in de Vaus (1996), Diamantopoulos and Schlegelmilch (1997), Judd et al (1991) and Oppenheim (1992). The final method, 'representativeness', focuses not only upon finding a sample that is representative of the population being investigated, but also that the findings are 'statistically significant', that is, whether they are larger or smaller than would be expected by chance alone (May 1997: 85).

4.4.1 Administration of Stage One survey

Initially, a decision was taken to administer questionnaires to a random sample of employees across the six companies by means of a postal survey. The internal mail system in each company was to be used for the purpose. Payroll information giving details of name, site location and length of service was requested and provided by two companies in the first instance. In line with the aims of the research, questionnaires were to be distributed to both shareholding and non-shareholding employees in each case. Visits to all six companies, some of which had up to five different sites, would inevitably involve large investments of time by a single researcher. Hence, a postal questionnaire allowed for potentially wider coverage and additionally, from the employees' point of view, greater anonymity. However, following discussions with personnel on both the union and management sides at a number of the companies, the idea of a postal questionnaire was eventually abandoned. Those companies advising against the method had previously been involved with postal surveys from other researchers and response rates had generally been very low. Discussions regarding low response rates from postal questionnaires have been well documented in research methods texts, while problems of being unable to control who actually completes the questionnaire in the event of a postal survey have also been highlighted (see for example, Nachmias and Nachmias 1996). Therefore, the researcher took the decision to administer questionnaires personally at each site, usually in the staff rest rooms and canteens. The number of sites across the six companies came to twenty-one in total (see Chapter 5), although time taken to visit each of the sites personally was offset by the potential for far higher response rates than would have occurred from a postal questionnaire.

The decision to administer questionnaires personally on site was further supported from experience of two pilot studies undertaken in the month prior to the start of the main fieldwork in July 1997. Yin (1994: 75) described work at pilot sites as providing 'information about relevant field questions and about the logistics of the field inquiry'. The pilot case study helps the researcher to refine their data collection plans with respect to the type of data to be collected and procedures to be followed. Being on site also makes it easier to ensure that employees who have been asked to complete the questionnaire actually do so on their own. Oppenheim (1992) observed that self-administration of questionnaires by the researcher helped to ensure a minimum of interviewer bias while permitting interviewer assessments, providing necessary explanations although not the interpretation of questions, and offering the benefit of a degree of personal contact. Additionally, the technique adopted for the present investigation provided scope for observation and for holding 'informal interviews' with respondents within their own environment. Moreover, employees unwilling to complete a questionnaire were, nevertheless, often prepared to partake in an informal exchange, which, in some instances, provided a valuable contextual overlay to data collected via other methods.

The first pilot study was undertaken in June 1997 in a bus company located in the Eastern region of the UK and which did not feature subsequently as part of the main investigation. As a former 'employee-owned' company with 100 per cent 'employee ownership', the firm was significant for two main reasons: firstly, it had pioneered the direct share ownership route to ESO (Pendleton et al 1995b); and secondly, was one of only two privatisations out of seventy from the National Bus Company (NBC) stable to move into employee ownership (Oakeshott 2000). Further details of the background to ESO in the UK bus industry are presented in Chapter 5. The company operated as an employee-owned enterprise from 1987 until 1994 when shareholders voted to sell to a major UK transport group on the basis that the sale was in the best interests of the firm. Yin (1994) observed that convenience, access and geographic proximity can be the main criteria for selecting pilot cases, allowing for a less structured and more prolonged relationship to develop between the interviewees and the researcher than might occur at the 'real' case study sites. The pilot site may then assume the role of a 'laboratory' for the researcher, allowing them to investigate different phenomena from many different angles or to try different approaches on a trial basis. Work at the first pilot site, which was located close to and had links with the researcher's university, began with an informal exploratory meeting with the engineering director during the summer of 1996. Meetings with the operations manager and general manager subsequently followed in the spring of 1997. The purpose of these meetings was to obtain insights into the UK bus industry in general, as well as highlighting practical issues in relation to research methodology. For example, shift work is a key feature of the bus industry, which in turn has implications for the way in which research instruments can be administered most effectively.

The main purpose of the first pilot study was not to 'test' the scales that were to appear in the Stage One questionnaire but rather, to obtain a 'feel' for how best to conduct the main fieldwork. One whole day was spent in the staff canteen at the company's main site, where the researcher not only administered questionnaires but also talked to employees about their own experiences of ESO. Employees were also asked to comment on the design and wording of the questionnaires and their opinions were duly noted. Among the researcher's main concerns at this stage were the length of the questionnaire and the ease with which employees were able to follow the written instructions about how to complete it. Perhaps most important, however, was a need to assess the willingness of employees to complete the questionnaire during their work breaks and to establish whether they had sufficient time to do so before returning to their shift. To administer the questionnaire, the researcher approached employees individually in the canteen and rest room and asked them if they would be willing to participate in the pilot study. The exercise did not come as a complete surprise to them, since the garage manager had forewarned them of the researcher's activities on the previous day via a notice posted on the canteen's notice board. Moreover, each questionnaire was accompanied by a covering letter outlining the purpose of the research, providing guidance on how to mark responses and ensuring anonymity to respondents. In addition, the letter set out to reassure respondents that the investigation was not merely a 'management exercise'. However, the researcher was on hand to explain the aims of the research and reassure employees that their responses would remain anonymous and confidential. Over the course of the pilot exercise thirty-six questionnaires were completed, with only around ten employees refusing to participate.

Having 'refined' the approach to be taken for administering the questionnaires, the purpose of the second pilot study was to test the scales to be used for measuring employee attitudes in relation to ESO satisfaction, organisational commitment, EP and employee-manager and employee-trade union relationships. The second study was undertaken at a site attached to one of the companies featured in the main investigation in early July 1997. The company chosen had five sites located across South Yorkshire, which meant that the researcher still had scope to survey a large number of staff at the remaining four sites for the main fieldwork. Moreover, the firm, otherwise known as *Company Two* (see Chapter 5) had been the focus of previous investigations by other researchers, leaving employees and other personnel well-placed to comment on the attitude scales and overall wording of the questionnaire. On the day of the pilot study, the researcher was taken to the staff canteen and introduced to employees by a trade union officer who outlined the purpose of the exercise to help put employees 'at ease' and to increase their willingness to participate. Feedback from the second pilot study indicated that the questionnaire required only minor amendments for the main investigation. The main changes were made to the British Organisational Commitment Scale (BOCS), which was used to measure employees' commitment to their organisation. Origins and development of the scale are discussed in more detail in section 4.4.4. A total of twenty-six questionnaires were completed on the day of the second pilot exercise, while around fifteen employees refused to participate.

4.4.2 Survey response rates

Completion of the main Stage One survey took approximately twelve months, from July 1997 through to July 1998. Having to conduct the research at times to suit all six companies meant that work ran concurrently across the cases. The researcher spent a day at each of the sites and respondents were selected at random. May (1997) commented that while many probability samples are described as 'simple random samples', it is often not possible to select a sample from a sampling frame. Among the reasons put forward, adequate lists on which to base the sample may not always be available (see for example, de Vaus 1996). Thus, the researcher needs to modify the 'simple' design to ensure that the sample is as accurate as possible. A 'multistage cluster sample', for example, may be used. Using this method, the initial sampling frame might be districts or electoral wards, or as in the present study, different company sites. Moreover, the sampling may be in several stages but in each, the random procedure remains the same (May 1997). The general principle of multistage clustering is to maximise the number of initial clusters chosen and consequently, to select relatively few individuals or units within each cluster. de Vaus (1996: 69) noted the importance of including as many different clusters as possible as against obtaining as large a sample as possible: 'by maximising the chance for variety initially, we increase the chance of maintaining representativeness at later stages.' Conversely, selecting a limited number of clusters could leave the researcher with a large but very unrepresentative sample. In the end, however, a compromise between cost and sampling error has to be made (de Vaus 1996).

For the current investigation, the aim was to administer questionnaires to employees within a one-day time frame allocated for each site. Given the method used to distribute the questionnaires and the promise of anonymity, it would have been impractical to spend any longer than one day at a single site. There were two main reasons for this: firstly, there was a likelihood that employees who had already completed the questionnaire on a previous occasion could be approached again; secondly, trying to identify remaining employees at the site who had not already completed the questionnaire would be difficult. The majority of completed questionnaires were returned to the researcher on the day of the survey, although in some cases respondents who were unable to complete their questionnaire on the day of the researcher's visit posted them back at a later date.

To determine what constitutes an 'adequate' sample size, attention must be given to the degree of variability in the population; the more heterogeneous the population the larger the sample size needed to capture the diversity of the population (Diamantopoulos and Schlegelmilch 1997). Consideration also needs to be given to the degree of error, or the 'sampling error', that the researcher is prepared to tolerate. de Vaus (1996: 71) noted, for example, that the sample size has to be quadrupled to halve the 'sampling error': a sample size of 400 will result in a 5 per cent sampling error, while a sample size of 1,600 results in a sampling error of 2.5 per cent. A further consideration for determining sample size is the extent to which the intended analysis involves the use of sub-samples for cross-classification purposes and the use of statistical techniques that assume a minimum sample size sufficient to produce meaningful results (Diamantopoulos and Schlegelmilch 1997).

Details of response rates from the survey are presented in *Table 2.* The table shows that, from a total of 1,295 questionnaires distributed personally to employees across the six companies, 821 were completed and returned to the researcher, giving an overall response rate of 64 per cent.

Table 2: Questionnaires distributed and response rates

	Total employees in company 1997/8 (n)	Sites Visited (n)	Completed questionnaires (n)	Total questionnaires distributed (n)	Response rates (as a proportion of questionnaires distributed) %
Company One	300.0	2.0	90.0	108.0	83.3
Company Two	2,700.0	4.0	105.0	155.0	67.6
Company Three	1,197.0	5.0	191.0	387.0	49.4
Company Four	1,540.0	4.0	217.0	350.0	62.0
Company Five	752.0	3.0	122.0	184.0	66.3
Company Six	1,639.0	2.0	96.0	111.0	86.5
Total (n)	**8,128.0**	**20.0**	**821.0**	**1,295.0**	

Source: Stage One survey 1997/8

Response rates ranged from 49.4 per cent at *Company Three* up to 86.5 per cent at *Company Six.* The number of completed questionnaires as a proportion of the total number of employees in the company was lower in some cases than the researcher would have wished, most notably at *Company Two* (3.8 per cent) and *Company Six* (5.9 per cent). As shown in the table, however, these companies were among the largest in terms of total employees and a level of questionnaire distribution by a single researcher higher than that achieved would have been unlikely.

In addition, other 'questionnaire distribution' methods 'piloted' by the researcher gave further support for the method actually used. Following completion of the Stage One pilot studies, *Company Two* was the first company to be visited by the researcher for the main survey. Employees who had not participated when the researcher was first 'on-site' were given an additional opportunity to do so by collecting a questionnaire from the company's main trade union office. Around fifty extra questionnaires were left with a trade union officer for employees to collect and complete, place in a sealed envelope and return to the trade union office to be collected by the researcher at a later date. A notice was posted on the door of the office, requesting that employees participate in the survey and explaining how they could do so. The approach proved unsuccessful, however, with no questionnaires being completed after three months and was therefore abandoned at subsequent companies.

4.4.3 Survey measures

The questionnaire used for the Stage One survey (*Appendix 3*) consisted of core sections for all companies, plus variable supplementary sections appropriate to the situation of individual cases. For all companies, the first section consisted of a series of standard questions covering age, gender, job category, length of service and trade union affiliation. *Table 3* shows that across all six companies the majority of respondents identified themselves as 'drivers'. Respondents classed as 'supervisory' or 'managerial' represented junior and middle management grades and were not distinct from 'other' employees, for example drivers, in terms of the basis for share allocations. In all cases, including the 'post-ESO companies', differences in 'share allocation policy' were only apparent at senior management level and above, where individuals had generally invested more money or were perhaps allocated additional controlling shares (see Chapter 5). For results presented in Chapters 6, 7 and 8, 'employees' of the company include drivers, supervisors, those in administrative and clerical positions and all other staff categories as shown in the table.

Table 3: Respondents by job category

Job category	*Company One* %	*Company Two* %	*Company Three* %	*Company Four* %	*Company Five* %	*Company Six* %
Driver	91.0	85.7	80.7	96.3	83.5	66.3
Engineer	0.0	0.0	0.0	0.0	0.0	2.1
Conductor[1]	0.0	0.0	9.6	0.0	0.0	0.0
Catering/cleaning	0.0	1.0	0.0	0.0	0.0	0.0
Clerical/administrative	5.6	5.6	3.2	2.8	3.3	9.5
Supervisory	3.4	2.9	2.7	0.9	11.6	0.0
Managerial	0.0	4.8	3.2	0.0	1.6	10.5
Other	0.0	0.0	0.6	0.0	0.0	11.6
Valid cases (n)	89.0	105.0	187.0	217.0	121.0	95.0
Missing observations (n)	1.0	0.0	4.0	0.0	1.0	1.0

[1]*Company Three* only

Source: Stage One survey 1997/8

Additional details on gender, age, length of service, employment status and trade union membership are given in *Tables 4-6*. *Table 4* shows that the typical respondent profile was male, aged between 30 and 49 with between one and ten years' service. Almost all respondents were employed on full-time contracts, while trade union membership, in line with the general pattern of membership in the industry (see Pendleton et al 1995b), was around 80 per cent in three cases and over 90 per cent in the remaining three. The TGWU was the main union in each case, though GMB members represented around one-fifth of respondents at both *Company Four* and *Company Five*. The majority of respondents did *not* hold a specific position in their union, although union roles that did emerge from the Stage One survey were represented in each of the companies.

Table 4: Respondents' general details

Gender	***Company One*** %	***Company Two*** %	***Company Three*** %	***Company Four*** %	***Company Five*** %	***Company Six*** %
Male	90.0	90.5	94.2	95.9	91.8	93.8
Female	10.0	9.5	5.8	4.1	8.2	6.2
Valid cases (n)	90.0	105.0	191.0	217.0	122.0	96.0
Missing observations (n)	0.0	0.0	0.0	0.0	0.0	0.0
Age range	%	%	%	%	%	%
Under 20	0.0	0.0	0.5	0.0	0.0	1.0
20-29	12.2	11.4	26.2	8.8	14.8	19.8
30-39	27.8	20.0	29.8	34.1	27.9	25.0
40-49	24.4	40.0	20.9	35.9	35.2	24.0
50+	35.6	28.6	22.6	21.2	22.1	30.2
Valid cases (n)	90.0	10.5	191.0	217.0	122.0	96.0
Missing observations (n)	0.0	0.0	0.0	0.0	0.0	0.0
Length of service	%	%	%	%	%	%
Less than 1 year	16.0	39.0	22.5	8.8	15.6	19.8
1-10 years	52.2	30.5	62.8	51.3	54.9	60.6
11-20 years	21.5	22.9	4.7	24.2	18.9	13.0
21-30 years	7.0	2.8	7.9	13.4	10.6	5.3
31+ years	3.3	4.8	2.1	2.3	0.0	1.3
Valid cases (n)	88.0	105.0	187.0	195.0	122.0	94.0
Missing observations (n)	2.0	0.0	4.0	22.0	0.0	2.0
Employment status	%	%	%	%	%	%
Full-time	98.9	97.1	100.0	96.8	99.2	97.9
Part-time	1.1	1.8	0.0	1.8	0.8	2.1
Temporary	0.0	1.1	0.0	1.4	0.0	0.0
Valid cases (n)	89.0	104.0	191.0	217.0	122.0	96.0
Missing observations (n)	1.0	1.0	0.0	0.0	0.0	0.0

Source: Stage One survey 1997/8

Table 5: Trade union membership

Name of union	*Company One* %	*Company Two* %	*Company Three* %	*Company Four* %	*Company Five* %	*Company Six* %
TGWU	100.0	92.9	99.4	76.0	73.5	83.6
ACTS	0.0	1.0	0.6	0.0	6.1	0.0
UNISON	0.0	6.1	0.0	2.9	0.0	0.0
GMB	0.0	0.0	0.0	21.1	20.4	0.0
TSSA	0.0	0.0	0.0	0.0	0.0	16.4
Valid cases (n)	81.0	99.0	154.0	208.0	98.0	73.0
Not applicable (n)	3.0	6.0	31.0	8.0	18.0	17.0
Missing observations (n)	6.0	0.0	6.0	1.0	5.0	6.0

Source: Stage One survey 1997/8

Table 6: Profile of trade union members

Position held	*Company One* (n)	*Company Two* (n)	*Company Three* (n)	*Company Four* (n)	*Company Five* (n)	*Company Six* (n)
Chairman	1.0	0.0	2.0	0.0	1.0	0.0
Vice chairman	0.0	0.0	0.0	0.0	1.0	0.0
Secretary	0.0	1.0	1.0	1.0	1.0	0.0
Steward	2.0	3.0	0.0	3.0	0.0	2.0
Representative	0.0	0.0	5.0	0.0	0.0	0.0
Pension trustee	0.0	1.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	1.0	0.0	0.0

Source: Stage One survey 1997/8

The second section of the questionnaire set out to test commitment to the company among both shareholding and non-shareholding respondents in *Company One, Company Two* and *Company Three*. The six-item version of the BOCS, described as a 'psychometrically adequate, stable and reliable' (Cook and Wall 1980: 45) measure of commitment, was used for the purpose. Section three consisted of a nine-item scale, originally developed by Angle and Perry (1986), for completion by shareholding and non-shareholding respondents to test attitudes to the trade unions at all six companies. However, only respondents belonging to a trade union were asked to complete section three, since the items in the scale had no relevance for non-trade union members. In contrast, the following two sections of the questionnaire were designed for completion by all respondents in all of the companies. Section four featured two eleven-item scales which set out to measure desired and perceived levels of EP in decision-making at the job, departmental and organisational levels across each company. Section five consisted of a three-item scale designed to measure the attitudes of employees to their managers.

The remainder of the questionnaire varied according to the circumstances of the individual company. For the three employee-owned cases, respondents were asked to indicate whether they currently owned shares within their company, when they had acquired their shares and in the event that they did not own shares, to indicate the reason for their 'non-shareholder' status. Of Stage One respondents confirming that they owned shares, shareholders at *Company One, Company Two* and *Company Three* represented 65 per cent (n = 56), 95 per cent (n = 100) and 60 per cent (n = 114) respectively of the Stage One sample. Prior to the survey, the researcher had been informed by personnel in each employee-owned company that overall ESO participation rates at that time were fairly high: around 70 per cent in *Company One;* around 98 per cent in *Company Two;* and over 90 per cent in *Company Three.*

The responses of 'non-shareholders' - those working in employee-owned companies but who did not own shares - were a sub-group incorporated into some parts of the analysis. To an extent, non-shareholders are excluded from participating in the activities of an employee-owned company – for example, voting at the AGM and having access to certain financial information. However, it is proposed that as employees they will still benefit from working in a democratic, consultative and co-operative environment thought to be characteristic of an employee-owned enterprise. In their longitudinal study of ESO and employee attitudes, Dunn et al (1991) identified a number of different non-shareholder groups, including: those dissatisfied with their company's ESO scheme; those who considered the investment period to be too long; those not interested in the scheme; those without sufficient spare cash; those critical of their company; and those who were unsettled in their job and perhaps planning to move to another company in the near future. A sufficiently large sample of non-shareholding employees, thereby allowing for analysis of different non-shareholder sub-groups, would have been useful in the present investigation. At *Company One* and *Company Three* non-shareholding respondents represented around 38 per cent (n = 30) and 37 per cent (n = 70) of their Stage One survey samples respectively. These samples were too small to generate meaningful results of different non-shareholder sub-groups as identified by Dunn et al (1991), but were, nevertheless, sufficiently large enough to permit some degree of statistical analysis of 'total' non-shareholders within the two companies. Further details of non-shareholder analysis based on data from *Company One* and *Company Three* are given in section 4.4.8. At *Company Two,* given that the proportion of employees not owning shares represented less than 5 per cent of the company's Stage One sample, no meaningful analysis of non-shareholders as a separate group could be generated.

In the three post-ESO companies, respondents were asked to confirm: whether they had owned shares during the time their company was 'employee-owned'/had 'employee ownership arrangements'; whether they believed their company should have remained in 'employee ownership'; and whether they were satisfied with the price they received for their shares when the company was sold.

The final three sections of the questionnaire were designed for completion by employee shareholders in the three employee-owned companies. Respondents were asked to indicate the number of shares they held currently; how they viewed their company's ownership system; whether owning shares had made a difference to the way they thought about their company; and what they thought about a possible future sale of the company. In the penultimate section, respondents were asked to rank what they considered to be the five main benefits of ESO at their company from a list of ten options. The final section consisted of a six-item scale developed by Rosen et al (1986) to measure levels of satisfaction among employee shareholders towards their company's ownership system.

Five-point interval scales were used throughout the questionnaire where the researcher set out to measure the attitudes of respondents. Adjectives were chosen to represent the two extremes of a continuum – for example 'strongly agree' and 'strongly disagree' - and respondents were required to mark a point located on or between the two extremes. The points located between the two extremes of the scale were numbered so as to communicate to the respondent that distances between the scale points were intended to be equal (see Diamantopoulos and Schlegelmilch 1997). Interval scales contrast with ordinal scales, which set out to establish an ordered relationship between subjects being measured and to determine whether a subject has more or less of a given characteristic than another subject (Hussey and Hussey 1997). Ordinal scaling permits calculation of the median and mode in statistical analysis but excludes calculation of the arithmetic mean. In contrast, the interval scale permits calculation of the median, mode and mean, which in turn allows for more powerful analytical techniques, known as 'parametric statistics', to be applied to the data. Parametric techniques are discussed in more detail in section 4.4.8.

In the present research, a score of '1' on the interval scale generally indicated a 'favourable' attitude while a score of '5' indicated an 'unfavourable' attitude. Oppenheim (1992) concluded that it did not matter which way round the two extremes were positioned on the scale, although once decided, consistency was necessary. A further consideration highlighted by Diamantopoulos and Schlegelmilch (1997) was the number of points on the scale. Conventionally, five or seven-point scales are the most widely used in social science research. Judd et al (1991: 155) concluded that 'providing fewer than five to seven categories seems to limit reliability, although increasing the number of categories over this number helps little if at all'. The researcher chose five-point over seven-point interval scales on the basis that use of the former would minimise possible confusion among respondents and make it easier for them to complete the questionnaires.

Besides interval scales, 'ranking' was the other main scale format used for the questionnaire. Ranking provides the researcher with information about the degree of 'importance' or 'priority' that respondents attach to a set of judgements or objects (see Nachmias and Nachmias 1996) and is particularly important as many properties cannot be given a precise numerical value. The technique does not, however, provide any information about the distance between ranks. Techniques used to analyse the questionnaire data are discussed in section 4.4.8 while sections 4.4.4 to 4.4.7 below briefly outline the origins of the attitude scales used in the Stage One questionnaire.

4.4.4 Organisational commitment

Developed by Cook and Wall (1980), the BOCS was used to measure organisational commitment within the three employee-owned companies featured in the present investigation. The scale had originally been developed for use with UK blue-collar employees across two stages of interview, with items kept fairly brief and written in language that could easily be understood by the respondents. In Cook and Wall's (1980: 40) definition, organisational commitment was seen as being concerned with 'feelings of attachment to the goals and values of the organisation, one's role in relation to this, and attachment to the organisation for its own sake rather than for its instrumental value'. In an earlier study, Buchanan (1974) had identified three components of organisational commitment:

(i) identification – seen as pride in the organisation and the internalisation of the organisation's goals and values;

(ii) involvement – seen as psychological absorption in the activities of one's role;

(iii) loyalty – seen as affection for and attachment to the organisation; a sense of belongingness manifesting as a 'wish to stay'.

While the items for the BOCS were 'generated afresh by the authors' (Cook and Wall 1980: 42), the components identified by Buchanan (1974) – 'identification', 'involvement' and 'loyalty' - served as a conceptual guide for Cook and Wall's scale. The original version of the BOCS consisted of nine items, three of which were negatively phrased. Response alternatives were situated on a seven-point scale ranging from 'no, I strongly disagree' (point 1) through to 'yes, I strongly agree' (point 7) (see *Appendix 4*) and respondents were asked to indicate the extent to which they agreed or disagreed with each statement. The use of negatively phrased items within the BOCS was the subject of a later study examining the dimensionality of the scale (see Peccei and Guest 1993). Comparing the standard nine-item scale with a shorter six-item version consisting only of the positively worded items (see *Table (i) in Appendix 5*), Peccei and Guest (1993: 3-4) observed:

> 'Because of the low validity and reliability often exhibited by negatively worded response items ... we expect the positive version to perform better than the standard one.'

In their conclusions, Peccei and Guest (1993: 30) said that 'the positive six-item version of the BOCS was, as expected, found to be psychometrically superior to the standard nine-item scale', and that 'there is nothing to be gained by using the nine, rather than the six-item version of the scale'. The authors said it was advisable to discard the negatively worded items and use the shorter positive version of the instrument in future research, or to use the full scale but with the negatively worded items reworded in a positive direction. Peccei and Guest (1993) also found strong empirical support for the existence of three distinct, but related, factors within the BOCS corresponding to the 'identification', 'involvement' and 'loyalty' sub-scales. Following the work of Peccei and Guest (1993), the six-item version of the BOCS was used for the current investigation, although the nine-item version was used for the pilot studies and both versions were tested for reliability using the 'alpha coefficient' statistic. The alpha coefficients were 0.85 and 0.71 for the six-item and nine-item scales respectively. As a rule of thumb, the alpha coefficient should be at least 0.7 before the scale can be considered reliable (see de Vaus 1996) and the higher the result the more reliable the scale. On the basis of the alpha scores, either version of the scale would have been considered a 'reliable' measure, though tests of each sub-component of the scale, as shown in *Table 7*, provide stronger support for the six-item scale.

Table 7: Alpha coefficient scores for the BOCS sub-components

BOCS sub-components	Six-item scale	Nine-item scale
Identification	0.87	0.78
Involvement	0.85	0.60
Loyalty	0.70	0.65

Source: Stage One survey and pilot study 1997/8

4.4.5 Employee-trade union relations

The state of relations between employees and their trade union was measured using a nine-item scale drawn from the work of Angle and Perry (1986). Respondents in all six companies were asked to complete this section of the questionnaire only if they were a member of a trade union, since the scale was not relevant for non-union members. In their own study of dual commitment and labour-management relationship climates, Angle and Perry (1986) looked at four main areas: labour-management relationship climate - managers' form; labour-management relationship climate - union form; union commitment; and dual commitment (also see section 3.4.1 in Chapter 3). Both 'labour-management relationship climate' scales included twenty-five items examining the relationship between managers and trade unions in general, as well as during negotiations and grievances. Parallel forms of the scale were developed so that each side responded to questions regarding their perceptions of their opposite number. The union commitment scale was made up of four items and examined members' commitment to their union or employee association, while the dual commitment scale consisted of six items and measured commitment to the employing organisation and to the union or employee association. In the original study, scale items were presented in a seven-point interval scale agree/disagree format and were administered to transit managers, labour leaders and rank-and-file employees across twenty-two companies.

The Angle and Perry (1986) study was particularly significant for a number of reasons. Firstly, previous studies of 'organisational climate' had been criticised on the basis that survey methods 'simply combined disparate perceptions into fallacious averages' (Angle and Perry 1986: 45). In their own investigation, Angle and Perry (1986: 45) found that the scale they developed to measure labour-management relationship climates represented a 'meaningful attribute of each organisation, not a spurious consensus'. Results from a series of statistical tests, including alpha coefficients and One-way analysis of variance (ANOVA), gave support to their conclusions. Secondly, Angle and Perry's study was the first to use independent sources to measure dual commitment. Earlier studies (see Fukami and Larson 1982; Gallagher 1984; Martin 1981) had tended to measure commitment to the employing organisation and to the trade unions separately, and then 'combined' the scales to show the extent of dual commitment. For the Stage One survey, items were drawn from the scales developed for the Angle and Perry (1986) study to produce a new nine-item scale (see *Table (ii)* in *Appendix 5*) with an alpha coefficient of 0.71.

4.4.6 Employee participation and employee-manager relations

Two parallel eleven-item interval scales designed to measure employees' desire for and perceptions of actual participation in decisions in eleven work-related areas were adapted from scales used in earlier studies by Pendleton et al (1995a, b), Poole and Jenkins (1990) and Walley and Wilson (1992). The studies by Pendleton et al (1995a, b) drew on data collected from thirteen bus companies and twenty-six matched companies during the early 1990s, thereby allowing the authors to address the issue of the impact of ESO through the use of cross-sectional comparisons of 'employee-owned' and 'conventional' companies. Included in the findings were employees' views about the involvement of various 'actors' in decision-making. The Poole and Jenkins (1990) study was based on twenty-two case studies drawn from an initial sample of 303 companies UK-wide and had three main objectives: to examine the relationship of share schemes with the financial and industrial relations performance of companies; to assess the role of share schemes in relation to other EP practices; and to identify and explore any obstacles to the development of profit-sharing and share ownership. The study had a number of stages, including interviews with key managerial and trade union personnel and the gathering of data on company performance. In addition, an employee attitude survey was designed to elicit employees' views on a range of areas including: profit-sharing and share-ownership schemes generally; preferences for particular types of scheme; and methods of profit distribution. Finally, Walley and Wilson's (1992) study was based on data from an employee attitude survey administered to employees in eight private company ESOPs during 1991 and 1992. The survey was designed to measure employee commitment to the organisation and involvement, integration, job satisfaction, influence over decision-making and general attitudes towards ESO and formed part of a longitudinal study of ESO and changing attitudes. Measures used by Walley and Wilson (1992) had themselves been adapted from previous studies by Hammer and Stern (1980), Long (1978a, 1981), Klein (1987) and Poole and Jenkins (1988).

In the current study, all respondents including non-shareholders across the six companies, were required to indicate how much influence they wished to have in decisions relating to eleven workplace issues including their own job, how their own depot was run, staffing levels, wage and bonus payments and so on. Respondents were then asked to indicate how much influence they *actually* had in decisions for the same eleven areas. Items were presented in a five-point interval scale format with points on the continuum ranging from 'a great deal of say' (1) to 'no say at all' (5) (see *Table (iii)* and *Table (iv)* in *Appendix 5*). The alpha coefficients for the 'desired' and 'perceived' participation' scales came to 0.93 and 0.95 respectively.

A three-item scale measuring employees' attitudes to their managers was similarly adapted from Pendleton et al (1995a, b), Poole and Jenkins (1990) and Walley and Wilson (1992). To explore the employee-manager relationship, the scale set out to examine three main areas: the extent to which employees perceived a social division between themselves and their managers; the extent to which managers took notice of employees' ideas and experiences; and the extent to which employees perceived that managers were efficient in running the company (see *Table (v)* in *Appendix 5*). The alpha coefficient for the scale was 0.71.

4.4.7 General satisfaction with employee share ownership

The final attitude scale featured on the Stage One questionnaire set out to measure general levels of satisfaction among employee shareholders towards their company's share plan. Originally developed by Rosen et al (1986), the scale featured in their study of thirty-seven ESOP companies - often regarded as one of the most significant ESO studies undertaken in the US. Underpinning the study was the assumption that if ownership was to improve corporate performance, including productivity, profits and company longevity, it must first work at the 'employee-attitude' level. The authors used several different measures to quantify the attitudes of employees to their work, and strong positive scores on these measures were considered to be indicative of ESO success. While pre-existing measures of employee outcomes, including organisational commitment, job satisfaction and turnover intention were used wherever possible, no such scale existed at that time for measuring 'employee satisfaction with share ownership'. The scale developed by Rosen et al (1986) originally consisted of fifteen items to assess the views of employees to ESO, though the authors reduced the number to eight on the basis of statistical and analytical techniques, including factor analysis and reliability tests. For the current investigation, a six-item version of the scale was used, with items featured considered to be those of 'most relevance' to respondents (see *Table (vi)* in *Appendix 5*). In addition, a negatively phrased item appearing in the original scale – 'I do not care about owning shares in this company' - was reworded in a positive direction for the questionnaire. The alpha coefficient for the six-item scale was 0.76.

To some extent, parallels can be drawn between the methodological approach of the Rosen et al (1986) study and that adopted for the current investigation. Both studies set out to investigate different approaches to ESO and implications for employee outcomes. For these reasons, it was necessary for both studies to include companies displaying a range of ESO characteristics. The Rosen et al (1986) study sample included companies with majority employee ownership alongside companies where employee ownership was minimal. Average employee ownership across the thirty-seven firms was 42.33 per cent, although one company had 1 per cent employee ownership and five others had 100 per cent employee ownership. Similarly, some companies appeared to have a 'culture of ownership' in place while in others, ESO constituted little more than a benefit plan. Companies were also of varying size and represented different industries and regions, while the circumstances in which ESO occurred were similarly varied. Share plans were initiated by retiring owners in some cases, by existing managers in others and in some cases in response to plant closures. The six companies featured in this investigation were similarly varied in terms of ownership characteristics, including the type of scheme and level of employee shareholding (see Chapter 5).

4.4.8 Analysis of Stage One data

Quantitative data collected from the six companies were transferred to coding booklets (*Appendix 6*) in preparation for entry into the computer package 'Statistical Procedures for the Social Sciences' (SPSS). SPSS is designed especially for the analysis of social science data and contains most of the statistical techniques employed by social scientists (Nachmias and Nachmias 1996). As well as exploratory statistics, techniques used to analyse the Stage One data included One-way ANOVA, Kruskal-Wallis (K-W) ANOVA, independent, matched-pairs and Wilcoxon t-tests and multiple regression. Results of the quantitative analysis are presented primarily in Chapter 6 and Chapter 7.

As part of the investigation, the researcher set out to test whether data collected from the six companies had equal means. The One-way ANOVA test was applied to data covering five main areas: organisational commitment (three companies); general satisfaction with ESO (three companies); employees' relations with the trade unions (six companies); desired and perceived EP (six companies); and employees' relations with managers (six companies). Where One-way ANOVA is used, the null hypothesis tested is that *n* companies have equal means in the population. Thus, if there are no differences found between the companies all sets of data have the same mean and the same variance; the alternative hypothesis is that at least one mean is different from the others. The One-Way ANOVA test does not indicate, however, *which* companies may differ, only that they are not all the same. To overcome this omission, the Scheffe and Tukey-b tests, otherwise known as post hoc or multiple comparison tests (Diamantopoulos and Schlegelmilch 1997), are used to identify where differences exist. One-Way ANOVA is a parametric technique, the application of which rests upon the assumption that the data being analysed have certain characteristics: that observations are drawn from a population with a normal distribution; that the data being compared have approximately equal variances; and that the data are measured on an interval or ratio scale (Foster 2001). A 'homogeneity of variances' test should be performed on the data to see if the normal distribution and equal variance assumptions apply. If the assumptions are not met, the non-parametric equivalent of the ANOVA – 'K-W ANOVA' - should be used. Homogeneity of variances tests were performed on data from all six companies and results are presented and discussed in Chapter 6 and Chapter 7.

The t-test is similarly a parametric technique that can be applied to either independent (unrelated) or matched-pairs (related) samples (Hussey and Hussey 1997) and is used when one wishes to compare two samples on a variable measured at the interval or ratio level (Diamantopoulos and Schlegelmilch 1997). As with the ANOVA test, the null hypothesis tested by the two-sample t-test is that the population means are equal, while the alternative hypothesis is that the means are not equal. The result of the t-test indicates the extent to which the two samples need to differ for the null hypothesis to be rejected. If, for example, the result given exceeds the value at the selected probability level (usually 5 per cent or less), the null hypothesis can be rejected. In other words, there is a difference between the two samples that is not due to chance. To perform either the independent or matched-pairs t-test, the normal distribution and equal variance assumptions apply. Where the assumptions are violated the non-parametric equivalent of the t-test should be used. Results of independent-samples t-tests used to compare levels of organisational commitment among shareholders and non-shareholders in two of the companies are presented in Chapter 6. Chapter 7 presents the results of a Wilcoxon test, the non-parametric equivalent of the paired-samples t-test, which was applied to 'desired and perceived participation in decisions' data collected from the six companies.

Multiple regression techniques were also applied to the data. Such techniques are used to analyse several variables simultaneously, that is, one dependent variable and a number of independent variables and not only enable the prediction of the dependent variable but also provide an assessment of the relative impact of each of the independent variables. Multiple regression can also help to indicate the combined ability of independent variables in explaining the variation in the dependent variable (Diamantopoulos and Schlegelmilch 1997).

In Chapter 6, stepwise multiple regression has been used to examine the impact of 'ESO characteristics' (independent variables) upon 'ESO satisfaction' (dependent variable). Stepwise is one of five regression methods that can be applied to statistical data (the others are 'enter', 'forward', 'backward' and 'remove') and it is generally the most frequently used: it allows the researcher to examine each variable for entry or removal from the regression model (see Foster 2001 for further discussion). Three independent variables - 'company type', 'total company shares' and 'relative employee shares' - were entered into a regression model to establish which, if any, impacted upon levels of ESO satisfaction. A 'company type' dummy was used to distinguish between 'direct ownership' and 'ESOP' companies, while 'total company shares' represented the 'total' proportion of shares held by employees collectively within each firm (100 per cent at *Company One;* 80 per cent at *Company Two;* 25 per cent at *Company Three*). Following the work of Pendleton et al (1998), the third variable, 'relative employee shares', measured the 'relative' number of shares held by individuals in each company – that is, the actual individual shareholding as a proportion of mean shareholding. Mean or 'relative' shareholdings came to 957 (*Company One*) 1,565 (*Company Two*) and 914 (*Company Three*).

The same independent variables, with the addition of one other – 'ESO satisfaction' - were used in a second stepwise regression model also featured in Chapter 6, which examined the impact of 'ESO characteristics' upon organisational commitment. The 'ESO satisfaction variable' was derived from the average score for the six ESO satisfaction scale items, while 'organisational commitment' was divided into three sub-components (dependent variables) of commitment as identified by the BOCS: 'identify', 'involve' and 'loyalty' (see section 4.4.4).

Three further stepwise regression models are presented in Chapter 7. The first examines possible determinants of 'dual loyalty' (dependent variable) including 'perceived union effectiveness', the 'employee-manager relationship', 'employee shareholder status' and 'company ownership status'. 'Union effectiveness' was derived from the average of five items drawn from the Angle and Perry (1986) scale. The five items tapped into a number of areas of 'union effectiveness' including the extent to which the union(s) played an important role in their company, made concessions to avoid problems and co-operated with managers to reach a resolution. The 'employee-manager relationship' variable was concerned with 'social divisions' between the two parties (see section 4.4.6), while dummies were used to distinguish between employees who owned shares and those who did not and between companies which were 'employee-owned' (*Company One, Company Two* and *Company Three*) and those which were not. Finally, a number of independent variables were entered into two further regression models to investigate possible determinants of desired and actual EP. For each model ('desired' and 'actual'), the predictors were 'union effectiveness' (see above), 'employee-shareholder status', 'ownership status of the company', 'trade union membership' and 'management efficiency'. Further details of all of the variables used can be found in *Appendix 7.*

In addition, some of the exploratory quantitative data analysis undertaken for *Company Five* was broken down into different sub-components. The company had been formed in May 1997 following the merger of two other firms – one 'employee-owned' company and a management buy-out (MBO) (see Chapter 5). At the time of the Stage One data collection phase in November and December 1997, employees at the 'new' company were still working at the locations where they had been based prior to the merger. Moreover, employees at the former 'employee-owned' site were still represented by the GMB, while employees at the former MBO site were represented by the TGWU. It was, therefore, considered useful to analyse results for the two sites separately, (referred to as *Company Five (A)* and *Company Five (B)* respectively for purposes of clarification in the quantitative and qualitative analysis in Chapters 7 and 8), as well as in aggregate. The number of employees in the survey representing the former 'employee-owned' site (*Company Five (A)*) alone was too small (>30) to result in meaningful analysis. In addition, exploratory results for the former 'MBO' site (*Company Five (B):* n = 76) were found to be virtually identical to those for the two sites combined and were therefore subsequently excluded from further analysis. Exploratory findings for the former MBO company are presented in *Appendix 8*.

4.5 Stage Two

Stage Two of the investigation consisted of forty-two semi-structured interviews conducted on a one-to-one basis with key personnel from each company. Trade union representatives, including branch chairmen, secretaries and convenors, plus senior and middle managers representing the key operating, financial and personnel functions, provided the focus for the interviews. Specifically, the aim of Stage Two was to document the observations of key actors directly involved in their company's conversion to ownership and/or subsequent sale to another firm. Through the interviews, the researcher set out to collect from each company the following information:

- the form and structure of ESO adopted in the first instance;
- reasons for, and events leading up to, the introduction of ESO;
- current employee influence as perceived by managers and trade union personnel;
- views on the current industrial relations climate;
- details on the operation of the company's share ownership scheme and 'joining' and 'exit' arrangements for employees;
- individual assessments of the overall effects of ESO upon employee attitudes and behaviours.

Completion of the Stage Two interviews took approximately five months from August to December 1998. Following the method for Stage One, collection of the Stage Two data ran concurrently across the six cases. The number of respondents interviewed within each company varied according to the size and structure of the enterprise, the accessibility of the individuals themselves and ultimately, their willingness to participate (see *Appendix 9* for details of Stage Two respondents). Interviews lasted approximately one-and-a-half hours each and were recorded to allow for a full and detailed transcription at a later date. Across the six companies, only one respondent at *Company Six* preferred not to have the interview recorded. Silverman (1993: 10) described audio-recordings as an increasingly important part of qualitative research, being able to offer a highly reliable record to which researchers could return as they developed new hypotheses. In addition, May (1997) observed that audio recordings could assist in the interpretation of interviews in two ways. Firstly, the interviewer could concentrate on the conversation and record the non-verbal gestures of the respondent during the interview, rather than spending time referring to the interview notes and writing down what was being said. Secondly, recordings could be edited according to the theoretical categories in which the researcher was interested; this in turn could assist in the comparative analysis of interview responses.

Audio recordings may also assist in ensuring a 'reliable interpretation' of what has been said during the interview (Silverman 1993), since they allow both the researcher and the respondent to return to the extract and review its content in detail. Heritage (1984: 238) observed:

> 'In enabling repeated and detailed examination of the events of interaction, the use of recordings extends the range of precision of the observations that can be made. It permits other researchers to have direct access to the data about which claims are being made, thus making analysis subject to detailed public scrutiny and helping to minimise the influence of personal preconceptions or analytical biases.'

In quantitative research, reliability and validity of the survey, plus the representativeness of the sample, are among the central methodological issues. Conversely, 'authenticity' is often the main goal in qualitative research, with the aim being to acquire an 'authentic' understanding of people's experiences (Silverman 1993). Notwithstanding, issues of reliability and validity in qualitative research have been raised by authors including Silverman (1993) and Winter (2000). On the issue of reliability, Silverman (1993) observed that when dealing with texts drawn from interviews, issues of reliability arose through the categories assigned to analyse each piece of text. The author emphasised the importance of using categories in a standardised way so that any researcher could categorise in the same way.

In his discussion of validity in qualitative research, Winter (2000) observed that validity 'resides with the representation of the actors, the purposes of the research and appropriateness of the processes involved'. The author added that the only similarity between quantitative and qualitative research methods was that, 'at some point, questions will be asked and data will be collected' (Winter 2000: 7). Quantitative research limits itself to what can be measured or quantified while qualitative research attempts to 'pick up the pieces' (Winter 2000: 7) of the unquantifiable, personal, in-depth, descriptive and social aspects of the world. The aim for the qualitative researcher, therefore, is to attempt to understand behaviour and institutions by getting to know the actors involved as well as their values, symbols, beliefs and emotions (Nachmias and Nachmias 1996). Definitions from Bryman (1988), Hammersley (1990) and Miles and Huberman (1994) similarly emphasised the importance of the social setting, the perceptions of 'local actors' and the lack of standardised instrumentation, at least at the outset, in qualitative research. Winter (2000: 8) concluded that qualitative research may 'set itself up for failure when it attempts to follow the established procedures of quantitative research such as experimentation, efforts of replication, use of control groups and use of standardised formulas'.

4.5.1 Choice of Stage Two methods

Interviews were chosen as the main qualitative method for the current study on the basis that they allowed the researcher to capture the different perspectives of respondents and to follow-up interesting comments raised by the respondents during interview. Focus groups and observation (the latter was used as a supplementary method of data collection in the current research) are among other common qualitative techniques and detailed discussions can be found in Gummesson (2000), May (1997), Nachmias and Nachmias (1996) and Silverman (1993). In their discussion of different qualitative approaches, Marshall and Rossman (1989: 10-11) made the following observation:

> 'The approaches vary, depending on how intrusive the researcher is required to be in the gathering of data, whether these data document non-verbal or verbal behaviour or both, whether it is appropriate to question the participants as to how they view their worlds, and how the data can be fruitfully analysed'.

More so than many other qualitative methods, interviews allow for rich insights into people's experiences, opinions, aspirations, attitudes and feelings (May 1997) and can be categorised under four main headings: structured interviews; semi-structured interviews; unstructured or focused interviews; and group interviews. The semi-structured interview format was selected as the most appropriate in that it allowed the researcher to explore specific areas according to the aims of the research, while allowing freedom to probe further and accommodate elaboration from respondents. Semi-structured interviews also give respondents the opportunity to answer more 'on their own terms' than a standardised interview would permit, but still provide a greater structure for comparability over that of focused interviews (May 1997). Discussions of the other main interview formats can be found in Dey (1998), Easterby-Smith et al (1991) Judd et al (1991), May (1997) and Nachmias and Nachmias (1996).

Having established the main method for the qualitative data collection, a 'selective sampling' approach was adopted for the Stage Two investigation. Miles and Huberman

(1994) stated that sampling in qualitative research essentially involves two actions that may sometimes pull the researcher in opposing directions. Firstly, there is a need to set boundaries – to define aspects of the case that can be studied within the limits of time and means while connecting directly to the research questions and including examples of that which is to be studied. Secondly, the researcher needs to create a frame to help uncover, confirm, or qualify the basic processes or constructs underpinning the study. For the present investigation, the aim was to select respondents for Stage Two according to certain criteria (i.e. their involvement in share ownership activities). Selective sampling is a frequently used method in qualitative analysis and involves choosing sites and/or respondents purposefully to maximise or minimise differences (Strauss and Corbin 1998). Strauss (1987: 39) defined the approach as:

> '... the calculated decision to sample a specific locale or type of interviewee according to a preconceived but reasonable initial set of dimensions (such as time, space, identity) which are worked out in advance for a study.'

The method is not to be confused with theoretical sampling, which has its roots in grounded theory. In theoretical sampling the researcher decides on 'analytic grounds' what data to collect next and where to find them (Strauss 1987). Essentially, the process of data collection is 'controlled' by the emerging theory. Where qualitative studies are not based on a grounded theory approach, samples may still 'evolve' during the course of the research. Miles and Huberman (1994: 27) observed:

> 'Samples in qualitative studies are usually not wholly pre-specified, but can evolve once fieldwork begins. Initial choices of informants lead you to similar and different ones, observing one class of events invites comparison with another: and understanding one key relationship in the setting reveals facets to be studied in others.'

In practice, the choice of respondents did evolve to some extent during the current research, with suggestions put forward by 'gatekeepers' and other informants for additional respondents with knowledge of and 'something interesting to say' about ESO within their company. The participation of individuals known to hold strong or opposing views to other interview respondents was actively sought. Sekaran (1992: 34), for example, stated that where frequent occurrences of contradictions within interviews occurred, these could, in themselves, offer valuable insights, indicating for example, problems of poor communication or misperceptions of a company's philosophy, goals, values and so on. Miles and Huberman (1994: 275) similarly emphasised the importance and value of contradictions or 'rival explanations' in qualitative research:

> '... the trick is not to explain them away in light of your favourite explanations ... but rather to run with them, to ask yourself what kind of alternative case these bits of information could build, and then check them out further.'

4.5.2 Qualitative research sources

Questions used for the Stage Two interviews were drawn primarily from the studies of Poole and Jenkins (1990) and Rimm and Mannheim (1964). As discussed in section 4.4.6, the Poole and Jenkins (1990) study consisted of three main stages including interviews with key managerial and trade union personnel directly involved in the establishment and/or administration of profit-sharing or ESO schemes. Interview questions used in the Poole and Jenkins (1990) study explored 'share scheme administration', reasons behind the introduction of the share scheme in each case, opportunities for EP, plus the perceived effects of ESO upon the behaviour of employees including absenteeism, labour turnover and general attitudes to work.

In addition to Poole and Jenkins (1990), Stage Two also drew from the work of Rim and Mannheim (1964). In their investigation, Rim and Mannheim (1964) examined industrial relations in three different sectors of ownership control by comparing the attitudes of executives and trade union representatives to each other. The authors used the *Mutual Attitudes Scale* developed by Stagner et al (1958), which consisted of two parallel scales of attitudes designed to measure separately the attitudes of managers to the union and the attitudes of union representatives to managers. The scales were made up of eleven and nine items respectively and in the Rim and Mannheim (1964) study, were used as survey as opposed to qualitative interview questions. Adapting the scales for the present investigation allowed for a more 'complete probing' of the relevant issues, enabling respondents to provide examples in support of their responses. Full details of the Stage Two interview questions, plus those featured in the Poole and Jenkins (1990) and Rim and Mannheim (1964) studies can be found in *Appendix 10*.

Following the aims of the current research, Stage Two respondents, and particularly those from the three 'post-ESO companies', were asked to recall past events and situations. The use of 'historical data' in research has been the focus of previous criticism. Rose and Sullivan (1996) argued that the ways in which individuals interpreted past events and behaviours were coloured by subsequent events. Moreover, the further back in time respondents were asked to recollect, the less sound the quality of the retrospective data. However, without some retrospective elements in the research, cross-sectional data may produce little of help to the researcher in terms of analysing social change. Kjellen and Soderman (1980: 27) argued strongly in favour of an historical approach to case study research:

> 'It is not possible to understand the actual state of an organisation without an insight into the company's history, i.e. the processes that have led up to the company's present condition. Moreover, it is inherent to the nature of organisations and other social systems that some of the principal characteristics cannot be readily observed at a surface level. It is difficult to arrive at any conclusions without studying their behaviour over a fairly long period of time.'

Kjellen and Soderman (1980) proposed that a milestone classification be used for major changes that have occurred within a company's environment, ownership structure, production process, product/market mix, organisation and management. In addition, the authors proposed an analysis of 'critical events', their background and consequences. Gummesson (2000: 101), moreover, observed that a company consisted of individuals who in the past had been more or less successful in creating a common identity of shared values, a history, and a corporate culture:

> 'If we lack understanding of the company history – founding fathers, traditions, symbols, systems, processes – we may feel deprived. The same is true if we lack understanding of the present and future.'

Gummesson (2000: 101-2) put the case in support of history as follows:

- History is a diagnostic instrument that helps us to put a problem in its context and environment. It supplies a thread and helps us to create order among a mass of data; it provides patterns. No two sets of circumstances are ever identical, although certain patterns may recur frequently.
- History helps us both to create analogies and to select the pertinent analogies. It provides a fixed point for triangulation between the past and the present position of a company and the position of competitors; it provides opportunities for comparison.
- History helps us to place facts and events within a shared memory, it presents the heritage and roots, the tradition that helps to create company spirit and pride.

- We can learn from history what we cannot learn from it – that there are no simple formulas, that history does not provide solutions but a thought process, and that we have to realise and accept ambiguity and complexity.

For the present investigation, the collection of historical data assisted in an understanding of a company's present events and in some cases, possible future events. Gummesson (2000) termed this 'pre-understanding', while remaining mindful of 'sediment' which he described as layers of behaviour that no longer fulfilled any useful purpose but nevertheless remained part of the corporate culture. At the same time, adopting an historical stance could help to uncover the process of sedimentation.

4.5.3 Stage Two analysis

Reference was made to a number of research methods texts for analysis of the Stage Two interviews including Coffey and Atkinson (1996), Gummesson (2000), May (1997), Strauss (1987) and Strauss and Corbin (1998). However, the work of Miles and Huberman (1994) in particular was used as a major source. Methods used by Miles and Huberman (1994) to analyse qualitative data are based on three main elements: data reduction; data display; and conclusion drawing/verification. Detailed definitions can be found elsewhere (see Miles and Huberman 1994: 10-12). To outline the process briefly, however, the coding of data (data reduction) leads to new ideas on what should go into a matrix (data display). Transferring data to a matrix then requires further data reduction. As the matrix grows preliminary conclusions are drawn, which may lead to the decision, for example, to add another column to the matrix to test the conclusions. Miles and Huberman (1994: 12) described the three elements, along with a fourth element, data collection, as forming part of an interactive and cyclical process:

> 'The researcher steadily moves among these four "nodes" during data collection and then shuttles among reduction, display, and conclusion drawing/verification for the remainder of the study.'

Qualitative data analysis may, therefore, be regarded as a 'continuous iterative enterprise' (Miles and Huberman 1994: 12), in that issues of data reduction, display and conclusion drawing/verification come into figure successively as analytical episodes follow each other. Parallels can also be drawn with quantitative data analysis, which is similarly concerned with data reduction (computing means, standard deviations and indexes), data display (statistical tables) and with conclusion drawing/verification (significance levels). However, quantitative researchers work with well-defined familiar methods that are usually more 'sequential' than 'iterative' or 'cyclical', while qualitative researchers are in a more fluid and pioneering position. Miles and Huberman (1994: 12) concluded:

> '... we need to understand more clearly just what is going on when we analyse data, to reflect, refine our methods, and make them more generally usable by others.'

The main methods used to analyse the qualitative data were 'contact summary sheets' and 'within-case displays', which included 'role-ordered matrices' and 'event-listing' charts. 'Cross-case displays' were produced using partially-ordered meta matrices. All methods used are discussed in the following section.

4.5.4 Application of analytical techniques

The first stage of the qualitative analysis involved creating a coding scheme for the data. Contact summary sheets, defined as 'a single sheet with some focusing or summarising questions about a particular field contact' (Miles and Huberman 1994: 51) were used to create the codes. A number of methods for coding qualitative data are available to the researcher. Following the work of Strauss (1987), for example, the researcher can code for 'conditions', 'interactions among actors', 'strategies and tactics' and 'consequences'. For the current analysis, contact summary sheets were used to document the main themes raised by each respondent during interview. Among the main themes raised by Stage Two respondents in line with the aims of the thesis are those listed below:

- current management-union relations;
- current management-employee relations;
- current union-employee relations;
- the current general industrial relations climate;
- employee involvement/participation;
- views on different forms of ESO;
- objectives of ESO for each company;
- whether the objectives were met;

- the impact of ESO on employee efficiency;
- the impact of ESO on the relationship between employees and their union;
- the impact of ESO on employees' attitudes to work;
- the main advantages of ESO;
- the main disadvantages of ESO;
- the extent to which employees cared about ESO in their company;
- the extent to which employees felt like owners;

and where applicable:

- the likely survival of the company as an 'employee-owned' entity;
- the attitudes of employees when the period of ESO ended;
- the ways in which certain issues could have been handled differently, for example, the circumstances which led to the 'selling-on' of the company.

The themes were then reproduced on forty-two contact summary forms, representing one form for each respondent interviewed. Direct quotations or 'salient points' (Miles and Huberman 1994: 54) given by respondents during the interviews in relation to each theme were also added to the forms. The number of the page on which the quotation appeared in the interview transcript was similarly included to assist with easier referencing at a later stage of the analysis. Various other details including the *type* of contact – whether on the management or trade union side - and the date on which the interview was conducted were also entered. This information assisted the researcher in keeping an organised record of interviews undertaken. Examples of contact summary forms used to assist in the analysis are featured in *Appendix 11.*

Compilation of the contact summary forms resulted in a full record of the main themes, along with supporting evidence for all Stage Two respondents from the six companies. Data were then extracted from the contact summary forms to create 'within-case' data displays, or an analysis of the 'single case'. Miles and Huberman (1994: 172) concluded that the first task of the researcher was to understand each case 'on its own terms' and to emerge with 'a well-grounded sense of local reality'. A number of methods for compiling 'within-case' displays, including context charts, checklist matrices and time-ordered displays, are available to the qualitative researcher. Two main methods – event-listing charts and role-ordered displays - were used. Event-listing matrices allow the researcher to obtain an initial grasp of events in a summarised form, suggesting subsequent lines of deeper description, analysis and interpretation that will follow (Miles and Huberman 1994). They chronicle a flow of events and processes and are valuable where the researcher wishes to identify the 'different domains of events' (Miles and Huberman 1994: 111) and preserve their sequence, while showing the salience or significance of preceding events for following events. Event-listing matrices were created from qualitative data collected from the three post-ESO companies. In an attempt to study employee ownership durability in these companies, matrices created and presented in Chapter 8 highlight key events in the history of the companies during their time as 'employee-owned' enterprises.

The second method used in the study, the role-ordered display, orders information according to people's roles in a formal or informal setting (Miles and Huberman 1994: 122). A role is defined as a complex of expectations and behaviours that make up what an individual does and should do; a role-ordered matrix sorts data in its rows and columns that have been gathered from, or about, a certain set of 'role occupants' – that is, data reflecting their views. The attitudes and perspectives of different actors - those in managerial and trade union roles within the company - were key aspects of the research and role-ordered matrices permitted close attention to the interaction of individuals within their roles. To create the role-ordered matrices, contact summary forms were scanned for relevant quotations, which were then entered into each matrix cell. Each matrix produced resulted in a 'snap-shot' summary of what respondents said about a particular issue. All role-ordered matrices compiled for the qualitative data analysis are presented in *Appendix 12 (i-xxxiv)*, while the main themes explored through the matrices are summarised as follows:

- the model of ESO and its method of operation;
- likely survival of the firm as an employee-owned entity;
- objectives of ESO and associated outcomes;
- advantages and disadvantages of ESO;
- employee attitudes to ownership;
- ESO and employee behaviours.

Once a matrix has been created, the researcher is able to scan its columns, both within and across roles, to establish what is happening. The method allows conclusions to be drawn in a number of ways, including: counting and making comparisons; noting relations between variables; and following-up any surprises that may have occurred (Miles and Huberman 1994: 125). Having established an understanding of the dynamics of each individual case, the next stage is to proceed to an analysis across all cases – termed a 'cross-case' analysis. The aim of cross-case displays is to see processes and outcomes across many cases, to understand how they are qualified by local conditions and thus to develop more sophisticated descriptions and more powerful explanations (Miles and Huberman 1994). Multiple cases, adequately sampled and carefully analysed, help to establish whether findings make sense beyond the specific case. A further, more fundamental reason for cross-case analysis is to deepen understanding and explanation. Glaser and Strauss (1967, 1970) argued for using multiple cases to establish under what sets of structural conditions hypotheses were minimised and maximised. The researcher can then identify where a given order of events or incidents is most likely to occur or not occur. Multiple cases not only pin down the specific conditions under which a finding will occur, but also help the researcher form the more general categories of how those conditions may be related (Miles and Huberman 1994).

The researcher may face a number of issues, however, when undertaking cross-case analysis. Silverstein (1988) highlighted the tension between reconciling the 'uniqueness' of an individual case with the need for a more general understanding of generic processes that occur across cases. More specifically, Ragin (1987) discussed the relative merits and shortcomings of adopting a 'case-oriented' as opposed to a 'variable-oriented' approach to cross-case analysis. A case-oriented approach considers the case as a whole entity, looking at configurations, associations, causes and effects within the case – and only then turns to comparative analysis of a (usually limited) number of cases. Typically, the researcher would look for underlying similarities and constant associations, compare cases with different outcomes and begin to form more general explanations.

In contrast, the variable-oriented approach is conceptual and theory-centred from the start, casting a wide net over a usually large number of cases. The 'building blocks' are the variables and their intercorrelations, rather than individual cases. As a result, the details of any specific case recede behind the broad patterns found across a wide variety of cases and little explicit case-to-case comparison is done (Miles and Huberman 1994).

Ragin (1987) concluded that variable-oriented analysis is valuable for finding probabilistic relationships among variables in a large population. The approach is poor, however, at handling the real complexities of causation, or in dealing with multiple sub-samples: findings may often be very general and even 'vacuous' (Miles and Huberman 1994: 174). Case-oriented analysis, on the other hand, is good at finding specific, concrete, historically grounded patterns common to small sets of cases, but its findings may remain particular to the case. Miles and Huberman (1994) concluded that neither approach is more preferable than the other for qualitative data analysis. Rather, the issue is one of making deliberate choices, alternating, or perhaps combining and integrating methods as a study proceeds. The authors added that it is possible and usually desirable to combine or integrate case-oriented and variable-oriented approaches in an investigation.

Remaining mindful of the dilemmas of cross-case qualitative research, partially-ordered meta-matrices were used to analyse qualitative data *across* the six companies. The basic principle of the meta-matrix is the inclusion of all relevant and condensed data and in its simplest form, involves 'stacking-up' all of the within-case displays for a particular theme on a single sheet. Moving from the initial within-case display to a meta-matrix allows for data to be partitioned further so that contrasts made not only between individual cases, but also between different variables, can be clarified. Partitioned and clustered meta-matrices become progressively more refined, usually requiring further transformations of case-level data into short quotes, summarising phrases, ratings and symbols (Miles and Huberman 1994). All meta-matrices created from the qualitative data are presented in *Appendix 13 (i-xx)*.

4.6 Summary

This chapter has discussed the main quantitative, qualitative and ethnographic techniques used as part of an extensive case study investigation to explore diversity in ESO. Case studies have been identified by proponents of the approach as a valuable method for conducting in-depth investigations of particular phenomena: they allow the researcher to draw on multiple data sources, both primary and secondary, that can assist in creating a rich picture of the area being studied. For the current research, a multiple case study design has been used. Multiple-case designs require extensive resources and may make considerable demands on the researcher's time, but offer distinct advantages over single-cases, particularly in terms of providing more 'robust' and compelling arguments of the area being studied. Given the focus of the investigation, the research methodology chosen accommodates the undertaking of a detailed examination of the most significant and diverse forms of ESO to have been found in the UK bus industry towards the end of the 20^{th} Century. In summary, the approach undertaken is considered to be the most appropriate for meeting the research objectives.

Before presenting the results of the research in Chapters 6 to 8, Chapter 5 provides a more detailed overview of all six companies. The chapter addresses the 'varying circumstances of ownership' in each case as well as other issues that may be important for outcomes of ESO satisfaction, EP, organisational commitment, industrial relations and employee ownership durability. A recognition of the historical 'ESO context' of each organisation and the different elements that may impinge on a particular case, such as those identified in Toscano's (1983) ownership typology, are essential to ensure that accurate analysis and interpretation of ESO outcomes occur.

5.0 UK bus industry overview

5.1 Introduction

This chapter provides an overview of ESO in the UK bus industry and profiles the six cases providing the basis for the research. The cases epitomise the diversity that characterised ESO within the UK bus industry in the late 1980s and through the next decade. 'Diversity' in the context of the thesis is defined in terms of the 'model' of ownership system adopted by each of the companies, the percentage of 'employee ownership' and overall 'insider ownership' in each case and the circumstances in which the conversions to ESO occurred. The companies are outlined in individual sections, beginning with a discussion of the reasons for the introduction of ESO and for the particular ownership system chosen in each case. Details of share offers and allocations to employees, ESO negotiating structures, the number of employees participating in each scheme, plus a discussion of the current situation at each company are also featured. The chapter concludes with detailed comparisons of the main characteristics of ESO in each of the 'employee owned' companies and additionally, at the three 'post-ESO' firms as a pretext to results in the following three chapters examining more fully the theme of 'diversity in employee ownership'.

5.1.1 Impetus for employee share ownership

Deregulation in the wake of the 1985 Transport Act provided the initial impetus for employee ownership conversions in the UK bus industry. Prior to 1985, public sector operators, protected by a strict regulatory regime, had provided the majority of scheduled bus services in the UK (Pendleton 2001). In an attempt by the Conservative Government of the day to increase competition and expose the industry to market forces, the 1985 Transport Act made it easier for new entrants to obtain a route licence in competition with existing operators (Forrester 1993). Changes brought about by deregulation were to have a huge impact upon existing public sector operators, not least in the industrial relations arena. Describing the impact of deregulation, the TGWU (1991: 223) spoke of the move from 'a highly regulated framework with tightly centralised national bargaining, to the loose, uncoordinated and often chaotic experience that the industry now is'. Prior to deregulation, bus industry employees had been covered by nationally-agreed terms and conditions of employment. After 1985, however, a widespread drive to reduce wage levels within the industry became paramount. Given that pay determination in the private sector was not regulated by CB due to the virtual non-existence of recognised unions, employment costs were usually considerably lower than among public sector operators (Pendleton 2001). Redundancies also became a notable feature of the bus industry post-1985, with staffing levels cut by as much as 57 per cent in some areas (Heseltine and Silcock 1990).

Given the tight constraints imposed by central government, public sector owners were unable to sustain losses in their market share and were therefore faced with the prospect of continued cutbacks to services and employment levels, or sales to other firms. The latter option would have taken services out of public control, leading to asset sales and employment reductions and was therefore regarded as 'unpalatable' (Pendleton 2001: 90). Employee ownership was viewed as a more acceptable solution, given that the presence of employees as owners offered the possibility that service levels would be protected because of the desire to maintain levels of employment. In addition, management/employee bids appeared to offer the best possibility of meeting government privatisation objectives of increasing efficiency and promoting the spread of ESO (Mulley and Wright 1986). It is perhaps unsurprising, therefore, that the primary motives for employee ownership within the bus industry have been described as defensive rather than ideological (Pendleton 2001). In some of the initial bus buy-outs, ESOPs were generally the preferred model of ownership for all parties concerned (see for example, Pendleton et al 1996). For employees, ESOPs posed little direct financial risk and were favoured by managers because they permitted the continuation of conventional management structures. Finally, on the union side, ESOPs were seen as a way to sustain the traditional role of union representation (Pendleton 2001). Oakeshott (2000: 273) observed:

> 'That a union should *ever* promote majority employee ownership flies in the face of the traditional hostility to employee ownership of almost all unions in the Western world: a hostility based on the fear that employees who are also owners will become co-opted on the side of capital in the class struggle. On the other hand, a preference for majority over minority employee ownership as the "least worst" outcome of privatisation makes excellent sense ...'

In a number of cases, the initial attitude from the unions had been one of suspicion of employee ownership and an underlying preference for the status quo. Oakeshott (2000: 274) added:

> 'Only when it became apparent that a continuation of the status quo was simply not an option did the attitude of unions to employee ownership start to become more pragmatic.'

In their 1989 conference policy statement, the TGWU described ESOPs as 'a last resort in defence of negotiated wages and conditions against the threat of take-over, break-up and asset stripping' (TGWU 1990: 120). The statement added that while the formation of an employee-owned company provided no respite from competition with other low cost operators, ESOPs were seen as a possible option available to the unions in offsetting 'the more extreme ravages of deregulation' (ibid). Additionally, union involvement in ESO conversions was higher in the bus industry than in any other sector, and in some cases, unions were responsible for starting the conversion process. Research by Pendleton (2001) found that the more unions were involved in ESO conversions, the greater the level of share ownership for employees. Moreover, the greater the extent of union involvement, the more important the prevention of take-overs as a reason for converting to employee ownership.

5.2 Case study profile

In the aftermath of the 1985 Transport Act, employee-owned bus companies, or those with some degree of ESO, emerged from one of five main stables. The first group of companies to become 'employee-owned' resulted from the break-up and privatisation of the NBC in 1985. A majority of buy-outs (n = 26) from among this first group involved only small teams of the most senior managers, although up to 40 per cent of equity was set aside for employees in twelve companies. In around a further twelve cases, share option and/or profit-share schemes were introduced while eight further buy-outs involved middle as well as senior managers as initial equity holders (Wright et al 1992). A second group of employee-owned firms emerged from the privatisation of local authority and Passenger Transport Executive (PTE) firms (Pendleton 2001). Prior to 1985, local authorities and PTEs had run bus services that were not generally in competition with NBC services. At that time, the structure of the industry was one of area-wide domination by single companies, with structural concentration by municipally or nationally-owned operators (Wright et al 1992). Under the provisions of the 1985 Transport Act, however, local authority or PTE bus companies were to be formed into separate passenger companies limited by shares and operating at arm's length from local authorities (Oakeshott 2000).

The years 1990-92 saw the third wave of employee ownership conversions from among subsidiaries of the Scottish Bus Group (SBG). Five out of eleven SBG subsidiaries were privatised to MEBOs, which were generally characterised by high levels of employee ownership (Pendleton et al 1996). Following the SBG conversions, a further wave of local authority and PTE privatisations occurred, which saw employees generally acquire the controlling stake in their firms. The defeat of the Labour Party in the 1992 General Election was said to have created a further impetus among trade unions for employee ownership. Some local authorities, for example, delayed agreement on ownership on the basis that Labour might win the 1992 election and halt the privatisation programme. When Labour lost the election, however, these authorities came to the conclusion that employee ownership buy-outs were the best option (Pendleton 2001). Direct share ownership schemes also began to grow in popularity around the same time, although there had been some examples of this form of ESO arrangement in some of the earliest bus buy-outs after 1985 (see for example, Pendleton et al 1995b). The privatisation of London Buses in 1994 resulted in the final set of employee ownership conversions. Four out of ten London Buses companies became MEBOs, with employees typically holding the minority stake. In all cases, employee ownership in the London firms was characterised by a much higher equity involvement of institutional investors than virtually all of the preceding buy-outs (Pendleton 2001).

Two of the employee ownership conversions featured in the present study originated from PTE operations, one in the first wave of privatisations in the late 80s (*Company Four*) and the other in the second wave in the early 90s (*Company Two*). Two other conversions (*Company One* and *Company Five (A)*) resulted from local authority privatisations during the early 90s, while the final two conversions (*Company Three* and *Company Six*) came from London Buses privatisations. It is generally reflective of ESO in the UK bus industry that four of the six firms in the present study represented municipal privatisations. Of all UK bus firms known to have been 'employee-owned' from 1987 onwards (n = 29), eighteen had resulted from local authority or PTE privatisations. (see Pendleton 2001). Dates for conversion to employee ownership for the six case studies extended over a five-year period from 1989 through to 1994.

5.3. Background to Company One

Company One is located in the North West of England and employs approximately 300 staff and managers across two sites – the main bus depot in the centre of town and the company's head office on the outskirts of the town. Drivers are based at the main bus depot while managerial, administrative and engineering personnel are located at the head office site. The company was first established in 1986 in the aftermath of deregulation following the transferral of the local borough council's transport department to the status of a private limited company. Subsequent to its status as an employee-owned enterprise, *Company One* remained in the ownership of the local council until 1993, being operated at 'arms length' by a board of directors comprising local councillors and members of *Company One's* own management team.

5.3.1 Impetus for the buy-out

The impetus for the conversion to employee ownership in 1993 had been prompted initially by a government announcement some two years' earlier that all future sales from local authorities would be via open tender, with anyone allowed to make a bid. According to *Company One's* traffic manager, employees at that time faced a stark choice – *'buy or be bought'*. As far as the company was concerned, a buy-out was the only way to avoid the uncertainty of a third party assuming control of the business and additionally, to ensure continuing membership of the Local Government Superannuation Scheme (LGSS). The Conservative Government of the time had stipulated that in future transfers to the private sector, availability of the LGSS would be on the sole basis that buy-outs were completed by 30 June 1993. Thus, a buy-out team of managerial and trade union representatives from within the company, plus external business consultants, put forward a series of proposals for a direct share ownership scheme. The consensus among the team was that direct ownership would have a strong positive effect on staff motivation and efficiency, whereas the distribution of 'free' shares through an ESOP would *weaken* the motivational effects of a buy-out. The idea of an EBT holding a significant proportion of the shares until they were eventually distributed to employees was also viewed as potentially problematic. Specifically, the accumulation of a large amount of shares in a trust would invest responsibility and influence in a small group of elected trustees at the expense of individual shareholders. Despite these concerns, the company created an EBT to act solely as a warehouse for shares, purchasing them from employees who had left the company and subsequently selling them on to new employees.

5.3.2 Share allocation

Given the company's decision that the majority of shares should *not* remain in the hands of a minority of individuals, the buy-out team agreed that all staff participating in the scheme should be able to buy the same number of shares. Thus, no distinction was to be made between managers and employees and there was no obligation upon any individual to purchase shares. The arrangement was also viewed as a safeguard to ensure that the management team would not resell the company after only a short period of time. In some of the earlier UK bus buy-outs, companies had been sold to MBOs and subsequently re-sold to secure quick profits for managers. The arrangement created at *Company One* was intended to remove this temptation, with a clause added to the Articles of Association that no employer or employee of the company could own more than 2 per cent of the total shares.

5.3.3 Take-up of share offer

Approximately 91 per cent of the total workforce participated in the initial buyout in 1993[i]. All participants purchased one thousand shares at a value of £1 per share while the remaining equity was raised via bank loans. After 1993 shares were valued in March and September each year by independent auditors, with the valuation on each occasion based on a 'fair value', rather than the 'market price'. Up to the time the fieldwork was completed in 1998, the share price had either risen or sustained the previous valuation, but had never fallen during the period. Moreover, after 1993, the company gave employees two further opportunities to purchase up to a maximum of 150 shares; new employees became eligible to participate in subsequent share offers after one year's service. Thus, by 1998, the individual maximum allocation of shares was 1,150 and over two-thirds of the original shareholders still worked for the company. After the fieldwork for the thesis had been completed, *Company One* sanctioned an additional 'free share' issue with allocation based on the number of shares already held by individuals. Those holding 1,150 shares received most of the free shares up to a maximum of thirteen shares.

Thereafter the company had a downwards 'sliding scale' with those holding the least number of 'purchased' shares subsequently receiving the fewest 'free' shares. Although requested, no figures were made available for the total number of employees in the company holding the 'new maximum' of 1,163 shares. However, during the Stage One investigation respondents were asked to specify the number of shares owned and from a total of 56 shareholding respondents, two indicated that they held 1,163 shares. Further details of share distribution among respondents are presented in *Table 8.*

Table 8: *Company One*: Number of shares owned by Stage One respondents

Shares owned (n)	Employees (n)
1-500	7.0
501-550	0.0
551-1,000	10.0
1,001+	39.0

(n = 56)
Source: Stage One survey 1997/8

5.3.4 Shareholder participation

Shares held by employees carried voting rights at the AGM, while the company's Articles of Association allowed for employee shareholder input into decisions constituting 'major business'. Typically, these would include decisions to relocate or sell the business, or change its status to that of a public limited company. A decision relating to any such issue required a resolution to be passed by a majority (75 per cent) of employee shareholders. However, members of the senior management team were allocated a special category of shares, known as 'A' shares, thereby giving them a controlling interest in the management of the company. Similarly, the composition of the company board ensured that senior managers effectively had control for day-to-day decision-making. The board consisted of five executive directors from the senior management team, including the managing director and financial director, plus four employee directors representing the four main workforce groups: platform; inspector and office worker; craft; and non-craft functions. Employee directors were each elected for a two-year term of office by the workforce and an external non-executive representative also sat on the board. Routine board decisions required only a simple majority to be passed; therefore, the built-in management majority on the board enabled managers to have control. The management directors were not subject to re-election although the employee shareholders could remove them from their positions if an ordinary resolution signed by the four employee directors was passed by 80 per cent of the shareholders.

5.3.5 Current situation

Company One remains the only wholly employee-owned bus firm currently operating within the UK. The company has now managed to sustain its position of employee ownership for over ten years, which is considerably longer than any other UK bus operator. Reasons for the company's longevity as an employee-owned entity were put forward by *Company One* respondents during the Stage Two interviews and responses are discussed more fully in Chapter 6.

5.4 Background to Company Two

Company Two is located in South Yorkshire and employs approximately 2,700 employees across five main sites. The company converted to employee ownership via a PTE privatisation in November 1993 following agreement by the local authority some eight months earlier that it would support such a strategy. Promoting itself as a company that aimed to 'invest in our shareholders as employees, who are recognised as our most valuable asset'[ii], *Company Two* regarded an ESOP as the most viable route to becoming an employee-owned company. A direct share ownership arrangement was rejected on the grounds that it would discriminate against those employees without the personal funds necessary to buy shares. The arrangement thus created apportioned 80 per cent of the company's allocated share capital to employees and the remaining 20 per cent to a major trade investor. Broken down further, 54 per cent of the total 80 per cent 'employee allocation' was lodged with the employees themselves, while the remaining 26 per cent of shares were retained by one of two EBTs created within the company.

5.4.1 Operation of the ESOP

Two trusts – 'EBT 1' and 'EBT 2' - were created to hold shares on behalf of employees, partly as a safety mechanism and partly as a store from which the company's APS scheme could draw shares. The shares were then distributed to eligible employees – those with two years' service. EBT 1 held 26 per cent of ordinary shares in perpetuity on behalf of all employees in the company. Votes on major decisions required a 75 per cent majority vote of shareholders, thus making the 26 per cent shareholding held by EBT 1 vital for any vote to be carried. EBT 2 in contrast was created to act solely as a warehouse by purchasing shares from employees who were leaving the company and acting as a temporary home for the shares until they could be redistributed through the APS scheme. When an employee left the company, their shares had to be sold back to EBT 2. The APS scheme was simply an Inland Revenue scheme, thereby allowing the company to make tax-deductible contributions each year to the trust. The APS scheme then used the money to acquire new shares and distribute them through EBT 2 to all qualifying employees. These shares could be held in trust for employees for up to a maximum of five years and be used for voting at the company's AGM.

5.4.2 Share allocation

All employees with a minimum of two years' service received 114 *free* shares at a value of £0.01 per share for each year they had worked at the company up to 1993. A two-year minimum service period was regarded as appropriate in view of a high turnover of staff, generally common within the first two years of employment in the UK bus industry[iii]. Following the buy-out in 1993, there were three subsequent share issues between 1994 and 1996 as shown in *Table 9* below.

Table 9: Share issues at *Company Two* 1994-6

Year of issue	Number of shares issued per employee	Value per share (£)
1994	105.0	0.85
1995	92.0	1.50
1996	74.0	2.10

Additionally in 1996 and also at a value of £2.10 per share, the company introduced a 'Buy One Get One Free' scheme, whereby employees who purchased fifty shares received an extra fifty at no additional cost. This offer was also made available to employees with less than two years' service with the company. Although the company provided no figures regarding take-up, around 90 respondents from Stage One said that they had bought shares through the offer. An example of how share allocation was determined at *Company Two* is presented in *Figure 1*, while *Table 10* gives details of the number of shares held by respondents from the Stage One survey.

Figure 1: Criteria for share allocation at *Company Two*

An employee who began working for the company in 1977 would, by 1993, have achieved sixteen years of service, thus:

- 114 (shares) x 16 (years of service) = 1,824 'free' shares
- Employee would have received a further 271 shares (105 + 92 + 74) in the three subsequent share issues at no additional cost.
- If the employee had taken part in the BOGOF scheme, they would have received a further 100 shares (fifty purchased and fifty free shares).

Therefore, the employee's total share allocation would be calculated as follows:

1,824 + 271 + 100 = 2,195 shares[iv] (2,145 free shares and 50 purchased shares)

Table 10: *Company Two:* Number of shares owned by Stage One respondents

Shares owned (n)	Employees (n)
1-500	21.0
501-550	1.0
551-1,000	14.0
1,001-1,500	8.0
1,501-2,000	18.0
2,001-2,500	19.0
2,501-3,000	10.0
3,001-3,500	6.0
3,501+	3.0

(n = 100)
Source: Stage One survey 1997/8

The basis for the number of shares distributed to individuals was determined by length of service rather than seniority. Therefore, a driver who had worked at the company for twenty years would have received a greater number of shares than a chief executive with eight years' service. However the chief executive and financial, operations and engineering directors each held twenty-five special voting shares, or 'golden shares', at a value of £0.01 each. Golden shares carried majority-voting rights for a period of five years (except for specified matters requiring a 75 per cent majority of ordinary shareholders or the agreement of two employee directors). The golden shares were viewed as a 'safeguard' for the directors, given that three of the directors together were required to vote with their shares in order to dismiss the fourth.

5.4.3 Composition of the company board

At the time of the Stage One investigation, the company was managed by its board of directors, whose appointment and removal were governed by the Articles of Association. The Articles made provision for twelve directors and the board comprised four employee directors[v] (for which the consent of at least two was required for key decisions) four executive directors[vi] and four non-executive directors[vii]. The composition of the board was particularly significant in that *Company Two* was the first UK enterprise to have equal numbers of employee directors and executive directors on the company board. *Company Two* also had a CNC in place, made up of TGWU representatives and which met to discuss central company issues, wages and scheduling. In addition, each depot had a unit manager to oversee its employees and bus routes. From 1993 up until the end of the fieldwork in September 1998, the company had no industrial stoppages.

5.4.4 Current situation

After the Stage One investigation in 1997, *Company Two* went through a number of significant changes to its ownership structure. In June 1998, the company was sold to the trade investor who had held the 20 per cent stake in the original buy-out. For the sale in 1998 to go ahead, the trade investor required 92 per cent of the shareholder vote. Employees who owned shares each had one vote, while EBT 1 had a 26 per cent share of the total vote. The trade investor had to convince EBT 1 to sell its share so that it could acquire 46 per cent of the vote (20 + 26); this left 54 per cent of the shareholding remaining. In the event, 98 per cent of the workforce voted in favour of the sale and the company was sold for £67 million. The proposed offer date was 1 June 1998 while the actual take-over occurred on 13 July 1998. Approximately 2,300 employees became, on average, £10,000 richer following the sale when shares were valued at £6.40 each.

5.5 Background to Company Three

Company Three serves the west London area and employs approximately 1,200 staff across five main sites. In 1994, against the backdrop of the privatisation of London Buses, the company decided to embark upon a MEBO strategy via an ESOP arrangement.

On 7 October 1994, the day of privatisation, employees of *Company Three*, including non-directors and non-senior managers, attained 25.1 per cent of the shares. Venture capitalists acquired 45 per cent of the share capital, while the remaining 29.9 per cent went to the company's directors and senior managers. At that time, shares were valued at 36 pence each and over a three-year period around 700 employees (58 per cent) took up the share offer. The primary objective of the ESOP was 'to enable as many staff as possible to share in the benefit of the company's performance as [it] develops in private ownership'[viii]. Employees wishing to participate were asked to complete a 'form of acceptance and contract of participation' and submit it to the company's head office. The form was distributed to all employees along with a booklet outlining the details of the ESOP. A key issue faced by employees at the time of privatisation was a drop in wages and the loss of one week's holiday, although both were recouped at a later date. Cuts to terms and conditions had occurred generally throughout London Transport during 1993, and in the following year, managers, trade union representatives and employees at *Company Three* were all faced with confronting this issue directly. The implications for all parties and for the ESOP are addressed in Chapter 6.

5.5.1 Operation of the ESOP

A buy-out steering group made up of trade union representatives, unit chairs and elected by the trade union membership was set up to co-ordinate ESOP activities. In this regard, and to ensure that staff eligible to participate in the scheme actually obtained a proportion of the 25.1 per cent share allocation, two trusts were created: an EBT and a PST. At privatisation, the company set aside funds for the EBT to enable the trust to purchase the whole of the employee share allocation. The company was then able to make a cash payment from its profits to the PST, which the PST then used to purchase the shares from the EBT. Like *Company Two*, the PST was an Inland Revenue APS scheme, while the function of the EBT was to provide an internal market for trading the shares. The creation of the internal market was achieved by:

- selling the shares that were held by the EBT to employees who applied for additional shares in the company. The ability of the EBT to sell shares in such cases was dependent upon how many shares it had available at the relevant time;

- matching the requirements of employees wishing to sell shares with those of employees wishing to purchase them; and
- buying shares from employees wishing to sell their shares in the company in circumstances where the trustee could find no 'matched' buyer for those shares on the seller's behalf. Shares were also purchased from departing employees who were required to dispose of their shareholdings according to certain specified procedures. The ability of the EBT to purchase shares in these circumstances was determined by the availability of cash to the trust at the relevant time.

For tax purposes, it was a condition of applying for the shares that the trustee of the PST would retain the shares on behalf of employees for at least two years. Thus, while the shares belonged to employees at *Company Three*, they were not permitted to have their own names on the share register until October 1997. Until that date, employees were unable to sell their shares or use them as security for a loan, but provided that employees remained with the company their shares could not be allocated to anyone else. The shares, which were classed as ordinary shares, were valued at least once per calendar year by independent external auditors. After two years, employees could transfer the shares in to their name although they would incur income tax liability as a result. The tax liability could be avoided however by leaving the shares in the care of the PST.

Moreover, for each financial year from 1997 onwards, and following receipt of the auditors' valuation, it was intended that the company board would specify two dealing days, the second occurring six months after the first. When the dealing days had been established, the trustee of the EBT would inform employees at least twenty-one days in advance:

- how and when they had to give notice to the trustee of whether they wished to buy or sell shares on the internal market; and
- the dealing price for each class of shares on the relevant dealing day.

Those eligible to participate in the scheme had to be employed by the company on or before 7 October 1994 and still be in employment when the trustee of the PST made the allocation of shares under the scheme. If an employee left the company after this date, they did not qualify for any shares. From the Stage One investigation, 40 per cent (n = 74) of respondents said they had acquired shares through the company's ESOP.

5.5.2 Share allocation

All employees eligible to join the scheme received a flat amount of 115 ordinary shares, plus 25 additional shares for each completed year of continuous service up to 7 October 1994. Thus, an employee with five years' service received a total of 240 shares (115 basic plus 5 x 25). In terms of voting rights, the shares gave employees the opportunity to exercise a vote in the event of a take-over offer being made for the company. *Company Three* also appointed four employee directors from the main workforce groups to represent the interests of employees. In addition to the employee directors, four executive and two non-executive directors[ix] sat on the company board.

5.5.3 Flotation of the company

July 1997 marked a significant turning point in the history of *Company Three,* in that the organisation reverted from private back into public ownership via a London Stock Exchange flotation. During its time as an employee-owned enterprise, the company more than doubled its pre-tax profits, from £1.4 million in 1994 to £3 million in 1996. Revenues over the same period rose from £28.5 million to £37.1 million, while shares originally valued at 36 pence in 1994 had reached £4.80 by July 1996. At the time of the flotation in 1997 *Company Three* was valued at £40 million.

The flotation had a number of consequences for the company – not least an increase in the value of the collective investment of the company's directors and senior management team from an initial £100,000 to an aggregate value of £12 million[x]. The chief executive, who invested £40,000 in the MEBO, emerged with a holding worth £3.3 million. As the buy-out was nearly all funded by debt and included just £360,000 of equity, the chief executive's initial investment gave him an 11 per cent stake. Windfalls for employees were more modest. Around 700 employees received an average £9,000. The minimum stake for an employee was worth £3,000, while those with 30 years' service at the company received shares worth £29,000. Collectively, the value of the employees' investment was around £1 million and the initial 25.1 per cent share allocation was retained. At the time of the flotation, the shares were placed at a value of £1.73 – capitalising the company at £37.2 million. Share dealing began on 29 July 1997.

With the assistance of an interest-free loan of up to £500, employees were given the opportunity to buy around 1.2 million shares overall when the company floated. Approximately 1 million of the shares were purchased, with 735 (61 per cent) from a total of just over 1,200 employees electing to take up the offer[xi]. *Table 11* below gives details of the number of shares purchased by respondents following the flotation.

Table 11: *Company Three*: Shares owned by respondents after flotation

Shares owned (n)	Employees (n)
1-500	42.0
501-550	0.0
551-1,000	11.0
1,001-1,500	3.0
1,501-2,000	3.0
2,001-2,500	1.0
2,501-3,000	3.0
3,001-3,500	1.0
3,501+	3.0

(n = 67)
Source: Stage One survey 1997/8

Additionally, on 3 October 1997, shares that had been allocated to the EBT some three years earlier were released from the trust, allowing employees the opportunity to sell them if they so wished. At the time of the flotation, *all* employees in the company would have owned shares in *some* capacity, having either acquired them at privatisation or during the flotation. The only likely non-shareholders in 1997 would have been those who joined the company between August and October of that year, although no details of the exact number were available. At that time, employee turnover was approximately 30 per cent.

5.5.4 Current situation

Subsequent to the flotation, events in the company's history included the acquisition of a rival London bus operator in August 1998. The acquisition cost the company £41.9 million but doubled its size in the process. Just over half of the deal - £21.5 million - was financed by a '2 for 5' rights issue in September 1998 and 8.6 million shares were issued to employees at a cost of 250 pence per share. A further interest-free loan of £1,000 was made available to enable employees to purchase the shares. In total, £33.1 million was paid in cash and £8.8 million was taken on in debt. The share issue, which was expected to reduce the directors' shareholding to 22 per cent, was underwritten by the same venture capitalists that had held a 45 per cent share in the original 1994 buy-out. The acquisition took *Company Three's* share of the London bus market from 7 up to 13 per cent and the money raised from the share issue was used to purchase additional fleets. More recently, in 2000, the company was acquired by a Singapore-based multi-modal transport service provider. On 18 February 2000, the boards of the two companies announced an agreed cash offer of £2.40 for each *Company Three* share, thereby valuing the issued share capital at approximately £73.8 million. *Company Three's* shareholders accepted the offer and on 21 March 2000 the purchase of the company was formally approved.

5.6 Background to Company Four

Company Four is located in the North East of England and employs approximately 1,500 staff across four main sites. The company moved to its current ownership structure in July 1994 after a five-year period as a MEBO. Following deregulation, the company, which had formerly run bus services under the local PTE, transferred to local authority ownership in 1986 The arrangement continued until 1989 when *Company Four* elected to move away from local authority control and into a MEBO arrangement. Initially after deregulation, the government had been content to achieve privatisation by encouraging local authorities to sell bus companies on a voluntary basis. In 1989, however, the government decided to introduce legislation that would force the sale of these companies. Additionally, *Company Four* was restricted in how it could operate commercially while under the ownership of its local authority. A number of options, including a MBO, an EBO and a MEBO were all considered as possible options. However, the local authority refused to sell to a MBO, while the trade unions, keen to secure an EBO for their members, failed to persuade the banks to lend them the capital for such a venture. In the end a MEBO was seen as the best option for all parties.

The form of buy-out selected by the company was an ESOP. During initial buy-out negotiations the company's trade unions had been against the idea of individuals, both employees and managers, acquiring shares based on their ability to pay for them. Fundamental to the scheme was the principle that everyone had the same opportunity to own shares. Management acquired the majority stake of the share allocation, receiving 51 per cent of the shares, while employees acquired the remaining 49 per cent.

Management took the majority stake to satisfy external investors that the company was committed to seeing the buy-out succeed, given that the company's assets were mortgaged to fund the purchase. Larger stakes for managers had not been uncommon in a number of the UK bus buy-outs. Generally, managers acquired the majority share to reassure financing institutions that there were groups of owners within the organisation with an incentive to ensure that targets for servicing finance were met (Wright et al 1990).

Company Four's buy-out was completed at a cost of £12.5 million. Managers invested around £306,000 of personal equity to fund the purchase and the company's three executive directors assumed ownership of around 30 per cent of the shares, thereby giving them additional control. For the employees' side, two employee directors sat on the company board, both of whom had a right of veto on certain strategic decisions as outlined in the company's Articles and Memorandum of Association.

5.6.1 Share allocation

Collectively, the total number of shares available to employees was 6,000,000, at an initial value of 5 pence for each share. Individuals eligible to participate in the scheme were permanent employees of the company as at 31 March 1989 and working for more than 16 hours a week. In subsequent years, participants were required to have a minimum of 12 months' continuous service with the company, effective at 31 March of the year in question; additionally, they had to be actively employed by the company at the date of share allocation. Initially, share issues were weighted according to length of service although each subsequent share offer was evenly distributed. Almost all individuals eligible to participate in the ESOP did so[xii]. Eligible employees received 200 shares for less than one year's continuous service up to 31 March 1989. For more than one but less than two years' service, the allocation was 375 shares; those with more than two years' continuous service received 600 shares. In addition, employees with more than two years' service became eligible for a service-related allocation of 25 shares for each additional completed year at 31 March 1989. Provided employees were eligible in 1990 and subsequent years, they received at least 100 shares, while part-time employees received a pro-rata allocation calculated as a proportion of the hours they would have been contracted to work if on a full-time contract. Details of share allocations are given in *Table 12*.

Table 12: *Company Four*: Share allocation according to length of service

Completed years of service	Share allocation (n)	Completed years of service	Share allocation (n)
< than 1 year	200	> than 18 years but < 19	1,000
> than 1 year but < 2	375	> than 19 years but < 20	1,025
> than 2 years but < 3	600	> than 20 years but < 21	1,050
> than 3 years but < 4	625	> than 21 years but < 22	1,075
> than 4 years but < 5	650	> than 22 years but < 23	1,100
> than 5 years but < 6	675	> than 23 years but < 24	1,125
> than 6 years but < 7	700	> than 24 years but < 25	1,150
> than 7 years but < 8	725	> than 25 years but < 26	1,175
> than 8 years but < 9	750	> than 26 years but < 27	1,200
> than 9 years but < 10	775	> than 27 years but < 28	1,225
> than 10 years but < 11	800	> than 28 years but< 29	1,250
> than 11 years but < 12	825	> than 29 years but < 30	1,275
> than 12 years but < 13	850	> than 30 years but < 31	1,300
> than 13 years but < 14	875	> than 31 years but < 32	1,325
> than 14 years but < 15	900	> than 32 years but < 33	1,350
> than 15 years but < 16	925	> than 33 years but < 34	1,375
> than 16 years but < 17	950	> than 34 years but < 35	1,400
> than 17 years but < 18	975	> 35	1,425

Source: *Your Guide to the [Company Four] ESOP* (1989)

5.6.2 Operation of the ESOP

Money annually set aside by the company board for the ESOP was transferred to a PST established at the time of the buy-out. The money from the PST was then used to acquire shares held by the company's EBT and the shares were distributed to those participating in the scheme. However, there was a minimum period where participants had to retain the shares allocated to them, while the amount of tax for which participants were liable on the disposal of their shares was affected by the length of time they held on to them. It was anticipated that five years after their initial allocation, the shares would automatically be released from these restrictions and transferred to participants. The company produced a series of booklets outlining the aims and objectives of the ESOP, which were sent out to all employees. Within one of these booklets[xiii] the stated objectives of the ESOP were outlined as being:

> '... to enable all eligible employees to participate directly in the company's success through their efforts at work, their contribution to the new consultation procedures,

and their receipt of the company's shares – the value of which will increase if the company prospers.'

5.6.3 ESOP negotiating structures

During the period of ownership, the company had a Joint Advisory Committee (JAC) made up of three executive directors, the personnel, traffic and other senior managers, plus five employee representatives. The purpose of the JAC was to consider and discuss overall progress and company strategy; it met every three months and also prior to company board meetings.

Additionally, each of the company's main garages set up a divisional ESOP Consultative Committee (ECC), the purpose of which was to consider and discuss divisional progress and plans, plus reports submitted from divisional seminars. Meetings occurred every three months and gave employees the opportunity to discuss relevant topics with senior managers. Divisional ECCs were made up of local garage managers, two additional management representatives and up to five employee representatives from across all staff categories, plus a representative of the JAC. Additionally, during the period of ownership, employees received financial information, including copies of the annual accounts and were additionally invited to attend company AGMs where they had the opportunity to put questions to the board.

5.6.4 Current ownership structure

Company Four operated as an employee-owned enterprise for five years. During that time, the shares were valued on an annual basis, with the share value rising from 5 pence up to 63 pence over the period. In July 1994, the company became the focus for a major take-over by one of the UK's leading transport groups. Employees were offered £4.58 per share and subsequent support for the take-over was virtually unanimous[xiv]. On the day of the sale all employees received three-year job guarantees from the new owners plus cash windfalls averaging between £9,000 and £10,000. At the time of the fieldwork there had been 150 voluntary but no compulsory redundancies, although employee turnover was initially high following the take-over[xv].

5.7 Background to Company Five

Company Five is located in the South West of England and transferred to its employee ownership status in December 1993 at a cost of £1.15 million. At that time, the company employed around 250 employees across four divisions including a budget rent-a-car franchise and a coach service. Steered through the conversion by a small working party of managerial and employee representatives, the purchase of the company had been the subject of negotiations for some considerable time prior to 1993, eventually receiving 'single-bidder' status that allowed the company to proceed with the buy-out without any competition. The timing of events for the buy-out was crucial. If the sale of the company was completed before the end of 1993 the local council could keep the entire proceeds of the sale. Selling at a later date would have led to the local authority sharing the revenue from the sale with central government. The council laid down a three-year condition for *Company Five*, whereby if the company was sold within the first year of the buy-out it had to pay the council 90 per cent of any profit made during that time. If sold after two years, the company had to pay back 60 per cent of the profit, or 30 per cent after three years. At the end of the third year *Company Five* was able to sell as and when it wished.

5.7.1 Operation of the share scheme

To fund the buy-out in 1993, *Company Five* needed to raise approximately £300,000. Employees eligible to participate in the scheme had to be employed by the company at the time of the buy-out. As with *Company One*, the minimum individual investment for an employee was £1,000, although senior managers were required to invest £15,000 each if they wished to participate in the scheme. A special personal loan arrangement was agreed with a local building society to provide funds for those wanting to be a part of the buy-out but who did not have the necessary finances. Around 70 per cent of all employees (n = 264) took up the share offer; only around 5 per cent did not want to become involved and the remainder could not afford to participate (IRS 1995). At the time of the Stage One investigation just over 16 per cent of respondents said they had owned shares in the company when it was employee-owned. Reasons given for not owning shares included failing to meet the length of service criteria (88 per cent) and simply not wishing to own shares in the company when the buy-out occurred (8 per cent).

When the shares were apportioned in December 1993, directors received 8 per cent, managers received 3 per cent and employees – collectively – were allocated 49 per cent, although no individual employee held more than 7 per cent of the shares. The company also set up an EBT that held 40 per cent of the share capital. Shares were originally valued at 10 pence each and had to be sold back to the company when employees left. Participation in the scheme also gave employees the opportunity to exercise their voting rights at the company's AGM, the first of which took place on 11 June 1995. Over the four-years of the buy-out employees had the option to buy additional shares up to a maximum value of £3,436.

Company Five's board was originally made up entirely of company employees, including managers. Later on the board acquired two executive directors, two managers, three employee directors who were elected by the workforce and an independent chairman. The employee directors came from each of the three main staff groups – engineering, platform and administrative – and had a four-year term of office, although this was staggered to provide continuity. Union representatives were not permitted to sit on the board although regular meetings between the two groups did occur. The company had one further board responsible for running the EBT: it was managed by three employee representatives - a driver, plus two employees from the workshop and administrative departments, together with an independent chairman. Bi-monthly meetings, otherwise known as 'sharp end' meetings, also took place, providing a forum for employees to ask questions of directors and departmental managers, raise issues and make suggestions regarding the general running of the company.

Six months after the start of the buy-out, new staff received an increased hourly rate of pay but less holiday entitlement than established employees. Following one year's service with the company, the basic rate of pay rose and employees were entitled to purchase shares in the company. In subsequent years both the basic rate and holiday entitlement increased.

5.7.2 Current ownership structure

Company Five, as a single entity, ceased operations in May 1997 and merged with a one time competitor and former MBO to become part of one of the UK's largest transport groups. Spurred into action by the belief that the long-term future of *Company Five* best lay in ownership by one of the larger transport groups, all of the company's employees eligible to vote for the sale did so. The company was sold for approximately £8 million and employees received on average around £18,000 each from an initial investment of £1,000. Managers from the MBO company took over most of the management roles of the new business, including the role of managing director, while *Company Five's* managing director left the company immediately following the sale. The positions held by *Company Five's* employee directors were also dissolved and at the time of the fieldwork there were no plans to resurrect these roles. Figures provided by the new managing director revealed that *Company Five* held about 28 per cent of the local transport market during its period of ownership. The company now employs around 752 personnel across three main sites and since the merger has managed to secure around 95 per cent of the local market and win a number of awards including 'Bus Company of the Year' in 1998.

5.8 Background to Company Six

Company Six was established in 1989. Currently part of an overseas plc subsidiary operating bus, light rail and metro systems throughout France, *Company Six* is located in South West London and employs a total of 1,639 personnel across two main sites. Sold in the first instance to a management-led consortium on 5 November 1994 following the privatisation of London Buses, the company was sold on again in August 1997 at a cost of £41 million, to its present owners. The sale followed a unanimous workforce vote in support of the offer, with shares valued at £0.74 each[xvi].

In 1994, directors and managers had acquired 54.5 per cent of the company's equity, the company's 1,544 employees were allocated a 9.5 per cent total share and the remainder went to external institutions. A MEBO was originally established for the purposes of acquiring the issued share capital of the company from London Transport, with the acquisition completed for an aggregate cash sum of approximately £23,000,000. To fund the acquisition, management shareholders invested £284,000 in the company by way of a subscription of management convertible ordinary shares at £0.01 each. Financial institutions invested around £8.7 million, divided as follows:

(i) £155,742 for 15,574,194 institutional cumulative participating ordinary shares valued at £0.01 each;

(ii) £3,428 for 34,283,584 institutional convertible deferred shares valued at £0.01 each, with no dividend rights;

(iii) £3,412,000 for 3,412,000 institutional cumulative redeemable preference shares valued at £0.01 each, purchased at a premium price of £0.99 each; and

(iv) £5,144,830 for loan stock issued by the company carrying gross interest at 7.5 per cent per annum until 31 October 1995 and 10 per cent thereafter[xvii].

5.8.1 Employee offer

The offer to employees consisted of 'ordinary shares' at a value of £0.01 each and 'employee preference shares' at £0.10 each:

(i) Ordinary shares ('free shares') constituting 4 per cent of the ordinary share capital of the company, which were allocated to employees of the company employed on 1 May 1994 and continuously employed up until 9 am on 11 February 1995. An EBT – 'EBT1' - was established for this purpose, funded by the company to enable it to subscribe for the ordinary shares. The number of shares allocated to each employee was dependent upon the length of continuous service at 11 February 1995 as shown in *Table 13*. No management shareholders received ordinary free shares.

(ii) Ordinary shares ('further ordinary shares') constituting up to an additional 17 per cent of the ordinary share capital and up to 15,927,111 employee preference shares. These were offered for sale to employees of the company employed on 31 December 1994 and who were continuously employed until 9 am on 11 February 1995. This component was referred to as 'the further employee offer'.

The 'further employee offer' gave employees as a collective group the right to invest up to £1,700,000 in the company. This was on the basis that for each additional £100,000 invested by employees, ordinary shares constituting a further 1 per cent of the company's ordinary share capital would be issued to them. Each employee investing funds in the company received a proportion of the total number of ordinary shares and employee preference shares available for purchase, equal to the proportion of the total employee investment that their individual investment constituted. The minimum investment was £50 and loans were available to employees wishing to take up the additional offer[xviii].

The company had two dealing periods each year, when all 'ordinary' shareholders were able to notify the company that they wished to offer their shares for sale. Shares offered to the EBT1 could either be purchased by the trust and kept for future offers to be made to employee shareholders, or be offered directly to existing employee shareholders immediately they became available for sale. On leaving the company, for whatever reason, employees had to sell their shares back to the EBT. In terms of voting rights, holders of the institutional ordinary shares, management ordinary shares and ordinary shares were entitled to attend and vote at general meetings and on a poll, were entitled to receive one vote for every such share they held. Moreover, ownership of shares gave employees the opportunity to appoint two non-executive (employee) directors who were given a two-year term of office.

Table 13: Criteria for share allocation at *Company Six*

Number of years continuous service at 11th February 1995	Shares allocated (n)
At least from the 1st of May 1994 to the 11th of February 1995	0.5x
At least 1	1.0x
At least 2	1.2x
At least 3	1.3x
At least 4	1.4x
At least 5	1.5x
At least 6	1.6x
At least 7	1.7x
At least 8	1.8x
At least 9	1.9x
At least 10	2.0x
At least 11	2.1x
At least 12	2.2x
At least 13	2.3x
At least 14	2.4x
At least 15	2.5x
At least 16	2.6x
At least 17	2.7x
At least 18	2.8x
At least 19	2.9x
20 or more	3.0x

Source: *Offer of Shares to Employees* (circular to *Company Six* employees - 1994)

5.8.2 Current ownership structure

Unlike the situation at *Company Five*, employee directors still held a role, post buy-out, in *Company Six* and retained their positions on the company board. Also on the board were a non-executive chairman, six executive directors, two employee directors and three non-executive directors. The company also had a joint consultative committee (JCC) made up of management and trade union representatives that met once every three months. Meetings held did not focus so much on key issues; rather, they reviewed how all of the garages were performing while considering scope for improvement and issues to work on over the following three months. The JCC meetings essentially provided each side with the opportunity to air their grievances and the minutes of the meetings were then posted on notice boards around the different sites. Health and safety meetings were also held every six weeks. In terms of the management structure, a number of management tiers were removed following privatisation in 1994. From a total of seven assistant operating managers in the early 90s, there were two such positions at each garage by the time of the 1998 investigation. The individual holding the position of managing director at the time of the study had held the same role before privatisation.

5.9. Summary

5.9.1 Employee-owned companies

Table 14 (pages 149-50) outlines the key features of ESO at the three employee-owned bus companies featured in the study - *Company One*, *Company Two* and *Company Three* - plus the background and context against which each ESO scheme was launched. One of the key aspects of the current research is to compare employee attitudes and behaviours across three different models of ESO (see Chapter 1) and *Table 14* provides a useful overview of some of the most significant features of the three schemes.

From the table the main differences between the three companies and the three ESO schemes can be identified as follows: the proportion of collective ESO within each company; the system of ownership adopted; the context in which each scheme was launched; and the number of employees participating in the scheme. Similarities are also noted, however. *Company One* and *Company Two* both moved to ESO from similar stables and both allowed employees to have voting rights on issues constituting 'major business'. Employees at *Company Three* were also allocated voting rights, although this was limited to a vote in the event of a take-over offer. Additionally, share allocation at *Company One* and *Company Two* was based on either willingness to invest (*Company One*) or length of service (*Company Two*), rather than being dependent upon one's position in the organisational hierarchy (*Company Three*). Specifically, in *Company One* and *Company Two*, it was possible for drivers to own more shares than those in senior management positions. Similarly, in both cases, senior managers were allocated 'priority shares', thereby giving them controlling interest in the running of their companies and day-to-day decision-making. The arrangement for allocation of shares among directors at *Company Three* differed slightly. At the time of the initial buy-out, the directors and senior management team invested a total of £100,000 into the company and received 29.9 per cent of the share capital. At *Company Three* it was not the intention to place employees and directors on an equal footing through the allocation of shares. The arrangement adopted at *Company Three* was in line with general MEBO strategies at that time, however, given that outside investors were generally unwilling to invest in majority EBOs.

The number of employees across the three companies taking up the initial share offer at the time of the buy-out also merits consideration. Over 90 per cent of employees at *Company One* invested £1,000 in their firm to buy shares, while at *Company Two*, almost *all* employees participated in the share offer. In the latter case however, employees were not required to invest their own money. Similarly, at *Company Three*, employees were not required to make a direct financial investment, though the initial take-up rate of 58 per cent was considerably lower than for *Company Two*. The reasons for converting to ownership in each case have already been highlighted, though it is worth considering that the background against which each of the schemes was launched was probably significant in terms of take-up rates. Employees at *Company One*, for example, wanted to take control of their own company – *'buy or be bought'*. The company had also rejected an ESOP arrangement on the basis that employees investing a sum of their own money in the company would be more motivated to see it succeed than if they had received their shares at no direct cost.

In contrast, while *Company Two* had faced a similar situation to *Company One* in terms of being forced to move away from local authority ownership, a direct share purchase arrangement was rejected on the basis that it would discriminate against those employees without the funds to invest. Thus, through the ESOP, employees at *Company Two* were effectively offered 'something for nothing', which probably goes some way to explaining the high take-up rate. Similarly, the *Company Three* ESOP required no direct financial investment by employees. However, the share offer was inextricably linked to privatisation and a reduction in terms and conditions of employment, thereby creating a negative view of ESO among employees and perhaps prompting large numbers of them to reject the share offer. This particular theme is developed further in an analysis of the Stage Two interviews presented in Chapter 6.

5.9.2 Post employee buy-out companies

Table 15 (pages 151-2) summarises the key points to emerge from the three post buy-out companies - *Company Four, Company Five* and *Company Six* - including: events leading to ownership conversion at each firm; the system of ownership chosen, the percentage of equity held by employees; and criteria for participation in the scheme. The table also reinforces the theme that UK bus buy-outs took a variety of forms, with the cases shown providing diverse examples of the systems and degrees of employee ownership that characterised the industry for over a decade. At *Company Six*, employees were allocated 9.5 per cent of the share capital, though an additional allocation was available for employees willing to invest their own money in the firm. In contrast, directors and senior managers at the company were allocated over half of the equity. At *Company Four,* directors and senior managers were similarly apportioned a majority shareholding, though employees were allocated 49 per cent of the share capital. The situation at *Company Five* was different again, with 89 per cent of the share capital divided between employees and the company's EBT. *Company Five's* directors held a further 8 per cent of the shares while senior managers held the remaining 3 per cent. Additionally, *Company Five* employees were required to purchase their shares to participate in the scheme. The situation at *Company Four* and *Company Six,* with directors and senior managers holding a majority of the equity, was probably more typical of some of the earlier buy-outs, however. A 1989 survey conducted by the Centre for Management Buy-out Research found that managers held a majority stake of the equity in more than 75 per cent of cases (Wright et al 1989).

There was an indication by 1990, however, that management-led buy-outs with only minority participation for employees were meeting with some resistance (Wright et al 1990). Competing trade union-led employee bids were occurring in some situations. This was indeed the case at *Company Four* in 1989, though the TGWU failed in its bid to form a total EBO in that instance. Notwithstanding, where employee bids were successful, the intention was to allow managers to take operating decisions but to be subject to control by employee shareholders. At least in part, the involvement of employees as equity investors appeared to be motivated by the belief that direct EP improved performance, or at least created goodwill towards managers at a time when radical changes were occurring.

Aside from the differences in the model of ESO adopted and the criteria for allocation of shares, the length of time spent by the three companies as employee-owned entities is also worthy of mention. In each case, the period of time spent in ownership exceeded the average for all buy-outs of 3.42 years (Wright et al 1992). Moreover, employee ownership at *Company Four* and *Company Five* exceeded the average for bus buy-outs of 3.7 years (Pendleton 2001). The length of time spent by *Company Six* as an employee-owned company was slightly below the average for bus buy-outs. The theme of 'ESO durability' is examined more closely in Chapter 8.

It is also worth noting that in the 'post buy-out' era, *Company Four* and *Company Five* still operate share option schemes, even though for the present thesis they are defined as 'post-ESO firms'. As highlighted previously in Chapter 1 and Chapter 2, an 'employee-owned company' provides employees with some degree of control as manifested, for example, through the exercising of voting rights. Broad-based share option schemes in contrast may be viewed as an individualist form of involvement because participation rates tend to be very low, thereby leading to fragmentation of ESO (see Chapter 2). In addition, many employees in share-based profit-sharing schemes prefer to take their rewards in cash, thus losing any rights of ownership.

5.9.3 Summary

Chapter 5 has presented detailed profiles of each of the six cases, addressing a wide range of issues relevant to the current study and setting the context for results that follow in Chapters 6 to 8. Selection of these particular cases was based on the premise that they represented some of the most significant forms of ESO to have been found within the UK bus industry in the aftermath of deregulation and privatisation. Information in *Table 14* and *Table 15* has identified the extent of ESO diversity present within the study sample and issues highlighted in the tables, including ESO concentration within the firm, methods for acquiring shares and the basis for share allocation, are addressed further in the following three chapters.

Results are based on primary quantitative and qualitative data, as discussed in Chapter 4. Firstly, Chapter 6 looks at 'feelings of ownership' and 'employee commitment' at *Company One*, *Company Two* and *Company Three*, while the focus of Chapter 7 is an examination across all six companies of EP and industrial relations outcomes. Finally, Chapter 8 looks at whether different models of ESO and the varying circumstances of ownership are important for its durability. Stage Two data from *Company Four*, *Company Five* and *Company Six* provide the basis for results presented in Chapter 8.

---

[i] Of respondents participating in the Stage One survey, just over 71 per cent said they had purchased shares in 1993. 7 per cent, 5 per cent and 17 per cent of Stage One respondents respectively purchased shares in the years 1994, 1995 and 1997. No Stage One respondents purchased shares in 1996.

[ii] Featured in the company's 'Mission Statement'.

[iii] 66 per cent of Stage One respondents at *Company Two* became shareholders in 1993. For 1994, 1995 and 1996, the take-up of shares among Stage One respondents came to 12 per cent, 14 per cent and 8 per cent respectively.

[iv] Based on a share value of £2.10 per share in 1996, these shares would have been worth approximately £4,609. At the time of the Stage One survey in 1997, the average shareholding in *Company Two* was approximately 1,200 shares at a total value of £2,400.

[v] Two employee directors were selected from platform staff, one from office staff and one from engineering staff and were elected for a two-year term of office. For the first term, two of the directors were elected for three years, giving a rotation of directors annually.

[vi] Each of the executive directors was responsible for a specific field of operation.

[vii] Non-executive directors were appointed by the executive and employee directors and included two community-appointed directors, plus one business appointment.

[viii] Statement featured in *Company Three's* share scheme booklet distributed to employees prior to the 1994 buyout.

[ix] One of the employee directors represented the company's venture capitalists while the other was a representative from the City.

[x] Featured in the flotation prospectus published on 16 July 1997 (Financial Times – 17 July 1997: 26).

[xi] From Stage One, 53 per cent of respondents said they had purchased additional shares following the flotation of the company. The result is based on a total of 185 respondents providing an answer to the question.

[xii] Although requested during the current investigation, no accurate figures were available for the total number of employees participating in the ESOP in 1989. Results from Stage One

however reveal that 55 per cent (n = 119) of all survey respondents (n = 217) participated in the ESOP.

[xiii] *Your Guide to the [Company Four] ESOP* – 1989.

[xiv] Around 53 per cent of Stage One respondents said they were satisfied with the price they received for their shares when the company was sold.

[xv] In an interview in November 1996, the Manager Director said that a large redundancy programme at the end of the three years was unlikely.

[xvi] 63 per cent of Stage One respondents said they were satisfied with the price they received for their shares.

[xvii] Extract from 'Offer of Shares to Employees' booklet produced by *Company Six* and circulated to all staff in the company.

[xviii] No exact figures were available for the number of employees taking up the 'employee offer' or the 'further employee offer' at the time of the buy-out in 1994. However, results from Stage One reveal that 43 per cent of respondents owned shares in the company when it was employee-owned. This figure does not distinguish between the two share offers.

Table 14: Summary of cases and key ESO characteristics (employee-owned companies)

	Company One	*Company Two*	*Company Three*
Company location	North West	South Yorkshire	West London
Total number employed	300	2,700	1,200
Number of sites	Two	Five	Five
Year ESO was established	1993	1993	1994
Model of ESO	Direct share purchase	ESOP	ESOP
Total shares held by employees	100 per cent	80 per cent	25.1 per cent
External shareholders	None	20 per cent of the share capital held by an external trade investor	45 per cent of the share capital held by venture capitalists
Directors' shareholdings	Members of the senior management team held 'A' shares, giving them a controlling interest in the management of the company.	Four company directors held 25 'golden shares', which carried voting rights for five years except on certain specified matters.	29.9 per cent of the share capital was allocated to the company's directors and senior management team.
Background to ESO	Company had become local-authority owned following deregulation. Introduction of government legislation in 1991 regarding future sales from local authorities prompted move to ESO.	As for *Company One*	Privatisation
ESO philosophy	In buying shares employees would 'become bonded to a level of performance required for the buy-out to succeed'.	'To invest in our shareholders as employees, who are recognised as our most valuable asset.'	'To enable as many staff as possible to share in the benefit of the company's performance as it develops in private ownership.'
Eligibility for joining the scheme	Employees could elect to purchase shares after one year's service with the company.	Employees with a minimum of two years' service received shares at no direct cost to themselves.	Employees had to be employed by the company on or before 7 October 1994.
Number of employees participating in the initial buy-out	91 per cent	99 per cent (see Chapter 5).	58 per cent
Share value	1993: £1 per share September 1998: £9.25 per share	1993: £0.01 per share 1994: £0.85 per share 1995: £1.50 per share 1996: £2.10 per share	1994: 36 pence per share 1996: £4.80 per share 1997: 173 pence per share 1998: 250 pence per share ('2 for 5' rights issue)

Table 14 continued:

	Company One	*Company Two*	*Company Three*
Basis for allocation of shares	Eligible employees purchased 1,000 shares on the day of the buy-out. Up to 1998, employees had the opportunity to purchase a further 150 shares. After 1998 the company authorised an additional 'free share' issue up to a maximum of 13 shares for individuals. New maximum share total was 1,163.	Eligible employees received 114 shares for each year of service up to 1993, followed by three annual free share distributions thereafter and a 'BOGOF' scheme in 1996.	Eligible employees received 115 ordinary shares with twenty-five additional shares for each year of service.
Role of share trusts	Company established an EBT to act as a warehouse for shares. When employees left the company the trust 'purchased' their shares to sell on to new employees.	EBT1 and EBT 2 were created to hold shares on behalf of employees. EBT 1 held 26 per cent of the shares. EBT 2 acted as a 'warehouse' by purchasing shares from employees that had left the company and subsequently redistributing them through the APSS.	Company set up an EBT and a PST. On the day of privatisation, funds were set aside for the EBT for purchasing the whole of the employee share allocation. Company then made payments from its profits to the PST. The PST then used these payments to purchase shares from the EBT.
Voting rights for employees	Decisions constituting 'major business' required a 75 per cent majority vote of employee shareholders.	As for *Company One*	In the event of a take-over offer being made, employees were able to vote to accept or reject the offer.
Employee directors	Four employee directors from each of the main workforce groups.	Four employee directors: two platform staff, one engineer and one member of the office staff.	Four employee directors representing the main workforce groups.
Composition of the company board	Five senior managers and four employee directors. Senior managers had effective control for the day-to-day running of the company through their 'A' shares.	Four employee directors, four executive directors and four non-executive directors. The consent of at least two employee directors was required for key decisions.	Four employee directors, four executive directors, two non-executive directors (one representing venture capitalists and one from the City).
Current status of company	Remains a wholly employee-owned enterprise.	Company sold to trade investor from initial buy-out in 1998.	Acquired by a Singapore transport company in 2000.

Table 15: Summary of cases and key ESO characteristics (post employee buy-out companies)

Variable	*Company Four*	*Company Five*	*Company Six*
Employee share ownership:			
Year scheme was established	1989	1993 *(Company Five (A)* – see Chapter 4)	1994
Model of ESO	MEBO – 51/49 per cent management/ employee split through an ESOP mechanism. No direct financial investment required by employees. Managers collectively invested approximately £306,000 of personal equity. 6,000,000 shares were made available to employees at a value of £0.05 per share. Amount of shares available included a service-related allocation of 25 shares for each year of service at 31 March 1989.	Direct purchase MEBO. Allocation of shares: directors – 8 per cent; managers 3 per cent; employees 49 per cent. EBT held remaining 40 per cent of the share capital. Employees invested £1,000 each in the company to buy shares; managers invested £15,000 each. Shares were originally valued at £0.10 per share.	MEBO - 54.5 per cent of the shares held by directors and senior managers, 9.5 per cent held by employees and the remainder held by external institutions. Managers invested £284,000 to fund the acquisition, buying shares valued at 1 pence per share. Other financial institutions invested approx. £8.7 million. Offer to employees was in two parts: (1) 4 per cent of the share capital in ordinary shares valued at £0.01 per share; (2) 17 per cent of the share capital. Minimum investment was £50 (optional to employees).
Events leading to ESO	Moved into local authority control following deregulation in 1986. Local authority relinquished control three years later following changes in legislation.	As for *Company Four, Company Five (A)* moved out of local authority control in 1993.	Following privatisation, *Company Six* was sold by London Transport in 1994.
How the scheme worked	Money annually set aside by the company board for the ESOP was transferred to a PST. Money from the PST was used to acquire shares for ESOP participants from the EBT.	Shares were held by the company's EBT. Over the four-year period, individuals were able to buy additional shares up to a maximum value of £3,436 through dealing days held once a year.	An EBT was set up for the 'ordinary share offer'. Two dealing periods each year when 'ordinary' shareholders could sell their shares. Shares offered to the EBT could be retained for future offers to shareholders, or offered directly to existing shareholders.
Criteria for participation	Working as a permanent employee for more than 16 hours a week at 31 March 1989. Thereafter, 12 months' continuous service at 31 March.	All permanent employees working at the company at the time of the buy-out were eligible to participate.	For first part of the offer: allocation based on length of service. For second part of the offer: shares were offered for sale to employees of the company employed on 31 December 1994 and who were continuously employed until 11 February 1995.

Table 15 continued:

	Company Four	*Company Five*	*Company Six*
Employee directors	Two employee directors during the buy-out. Both had rights of veto on certain strategic decisions.	Three employee directors during the buy-out.	Two employee directors during the buy-out.
Negotiating structures	JAC, ESOP Consultative Committee	EBT Board	JCC
Year scheme ended	1994	1997	1997
Reasons	Take-over by a major transport operator. Employees were offered £4.58 per share and the vote for the sale was virtually unanimous. Employees received average windfalls of between £9,000 and £10,000.	Merged with *Company B* (see Chapter 4) with the view that it was best for the long-term future of both companies. Virtually unanimous support for the sale. Average windfalls of £18,000.	Take-over by an overseas subsidiary. Unanimous vote in favour of the sale with shares valued at £0.74 each.
Additional information	An EBO and a MBO had also been considered in 1989. In 1994 on the day of the sale, all employees received three-year job guarantees.	Union representatives were not permitted to sit on the company board	Employee shareholders were able to appoint employee directors.
Current pay negotiating arrangements	JNC agrees rates of pay for 95 per cent of staff. Directors' pay set by head office in Scotland.	JNC agrees rates of pay for employees across all sites. Made up of trade union representatives, the managing director and members of the senior management team.	JNC agrees rates of pay for all staff. Made up of four directors, paid union officers and company convenor.
'Other' negotiating structures	JAC and DCC	Bi-monthly meetings with the operations director, garage staff managers and union representatives. Monthly meetings between union representatives and managing director/operations director. Health and safety meetings.	Three-monthly JCC meetings. Six-weekly health and safety meetings.
Employee directors	Employee directors retained positions after 1994 sale.	Following the merger, the roles were dissolved, with no plans to resurrect them in the future.	Two employee directors currently in place.
Additional information	Flatter management structure compared with pre-buy-out period.	Merger of the two companies resulted in common terms and conditions across all sites.	Flatter management structure compared with pre buy-out period.
Total number currently employed	1,540	752	1,639

6.0 Employee share ownership, feelings of ownership and organisational commitment

6.1 Introduction

Chapter 6 examines different models of ESO and 'feelings of ownership' and 'employee commitment' outcomes. Specifically, the chapter sets out to investigate the extent to which the attitudes of employee shareholders to ESO and to their organisation differ across the three 'employee-owned' cases featured in the study - *Company One, Company Two* and *Company Three.* Based on quantitative data from the Stage One employee attitude survey and on qualitative data from Stage Two, the main aim is to establish whether the 'model' of ESO and the context of its formation are important for outcomes of ownership and organisational commitment.

Section 6.2 presents findings concerning employees' 'feelings of ownership'. Data analysis for this first section is divided into three main areas: level of satisfaction with ESO; how the main benefits of ESO are perceived; and whether ESO has made a difference to the way employee shareholders regard their company. Guiding the first part of the analysis is the hypothesis that employee shareholders working under a 'direct' system of ESO (*Company One*) derive greater satisfaction from being owners compared with employee shareholders in firms with more indirect ownership, such as an 'ESOP' (*Company Two* and *Company Three*). It is further hypothesised that employee shareholders in companies with a 'direct' ownership programme exhibit a greater 'sense' of ownership towards their company than shareholders in firms with more 'indirect' arrangements. Investigation of the second hypothesis draws on results from two areas of 'ownership' analysis – the perceived main benefits of ESO at each company and the attitudes of employee shareholders to their company following an ESO conversion.

Where employees experience greater feelings of ownership it is hypothesised that a stronger sense of commitment to the organisation will also ensue. Section 6.3 examines organisational commitment across the three companies and the extent to which 'characteristics of ESO', such as the model of ownership and the number of shares held by employees, impact upon the commitment of employees. Further analysis presented in section 6.3.1 looks at the commitment levels of shareholders and non-shareholders at

Company One and *Company Three* to establish whether owning shares is actually important for commitment outcomes. *Company Two* data were excluded due to the small size of the company's 'non-shareholder' group (see section 4.4.3 in Chapter 4).

Previous ESO studies (see Chapter 3) have often included comparisons of 'shareholder and non-shareholder attitudes', although the approach has sometimes been criticised (see French 1987; Pendleton 2001). Variables other than 'ownership' per se – for example, the number of shares held by individual employees, the model of ownership in place and the context in which the conversion to ownership occurred – have not always been considered in tandem. In an attempt to address these issues, section 6.3.1 also compares the attitudes of non-shareholders only at *Company One* and *Company Three* to establish whether the model of ownership is important for attitudinal outcomes among employees who do not own shares. As discussed in Chapter 3, non-shareholders may still benefit to some degree from working in an environment of employee ownership, although like shareholders, attitudinal outcomes may similarly be determined by variables other than ownership alone. The chapter also includes an examination of observations drawn from the Stage Two interviews regarding the model of ESO adopted by each company and reasons for the choice of model. The aim of the qualitative analysis is to gain richer insights into results from the quantitative stage. Views from *Company One* respondents on the likelihood of a third-party buy-out in the future are also examined, though such an investigation was inappropriate at *Company Two* and *Company Three* given the situation in each case at the time of the Stage Two interviews (see Chapter 5). Role-ordered matrices used to assist in the analysis of qualitative material (see section 4.5.4 in Chapter 4) presented in this chapter can be found in *Appendix 12 (i-xxxiv).*

6.2 Employee share ownership satisfaction

Results in this section are based on quantitative data examining employee shareholders' responses to Rosen et al's (1986) six-item 'general satisfaction with employee share ownership' scale. The aim of the analysis is to examine the attitudes of employee shareholders in relation to ESO satisfaction and to establish whether there are differences in employee attitudes across three different models of ESO. *Tables 16* to *18* present exploratory results based on responses to the 'ESO satisfaction' scale. Questions featured on the Stage One questionnaire were originally presented in a five-point interval scale format, with responses ranging from 'strongly agree' (1) through to 'strongly disagree' (5). For ease and clarity of presentation, the 'strongly agree' and 'agree' categories and 'disagree' and 'strongly disagree' categories were merged into single 'agree' and 'disagree' categories respectively (see Pendleton 2001). Details of respondent numbers and further information on the scale can be found in sections 4.4.2 and 4.4.7 in Chapter 4. *Table (vi)* in *Appendix 5* lists all six scale items and their corresponding variable labels, which are shown in the tables below.

Table 16: Satisfaction with ESO at *Company One*: employee shareholders

	Agree	Neither agree/ disagree	Disagree	
Variable	%			**Mean**
Satisfying	32.7	40.8	26.5	2.88
Stay	52.1	35.4	12.5	2.46
Own	40.0	18.0	42.0	3.0
Care	63.8	29.8	6.4	2.02
Important	58.0	34.0	8.0	2.02
Proud to own	48.0	44.0	8.0	2.32

Table 17: Satisfaction with ESO at *Company Two*: employee shareholders

	Agree	Neither agree/ disagree	Disagree	
Variable	%			**Mean**
Satisfying	34.7	24.2	41.1	3.16
Stay	41.1	26.3	32.6	2.88
Own	27.4	23.2	49.4	3.45
Care	59.6	19.1	21.3	2.32
Important	44.2	30.5	25.3	2.69
Proud to own	45.2	26.3	28.4	2.69

Table 18: Satisfaction with ESO at *Company Three*: employee shareholders

	Agree	Neither agree/ disagree	Disagree	
Variable	%			**Mean**
Satisfying	13.5	22.1	64.4	3.88
Stay	21.3	20.4	58.3	3.68
Own	18.3	16.4	65.3	3.89
Care	47.1	22.1	30.8	2.69
Important	41.3	23.1	35.6	2.91
Proud to own	32.7	26.9	40.4	3.14

Source: Stage One survey 1997/8

Two main patterns emerge from exploratory results presented in the tables above, revealing both differences and similarities across the three cases in relation to ESO satisfaction. Generally, employee shareholders at *Company One* were the most satisfied with their company's ESO scheme overall, *Company Three* employee shareholders were the least satisfied and those at *Company Two* lay between the two extremes in their attitudes to ESO. At the same time, similarities were evident across the three cases in terms of how respondents 'ranked' the six scale items. Results taken from the tables above and summarised in *Table 19* reveal that respondents in all three cases were most likely to care about owning shares in their company (63.8 per cent at *Company One;* 59.6 per cent at *Company Two;* 47.1 per cent at *Company Three*), while the presence of ESO in the organisation was also fairly important to respondents (58 per cent at *Company One;* 44.2 per cent at *Company Two;* 41.3 per cent at *Company Three*). At the other extreme, respondents at all three companies were far less likely to feel like owners (40 per cent at *Company One;* 27.4 per cent at *Company Two;* 18.3 per cent at *Company Three*), or to find their work more satisfying because they owned shares (32.7 per cent at *Company One;* 34.7 per cent at *Company Two;* 13.5 per cent at *Company Three*).

Table 19: Levels of satisfaction with ESO – 'within groups' analysis

	Company One	*Company Two*	*Company Three*
Most likely to agree	Care	Care	Care
	Important	Proud to own	Important
	Stay	Important	Proud to own
	Proud to own	Stay	Stay
	Own	Satisfying	Own
Least likely to agree	Satisfying	Own	Satisfying

Differences between the three cases are examined more fully using a parametric One-way ANOVA test (see section 4.4.8 in Chapter 4). The null hypothesis tested by One-way ANOVA is that *n* groups being tested have equal means in the population, whereas the alternative hypothesis is that at least one of the means is different. In the present context, if there are no differences between the companies all three sets of data will have the same mean and the same variance and so the null hypothesis will be accepted. To perform ANOVA, the variances of the groups being tested must be equal, which can be confirmed by a 'homogeneity of variances' test as shown in *Table 20.*

Table 20: Test of homogeneity of variances – ESO satisfaction

	Levene Statistic	df1	df2	Sig.
Satisfying	2.229	2	245	.110
Stay	2.324	2	243	.100
Own	.335	2	246	.716
Care	7.014	2	242	.001***
Important	5.579	2	246	.004**
Proud to own	2.272	2	246	.105

*** Significant at 0.001 ** Significant at 0.01

Where the equality of variances assumption is met the output of the fifth column *(Sig.)* in the table is *not* significant, though output for two of the scale items in *Table 20* - 'care' (p = 0.001) and 'important' (p = 0.01) - *is* significant. Diamantopoulos and Schlegelmilch (1997) concluded that while the One-way ANOVA gives reasonably good results in the case of minor violations, the non-parametric K-W One-way ANOVA is recommended where violations are more substantial (see section 4.4.8 in Chapter 4). The K-W ANOVA, which is based on an approximation of the chi-square distribution, was, therefore, also performed on the ESO satisfaction data (see *Appendix 14*) and confirmed the results of the parametric ANOVA test which are shown in *Table 21* below.

Table 21: ANOVA – ESO satisfaction

		Sum of Squares	df	Mean Square	F	Sig.
Satisfying	Between Groups	42.406	2	21.203	12.273	.000***
	Within Groups	423.272	245	1.728		
	Total	465.677	247			
Stay	Between Groups	58.503	2	29.252	15.586	.000***
	Within Groups	456.070	243	1.877		
	Total	514.573	245			
Own	Between Groups	28.345	2	14.173	7.365	.001***
	Within Groups	473.373	246	1.924		
	Total	501.719	248			
Care	Between Groups	16.140	2	8.070	3.957	.020*
	Within Groups	493.558	242	2.039		
	Total	509.698	244			
Important	Between Groups	27.254	2	13.627	6.480	.002**
	Within Groups	517.349	246	2.103		
	Total	544.602	248			
Proud to own	Between Groups	24.883	2	12.442	6.432	.002**
	Within Groups	475.864	246	1.934		
	Total	500.747	248			

*** Significant at 0.001 ** Significant at 0.01 * Significant at 0.05

The overall variability in the data presented on the previous page is partitioned into two sources: variability of the observations *within* each group ('within groups') and variability *between* the group means ('between groups'). Total within-group variability is represented by the 'within-groups' sum of squares, while a measure of average variability within the groups is represented by the 'within-groups' mean square. The within-groups mean square is calculated by dividing the 'sum of squares' by the number of 'degrees of freedom' (total sample size minus number of groups). Similarly, the 'between-groups' mean square is calculated by dividing the total sum of squares by the number of degrees of freedom. If the null hypothesis is true and there are no differences between the means in the three companies, the variability *within* each case should be about the same as the variability *between* the three groups. Thus, the ratio of the 'between groups' mean square and the' within groups' mean square should be close to 1. This ratio is known as the *F-ratio* and its significance can be established by comparing it to the critical values of the *F*-distribution. In *Table 21*, none of the *F*-ratios for the six variables are close to '1'. Furthermore, the associated significant *p*-values for each of the six variables indicate that the null hypothesis is unlikely to be true. If the *p*-value is 0.05 (significant at the 5 per cent level) or less, this indicates a significant difference between the companies being compared. Thus, in the present context, the null hypothesis that respondents at the three companies shared similar attitudes to their ESO scheme is not accepted.

Results in *Table 21*, however, only indicate that attitudes among the three respondent groups are not all the same - they do not establish *which* of the cases may differ. The next stage of the analysis, therefore, is to identify *where* the differences lie using 'post hoc' or 'multiple comparisons' tests including the Scheffe and Tukey-b tests (Foster 2001) (Diamantopoulos and Schlegelmilch 1997). Results of the Scheffe test are shown in *Table 22*.

Table 22: Multiple comparisons test - ESO satisfaction

Dependent Variable		(I) Company	(J) Company	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	Upper Bound
Satisfying	Scheffe	1.00	2.00	-.28	.23	.480	-.85	.29
			3.00	-1.00*	.23	.000	-1.56	-.44
		2.00	1.00	.28	.23	.480	-.29	.85
			3.00	-.72*	.19	.001	-1.18	-.26
		3.00	1.00	1.00*	.23	.000	.44	1.56
			2.00	.72*	.19	.001	.26	1.18
Stay	Scheffe	1.00	2.00	-.43	.24	.216	-1.02	.17
			3.00	-1.22*	.24	.000	-1.81	-.63
		2.00	1.00	.43	.24	.216	-.17	1.02
			3.00	-.80*	.19	.000	-1.28	-.32
		3.00	1.00	1.22*	.24	.000	.63	1.81
			2.00	.80*	.19	.000	.32	1.28
Own	Scheffe	1.00	2.00	-.45	.24	.177	-1.05	.14
			3.00	-.89*	.24	.001	-1.48	-.31
		2.00	1.00	.45	.24	.177	-.14	1.05
			3.00	-.44	.20	.083	-.93	.04
		3.00	1.00	.89*	.24	.001	.31	1.48
			2.00	.44	.20	.083	-.04	.93
Care	Scheffe	1.00	2.00	-.30	.26	.507	-.93	.33
			3.00	-.67*	.25	.030	-1.29	-.05
		2.00	1.00	.30	.26	.507	-.33	.93
			3.00	-.37	.20	.188	-.87	.13
		3.00	1.00	.67*	.25	.030	.05	1.29
			2.00	.37	.20	.188	-.13	.87
Important	Scheffe	1.00	2.00	-.67*	.25	.030	-1.30	-.05
			3.00	-.89*	.25	.002	-1.51	-.28
		2.00	1.00	.67*	.25	.030	.05	1.30
			3.00	-.22	.21	.569	-.73	.29
		3.00	1.00	.89*	.25	.002	.28	1.51
			2.00	.22	.21	.569	-.29	.73
Proud to own	Scheffe	1.00	2.00	-.37	.24	.306	-.97	.22
			3.00	-.82*	.24	.003	-1.41	-.23
		2.00	1.00	.37	.24	.306	-.22	.97
			3.00	-.45	.20	.077	-.94	.04
		3.00	1.00	.82*	.24	.003	.23	1.41
			2.00	.45	.20	.077	-.04	.94

*. Significant at 0.05

Output presented in the 'mean difference' column of the table indicates where differences between the three companies are located. For the 'satisfaction' item – 'my work is more satisfying because I own shares in this organisation' - the output shows a significant difference between *Company One* and *Company Three* (p = 0.000) and additionally, between *Company Two* and *Company Three* (p = 0.001). No significant differences are found between *Company One* and *Company Two* on this item, however.

The 'homogenous subsets' output shown in *Figure 2* similarly helps to identify where any differences between the three companies may lie - the 'subset of means' that do *not* differ from each other are listed in the same column. Thus, output presented for the 'satisfying' scale item confirms that there are no significant differences in attitude between *Company One* and *Company Two* respondents, though views at both companies differ significantly from views put forward by respondents at *Company Three.* The main findings of the post hoc tests are summarised in *Table 23* followed by a discussion of the analysis in the chapter so far.

Figure 2: Homogeneous subsets - ESO satisfaction

Satisfying

	Company	N	Subset for alpha = .05 1	2
Tukey B	1.00	49	2.88	
	2.00	95	3.16	
	3.00	104		3.88
Scheffe	1.00	49	2.88	
	2.00	95	3.16	
	3.00	104		3.88
	Sig.		.432	1.000

Stay

	Company	N	Subset for alpha = .05 1	2
Tukey B	1.00	48	2.46	
	2.00	95	2.88	
	3.00	103		3.68
Scheffe	1.00	48	2.46	
	2.00	95	2.88	
	3.00	103		3.68
	Sig.		.173	1.000

Own

	Company	N	Subset for alpha = .05 1	2
Tukey B	1.00	50	3.00	
	2.00	95	3.45	3.45
	3.00	104		3.89
Scheffe	1.00	50	3.00	
	2.00	95	3.45	3.45
	3.00	104		3.89
	Sig.		.139	.153

Care

	Company	N	Subset for alpha = .05 1	2
Tukey B	1.00	47	2.02	
	2.00	94	2.32	2.32
	3.00	104		2.69
Scheffe	1.00	47	2.02	
	2.00	94	2.32	2.32
	3.00	104		2.69
	Sig.		.457	.293

Important

	Company	N	Subset for alpha = .05 1	2
Tukey B	1.00	50	2.02	
	2.00	95		2.69
	3.00	104		2.91
Scheffe	1.00	50	2.02	
	2.00	95		2.69
	3.00	104		2.91
	Sig.		1.000	.654

Proud to own

	Company	N	Subset for alpha = .05 1	2
Tukey B	1.00	50	2.32	
	2.00	95	2.69	2.69
	3.00	104		3.14
Scheffe	1.00	50	2.32	
	2.00	95	2.69	2.69
	3.00	104		3.14
	Sig.		.260	.144

Table 23: Summary of 'post hoc' test results – ESO satisfaction

	'Between-groups' differences					
	Company One and *Company Two*		*Company One* and *Company Three*		*Company Two* and *Company Three*	
Variable	**Outcome**	***p*-value**	**Outcome**	***p*-value**	**Outcome**	***p*-value**
Satisfying	No significant difference	0.480	Significant difference	0.000***	Significant difference	0.001***
Stay	No significant difference	0.216	Significant difference	0.000***	Significant difference	0.000***
Own	No significant difference	0.177	Significant difference	0.001***	No significant difference	0.083
Care	No significant difference	0.507	Significant difference	0.030*	No significant difference	0.188
Important	Significant difference	0.030*	Significant difference	0.002**	No significant difference	0.569
Proud to own	No significant difference	0.306	Significant difference	0.003**	No significant difference	0.077

*** Significant at 0.001 ** Significant at 0.01 * Significant at 0.05

Results reveal that the most significant differences in respondent attitudes to ESO were found at *Company One* and *Company Three*: *Company One* respondents were generally the most satisfied with ESO and *Company Three* respondents were the least satisfied. Moreover, significant differences between the attitudes of respondents in these two companies were found for all six 'ESO satisfaction' scale items. For the remaining 'between groups' combinations – *'Company One* and *Company Two'* and *'Company Two* and *Company Three'* – some significant differences in attitudes between respondents were also found, though to a far lesser extent as illustrated by results in *Table 23*.

On one level, it is perhaps not unexpected that the attitudes of respondents at *Company One* and *Company Three* lie at the two extremes of positive and negative assessments respectively for 'between-groups' differences. By the time of the Stage One survey, *Company One* employee shareholders had succeeded in safeguarding their jobs for four years and had also witnessed the share price rise steadily during that period. Moreover, employees were aware of the importance of preventing a potentially hostile take-over bid; the company was relatively small and in the view of some, potentially vulnerable to a take-over. *Company One* employees had also invested their own money to buy a 'stake' in the firm. Direct investment made the idea of 'being an owner' more tangible to employees and in addition, meant they were far more likely to remain working for the company to reap the rewards of their initial investment.

Significant differences were also found between *Company* Two and *Company Three* for two scale items, 'satisfying' and 'stay', despite the fact that both were ESOP companies. However, *Company Two* employees collectively owned an 80 per cent stake in their organisation and individually, were able to own more shares than senior managers and executives depending on length of service. Such differences may lead one to conclude that employees at *Company Two* were more satisfied with ESO than *Company Three* employees, though results in *Table 24* suggest that the proportion of company stock owned may not always affect ESO satisfaction as anticipated.

Table 24: The impact of employee ownership characteristics on ESO satisfaction (multiple regression – stepwise method)

Variable	Beta Coefficients	t-values
Company type	0.085	1.077
Total company shares	-0.324	-5.278***
Relative employee shares	-0.204	-3.324***
Constant		22.784***

$r = 0.368$ $r^2 = 0.135$ Adjusted $r^2 = 0.128$

*** Significant at 0.001

The table shows significant interactions between 'ESO satisfaction' and the number of shares held, both collectively and individually, ($p < 0.001$), though not in the directions that may have been expected (see section 4.4.8 in Chapter 4 for a rationale of the variables used and *Appendix 7* for variable definitions). Results indicate lower levels of employee satisfaction with ESO where individual and collective ownership are greater. One possible reason is that higher levels of 'ownership' equate with greater expectations of ESO satisfaction and these expectations may not have been met for all respondents. Conversely, where employees held fewer shares, expectations were perhaps not as great and may have resulted in, if not greater satisfaction, then at least lower levels of dissatisfaction with ESO. The 'company type' variable was a dummy used to distinguish between 'direct ownership' and 'ESOP' companies.

On the basis of these findings, it may be anticipated that ESO satisfaction at *Company Three* would be greater than indicated by results from the Stage One survey. Perhaps a more important factor than the number of shares owned by employees is that, in contrast to *Company One* and *Company Two*, the *Company Three* ESOP coincided with very direct and tangible losses for employees, certainly at the outset. Although participation in the ESOP did not require a direct financial investment, there was a general consensus among *Company Three* respondents that employees *did* pay directly for their shares through cuts to wages and holiday entitlement (see section 5.5 in Chapter 5). Nevertheless, employees who participated in the ESOP were expected to reap the financial benefits in the longer-term because they would have their names put on the share register and be able to sell their shares. Indeed, prior to the fieldwork for the Stage One survey in 1997, employees had already realised some of the benefits of ESO following the company's flotation earlier that year. The share price had risen substantially from its initial value in 1994, employees had received average windfalls of around £9,000 each and were given the opportunity to buy further shares at the flotation (see section 5.5.3 in Chapter 5). During the course of the investigation, however, it became apparent that feelings still ran high in relation to events in 1994 and the losses experienced by employees at that particular time. Overwhelmingly, employees regarded ESO as being inextricably linked to hardship.

There was also considerable resentment at the size of the stake owned by the company's directors and the subsequent windfalls they received in 1997. Directors received returns worth over £1 million each on their initial collective investment of £100,000, while the chief executive received a return of £3.3 million. Observations from Stage Two respondents, both managers and trade union representatives, highlighted clearly the strength of feeling. A garage staff manager said:

> 'I think when we went through privatisation the supervisors and managers were let down very badly. The senior managers and directors were looked after – they had some part of the company and had a lot of money to purchase shares. We were always led to believe that the supervisors and managers were part of the company and would be looked after. When the time came we were let down - we were thrown in with the rest of the staff and had to negotiate for a chunk of the shares.'

Other employees should also have had an opportunity to buy shares at the outset, according to some of the trade union respondents, though one - a TGWU health and safety representative - admitted that at the time *'the vast majority [of employees] wouldn't have invested anything'*. Following extensive discussions between the TGWU and the company's directors, the decision had been reached that a MEBO was the most likely way to safeguard jobs after privatisation. Employees regarded the resulting buy-out as a betrayal by their union, however, and the firm's convenor provided a graphic description of the views of employees towards the TGWU at the time:

> 'The general reaction was that gallows corner was still operating. They [the employees] would have hung us from the gallows. So it took a very strong will from the reps to be able to go about their daily work and smile, take the insults from the staff and then stand for re-election to go through it again and get continued abuse from staff. It was emotionally draining and very hard to swallow - "we've done this for you, we've given away a week of your holidays to keep the company".'

Given the attitudes of employees, it is hardly surprising that they would have shown little interest in buying shares, though the company's human resources manager said it was the TGWU who didn't support a scheme requiring employees to purchase shares directly. The respondent added, however, that the company should have *'tested the waters'* to see if employees were interested in buying shares, given that they had been willing to invest their own money at the time of the 1997 flotation (see section 5.5.3 in Chapter 5):

> 'We should have perhaps tried to see if we could get employees to put a stake in – they did it for the flotation. It would have meant that less money was needed from the venture capitalists.'

Despite some of the problems at *Company Three*, employees at *Company One* potentially had far more to lose from share ownership, risking the loss of their initial investment as well as their job. Nevertheless, 'direct ownership' had been regarded as the most appropriate ESO strategy for *Company One*, given the aims of the company in 1993 (see section 5.3.1 in Chapter 5). In choosing an ESO model, *'equality'*, *'employee commitment'* and avoiding a *'them and us situation'* were regarded as key considerations to ESO success and a direct ownership arrangement was seen as the most likely way to achieve these aims. Having to purchase shares gave employees more of a stake in their company and signalled to external financial backers that employees and managers alike were committed to ensuring the success of ESO. One respondent, an inspector and employee director, described how other alternatives, including an ESOP, had been considered in 1993, but none would have provided the broad base or necessary security for the workforce:

> 'We bought the company to stop other people from buying us out and to safeguard our jobs – that was the 'utopian' idea at the time. The idea is still the same – lots of shareholders owning the company so it is owned by the majority, not the minority.'

An ESOP would also have failed to raise the capital required for the buy-out, whereas a direct share purchase arrangement meant that everybody took the risk. The company's finance director said:

> 'We had to put our case across to the banks that the workforce was committed. This was the best way of obtaining the money internally.'

That attitudes towards ESO were fairly positive among *Company One* respondents is perhaps more a reflection of the scheme's success, in terms of the rising share price and the longevity of employee ownership. If ESO had proved unsuccessful, the attitudes of respondents at the company may have been rather different. Notwithstanding, a high share price was seen as a major problem by Stage Two respondents at both *Company One* and *Company Two.* Both companies faced financial difficulties when employees left because they were having to 'buy back' shares from departing employees. The inspector and employee director at *Company One* highlighted the problems of trying to encourage new recruits to buy shares in the firm:

> 'I still feel that the idea [of direct ownership] was correct, but the share value has risen so much that people can't afford to buy shares and obviously there is a drain on the company when shareholders leave. If people could buy a share each month, they could slowly become bigger and bigger shareholders and something in that respect should be done. This subject has been broached many times but you can't force people to become shareholders. It should be a choice – it should not be a condition of employment.'

At the time of the *Company One* buy-out it had been the intention that no individual, regardless of their position, should own a larger number of shares relative to others in the company. To ensure that *all* employees had an equal opportunity to buy shares the company set up a deferred purchase scheme with low-interest loan arrangements. The company's stores manager said: *'Most people who want them [shares] have bought them.'*

At *Company Two* the advent of ESO had been delayed so that the firm could learn from the mistakes of other bus companies and put in safeguards to avoid the same pitfalls. A high share price, plus the 'selling on' of companies after only a short period of ESO, had been fairly common in some of the earlier bus buy-outs. Among the safeguards implemented by *Company Two,* employees were given opportunities to buy shares during the latter period of ownership, while the company board consisted of an equal number of executive directors and employee directors (see section 5.4.3 in Chapter 5). One of two managing directors at the company said that the later share issues had come too late, further adding that they should have occurred shortly after the initial buy-out to try to halt the constant erosion of the firm's profits. The respondent admitted, however, that few employees would have been able to afford to buy more shares:

> 'You would have to have the ability to pay and people would have said "I can't afford it" and so they would have got no shares.'

Company Two's TGWU branch secretary argued that the intentions of the ESOP had been misplaced from the outset: the most important factor was *not* the number of shares owned by employees but rather, the fact that all employees had the right to exercise a vote, thus providing a true democratic platform. The respondent argued firstly, for a common ownership project on the basis that it was a much more positive way of achieving EP in the company, and secondly, for a larger share allocation for the firm's EBT 1:

> 'If we'd had a compromise and had an EBT 1 of 51 per cent with the rest of the shares distributed to individuals, that would have made a difference to the financial performance of the company straight away. The fewer shares that were in individual hands meant that fewer shares had to be bought back as people left. That did become quite a burden for the company that was going to get bigger and bigger as the shares increased in value. We were getting to the point where half a million pounds at least was being paid out to buy shares back from the people who left. As the shares increased in value it would have got worse and there was no way we could sustain that.'

In effect, *Company One* and *Company Two* could be described as victims of their own success, though ultimately, outcomes for the two companies have been very different. By 1998, *Company Two* had reached a situation where it could no longer sustain having to pay out large sums to buy back shares from employees who had left the company. *Company One* however managed to maintain its employee ownership status and at the time of writing is the only employee-owned company that remains of the UK bus buy-outs, having now operated under an employee ownership structure for the past eleven years. In 1998, most Stage Two respondents at *Company One* regarded the prospect of a sale in the short term as unlikely, though some recognised that it would probably happen at a future date. The set-up of the original buy-out scheme and the method by which shares were distributed among senior managers and directors was seen as a significant factor to the company's longevity as an employee ownership entity. Unlike the situation in some of the earlier bus buy-outs, *Company One's* directors and senior managers had not acquired a majority shareholding at the outset, which therefore reduced their motivation to sell on some two to three years later. *Company One's* inspector and employee director said:

> 'Management does not want to sell. Managers are equal shareholders with the rest of the workforce. They would not end up with a large sum of money that would support them for the rest of their lives. If they did decide to sell, who would be the first ones to go? It would be the managers. It is therefore unlikely that the managers would support a buy-out.'

The respondent added that the buy-out took a long time to organise because a *'broad base'* was seen as important: *'It is used as a hurdle, a deterrent in case there is a buy-out bid. If a buyer came along they would have to convince 200 shareholders.'* The finance director similarly considered a sale to be unlikely; the company had only 300 employees and was therefore not big enough to create real problems for other transport groups, even though some in the company thought that its size perhaps made it more of a target for take-over. Moreover, in the event of a take-over bid, a potential buyer would have to convince a company of majority employee shareholders to accept the offer of a sale. The finance director added that the strategy at Company One would not necessarily work in other companies: *'There is no set formula – each situation will differ.'*

6.2.1 Summary

It is the 'differing circumstances of ownership' and their impact upon ESO satisfaction that this first section has set out to examine. Results suggest that a combination of the employee ownership model, the method by which employees have acquired their shares, the circumstances surrounding ownership conversion and the perceived success of the scheme, are all important for 'ESO satisfaction' outcomes. It is clear that employees will be more satisfied with ESO if they regard it as having been successful. At the same time, employees who have endured losses following conversion will be rather less satisfied with ESO. The size of the employee shareholding is also important for ESO satisfaction outcomes, insofar as higher levels of 'employee ownership' may raise expectations that are subsequently not met. It is worth remembering that *Company One* had 100 per cent collective employee ownership, but individual share allocations were relatively small (see sections 5.3.2-5.3.3 in Chapter 5). Conversely, employees at *Company Two* and *Company Three* had opportunities to own shares in far greater numbers and may therefore have been expected to view ESO more favourably. That employees at the two companies did not hold more favourable views highlights not only the complex nature of employee ownership, but also the need to consider such complexity when undertaking future empirical studies in this area.

6.2.2 Benefits of employee share ownership

The second stage of the 'feelings of ownership' analysis involves an examination of ESO benefits. Based on data from the Stage One survey, respondents were asked to select and rank from a list of ten options (see section 7 in *Appendix 3*) what they considered to be the five main benefits of ESO in their organisation. A ranking score of '1' indicated the respondent's first choice of benefit and a ranking of '5' their fifth choice. Responses from each company were then aggregated and results are presented in *Figures 3* to *12* and summarised in *Table 25.*

Figure 3:

More involvement for employees in company decisions (%)

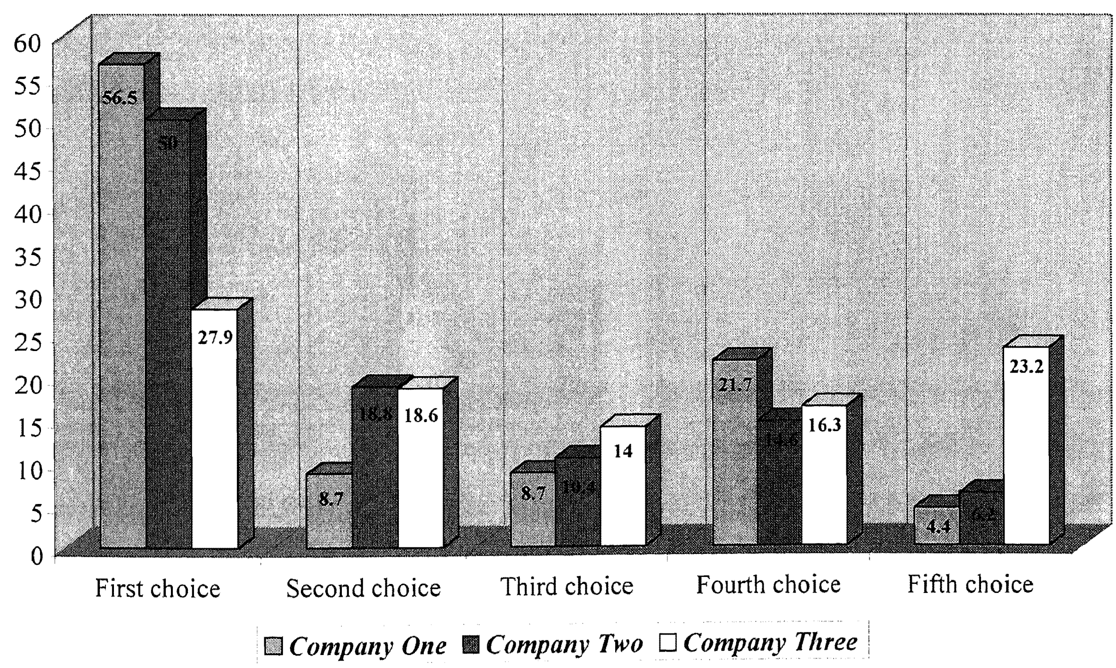


Figure 4:

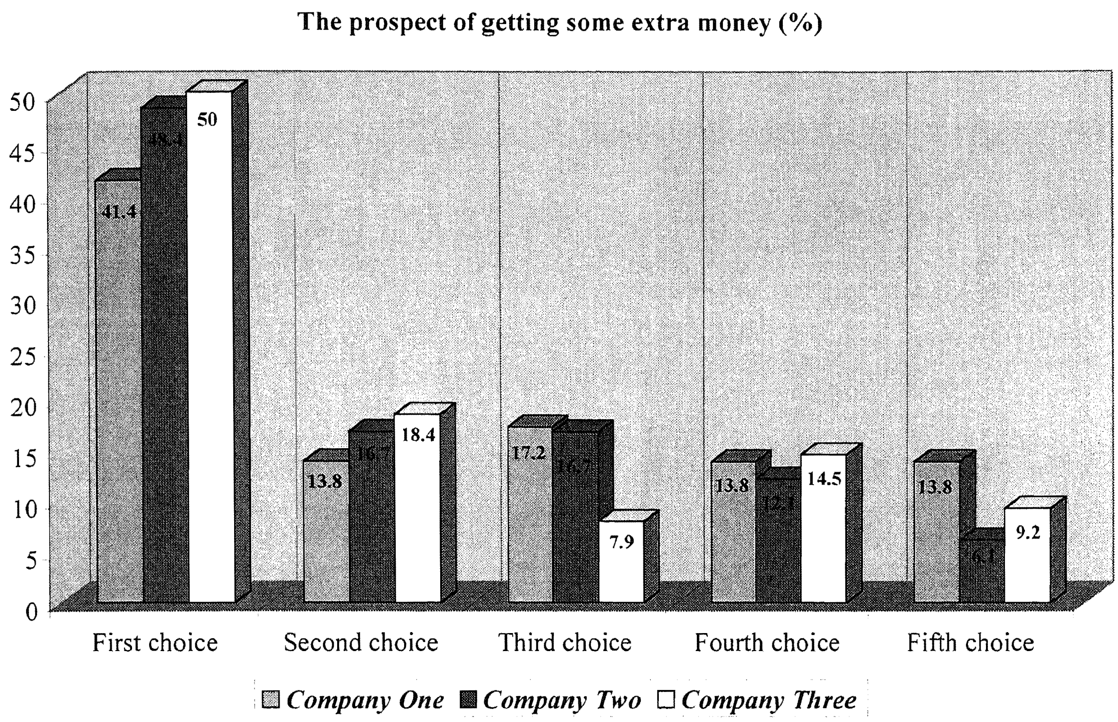


Figure 5:

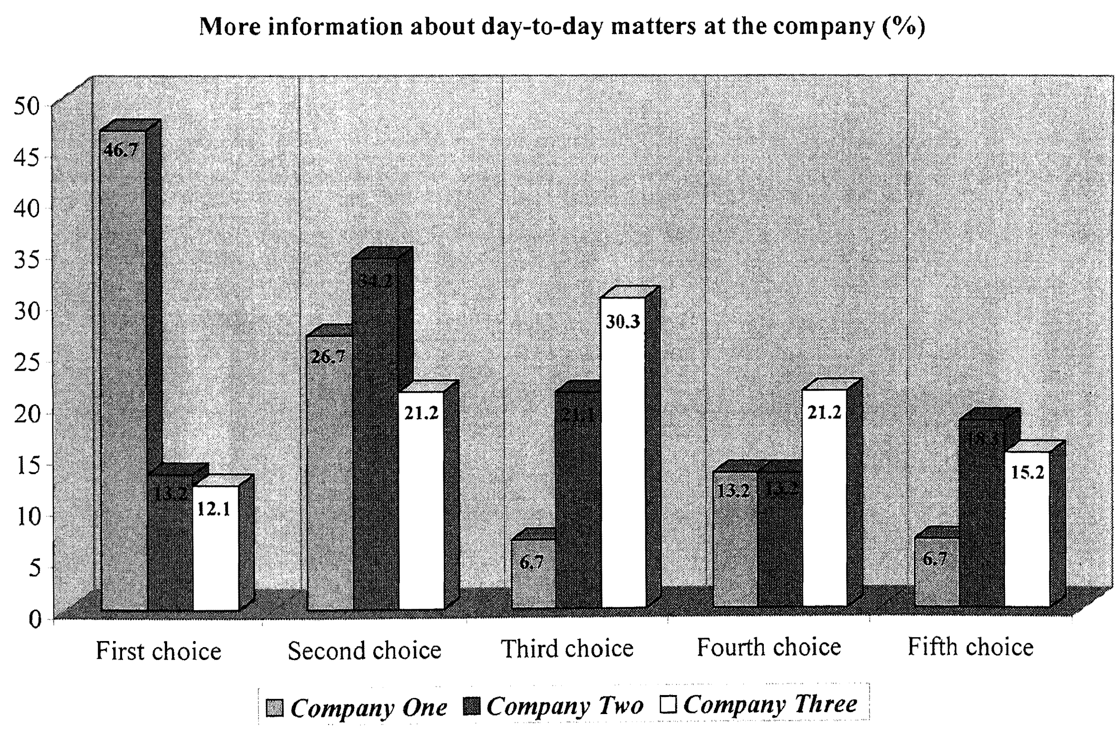


Figure 6:

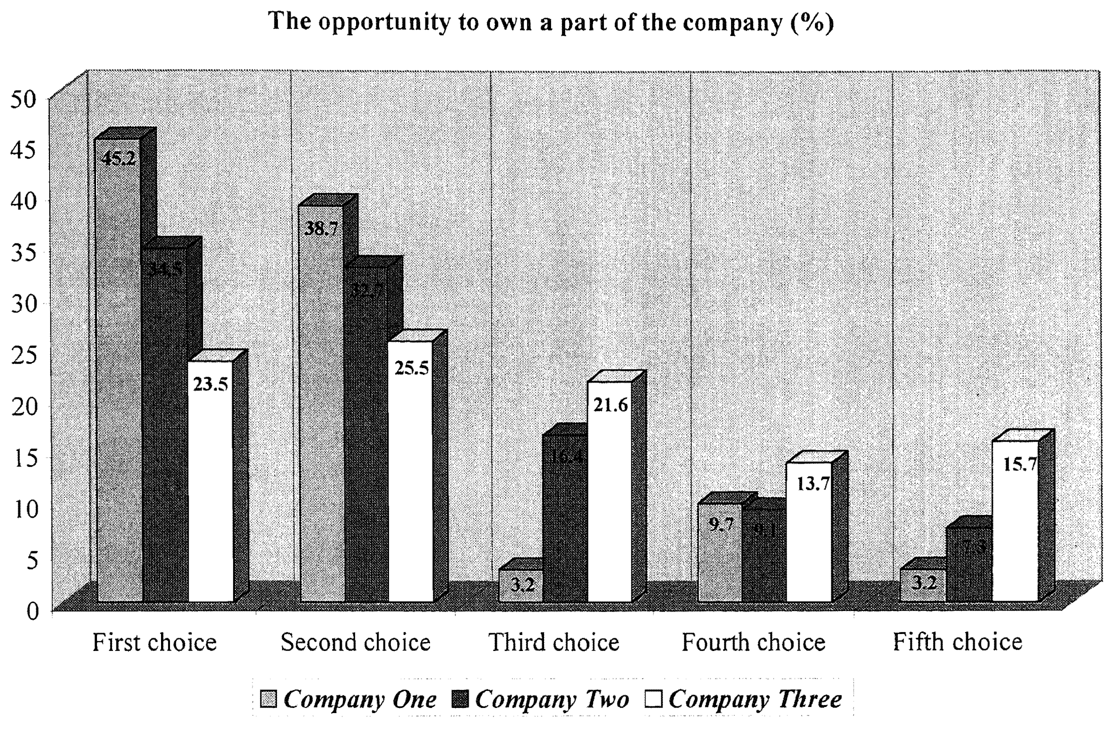


Figure 7:

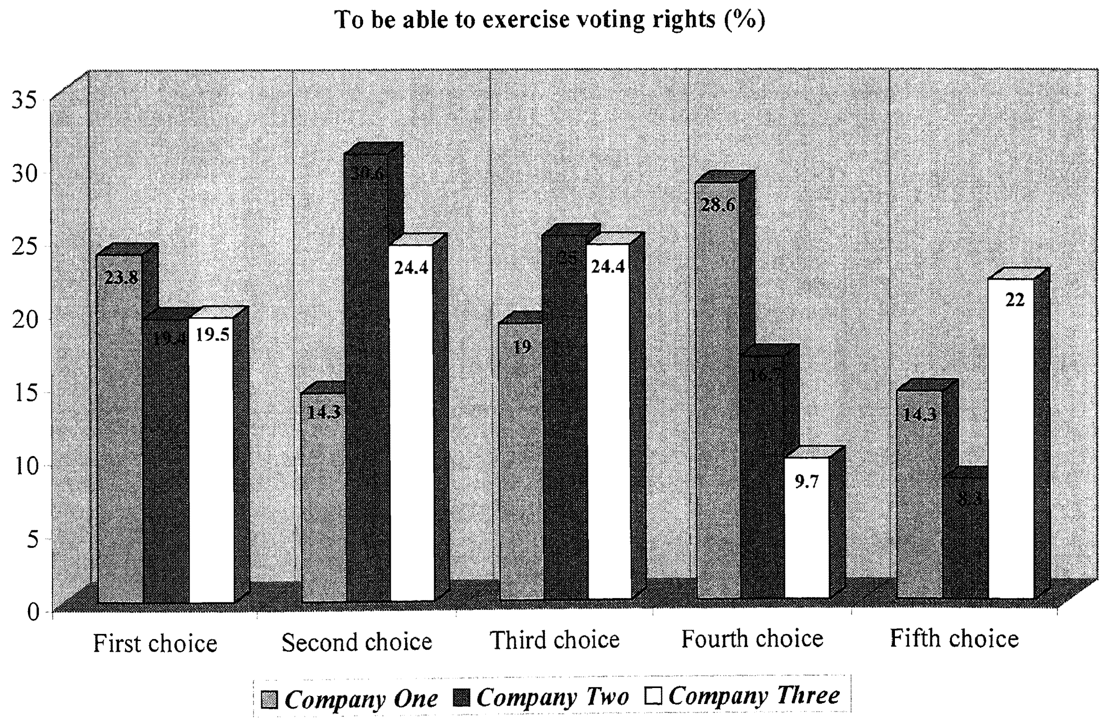


Figure 8:

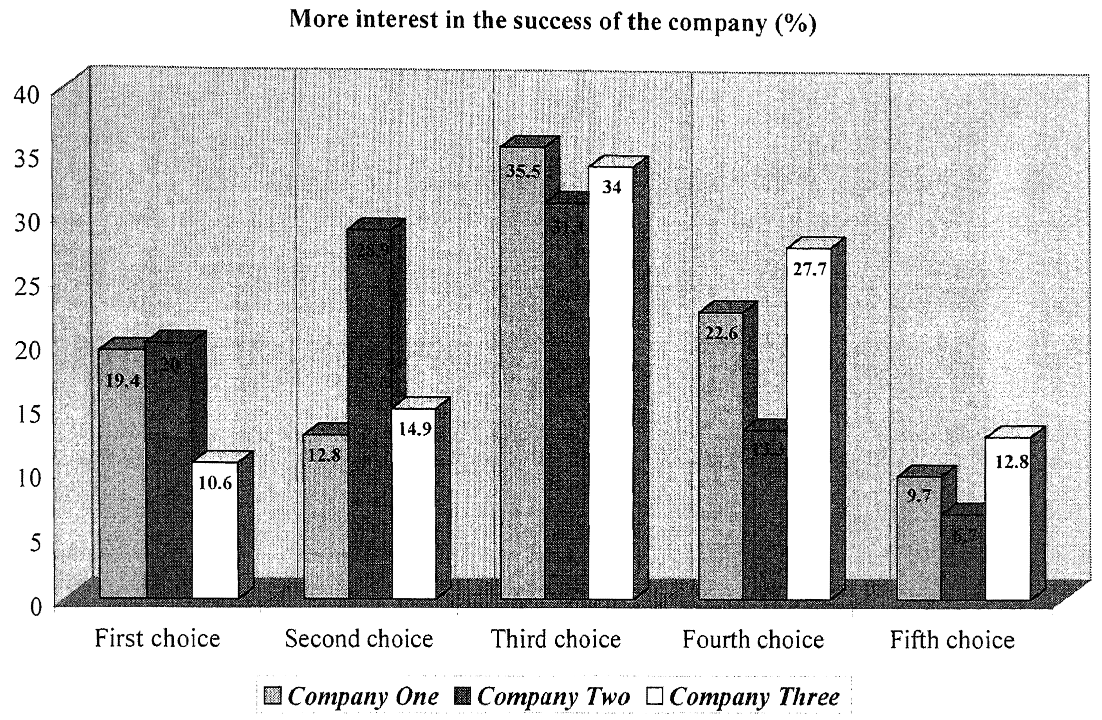


Figure 9:

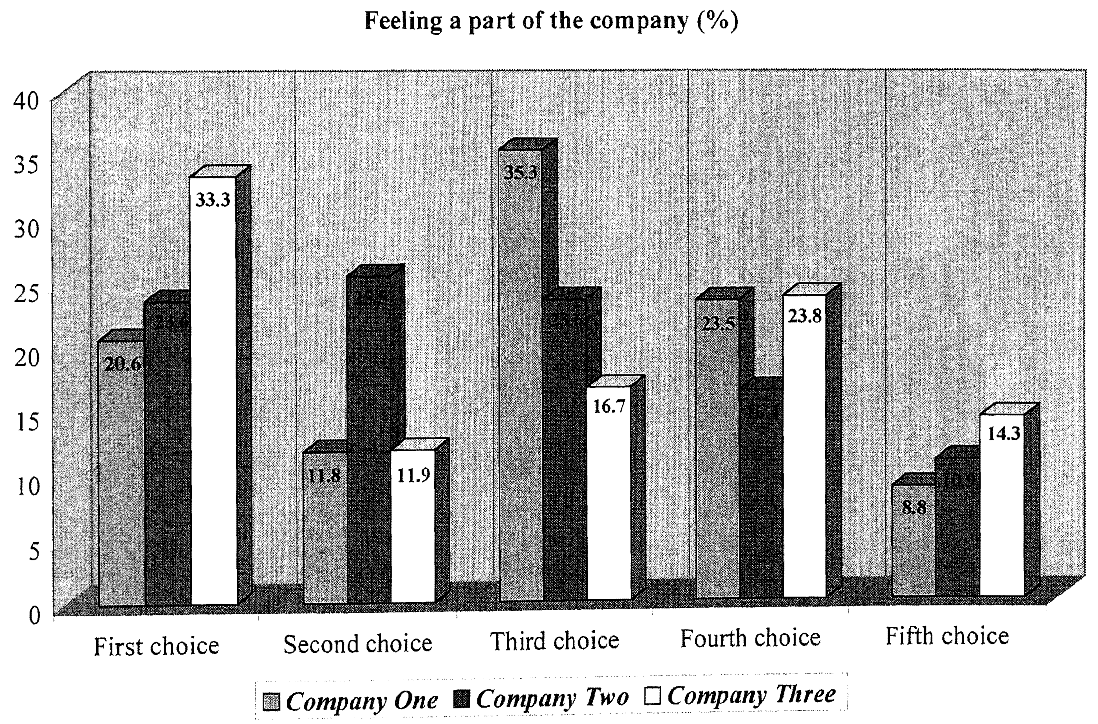


Figure 10:

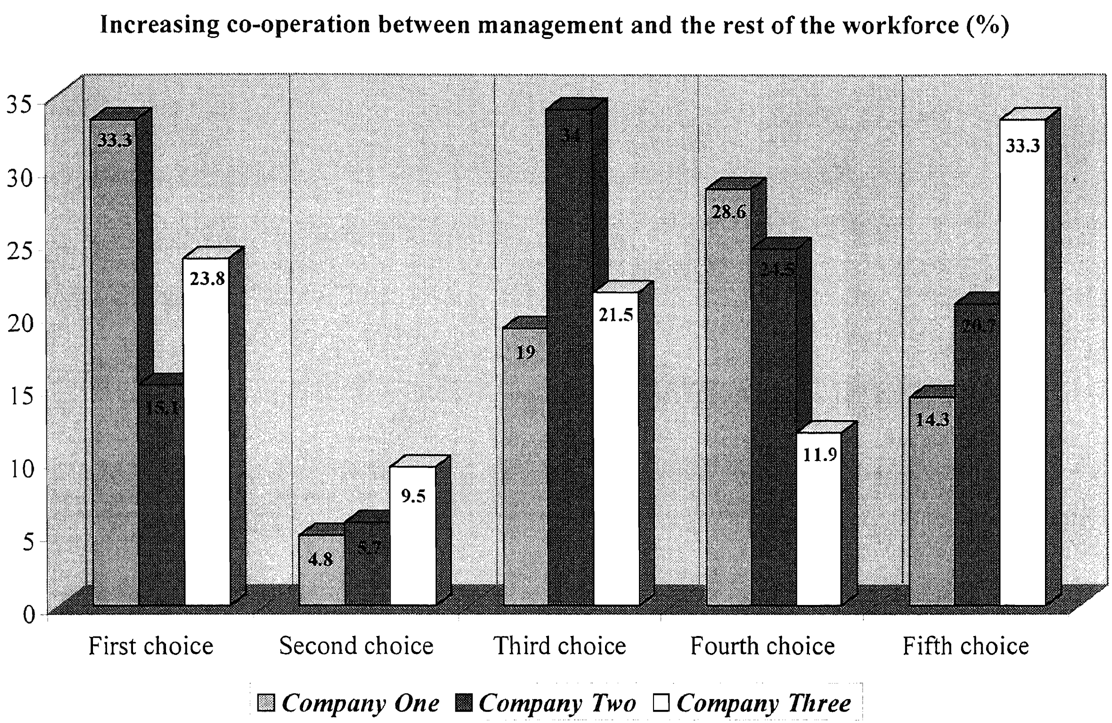


Figure 11:

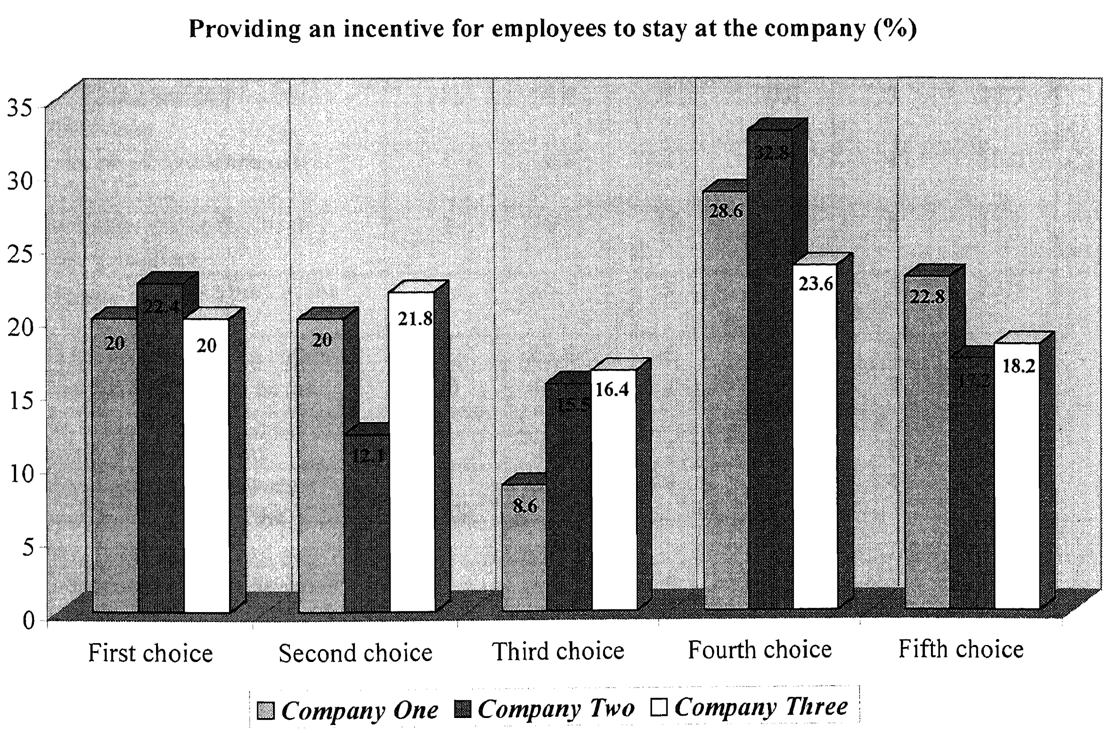
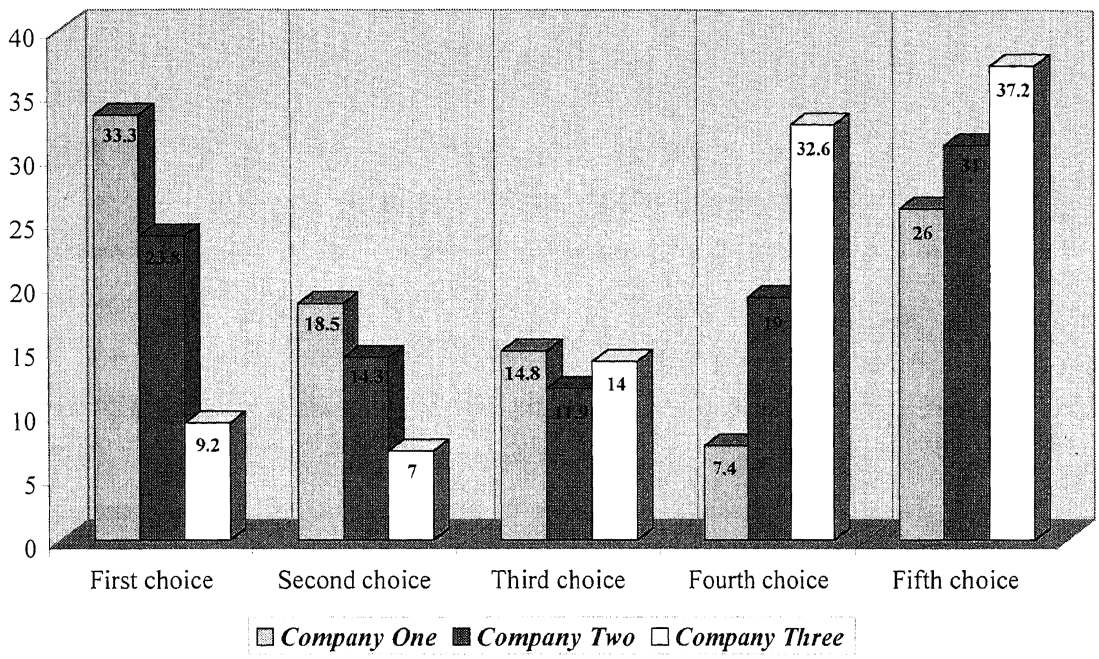


Figure 12:

Encouraging employees to put more effort in to their work (%)



Source: Stage One survey 1997/8

Table 25: Main benefits of ESO – summarised ranks

Benefit	*Company One*[1]		*Company Two*[2]		*Company Three*[3]	
	Overall ranking	**%**	**Overall ranking**	**%**	**Overall ranking**	**%**
More involvement for employees in company decisions	1	56.5	1	50.0	3	27.9
The prospect of getting some extra money	4	41.4	2	48.4	1	50.0
More information about day-to-day matters at the company	2	46.7	10	13.2	8	12.1
The opportunity to own a part of the company	3	45.2	3	34.5	5	23.5
To be able to exercise voting rights	7	23.8	8	19.4	7	19.5
More interest in the success of the company	10	19.4	7	20.0	9	10.6
Feeling a part of the company	8	20.6	5	23.6	2	33.3
Increasing co-operation between management and the rest of the workforce	5	33.3	9	15.1	4	23.8
Providing an incentive for employees to stay at the company	9	20.0	6	22.4	6	20.0
Encouraging employees to put more effort into their work	5	33.3	4	23.8	10	9.2

[1] n = 54 [2] n = 100 [3] n = 114

Results from *Figures 3* to *12* and *Table 25* reveal both differences and similarities across the three cases in relation to the way respondents ranked the main benefits of ESO. Overall, opportunities for greater involvement in company decisions and access to more information were regarded as most important at *Company One.* Given that respondents had invested directly in their company, it is not unexpected that they would want more of a say in the way the company was run and more information on its performance. *Company Two* respondents similarly recognised the benefits of having more involvement in the decisions of their firm, but regarded the opportunity for more information about day-to-day matters as far less of a benefit than respondents at *Company One.* At the same time, it is perhaps to be expected that *Company Three* respondents would rank the prospect of financial gain as the main benefit, since they had experienced losses at the onset of ESO. Given the background to ESO at *Company Three,* results relating to the benefit 'feeling a part of the company' are all the more surprising: this benefit was ranked second highest at *Company Three,* but only eighth at *Company One.* 'Feelings of ownership' may have been expected to be less apparent among *Company Three* respondents, given the resentment surrounding the circumstances of the MEBO.

Among the conclusions to be drawn, the 'tangible' benefits of ESO – including 'more money' and 'more information' - were most likely to be selected by respondents from all three cases, though there were exceptions. Moreover, some support is given for the hypothesis that employees participating in a 'direct' ownership scheme are more inclined to exhibit a greater sense of ownership than employees involved in an ESOP scheme. For example, *Company One* respondents specified a preference for 'being involved' and having more information about their firm; financial gain was less of a priority. Conversely, money was seen as the main benefit at *Company Three*, with opportunities for involvement and access to information regarded as lesser benefits. Responses from *Company Two* employee shareholders in relation to financial gain and more involvement in decisions lay between these extremes, which may in turn be explained by the combination of 'direct' and 'indirect' ownership arrangements at the company.

6.2.3 Employee shareholder views on employee share ownership

For the final stage of the 'feelings of ownership' analysis, respondents at the three companies were asked to respond to the statement: 'in what ways has ESO made a difference to the way you think about your company?' The statement featured on the Stage One questionnaire and set out to establish whether ESO had resulted in changes to the way respondents thought about their company and the nature of the change where it had occurred. Respondents were given the opportunity to express their *own* views on ESO rather than select from a series of options, which could have 'led' them to think about ESO in a particular way. Answers given by respondents were collated, sorted into numerically coded categories and analysed using SPSS (see Chapter 4). Summaries of the main findings are presented in *Tables 26* to *28*.

Table 26: ***Company One*** **respondents**[1]

Response	Respondents (n)
Owning shares has made no difference	14.0
I will get a cash windfall when I leave/when the firm gets taken over	7.0
I am now securing my job and the future of the company	4.0
I am more interested in costs, profitability and efficiency	4.0
It is *our* company	3.0
I now try to do my best for the company	2.0
You are now made to feel that it is management against the workforce	1.0

[1]n = 35

Table 27: ***Company Two*** **respondents**[2]

Statement	Respondents (n)
Owning shares has made no difference	35.0
Owning shares has made me commercially aware	16.0
You feel like an owner/you are working for your own company	13.0
I think more about relations with management	3.0

[2]n = 67

Table 28: ***Company Three*** **respondents**[3]

Statement	Respondents (n)
Owning shares has made no difference	35.0
You put more effort into your work	9.0
It makes you think more about financial reward	7.0
You're a part of the company	3.0
You feel discriminated against because the managers got more shares	4.0
The company is now cost and profit-oriented	1.0
You now have responsibility to a new group of people (shareholders)	1.0

[3]n = 60

Source: Stage One survey 1997/8

The tables show that proportionately, *Company One* respondents were the most likely group to indicate that ESO had made a difference to the way they thought about their company. Though fourteen respondents (40 per cent) said that owning shares had made no difference, the remaining twenty-one (60 per cent) highlighted some shift in attitude. At *Company Two* and *Company Three,* however, over half of the total in each case indicated that owning shares had made no difference to their view of the company. Where changes *had* occurred across the three cases, views typically included *'feeling a part of the company', 'working harder'* and *'being more commercially aware'. 'Financial gain'* was also reported, though not by *Company Two* respondents. Moreover, not all changes were viewed positively. Respondents at *Company One* and *Company Three* highlighted rifts between employees and managers in their companies, though the number reporting such as rift was minimal in both cases.

6.2.4 Summary

Results presented in the first part of the chapter suggest some support for the hypothesis that employees in a 'direct ownership' company (*Company One*) are more satisfied with ESO than those working in ESOP companies (*Company Two* and *Company Three*). 'Direct ownership' employees are also more likely to exhibit a greater 'sense of ownership' than employees working under ESOP arrangements, in terms of wanting more involvement in day-to-day matters and having greater access to information. Notwithstanding, across the three cases generally, the 'indirect' and 'psychological' outcomes often attributed to ESO, including increased work satisfaction, were seen as less important than some of the more 'direct' consequences of ownership, including more information and being able to help secure the future of the company. Company or ownership 'type' was found to be far less significant for ESO satisfaction when combined with other 'employee ownership' characteristics, such as the number of shares held by employees both collectively and individually, which were highly significant. Moreover, despite the findings that direct ownership arrangements made ESO satisfaction and a greater 'sense of ownership' more likely in the present research, it is suggested that the 'success' of an ESO scheme as perceived by employees is also important for ESO outcomes. If *Company One's* scheme had been considered less successful, outcomes would have been quite different.

6.3 Organisational commitment

The aim of this section is to examine whether employees who experience greater feelings of ownership in turn demonstrate greater levels of commitment to their organisation. Exploratory findings for the six-item BOCS (Cook and Wall 1980) measuring commitment to the organisation are shown in *Tables 29* to *31* (see *Table (i)* in *Appendix 5* for a listing of all six scale items and their corresponding variable labels as presented below). Statements were originally presented to Stage One respondents using five-point interval scales with responses ranging from 'strongly agree' (1) to 'strongly disagree' (5). When the survey was completed, categories were merged to create single 'agree' and 'disagree' categories for purposes of clarity (see also section 6.2).

Table 29: Organisational commitment at *Company One:* employee shareholders

	Agree	Neither agree/ disagree	Disagree	
Variable	%			**Mean**
Proud	53.6	26.8	19.6	2.46
Feel	60.7	16.1	23.2	2.36
Contribution	69.6	19.7	10.7	2.13
Effort	64.3	21.4	14.3	2.18
Financial	59.0	17.8	23.2	2.36
Money	44.6	19.6	35.8	2.75

Table 30: Organisational commitment at *Company Two:* employee shareholders

	Agree	Neither agree/ disagree	Disagree	
Variable	%			**Mean**
Proud	37.0	42.0	21.0	2.75
Feel	30.0	40.0	30.0	2.89
Contribution	57.0	26.0	17.0	2.29
Effort	56.0	21.0	23.0	2.43
Financial	53.0	19.0	28.0	2.58
Money	38.0	25.0	37.0	2.95

Table 31: Organisational commitment at *Company Three:* employee shareholders

Variable	Agree %	Neither agree/ disagree %	Disagree %	Mean
Proud	28.8	30.6	40.6	3.23
Feel	34.2	26.1	39.7	3.11
Contribution	54.9	18.9	26.2	2.50
Effort	55.4	12.5	32.1	2.66
Financial	37.8	19.8	42.4	3.14
Money	31.5	13.6	54.9	3.48

Source: Stage One survey 1997/8

Exploratory findings indicate that *Company One* respondents were most likely to be committed to their company, those at *Company Three* were the least likely to be committed and *Company Two* respondents lay in-between. Findings in *Table 32*, however, also point to 'within-groups' similarities in that, across all three cases, commitment was most likely to be demonstrated through 'involvement' (IN). An average of 67 per cent of respondents at *Company One*, 56.5 per cent at *Company Two* and 55.2 per cent at *Company Three* said they were prepared to contribute more and make more effort for their company. A majority of *Company One* respondents (average 57.2 per cent) also showed commitment in terms of identifying with their firm, though around only one-third of respondents at both *Company Two* (average 33.5 per cent) and *Company Three* (average 31.5 per cent) did so. Approximately one-third (average 34.7 per cent) of *Company Three* respondents similarly agreed that they would be loyal to their firm, compared with over two-fifths (average 45.5 per cent) at *Company Two* and just over half (average 51.8 per cent) at *Company One*.

Table 32: Organisational commitment – 'within groups' analysis

	Company One	*Company Two*	*Company Three*
Most likely to agree	Contribution (IN)	Contribution (IN)	Effort (IN)
	Effort (IN)	Effort (IN)	Contribution (IN)
	Feel (ID)	Financial (LOY)	Financial (LOY)
	Financial (LOY)	Money (LOY)	Feel (ID)
	Proud (ID))	Proud (ID)	Money (LOY)
Least likely to agree	Money (LOY)	Feel (ID)	Proud (ID)

Differences between the three companies are examined more closely using the parametric ANOVA test. Following minor violations from the 'homogeneity of variances test' (*Table 33*), the non-parametric K-W ANOVA test (*Appendix 15*) was also applied to the data and confirms results shown in *Table 34*.

Table 33: Test of homogeneity of variances: organisational commitment

	Levene Statistic	df1	df2	Sig.
Proud	.923	2	264	.399
Feel	2.480	2	264	.086
Contribution	5.112	2	264	.007**
Effort	4.318	2	265	.014*
Financial	.852	2	263	.428
Money	.727	2	264	.484

** Significant at 0.01 * Significant at 0.05

Table 34: ANOVA: organisational commitment

		Sum of Squares	df	Mean Square	F	Sig.
Proud	Between Groups	24.581	2	12.291	7.242	.001***
	Within Groups	448.048	264	1.697		
	Total	472.629	266			
Feel	Between Groups	21.062	2	10.531	5.705	.004**
	Within Groups	487.350	264	1.846		
	Total	508.412	266			
Contribution	Between Groups	5.522	2	2.761	1.576	.209
	Within Groups	462.463	264	1.752		
	Total	467.985	266			
Effort	Between Groups	8.986	2	4.493	2.282	.104
	Within Groups	521.831	265	1.969		
	Total	530.817	267			
Financial	Between Groups	28.067	2	14.034	6.363	.002**
	Within Groups	580.012	263	2.205		
	Total	608.079	265			
Money	Between Groups	24.727	2	12.363	5.223	.006**
	Within Groups	624.944	264	2.367		
	Total	649.670	266			

*** Significant at 0.001 ** Significant at 0.01

With the exception of the involvement sub-scale items - 'contribution' ($F = 1.576$; $p = 0.209$) and 'effort' ($F = 2.282$; $p = 0.104$) - *Table 34* shows significant differences between the three cases in relation to respondents identifying with and showing loyalty to their company. A more detailed examination of company differences (see *Tables 35* and *36* and *Figure 13*) reveals significantly different attitudes between *Company One* and *Company Three* respondents in terms of identifying with and showing loyalty to their company.

Table 35: Multiple comparisons test: organisational commitment

Dependent Variable		(I) Company	(J) Company	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	95% Confidence Interval Upper Bound
Proud	Scheffe	1.00	2.00	-.29	.22	.423	-.82	.25
			3.00	-.76*	.21	.002	-1.29	-.24
		2.00	1.00	.29	.22	.423	-.25	.82
			3.00	-.48*	.18	.032	-.92	-.03
		3.00	1.00	.76*	.21	.002	.24	1.29
			2.00	.48*	.18	.032	.03	.92
Feel	Scheffe	1.00	2.00	-.53	.23	.065	-1.09	.03
			3.00	-.75*	.22	.004	-1.30	-.20
		2.00	1.00	.53	.23	.065	-.03	1.09
			3.00	-.22	.19	.509	-.68	.24
		3.00	1.00	.75*	.22	.004	.20	1.30
			2.00	.22	.19	.509	-.24	.68
Contribution	Scheffe	1.00	2.00	-.17	.22	.757	-.71	.38
			3.00	-.37	.22	.234	-.90	.16
		2.00	1.00	.17	.22	.757	-.38	.71
			3.00	-.21	.18	.531	-.65	.24
		3.00	1.00	.37	.22	.234	-.16	.90
			2.00	.21	.18	.531	-.24	.65
Effort	Scheffe	1.00	2.00	-.25	.23	.563	-.83	.33
			3.00	-.48	.23	.112	-1.05	.08
		2.00	1.00	.25	.23	.563	-.33	.83
			3.00	-.23	.19	.491	-.71	.24
		3.00	1.00	.48	.23	.112	-.08	1.05
			2.00	.23	.19	.491	-.24	.71
Financial	Scheffe	1.00	2.00	-.22	.25	.679	-.83	.39
			3.00	-.78*	.24	.007	-1.38	-.18
		2.00	1.00	.22	.25	.679	-.39	.83
			3.00	-.56*	.21	.026	-1.06	-.05
		3.00	1.00	.78*	.24	.007	.18	1.38
			2.00	.56*	.21	.026	.05	1.06
Money	Scheffe	1.00	2.00	-.20	.26	.739	-.83	.43
			3.00	-.73*	.25	.017	-1.35	-.11
		2.00	1.00	.20	.26	.739	-.43	.83
			3.00	-.53*	.21	.047	-1.05	-.01
		3.00	1.00	.73*	.25	.017	.11	1.35
			2.00	.53*	.21	.047	.01	1.05

*. Significant at 0.05

Figure 13: Homogeneous subsets: organisational commitment

Proud

	Company	N	Subset for alpha = .05: 1	2
Tukey B	1.00	56	2.46	
	2.00	100	2.75	
	3.00	111		3.23
Scheffe	1.00	56	2.46	
	2.00	100	2.75	2.75
	3.00	111		3.23
	Sig.		.377	.069

Feel

	Company	N	Subset for alpha = .05: 1	2
Tukey B	1.00	56	2.36	
	2.00	100		2.89
	3.00	111		3.11
Scheffe	1.00	56	2.36	
	2.00	100		2.89
	3.00	111		3.11
	Sig.		1.000	.593

Contribution

	Company	N	Subset for alpha = .05
			1
Tukey B	1.00	56	2.13
	2.00	100	2.29
	3.00	111	2.50
Scheffe	1.00	56	2.13
	2.00	100	2.29
	3.00	111	2.50
	Sig.		.205

Effort

	Company	N	Subset for alpha = .05
			1
Tukey B	1.00	56	2.18
	2.00	100	2.43
	3.00	112	2.66
Scheffe	1.00	56	2.18
	2.00	100	2.43
	3.00	112	2.66
	Sig.		.092

Financial

	Company	N	Subset for alpha = .05	
			1	2
Tukey B	1.00	56	2.36	
	2.00	99	2.58	
	3.00	111		3.14
Scheffe	1.00	56	2.36	
	2.00	99	2.58	2.58
	3.00	111		3.14
	Sig.		.645	.058

Money

	Company	N	Subset for alpha = .05	
			1	2
Tukey B	1.00	56	2.75	
	2.00	100	2.95	
	3.00	111		3.48
Scheffe	1.00	56	2.75	
	2.00	100	2.95	2.95
	3.00	111		3.48
	Sig.		.709	.094

Table 36: Summary of post hoc test results – organisational commitment

	Between groups differences					
	Company One* and *Company Two		***Company One* and *Company Three***		***Company Two* and *Company Three***	
Variable	**Outcome**	***p*-value**	**Outcome**	***p*-value**	**Outcome**	***p*-value**
Proud (ID)	No significant difference	0.423	Significant difference	0.002**	Significant difference	0.032*
Feel (ID)	No significant difference	0.065	Significant difference	0.004**	No significant difference	0.509
Contribution (INV)	No significant difference	0.757	No significant difference	0.234	No significant difference	0.531
Effort (INV)	No significant difference	0.563	No significant difference	0.112	No significant difference	0.491
Financial (LOY)	No significant difference	0.679	Significant difference	0.007**	Significant difference	0.026*
Money (LOY)	No significant difference	0.739	Significant difference	0.017*	Significant difference	0.047*

** Significant at 0.01 * Significant at 0.05

No significant differences emerged between *Company One* and *Company Three* on the involvement sub-scale, however, and as shown by results in *Table 36,* this pattern is repeated for the *Company One* and *Company Two* and *Company Two* and *Company Three* 'between-groups' combinations. *Company Two* respondents were, however, significantly more likely than those at *Company Three* to be loyal to their company and in addition, to tell people they were proud to work for their company. Finally, no significant differences were found between respondents at *Company One* and *Company Two*.

Given results in section 6.2, it may come as little surprise that respondents at *Company One* and *Company Two* were, at least in part, significantly more committed to their companies than *Company Three* respondents. Underpinning the work of Klein (1987) was the assumption that employees were more committed to their company when they were satisfied with its ownership plan – an argument reinforced by results in *Table 37* below. The table shows strong positive associations between ESO satisfaction and each facet of organisational commitment as identified by the BOCS. Other employee ownership characteristics, however, (see *Appendix 7* for variable definitions), are shown to have no significant effect upon commitment.

Table 37: The impact of employee ownership characteristics on identification, involvement and loyalty (multiple regression – stepwise method)

Variable	**Identify** Beta coefficients (t-values)	**Involve**	**Loyalty**
Company type (dummy)	0.080 (1.469)	-0.003 (-0.055)	0.002 (0.031)
Relative employee shares	-0.012 (-0.219)	-0.072 (-1.233)	-0.106 (-1.851)
Total company shares	-0.056 (-1.010)	0.044 (0.739)	-0.072 (-1.211)
ESO satisfaction	0.594 (11.191)***	0.495 (8.649)***	0.517 (9.160)***
Constant	(4.109)***	(3.430)***	(4.507)***
r	0.594	0.495	0.517
r^2	0.353	0.245	0.267
Adjusted r^2	0.350	0.241	0.264

*** Significant at 0.001

Support is therefore given to the hypothesis that employee shareholders are committed to their company when they are satisfied with its ESO scheme, though 'between-groups' differences in *Table 36* suggest that commitment is not inevitable. The 'circumstances of ESO' may, for example, be equally important for organisational commitment. Given the circumstances surrounding the introduction of *Company Three's* ESOP, it is perhaps to be expected that ESO satisfaction would be lower compared with *Company One* and *Company Two* and this would explain some of the 'between-groups' commitment differences shown in *Table 36.* Perhaps a more notable finding is the apparent level of agreement among the three sets of respondents in relation to the BOCS 'involvement' sub-scale. Despite the apparent significance of 'ESO satisfaction' for 'involvement', it is suggested that employees are more inclined to contribute to and make extra effort for their company in order to safeguard their job, rather than for the fact of employee ownership. Conversely, identifying with and showing loyalty to the company are perhaps 'less tangible' aspects of commitment and therefore perhaps more likely where employees have a more developed sense of ownership towards that company.

6.3.1 Analysis of attitudes among shareholders and non-shareholders

The final part of the organisational commitment analysis consists of two stages. Using Stage One data from *Company One* and *Company Three,* the first stage involves a comparison of employee shareholder and non-shareholder attitudes at the level of the individual company. The second stage involves a comparative analysis of non-shareholder attitudes *across* the two companies. In line with the main themes raised in the thesis, the aim of the comparative analyses is to establish whether the model of ownership is important for attitudinal outcomes among non-shareholders. It is argued that non-shareholders, though excluded from participating in some activities, will still benefit from working in a democratic, consultative and co-operative environment thought to be characteristic of an employee-owned enterprise. Working in such an environment, may, in turn, lead to higher levels of organisational commitment. Exploratory statistics and the results of independent samples t-tests are presented in *Tables 38* to *41.* The Levene test for homogeneity of variances is included in the t-test output in *Table 39* and *Table 41.* Provided the F value is not significant ($p > 0.05$), the variances can be assumed to be homogenous and the 'equal variances assumed' line of significance values can be used.

Table 38: Organisational commitment: *Company One* shareholders (S) and non-shareholders (NS)

← Agree — Neither agree/disagree — Disagree →

Variable	% S	% NS	% S	% NS	% S	% NS
Proud	53.6	46.7	26.8	36.7	19.6	16.6
Feel	60.7	53.3	16.1	26.7	23.2	20.0
Contribution	69.6	60.0	19.7	30.0	10.7	10.0
Effort	64.3	60.0	21.4	30.0	14.3	10.0
Financial	58.9	56.7	17.9	20.0	23.2	23.3
Money	44.6	43.3	19.6	13.4	35.8	43.3

Table 39: Independent samples t-test: *Company One* shareholders and non-shareholders

	Shareholder status	N	Mean	Std. Deviation	Std. Error Mean
Proud	Shareholder	56	2.46	1.26	.17
	Non-shareholder	30	2.53	1.07	.20
Feel	Shareholder	56	2.36	1.38	.18
	Non-shareholder	30	2.43	1.07	.20
Contribution	Shareholder	56	2.13	1.21	.16
	Non-shareholder	30	2.27	1.05	.19
Effort	Shareholder	56	2.18	1.32	.18
	Non-shareholder	30	2.23	1.07	.20
Financial	Shareholder	56	2.36	1.43	.19
	Non-shareholder	30	2.37	1.47	.27
Money	Shareholder	56	2.75	1.53	.20
	Non-shareholder	30	3.00	1.53	.28

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Proud	Equal variances assumed	1.445	.233	-.254	84	.800	-.07	.27	-.61	.47
	Equal variances not assumed			-.267	68.208	.790	-.07	.26	-.59	.45
Feel	Equal variances assumed	3.144	.080	-.263	84	.794	-.08	.29	-.65	.50
	Equal variances not assumed			-.283	73.005	.778	-.08	.27	-.61	.46
Contribution	Equal variances assumed	.194	.661	-.542	84	.589	-.14	.26	-.66	.38
	Equal variances not assumed			-.566	67.001	.573	-.14	.25	-.64	.36
Effort	Equal variances assumed	1.744	.190	-.195	84	.846	-.05	.28	-.61	.50
	Equal variances not assumed			-.208	70.737	.836	-.05	.26	-.58	.47
Financial	Equal variances assumed	.065	.799	-.029	84	.977	-.01	.33	-.66	.64
	Equal variances not assumed			-.029	57.963	.977	-.01	.33	-.67	.65
Money	Equal variances assumed	.009	.926	-.722	84	.472	-.25	.35	-.94	.44
	Equal variances not assumed			-.722	59.312	.473	-.25	.35	-.94	.44

Source: Stage One survey 1997/8

Table 40: Organisational commitment: *Company Three* shareholders (S) and non-shareholders (s)

← Agree — Neither agree/disagree — Disagree →

Variable	%					
	S	NS	S	NS	S	NS
Proud	28.8	31.1	30.7	32.4	40.5	36.5
Feel	34.2	26.0	26.2	30.1	39.6	43.9
Contribution	54.9	52.8	18.9	18.0	26.2	29.2
Effort	55.4	50.7	12.5	21.1	32.1	28.2
Financial	37.9	26.5	19.8	30.5	42.3	43.0
Money	31.6	27.8	13.5	11.2	54.9	61.0

Table 41: Independent samples t-test: *Company Three* shareholders and non-shareholders

	Shareholder status	N	Mean	Std. Deviation	Std. Error Mean
Proud	Shareholder	111	3.23	1.36	.13
	Non-shareholder	70	3.19	1.28	.15
Feel	Shareholder	111	3.11	1.43	.14
	Non-shareholder	70	3.41	1.32	.16
Contribution	Shareholder	111	2.50	1.45	.14
	Non-shareholder	69	2.59	1.53	.18
Effort	Shareholder	112	2.66	1.53	.14
	Non-shareholder	68	2.59	1.44	.17
Financial	Shareholder	111	3.14	1.56	.15
	Non-shareholder	69	3.35	1.50	.18
Money	Shareholder	111	3.48	1.55	.15
	Non-shareholder	69	3.57	1.53	.18

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Proud	Equal variances assumed	.692	.407	.195	179	.846	.04	.20	-.36	.44
	Equal variances not assumed			.198	153.633	.844	.04	.20	-.36	.43
Feel	Equal variances assumed	.172	.679	-1.444	179	.151	-.31	.21	-.72	.11
	Equal variances not assumed			-1.469	155.113	.144	-.31	.21	-.72	.11
Contribution	Equal variances assumed	.393	.532	-.436	178	.663	-.10	.23	-.55	.35
	Equal variances not assumed			-.430	138.274	.668	-.10	.23	-.55	.35
Effort	Equal variances assumed	1.167	.281	.315	178	.753	.07	.23	-.38	.53
	Equal variances not assumed			.320	148.302	.749	.07	.23	-.37	.52
Financial	Equal variances assumed	.291	.590	-.903	178	.368	-.21	.24	-.68	.25
	Equal variances not assumed			-.910	148.261	.364	-.21	.23	-.67	.25
Money	Equal variances assumed	.202	.654	-.371	178	.711	-.09	.24	-.56	.38
	Equal variances not assumed			-.372	146.138	.710	-.09	.24	-.55	.38

Source: Stage One survey 1997/8

At the level of the individual firm, there were no significant differences between the attitudes of shareholders and non-shareholders at either company for any of the BOCS statements.

At *Company One,* both sets of respondents were most likely to show commitment to their company through 'involvement': over two-thirds (69.6 per cent) and over three-fifths (64.3 per cent) of shareholders respectively said they were happy to make a contribution for the good of their company and expend extra effort for the company. Among the non-shareholding group, three-fifths (60 per cent) of respondents said they were happy to make a contribution while a further three-fifths (60 per cent) said they were willing to put in additional effort for the company. At the other end of the spectrum, just over half (53.6 per cent) of shareholders said they were proud to tell people they worked for *Company One,* while over two-fifths (44.6 per cent) said that the offer of a bit more money would not seriously make them think of leaving. For non-shareholders, responses to these two statements came to 46.7 per cent and 43.3 per cent respectively.

At *Company Three,* both groups were also most likely to show commitment to their company via 'involvement'. More than half of shareholders (54.9 per cent) and non-shareholders (52.8 per cent) said they were happy to make a contribution for the good of their company, while similar numbers (55.4 per cent of shareholders; 50.7 per cent of non-shareholders) said they were prepared to put in extra effort. However, far fewer respondents than at *Company One*, both shareholders and non-shareholders, were likely to identify and show loyalty to their company. Fewer than 30 per cent of *Company Three* shareholders and just over 30 per cent of non-shareholders were proud to tell people they worked for their company. In addition, just over one-third (34.2 per cent) and just over one-quarter (26 per cent) of shareholders and non-shareholders respectively said they felt a part of their company.

Table 42 presents results for the second stage of the analysis, which compares non-shareholder attitudes *across* the two companies. In the table the 'equal variances not assumed' values are used for the 'contribution' and 'effort' scale items since $p < 0.05$.

Table 42: Independent samples t-test: *Company One* and *Company Three* non-shareholders

	Company	N	Mean	Std. Deviation	Std. Error Mean
Proud	Company One	30	2.53	1.07	.20
	Company Three	70	3.19	1.28	.15
Feel	Company One	30	2.43	1.07	.20
	Company Three	70	3.41	1.32	.16
Contribution	Company One	30	2.27	1.05	.19
	Company Three	69	2.59	1.53	.18
Effort	Company One	30	2.23	1.07	.20
	Company Three	68	2.59	1.44	.17
Financial	Company One	30	2.37	1.47	.27
	Company Three	69	3.35	1.50	.18
Money	Company One	30	3.00	1.53	.28
	Company Three	69	3.57	1.53	.18

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Proud	Equal variances assumed	.883	.350	-2.449	98	.016*	-.65	.27	-1.18	-.12
	Equal variances not assumed			-2.625	64.795	.011	-.65	.25	-1.15	-.16
Feel	Equal variances assumed	2.704	.103	-3.582	98	.001***	-.98	.27	-1.52	-.44
	Equal variances not assumed			-3.896	67.203	.000	-.98	.25	-1.48	-.48
Contribution	Equal variances assumed	10.125	.002	-1.069	97	.288	-.33	.31	-.94	.28
	Equal variances not assumed			-1.234	78.663	.221	-.33	.27	-.86	.20
Effort	Equal variances assumed	5.906	.017	-1.210	96	.229	-.35	.29	-.94	.23
	Equal variances not assumed			-1.354	73.261	.180	-.35	.26	-.88	.17
Financial	Equal variances assumed	.015	.901	-3.002	97	.003**	-.98	.33	-1.63	-.33
	Equal variances not assumed			-3.026	56.268	.004	-.98	.32	-1.63	-.33
Money	Equal variances assumed	.025	.875	-1.690	97	.094	-.57	.33	-1.23	.10
	Equal variances not assumed			-1.689	55.168	.097	-.57	.33	-1.24	.11

*** Significant at 0.001   ** Significant at 0.01   * Significant at 0.05

Differences between *Company One* and *Company Three* non-shareholders are highlighted by results in *Table 42*: *Company One* non-shareholders were significantly more likely to be proud to work for their company (p = 0.016), to feel a part of the company (p = 0.001) and to stay with the company even if it was not doing too well financially (p = 0.004). In contrast, there were no significant differences between *Company One* and *Company Three* non-shareholders in terms of being happy to contribute to the good of the company (p = 0.221), make additional effort (p = 0.180), or stay with their employer if they were offered more money elsewhere (p = 0.094). It is suggested that some of the 'less tangible' aspects of organisational commitment, such as identifying with one's company, are more likely to be found where ESO is 'more tangible' to employees, including non-shareholders, in that company. As highlighted in section 6.1, non-shareholders may still benefit to some degree from working in an employee owned enterprise, though like shareholders, attitudinal outcomes may be determined by variables other than ESO alone. However, the fact that no significant differences were found in the attitudes of shareholders and non-shareholders at the individual company level (*Tables 39* and *41*) supports the argument that the 'climate' of ESO in the company is important for commitment outcomes.

6.4 Summary

Chapter 6 set out to examine the attitudes of employee shareholders in relation to 'feelings of ownership' and 'organisational commitment' across three companies, each with different models and degrees of employee ownership. The 'feelings of ownership' analysis (section 6.2) was divided into three stages: satisfaction with ESO among employee shareholders; perceived benefits of ESO; and ways in which employee shareholders viewed their company under an employee ownership structure. Guiding the 'feelings of ownership' analysis were two main hypotheses. Firstly, employee shareholders working under a system of 'direct' ownership would derive greater satisfaction from being owners compared with employee shareholders in companies with more indirect arrangements. Secondly, employee shareholders in companies with 'direct' ownership arrangements would exhibit a greater 'sense' of ownership towards their company than shareholders in firms with 'indirect' arrangements.

Following the 'feelings of ownership' analysis, some support is given for the two hypotheses. For example, results of the 'ESO satisfaction' analysis revealed that *Company One* respondents were the group most likely to be satisfied with their ESO scheme and *Company Three* respondents were least likely to be satisfied. Moreover, *Company One* respondents were proportionately the most likely of the three groups to acknowledge that ESO had made a difference to the way they thought about their company and attitude shifts on the whole were positive. Notwithstanding, a 'within-groups' analysis established a level of agreement among the companies in relation to

ESO satisfaction: respondents at all three companies were most likely to care about owning shares and least likely to feel like an owner of their company or find work more satisfying because they owned shares. It is thus concluded that some of the direct outcomes of ownership, including being able to participate in securing the future of the company, were perhaps more important to respondents than more indirect outcomes, including 'increased work satisfaction' and a greater 'sense of ownership'. A similar conclusion emerged in relation to 'direct' and 'indirect' outcomes of ownership for the 'benefits of ESO' analysis. Though exceptions were noted, respondents at all three companies tended to give a higher preference to the more tangible benefits of ESO, including more money, more information and the opportunity to become more involved in company decisions.

The second part of the chapter (section 6.3) investigated the hypothesis that organisational commitment would be stronger where employees had a more developed sense of ownership. Underpinning this hypothesis was the work of Klein (1987) which concluded that employees would be more committed to their company where they were satisfied with its ESO scheme. Given results from the 'ESO satisfaction' analysis it is no surprise that respondents at *Company One* and *Company Two* were, to some extent, significantly more committed to their companies than *Company Three* respondents. *Company One* and *Company Two* respondents had invested not only time but also their own money into their firm, though the amount at *Company One* was collectively nearly ten-times that invested at *Company Two*. In contrast, *Company Three* respondents had invested no money directly and did not have the same level of satisfaction towards their firm's ESO scheme. What emerged as perhaps a more interesting finding from the commitment analysis was that there were no significant differences between the three cases in terms of respondents being willing to contribute to and make an effort for the good of their company. As discussed in section 6.3, employees may be more inclined to become 'involved' in order to safeguard their job, regardless of the characteristics and circumstances of employee ownership.

Findings from the qualitative analysis offered additional insights into the Stage One results. At *Company One,* employees and managers alike had set out to prevent a hostile take-over bid and a direct ownership arrangement was regarded as the best way to achieve this aim. Moreover, *Company One* had managed to sustain its longevity as an employee-owned enterprise, which may also explain why its non-shareholders were significantly more likely to show commitment to the company than non-shareholders at *Company Three*. Like its shareholders, *Company One's* non-shareholders had also benefited from ESO insofar as the company had not been sold on to a third party and employees had kept their jobs. This may also account for there being no significant differences in attitudes among shareholders and non-shareholders at *Company One*. The same rationale can be applied at *Company Three,* in that employees had witnessed their directors earn huge windfalls as a result of ESO. This had subsequently led to a general feeling of resentment among all sections of the workforce and may explain why there were no significant differences in attitude between shareholders and non-shareholders.

In conclusion, some support is given for the hypotheses that ESO satisfaction, feelings of ownership and commitment to the organisation are more likely under 'direct' ownership. However, a direct ownership model does not make positive attitudinal outcomes inevitable. It is suggested, for example, that outcomes may equally be a reflection of the success of the ownership scheme, in terms of the longevity of ownership and the share price. At the time of the survey, the share price at *Company One* had risen by nearly nine-times the original value. If the share price had fallen when the survey was conducted findings may have been rather different. A longitudinal approach can help to overcome such problems and this issue is addressed further in Chapter 9.

7.0 Employee share ownership, employee participation and industrial relations

7.1 Introduction

Chapter 7 sets out to examine whether opportunities for EP in decision-making are greater in employee-owned organisations than in firms without ESO. EP may occur in a number of ways within both types of enterprise, both directly and indirectly, via task participation or through consultative and representative forums, including trade unions, works councils and employee directors. However, within employee-owned enterprises, employees who share in the equity of their organisation may also regard it as their 'legitimate right' (Pierce et al 1991: 128) to have greater access to information and to exercise some direct influence over matters relating to their workplace (see Long 1981). Voting rights for employees who own shares, plus a general 'culture' of participation instilled by managers and resulting from the introduction of ESO, may further contribute to a level of EP greater than that found in 'more 'conventional' firms.

Opportunities for EP in employee-owned enterprises may also be extended to non-shareholding staff. Though excluded to some extent from participating in the activities of their company, such as voting at the AGM, employees who do not own shares may still benefit from working in a more 'democratic' and 'involving' arena. Studies detecting either no or only minor differences in attitudes between shareholders and non-shareholders in employee-owned organisations and previously discussed in Chapter 3 suggest some support for this argument.

It may also be assumed that employees would naturally embrace the idea of having more say in the way their organisation is run, particularly if they own shares and thus have a direct interest in its success. However, previous studies discussed in Chapter 3 (see for example, French 1987; Rosen and Quarrey 1987) suggest this may not always be the case. Employees' perceptions of management capability, for example, may be an important predictor of their desire for more participation and influence (Rhodes and Steers 1981). Where managers are perceived to be efficient in running the organisation, employees may be perfectly satisfied for them to continue to manage and thus show little or no desire to have more influence themselves and assume a more active role. Conversely, employees may actively seek more participation and influence where they are dissatisfied with the methods of their managers and regard their investment in the employee-owned firm as being at risk.

ESO and EP may additionally have implications for the role and function of trade unions. It has been posited (see Pendleton et al 1995b; Poole and Jenkins 1990) that ESO aligns the aims and goals of employees with their managers, thereby reducing the need for employees to be represented by a trade union. However, where employees are dissatisfied with the degree of influence they have in their organisation, or are unhappy with their managers, they may regard the union as the most appropriate vehicle for representing their interests and giving them a voice. Alternatively, employees may find themselves able to develop simultaneous commitments, or 'dual commitment', to both their union and employer, though this would depend on the attitudes of employees to both parties. Studies addressing the concept of dual commitment (Angle and Perry 1986; Guest and Dewe 1991) were discussed in Chapter 3.

This chapter seeks to investigative a number of key questions. First, is *actual* participation in decision-making greater for employees in employee owned companies than in post-ESO enterprises and if so, are there likely to be differences between the different forms of employee-owned company? Second, is desire for greater participation less where employees are satisfied with the way their managers run the company? Third, do employees still seek participation via trade union channels, even if their company is an employee-owned company? Finally, to what extent do employee-manager relations and employee-trade union relations influence employees' ability to demonstrate simultaneous commitment to both factions?

To address these issues the chapter is divided into a number of sections. The first stage of the analysis (section 7.2) examines EP across all six organisations and specifically, the degree to which employees seek participation in decisions relating to their job, their depot or department and the organisation overall, plus the level of participation they *actually* have at each level. The second stage (section 7.3) focuses on EP and relations between employees and their managers, while the third (section 7.4) examines EP and relations between employees and their trade union. Results presented in the chapter are based on quantitative and qualitative data drawn from the Stage One survey of employee shareholders and non-shareholders and from the Stage Two interviews respectively. For all six companies, Stage Two data were analysed across three main areas: EP and communication, including practices and institutions for giving employees a 'voice' at each of the firms; trade union issues; and industrial relations. Further details of Stage Two categories, plus quantitative and qualitative data sources and methods used to analyse the data were previously discussed in Chapter 4. Examples of matrix displays used to aid in the qualitative analysis can be found in *Appendices 12* and *13*.

7.2 Desired employee participation

This first section examines quantitative data from the Stage One survey in relation to employees' (shareholders and non-shareholders combined) desire for greater influence in eleven work-related areas (*Tables 43* to *48*). Five-point scales used to measure responses were adapted from studies by Pendleton et al (1995a, b) and Poole and Jenkins (1990), while responses along the scale ranged from 'a great deal of say' (1) through to 'no say at all' (5). Following methods in Chapter 6, points '1' and '2' ('a great deal of say'/'some say') and '4' and '5' ('little say'/'no say at all') were merged in each case to assist in the clearer presentation of results. Full details of respondent samples for each case can be found in section 4.4.2 in Chapter 4.

Table 43: Desired participation at *Company One:* shareholders and non-shareholders

	A great deal of say ←	Neither a lot nor a little say	No say at all →	
Decisions	**%**			**Mean**
Company policies	55.5	26.7	17.8	2.46
Own depot	63.7	25.0	11.3	2.23
Own job	68.5	20.2	11.3	2.00
Wages and bonuses	61.8	23.6	14.6	2.21
Health and safety	65.1	20.3	14.6	2.12
Staffing	45.0	29.2	25.8	2.64
New products	52.8	25.8	21.4	2.55
New machinery	41.1	25.6	33.3	2.79
Investment	36.7	32.2	31.1	2.91
Recruitment	34.4	24.4	41.2	3.12
Training	37.8	34.4	27.8	2.89

Table 44: Desired participation at *Company Two*: shareholders and non-shareholders

Decisions	A great deal of say %	Neither a lot nor a little say %	No say at all %	Mean
Company policies	51.0	30.8	18.2	2.49
Own depot	70.4	18.1	11.5	2.09
Own job	83.8	7.6	8.6	1.76
Wages and bonuses	68.6	14.3	17.1	2.06
Health and safety	74.3	13.3	12.4	1.85
Staffing	56.7	20.2	23.1	2.45
New products	59.0	21.0	20.0	2.39
New machinery	53.4	23.8	22.8	2.52
Investment	38.1	36.2	25.7	2.78
Recruitment	34.3	33.3	32.4	2.95
Training	43.8	31.4	24.8	2.62

Table 45: Desired participation at *Company Three:* shareholders and non-shareholders

Decisions	A great deal of say %	Neither a lot nor a little say %	No say at all %	Mean
Company policies	47.8	31.7	20.5	2.59
Own depot	66.1	17.7	16.2	2.24
Own job	71.7	14.4	13.9	2.01
Wages and bonuses	65.4	8.0	26.6	2.30
Health and safety	64.4	13.8	21.8	2.24
Staffing	46.5	29.1	24.4	2.59
New products	49.4	31.2	19.4	2.48
New machinery	47.5	20.2	32.3	2.73
Investment	34.0	29.2	36.8	3.05
Recruitment	42.0	21.7	36.3	2.91
Training	52.7	20.5	26.8	2.55

Table 46: Desired participation at *Company Four*: shareholders and non-shareholders

Decisions	A great deal of say %	Neither a lot nor a little say %	No say at all %	Mean
Company policies	50.0	25.9	24.1	2.68
Own depot	59.5	16.5	24.0	2.45
Own job	68.1	11.9	20.0	2.16
Wages and bonuses	68.5	10.0	21.5	2.19
Health and safety	66.2	13.8	20.0	2.21
Staffing	52.0	19.5	28.5	2.66
New products	54.3	19.5	26.2	2.56
New machinery	49.7	21.8	28.5	2.68
Investment	31.8	26.1	42.1	3.24
Recruitment	32.7	28.4	38.9	3.18
Training	47.6	21.2	31.2	2.75

Table 47: Desired participation at *Company Five*: shareholders and non-shareholders

Decisions	A great deal of say	Neither a lot nor a little say	No say at all	Mean
	%			
Company policies	47.1	35.5	17.4	2.55
Own depot	67.8	20.6	11.6	2.13
Own job	70.2	18.2	11.6	2.05
Wages and bonuses	67.7	16.6	15.7	2.10
Health and safety	73.6	17.4	9.0	1.93
Staffing	55.4	24.7	19.9	2.41
New products	53.7	22.3	24.0	2.52
New machinery	57.5	20.8	21.7	2.44
Investment	25.0	31.7	43.3	3.28
Recruitment	28.9	32.2	38.9	3.17
Training	42.2	28.9	28.9	2.76

Table 48: Desired participation at *Company Six:* shareholders and non-shareholders

Decisions	A great deal of say	Neither a lot nor a little say	No say at all	Mean
	%			
Company policies	41.5	38.3	20.2	2.64
Own depot	69.9	17.1	13.0	2.13
Own job	75.3	11.8	12.9	1.97
Wages and bonuses	73.1	17.2	9.7	1.98
Health and safety	69.1	19.2	11.7	2.05
Staffing	53.2	29.8	17.0	2.43
New products	55.3	25.5	19.2	2.47
New machinery	55.4	22.3	22.3	2.49
Investment	37.2	37.2	25.6	2.85
Recruitment	37.2	30.9	31.9	2.87
Training	51.6	24.7	23.7	2.51

Source: Stage One survey 1997/8

Findings show respondents generally in agreement in relation to those areas where they wanted a greater say in decisions and areas where a greater say was less of a priority. In four of the six organisations (*One, Two, Three* and *Six*), a majority were most likely to want more say in relation to their job, while in the remaining two organisations, wages and bonuses (*Company Four*) and health and safety (*Company Five*) were seen as the key areas. At the other extreme and across all six organisations, recruitment and investment were seen as less important areas for decision-making among employees. The main findings from all six cases are summarised in *Table 49.*

Table 49: Desired participation – 'within groups' rankings

	Company One	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
Desires most say	Own job	Own job	Own job	Wages and bonuses	Health and safety	Own job
	Health and safety	Health and safety	Wages and bonuses/ Own depot	Own job	Own job	Wages and bonuses
	Own depot	Own depot		Health and safety	Own depot	Own depot/ Health and safety
	Wages and bonuses	Wages and bonuses	Health and safety	Own depot	Wages and bonuses	
	Company policies	New products	Training	Products	New machinery	New machinery
	New products	Staffing	Products	Staffing	Staffing	New products
	Staffing	New machinery	Company policies/ Machinery	Company policies/ Machinery	New products	Staffing
	New machinery	Company policies			Company policies	Training
	Training	Training	Staffing	Training	Training	Company policies
	Investment	Investment	Recruitment	Recruitment	Recruitment	Investment/ Recruitment
Desires least say	Recruitment	Recruitment	Investment	Investment	Investment	

Results in *Table 49* are perhaps not all that surprising. It may be expected, for example, that employees would generally express a desire for more say in decisions relating to their own job, irrespective of whether they owned shares in the organisation. Nearly 84 per cent of *Company Two* respondents wanted more influence in their job, followed by 75.3 per cent at *Company Six* and 71.7 per cent at *Company Three.* Results for the remaining cases in relation to job decisions were clustered around or just below the 70 per cent mark. A majority of respondents across the six organisations similarly wanted more say in relation to pay issues and health and safety arrangements. Like job decisions, these findings are perhaps not unexpected, given that pay and health and safety impact upon employees directly in their day-to-day working lives. At 73.1 per cent, *Company Six* respondents were most likely to want more influence over pay arrangements, while those least likely, but still representing 61.8 per cent of the Stage One sample for their firm, were found at *Company One.* The proportion of respondents wanting more say over health and safety decisions were similarly clustered in the 60 and 70 per cent bands and ranged from 64.4 per cent at *Company Four* up to 74.3 per cent at *Company Two.*

As highlighted earlier in the chapter, an increased desire among employees for greater say in workplace decisions may be a direct reflection of the current state of employee-manager relations in the organisation. French (1987) posited that employees often wanted more influence where they were unhappy or dissatisfied with their current work situation. Bartkus (1997) and Heller et al (1998), however, concluded that employees will often express a desire for more say than they have at the present time, but may then become disinterested upon realising that having a greater say may, in turn, mean greater responsibility. Applying French's (1987) argument, the results suggest that respondents at all six organisations were unhappy with their pay and additionally, with health and safety arrangements and job methods but in turn, satisfied with the decisions of their managers in relation to investment and recruitment. An alternative interpretation and probably the more likely is that respondents in all cases were less interested in recruitment and investment, since neither area has a direct impact upon employees in the same way as the more immediate issues of job methods, pay and health and safety. Moreover, with only one exception (investment decision: $p<0.05$), the results of a K-W test (see Chapter 4) presented in *Table 50* reinforce the finding that there were no significant differences between the six cases in relation to employees' desire for participation in their workplace.

Table 50: Desired participation: K-W test

	Desired policies	Desired own depot	Desired own job	Desired wages and bonuses	Desired health and safety	Desired staffing	Desired new products	Desired new machinery	Desired investment	Desired recruitment	Desired training
Chi-Square	2.238	5.071	4.600	2.751	7.170	3.345	.804	5.631	14.630	6.403	6.884
df	5	5	5	5	5	5	5	5	5	5	5
Asymp. Sig.	.815	.407	.467	.738	.208	.647	.977	.344	.012*	.269	.229

* Significant at 0.05

Mean rank scores (see *Appendix 16* for full details) from the K-W test indicate that respondents at *Company Two* (mean rank: 356.96) and *Company Six* (mean rank: 367.01) were most likely to want a greater say in investment decisions (mean rank: 381.44) and *Company Five* respondents least likely (mean rank: 440.48). Perhaps surprisingly, only a minority from each employee-owned firm wanted more influence in investment decisions. In each employee-owned case, a majority of Stage One respondents, plus employees across the firm generally, had owned shares in one form or another at the time of the survey. It was perhaps to be expected, therefore, that employees would express an interest in how managers were investing and spending money, though three possible reasons for the apparent lack of interest are suggested. First, in each case, employees may have been satisfied with current management decisions and happy to let managers manage. Second, employees, regardless of whether they owned shares, still saw day-to-day issues such as pay as being more important (see Pendleton 2001). Third, employees had relatively few aspirations for greater direct participation, preferring to use more indirect channels such as their trade union. Relationships between employees, their managers and trade unions are examined more fully in sections 7.3 and 7.4.

7.2.1 Actual employee participation

The second stage of the EP analysis looks at *actual* levels of EP (shareholders and non-shareholders combined) for the same eleven areas examined in section 7.2. Following exploratory results (*Tables 51* to *56*) and an 'actual participation' rankings summary (*Table 57*), the findings of a K-W test are presented (*Table 58*) to establish significant differences, if any, between the six organisations. The final part of the quantitative analysis in this section examines the extent to which employees' desires for participation in decisions have been met. Termed the 'participation gap', results are calculated by subtracting the mean score for desired participation from that of actual participation (see Pendleton 2001) for each of the eleven 'workplace decision' areas (*Table 59*). In addition, a Wilcoxon Signed Ranks test was used to establish the level of significance of the 'participation gap' for each area.

Table 51: Actual participation at *Company One*: shareholders and non-shareholders

Decisions	A great deal of say	Neither a lot nor a little say	No say at all	Mean
	%			
Company policies	6.7	18.0	75.3	4.28
Own depot	11.2	14.6	74.2	4.13
Own job	27.0	15.7	57.3	3.49
Wages and bonuses	14.6	14.6	70.8	3.96
Health and safety	13.7	22.7	63.6	3.83
Staffing	7.8	11.2	81.0	4.38
New products	10.1	9.0	80.9	4.35
New machinery	7.9	10.1	82.0	4.42
Investment	7.9	13.5	78.6	4.37
Recruitment	9.0	11.2	79.8	4.38
Training	11.2	12.4	76.4	4.25

Table 52: Actual participation at *Company Two:* shareholders and non-shareholders

Decisions	A great deal of say (%)	Neither a lot nor a little say (%)	No say at all (%)	Mean
Company policies	8.7	11.5	79.8	4.27
Own depot	15.4	12.5	72.1	4.02
Own job	22.1	17.3	60.6	3.64
Wages and bonuses	10.6	3.8	85.6	4.37
Health and safety	19.2	22.1	58.7	3.68
Staffing	11.5	6.7	81.8	4.33
New products	8.6	12.6	78.8	4.30
New machinery	5.8	7.7	86.5	4.48
Investment	7.6	6.7	85.7	4.49
Recruitment	10.5	6.7	82.8	4.37
Training	15.4	3.8	80.8	4.29

Table 53: Actual participation at *Company Three*: shareholders and non-shareholders

Decisions	A great deal of say (%)	Neither a lot nor a little say (%)	No say at all (%)	Mean
Company policies	11.2	11.8	77.0	4.20
Own depot	13.4	18.7	67.9	3.99
Own job	31.4	17.0	51.6	3.40
Wages and bonuses	9.1	10.6	80.3	4.31
Health and safety	13.3	20.7	66.0	3.91
Staffing	9.7	13.4	76.9	4.24
New products	10.2	12.8	77.0	4.20
New machinery	9.6	12.3	78.1	4.27
Investment	9.1	11.3	79.6	4.34
Recruitment	14.0	8.6	77.4	4.23
Training	17.1	10.7	72.2	4.05

Table 54: Actual participation at *Company Four*: shareholders and non-shareholders

Decisions	A great deal of say (%)	Neither a lot nor a little say (%)	No say at all (%)	Mean
Company policies	7.0	6.5	86.5	4.48
Own depot	8.9	8.3	82.8	4.34
Own job	19.0	12.6	68.4	3.92
Wages and bonuses	7.9	6.1	86.0	4.45
Health and safety	11.3	15.5	73.2	4.14
Staffing	5.6	6.5	87.9	4.56
New products	7.4	5.6	87.0	4.49
New machinery	7.5	6.1	86.4	4.50
Investment	6.5	5.1	88.4	4.56
Recruitment	6.1	6.0	87.9	4.60
Training	9.3	5.1	85.6	4.46

Table 55: Actual participation at *Company Five*: shareholders and non-shareholders

Decisions	A great deal of say (%)	Neither a lot nor a little say (%)	No say at all (%)	Mean
Company policies	9.1	9.0	81.9	4.35
Own depot	9.0	17.2	73.8	4.11
Own job	31.1	18.0	50.9	3.36
Wages and bonuses	9.1	13.1	77.8	4.30
Health and safety	19.6	23.0	57.4	3.72
Staffing	9.9	15.6	74.5	4.24
New products	4.9	16.4	78.7	4.30
New machinery	2.6	13.3	84.1	4.49
Investment	4.9	9.0	86.1	4.56
Recruitment	9.9	7.3	82.8	4.39
Training	9.9	10.6	79.5	4.21

Table 56: Actual participation at *Company Six*: shareholders and non-shareholders

Decisions	A great deal of say (%)	Neither a lot nor a little say (%)	No say at all (%)	Mean
Company policies	10.8	17.2	72.0	4.17
Own depot	22.8	13.0	64.2	3.82
Own job	44.1	15.1	40.8	3.08
Wages and bonuses	14.0	26.8	59.2	3.78
Health and safety	23.7	24.7	51.6	3.59
Staffing	12.9	16.1	71.0	4.13
New products	14.0	14.0	72.0	4.04
New machinery	14.0	15.1	70.9	4.12
Investment	11.8	14.0	74.2	4.24
Recruitment	12.9	10.8	76.3	4.24
Training	18.5	13.0	68.5	4.02

Source: Stage One survey 1997/8

Table 57: Actual participation – 'within groups' rankings

	Company One	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
Has most say	Own job	Own job	Own job	Own job	Own job	Own job
↓	Wages and bonuses	Health and safety	Training	Health and safety	Health and safety	Health and safety
↓	Health and safety	Own depot/ Training	Recruitment	Own depot/ Training	Staffing/ Recruitment/ Training	Own depot
↓	Own depot/ Training	Wages and bonuses/ Staffing	Own depot/ Health and Safety	Wages and bonuses/ New Machinery	Company policies/ Own depot/ Wages and bonuses	Training
↓	New products	Recruitment	Company polices/ New Products	Company policies/ New Products/ Investment	New products/ Investment	Wages and bonuses/ New products/ New machinery
↓	Recruitment	Company policies/ New products	Staffing/ New Machinery	Staffing/ Recruitment	New machinery	Staffing/ Recruitment
↓	Staffing/ New machinery/ Investment	Investment	Wages and bonuses/ Investment			Investment
Has least say	Company policies	New machinery				Company policies

At the exploratory level, the greatest degree of perceived actual participation in decisions was in relation to the respondent's own job (*Table 57*). Respondents specifying some degree of influence over their job ranged from 44.1 per cent at *Company Six* down to 19 per cent at *Company Four* (see *Tables 51-56*). It is worth noting, however, that the job undertaken by the majority of Stage One respondents, bus driving, is generally semi-autonomous in nature. Thus, compared with other roles in the firm, perceptions of greater job involvement (albeit still relatively small) are more likely, but this is probably more attributable to the nature of the job than to an 'involving' organisation culture.

Health and safety was a further area where respondents had some degree of influence, though perceptions of actual influence were still relatively low across the cases and ranged from 23.7 per cent at *Company Six* down to 11.3 per cent at *Company Four.* Unlike respondents' own jobs, however, opportunities for greater influence over health and safety issues were more likely to be indirect: all firms had appointed health and safety representatives and held regular meetings, thereby giving employees a channel through which they could raise any concerns. At the other extreme, work areas where actual involvement was perceived to be low included: policy making; the purchase of new equipment; wages and bonuses; investment; staffing; and recruitment. Moreover, results from a K-W test presented in *Table 58* show that, with the exception of 'company policies' and 'investment', differences across the six firms for actual say over the remaining nine workplace decisions were significant at the 5 per cent level or below.

Table 58: Actual participation: K-W test

	Perceived policies	Perceived own depot	Perceived own job	Perceived wages and bonuses	Perceived health and safety	Perceived staffing	Perceived new products	Perceived new machinery	Perceived investment	Perceived recruitment	Perceived training
Chi-Square	10.506	15.765	28.032	39.059	18.967	17.372	14.430	12.109	7.932	12.488	13.683
df	5	5	5	5	5	5	5	5	5	5	5
Asymp. Sig.	.062	.008**	.000***	.000***	.002**	.004**	.013*	.033*	.160	.029*	.018*

*** Significant at 0.001 ** Significant at 0.01 * Significant at 0.05

In addition, mean rank scores from the K-W test (full details of mean rank scores are presented in *Appendix 17*) reveal that *Company Six* respondents were most likely to participate in decisions for eight of the nine 'significant' workplace issues shown in *Table 58.* The exception was recruitment, where actual participation in decisions was found to be higher at *Company Three.* At the other extreme, and across all *nine* 'significant' areas, *Company Four* respondents were least likely to participate in workplace decisions. Perhaps most notably, respondents at all three employee-owned companies had relatively low perceptions of participation in decision-making, which suggests that factors other than 'share ownership' may be important for actual EP opportunities in organisations. In addition, results in *Table 59* reveal highly significant 'participation gaps' across the six firms overall between *desired* participation and respondents' perceptions of *actual* participation for each workplace decision. Details of 'participation gaps' for each individual organisation (p = 0.001) can be found in *Appendix 18.*

Table 59: Actual and desired participation (means) – all cases (Wilcoxon Signed Ranks test - two-tailed)

Decision	**Actual**	**Desired**	**Gap**	***Sig***
Company policies	4.31	2.58	1.73	0.001***
Own depot	4.10	2.24	1.86	0.001***
Own job	3.54	2.02	1.52	0.001***
Wages and bonuses	4.25	2.16	2.09	0.001***
Health and safety	3.87	2.10	1.77	0.001***
Staffing	4.34	2.55	1.79	0.001***
New products	4.30	2.50	1.80	0.001***
New machinery	4.39	2.63	1.76	0.001***
Investment	4.44	3.06	1.38	0.001***
Recruitment	4.38	3.04	1.34	0.001***
Training	4.23	2.67	1.56	0.001***

*** Significant (two-tailed) at 0.001

Stage Two respondents from all six organisations further reinforced the argument that employees generally had only limited opportunities for a 'direct say' in the activities of their enterprise. Opportunities for involvement and participation were primarily indirect and came via representation from trade unions and employee directors on the boards of firms. Four of the six cases - *Company One, Company Two, Company Four* and *Company Six* – had employee directors at the time of the Stage Two interviews. *Company Five (A)* also had employee directors from the time of the EBO in 1993 until the merger with *Company B* in 1997, though at the time of the Stage Two interviews in 1998, the newly-created *Company Five* had no plans to resurrect these roles. Most organisations also had JCCs, works councils, or some kind of open forum where employees could put their points directly to managers. Methods used to circulate information to employees generally included notice boards, posters, 'in-house' newspapers and the more informal approaches of *'gossip'* and the *'grapevine'*. Further information on methods used to 'involve' employees and disseminate information is presented in *Appendix 2(ii) and Appendices 12* and *13*.

Asked whether changes to their organisation's ownership structure – involving either a move to or away from ESO - had brought about changes in relation to EP in decision-making, respondents indicated that ESO had generally provided more participation opportunities, albeit through indirect means. At *Company Two*, interviews were conducted shortly after the firm had moved on from employee ownership in June 1998. Although the organisation was still undergoing a period of transition at the time of the interviews, respondents commented that opportunities for EP had already diminished just two months after the sale. The TGWU chairman for the engineering staff summarised the views of other Stage Two respondents at the company:

> 'We used to have four employee directors – we've now only got one and his influence isn't like it used to be. Certainly he's been kept a lot more in the dark in the last few weeks since the company has been bought out than he ever was before. He used to be kept up-to-date on a daily or weekly basis – now he seems to have very little information about what the company is going to do, what its strategy is, what its plans are. All those things in my opinion will make relations worse.'

At *Company Four,* an employee director similarly described how employees had been given more opportunities for participation *during* the period of employee ownership:

> 'When the employees owned the company there were regular briefings and seminars for all to attend. All aspects of the company would be open for discussion. This has now finished and there is resentment at the fragmentation of the workforce with differing wage rates and conditions. This resentment obviously spills over into lower morale.'

Company Four's TGWU branch chairman said there was *'stacks of scope'* to involve employees, but added that the firm *'just plays around the edges'*. The respondent described how the managers *'just want to do their own thing'* but would be better off *'getting people involved on the shop floor'*:

> 'Someone sitting at head office determines what changes are going to happen without consulting the people who actually drive the buses. A guy who is driving a bus up and down every day on a certain route – he knows where the problems are, they should be asking him, but it doesn't happen.'

Similarly, the TGWU branch secretary said:

> 'There's no communication. They've got consultative committees which are supposed to be forums for involving the employees on the shop floor and they rarely happen now, so there's no feedback. The only feedback you get is bad news – "this is what's happening, that's happening". There's no "right – let's sit down and have a local forum here, what's your problem – we'll sit back and listen". That just doesn't happen.'

At *Company Five*, the move to ESO in a post-deregulation environment had acted as a 'trigger' for managers giving employees more influence and providing them with more information. A garage manager, previously at employee-owned *Company Five (A)* referred to a *'climate of secrecy'* inherent within the NBC prior to deregulation when *'information was a closely guarded secret'*. The respondent added:

> 'You didn't let the serfs know what was going on, so it's come on in leaps and bounds. I suppose really it took its first foothold in 1986 when deregulation came about and we then had to stand up and basically state our case to the troops about what was going on. They'd all heard about deregulation and privatisation – how was it going to affect them? That's what they wanted to know. And that's when the first glimpse of information being released happened.'

Company Five's engineering director, who had also previously worked at the former employee-owned company, added that moving to ESO focused everyone on what had to be done for their organisation to succeed:

> 'There was more focus on where we needed to be and what we needed to achieve, because there was no guardian angel at [the council] to look after us. It was all down to us. The bank manager came to see us directly when things weren't going to plan. So we did need to focus everybody's attention on that. But we also wanted to know whether we were doing the right thing. We encouraged a lot more feedback. There were surveys flying around left, right and centre during the time we were owners. We wanted to get the feedback, we wanted people who did own a stake in the company to comment, not just leave it to us.'

Prior to privatisation, opportunities for EP at the two London bus firms, *Company Three and Company Six,* had been restricted largely to representation by the trade unions, though this was regarded as a powerful medium for employee influence at that time. A TGWU branch representative from *Company Six* commented:

> 'In years gone by, when the local rep said they [employees] were coming off the road over a dispute because someone had been sacked for a fairly obscure reason, then they [the union] had the power to just say "right, we're taking these buses off the road". Now that sort of ability has been taken away and therefore, for that reason alone, people do not feel they have their destiny in their own hands like they once had. Once they had a voice that could be expressed, albeit through their union. Now they don't feel they have that voice, because they're not allowed to have it.'

No Stage Two respondents at *Company Six* thought that the move to employee ownership had provided more opportunities for EP in their organisation. The size of the employees' collective shareholding was very small and respondents witnessed no real changes in participation opportunities either during or 'post' employee ownership. In addition, the firm's TGWU secretary stated that the nature of bus driving and shift patterns made it difficult to get employees together in one location at the same time:

> 'Sometimes drivers will go three or four weeks, if not more, and never meet. It's not like working on a shop floor, where you call everybody into a room for an hour's meeting. We'll never ever be able to get all the people together.'

All six organisations were faced with a similar problem, though some were evidently able to overcome it more successfully than others. At *Company Three*, for example, opportunities for participation were said to have increased following privatisation and the move to employee ownership. One respondent, a TGWU representative and EBT trustee said:

> 'There was no involvement previously. I would say since 1994 when we moved towards a MEBO, changes took place and I think that has progressed. We've moved away from the "them and us".'

A convenor, garage manager and human resources manager from the same company all said that employees could make suggestions to their line manager, either directly or in writing via the firm's in-house journal. The convenor added, however, that the unions 'preferred' employees to approach the union rather than their line manager with ideas in the first instance:

> 'The staff are quite free to go into management and make any suggestion they like, but the trade union would prefer that they come to us first so we can take it up at a level that's predominantly more effective.'

At *Company One*, respondents similarly pointed to a general increase in EP following the EBO, though one respondent, an inspector and employee director, attributed the increase to a change in senior personnel rather than to ESO per se. A new managing director had been brought in after the 1993 buy-out and was, according to the respondent, *'more inclined to involve everyone earlier than the last managing director would have done.'* Among the firm's remaining respondents, employee directors and the TGWU were cited as the primary mechanisms by which employees had influence in the firm. The TGWU secretary said that at one point the firm had introduced suggestion schemes, though these were later scrapped because they *'were a total flop'*.

Comments from Stage Two respondents at the six firms suggest that opportunities for EP were related, in some part, to employee ownership. The comments also confirm earlier quantitative results that opportunities for actual 'direct' EP were generally limited, while indirect EP was far more likely. Conversely, Stage Two findings in relation to 'desired participation' were rather more at odds with Stage One results. In most cases, Stage Two respondents said that employees had no real interest in and were at best complacent about participating directly in the activities of their firm.

At *Company One* a TGWU shop steward said that employees *'had no real expectations'* of direct involvement, though they still wanted to be *'kept informed of the firm's activities'*. The company's engineering director said that employees still had the *'same mentality'* under employee ownership as when the firm had been council-owned, believing they would *'still get paid regardless'* of the company's performance. Similarly, the inspector and employee director commented:

> 'People still have the old attitude that "the company should be doing this for me and should be doing that for me". In my perception it should be "what can I do for the company? I am a shareholder. How can I make the company better off? If the company is better off ultimately I will be better off".'

A sense of apathy was also apparent at *Company Two*, in that employees were said to be only interested in what they could gain financially from owning shares. Reflecting on the period of ESO, the operations director said:

> 'I don't think the average lay member was interested. If you said to them "you've got 1,000 shares at £6.40 each, so you've got £6,400", then they're interested. What motivates one person will not motivate another.'

Company Two's TGWU chairman admitted, however, that both the managers and the trade union were partly to blame for the apathy, since neither party was able to motivate or 'involve' employees sufficiently during the employee ownership period. The respondent commented:

> 'We didn't reach out to the shareholders. We could have made the company a lot better if we had reached out to the shareholders, which was the workforce, and said "look lads and lasses – we're all in this together. We're all shareholders – the managing director is a shareholder and you're a shareholder. We're all in this together – let's try to make this company good." We could have done it as well, but there wasn't the resolve to do it.'

Across the six cases generally, employees were given opportunities to raise issues with managers but in some instances failed to make use of available channels. *Company Three's* human resources manager highlighted the general problem:

> 'There is always the opportunity for a driver to see his manager and talk to them – and they do. It tends to be the guy who has a bee in his bonnet as opposed to the normal average guy who doesn't want to get involved but who may have an issue. That's where we probably miss out – the guy who comes in, does his job and has probably been thinking for the past thirty years – "why haven't they done XYZ". And he's been thinking that for thirty years and never said it.'

Employees at *Company Three* appeared to be equally disinterested in receiving information about the organisation's activities. Minutes from JCC meetings were regularly posted around the various depots but employees could not be bothered to read them. According to a traffic assistant, *'people just get fed up with posters'*, while a TGWU representative said that *'even when we attach information to their pay slips we find that the bin is pretty full of letters'*.

Like *Company Three,* employees at *Company Five* were also given opportunities to raise issues directly with their managers. One particular forum was the weekly 'talk-back' session, which was chaired by the managing director and open to all employees. A garage manager, formerly at *Company B,* said:

> 'A lot of them [employees] appreciated the fact they had the chance to sit there and talk to him [the managing director] personally for a couple of hours.'

However, the TGWU branch secretary, also previously at *Company B,* put forward a very different view of the sessions:

> '"What a waste of time that was" – that's the most common comment [from employees]. He [the managing director] is very careful to steer the discussion away from things like conditions and wages and on to other things ...'

Balancing the two extremes, the firm's operations manager, again formerly at *Company B,* said:

> 'It varies. I've got some drivers – I can name names now, who will note down every bit of information we put on the board, go home and study it and there are other drivers who just couldn't care less. And somewhere in the middle are the majority of people who are interested but not vitally interested.'

At *Company Six* respondents referred to a *'general disinterest with the company'*. Employees did not read notices posted around the depots and monthly union meetings were often poorly attended. According to the TGWU secretary, *'there's only a hardcore of people who are interested and it's usually for more selfish reasons'*. Similarly, a TGWU representative said:

> 'Certainly, when it comes to information, regardless of what you'd like to put up there, most people will take no notice of it. Most people would rather go and have a pint of beer than read anything to do with this company. When it comes to involvement, I don't think there could ever be any involvement of employees when commercial interests are the overriding priority.'

The respondent added that employees now regarded working in the industry as *'just a job'*, making it difficult for managers and the unions to arouse their interest and encourage them to take a greater interest in the activities of the firm:

> 'Whereas this may have once been almost a vocation, now it's purely a job until they can get something better. Years ago, you had a very small turnover in comparison with today, and people would very often spend thirty or forty years working in London Transport because of all the benefits it had – pay, pensions, sick pay and everything else and the fact it was a long-term job. Once you had a job with London Transport you were there for life. You could get a mortgage, buy a house. Unless you did something really bad, you had a respectable job with a pension and you were relatively well-off compared with some people. That no longer applies and maybe that's why a different type of person is now in this job who has little or no interest in it.'

At *Company Four*, respondents lay the blame for employee apathy with managers. Employees *were* willing to get involved, though according to the TGWU chairman, *'people aren't going to be involved if they're talking to a brick wall'*:

> 'We've had suggestions put forward on numerous occasions and they've been ignored so people say "what's the point?" That's what they say – "I might as well save my breath because they [the managers] are not going to take any notice of what's going on". It's pure apathy and I can understand that. I know from my own experience that people are fed up with being ignored so they think "I might as well come to work, get my pay packet and do what I have to do", and that's the attitude people have got.'

Employees were also receiving less information compared with the days of employee ownership. A traffic manager at *Company Four* said:

> 'There's a lack of information coming down to me from head office – we don't get as much information as we used to before. We used to have divisional seminars and company seminars, which unfortunately no longer take place. At this moment in time, I suppose if I was being realistic, there is a lack of information circulating throughout the company.'

7.3 Employee-manager relations

Results presented thus far in the chapter indicate that opportunities for direct EP were generally limited across the six organisations, irrespective of the ownership structure of individual cases. The results also reveal a contradiction in that Stage One respondents generally expressed a desire for more say in matters directly affecting their day-to-day working lives, though were said by Stage Two respondents to be generally disinterested when such opportunities arose.

This section aims to provide further insights into EP by examining relations between employees and their managers at the six companies. In particular, the analysis focuses on three possible arguments. Firstly, employees may be perfectly content to allow their managers to 'manage' where they perceive them to be capable and efficient in the role. Alternatively, employees may have concerns about their managers' abilities and seek a more active role in the organisation to address these concerns, particularly where they perceive their own job or financial investment to be at risk. Finally, employees may simply be unwilling to get involved; they may not feel confident enough to assume the additional responsibility, or they may be reluctant to be seen to 'move closer to management'.

Using a three-item scale adapted from Poole and Jenkins (1990) and Pendleton et al (1995a, b), the first stage of the analysis sets out to examine employee-manager relations at the six companies. The scale items focus on three main areas: firstly, social divisions and feelings of 'them and us' between managers and employees; secondly, the extent to which managers take notice of employees' ideas and experiences; and thirdly, whether employees perceive that managers are efficient in running their organisation. Further details of the scale items used are featured in Chapter 4 and *Appendix 5*. Exploratory results for the six cases are featured in *Tables 60* to *65*, followed by the results of a K-W test (*Table 66*) to identify significant differences, if any, between the organisations.

Table 60: Employee-manager relations at *Company One*: shareholders and non-shareholders

Variable	Agree ←	Neither agree/ disagree	→ Disagree	Mean
	%			
Social division	19.1	18.0	62.9	3.8
Take notice	9.0	22.5	68.5	4.0
Managers efficient	22.4	19.1	58.5	3.67

Table 61: Employee-manager relations at *Company Two*: shareholders and non-shareholders

Variable	Agree %	Neither agree/ disagree %	Disagree %	Mean
Social division	20.6	16.7	62.7	3.76
Take notice	9.9	19.8	70.3	3.92
Managers efficient	9.9	33.7	56.4	3.68

Table 62: Employee-manager relations at *Company Three:* shareholders and non-shareholders

Variable	Agree %	Neither agree/ disagree %	Disagree %	Mean
Social division	27.8	20.1	52.1	3.45
Take notice	14.6	22.3	63.1	3.81
Managers efficient	29.0	33.9	37.1	3.21

Table 63: Employee-manager relations at Company *Four:* shareholders and non-shareholders

Variable	Agree %	Neither agree/ disagree %	Disagree %	Mean
Social division	27.7	12.7	59.6	3.64
Take notice	9.8	12.1	78.1	4.13
Managers efficient	21.9	29.4	48.7	3.47

Table 64: Employee-manager relations at *Company Five:* shareholders and non-shareholders

Variable	Agree %	Neither agree/ disagree %	Disagree %	Mean
Social division	24.2	12.5	63.3	3.70
Take notice	14.3	16.0	69.7	3.90
Managers efficient	22.5	36.7	40.8	3.36

Table 65: Employee-manager relations at *Company Six:* shareholders and non-shareholders

Variable	Agree %	Neither agree/ disagree %	Disagree %	Mean
Social division	30.4	33.7	35.9	3.08
Take notice	20.6	28.3	51.1	3.53
Managers efficient	34.8	37.0	28.2	2.99

Source: Stage One survey 1997/8

Table 66: Employee-manager relations: K-W test

	Social division	Take notice	Managers efficient
Chi-Square	22.211	21.271	25.526
df	5	5	5
Asymp. Sig.	.000***	0.001**	.000***

*** Significant at 0.001 ** Significant at 0.01

Results in *Tables 60-65* present a rather mixed picture of employee-manager relations *within* each organisation, though some common patterns can be detected across the cases generally. For example, a majority of respondents from all organisations agreed that managers did *not* take notice of employees' ideas and experiences. At the same time, a majority from five of the six organisations (*Company Six* was the exception) did *not* perceive a social division between managers and employees. For the third scale item, a majority of respondents at two organisations (*Company One* and *Company Two*) indicated that managers were inefficient in running the enterprise. Across the four remaining cases, 28.2 per cent of *Company Six* respondents up to 48.7 per cent at *Company Four* regarded their managers as inefficient.

The results of a K-W test presented in *Table 66* show significant differences across the six cases for all three scale items. Moreover, mean rank scores from the test reveal that *Company Six* respondents were the most positive in their assessment of employee-manager relations for two of the three scale items: they were most likely to agree that managers took notice of employees' ideas and experiences (mean rank: 323.91) and that managers were efficient in running the organisation (mean rank: 327.13). However, *Company Six* respondents were also the *most* likely to identify a social division in their organisation (mean rank: 311.95). Conversely, *Company Two* respondents were the group *least* likely overall to identify a social division (mean rank: 433.80) but also least likely to judge managers as efficient in running the company (mean rank: 454.00). Finally, *Company Four* respondents were least likely to agree that managers took notice of employees' ideas and experiences (mean rank: 443.26). Further details of mean rank scores for all six companies are given in *Appendix 19*.

Overall, Stage One assessments of employee-manager relations were rather less than positive, though some variation was found among the firms. The results also show that favourable assessments in one area of employee-manager relations do not necessarily carry over into other areas, as illustrated by the example of *Company Six*. It is further suggested that employee-manager relations are not always more harmonious in an environment of employee-ownership. For example, a majority of respondents in all three employee-owned companies agreed that managers did not take on board employees' ideas and experiences, while in two of the three cases (*Company Three* was the exception), managers were considered to be inefficient in running the firm.

At a qualitative level, Stage Two trade union respondents across all six cases generally regarded managers as efficient, in that buses ran on time and organisations were profitable. However, on a 'softer HRM' level, managers were seen as inefficient and uncaring when it came to recognising and addressing the concerns of their workforce. Comments from trade union respondents at *Company Six* that managers retained their routes fairly well but were guilty of *'cutting corners'* in other respects were fairly typical of views found in all cases. The TGWU branch secretary at *Company Six* said:

> 'Yes, they [managers] probably are effective because they had to cut wages and they had to start running a profitable business. Unfortunately with this trade it's a public service and running it for a profit creates a conflict. The reason why a lot of staff have gone is because of that conflict with profitability and running a service. They have changed too many things and it's caused such upheaval in this industry. So from that point of view there are many things they could have done better.'

The conflict between hitting targets and addressing employees' concerns was similarly highlighted at the remaining organisations. At *Company Two,* for example, respondents spoke of a 15 per cent profit margin target set by the new management team in the aftermath of the 1998 take-over. The managing director said:

> 'It's going to be achieved one way or the other. Whether that's achieved by a friendly dialogue or by each side chucking threats across the table remains to be seen.'

Observations from *Company Four* respondents ran along similar lines. Typical comments included *'no such thing as discussion and consultation'*, *'all decisions come from head office'* and *'no time to consider employees'*. A TGWU representative described managers as *'money-oriented'* who just wanted *'their pound of flesh'*:

> 'They don't seem to have any consideration for the people who are working for them. They're cutting down right across the board; they're cutting down on electricians, they're cutting down on fitters, they're cutting down on the uniform

> supply – anything at all they're cutting down on – cutting back, cutting back – anything to save money.'

At a further two firms, *Company One* and *Company Five,* respondents indicated that they did not always agree with the methods of their managers, but added that methods used had proved successful for the companies involved. A foreman at *Company Five* said that the firm was making profits and winning a lot of awards, *'so they must be doing something right'*. Similarly, an inspector and employee director at *Company One* said he did not always agree with the way managers ran the enterprise, *'but they are doing it fine so I think they are managing.'* Respondents at *Company Three* also held the view that managers were generally effective. One respondent, a TGWU representative and traffic assistant, said that the effectiveness of managers could be judged by the fact that *Company Three* was the most successful, in profitability terms, of all the privatised London bus operators. A further respondent at the company, a TGWU representative and EBT trustee, said that managers were not effective without the trade union:

> 'Unity and purpose are our goals and I believe that they [managers] take the same view. It's actually our constitution, we can't move from that and I think they've taken that on board. We will have our arguments obviously, but there is one goal and that is working for the company.'

Despite a general consensus that managers were sometimes inefficient when it came to addressing 'softer' employee concerns, respondents across the six companies acknowledged that it was impossible to satisfy all employees. Typical comments included *'you will always get people that object to everything'* (*Company Five*), *'people are always moaning about the way the managers treat them'* (*Company Six*) and *'management will never ever get the support of the workforce in any company'* (*Company Three*). Employees were often seen as suspicious of management attempts to 'break down barriers' and were keen to maintain a 'them and us' status quo because 'they knew where they stood'. The traffic manager at *Company Six* summarised the general feeling of many Stage Two respondents:

> 'It is the workers who put the barriers there because they want the barriers there. They don't feel safe once they're "into management". Until you break that barrier down I don't think you are going to get a really good working relationship.'

Commenting on the situation in his own firm, *Company Three's* human resources manager referred to *'a certain suspicion of management's motives, generally speaking'*. The respondent said there was a *'reasonable relationship'* between some staff and individual managers, but added that *'if you look at management as a group, there isn't the same sort of loyalty and commitment.'* A TGWU representative and traffic assistant at the company said that *'most [employees] don't know who the directors are, or who the senior managers are'*. However, a garage manager said that the trade unions also had an important role to play, in that employees' views of their managers would be determined in part by union recommendation.

7.4 Employee-trade union relations

While a majority of respondents in two of the three employee-owned cases *(Company One* and *Company Two*) considered their managers to be inefficient, results presented in the previous section indicate no specific patterns in relation to ESO and employee-manager relations. Moreover, for all six cases, respondents' views on the general state of employee-manager relations *within* their own company were mixed. In general, a majority of respondents agreed there was no social division in their company, but also agreed that managers did not take notice of employees' ideas and experiences. Stage Two respondents suggested that employees themselves were keen to maintain the 'status quo' and 'them and us' divisions and were often suspicious of managers' motives to establish a more co-operative working relationship. The role of the trade unions in influencing the opinions that employees had of their managers was also seen as important.

Results from section 7.3 thus provide little evidence to suggest that ESO aligns the aims and goals of employees and their managers. In turn, employees in employee-owned companies may still look to their trade union for representation, particularly where they have concerns about the way in which managers are running the company, or are dissatisfied with opportunities for participation and involvement. Alternatively, even where employees have no such concerns and enjoy good relations with their managers, they may still regard trade unions as being necessary and desirable (see Pendleton et al 1995b), though this may depend on the nature of the industry.

In the final part of the chapter, the focus moves to employee-trade union relations. Results are drawn from responses to a nine-item scale adapted from Angle and Perry (1986). Among the areas examined by the scale are commitment to the union and dual commitment (see Chapter 4). For the Stage One survey, responses (shareholders and non-shareholders combined) were placed on a scale of 1 ('strongly agree') to 5 ('strongly disagree') for each item but were then merged into three main categories ('agree', 'neither agree/disagree', 'disagree') to assist in a clearer presentation of results. *Tables 67* to *72* outline the main exploratory findings, followed by a summary of 'within case' rankings in *Table 73,* multiple regression analysis exploring possible predictors of dual commitment in *Table 74* and the results of a K-W test in *Table 75.* Finally, multiple regression models examining the impact of employee, trade union and organisational characteristics upon desired and actual EP are presented in *Table 76* and *Table 77.*

Table 67: Employee-trade union relations at *Company One:* shareholders and non-shareholders

	Agree	Neither agree/ disagree	Disagree	
Variable	**%**			**Mean**
Easy to be loyal	27.6	46.0	26.4	2.99
Talk up	17.2	31.0	51.8	3.56
Hard to agree	27.5	33.3	39.2	3.26
Important role	36.7	31.0	32.3	2.92
Concessions	43.0	33.7	23.3	2.76
Co-operate	49.4	34.1	16.5	2.48
Lost influence	50.6	31.8	17.6	2.55
Worker influence	45.9	28.8	25.3	2.68
Survival	55.2	26.4	18.4	2.33

Table 68: Employee-trade union relations at *Company Two:* shareholders and non-shareholders

	Agree	Neither agree/ disagree	Disagree	
Variable	**%**			**Mean**
Easy to be loyal	27.0	38.0	35.0	3.12
Talk up	27.0	31.0	42.0	3.26
Hard to agree	27.0	41.0	32.0	3.08
Important role	39.0	24.0	37.0	2.89
Concessions	55.6	25.3	19.1	2.47
Co-operate	64.0	25.0	11.0	2.17
Lost influence	73.5	11.2	15.3	1.94
Worker influence	35.0	34.0	31.0	2.96
Survival	60.0	26.0	14.0	2.20

Table 69: Employee-trade union relations at *Company Three:* shareholders and non-shareholders

Agree ←→ **Neither agree/ disagree** ←→ **Disagree**

Variable	%			Mean
Easy to be loyal	35.4	32.3	32.3	3.03
Talk up	23.6	26.1	50.3	3.42
Hard to agree	27.5	33.8	38.7	3.21
Important role	39.5	18.5	42.0	3.06
Concessions	57.0	16.7	26.3	2.54
Co-operate	67.2	16.7	16.1	2.14
Lost influence	66.7	13.5	19.8	2.18
Worker influence	32.2	26.8	41.0	3.19
Survival	62.4	15.4	22.2	2.34

Table 70: Employee-trade union relations at *Company Four:* shareholders and non-shareholders

Agree ←→ **Neither agree/ disagree** ←→ **Disagree**

Variable	%			Mean
Easy to be loyal	22.5	25.5	52.0	3.55
Talk up	24.4	26.8	48.8	3.38
Hard to agree	25.9	32.8	41.3	3.27
Important role	35.3	20.1	44.6	3.15
Concessions	50.2	20.3	29.5	2.71
Co-operate	64.9	16.8	18.3	2.30
Lost influence	69.5	9.0	21.5	2.06
Worker influence	34.9	32.0	33.1	3.01
Survival	62.1	16.7	21.2	2.25

Table 71: Employee-trade union relations at *Company Five:* shareholders and non-shareholders

Agree ←→ **Neither agree/ disagree** ←→ **Disagree**

Variable	%			Mean
Easy to be loyal	14.7	40.2	45.1	3.53
Talk up	20.6	31.4	48.0	3.39
Hard to agree	21.6	44.1	34.3	3.18
Important role	30.3	32.4	37.3	3.16
Concessions	41.5	28.7	29.8	2.83
Co-operate	49.0	32.4	18.6	2.59
Lost influence	72.6	14.7	12.7	1.87
Worker influence	30.4	33.3	36.3	3.09
Survival	58.4	25.7	15.9	2.30

Table 72: Employee-trade union relations at *Company Six:* shareholders and non-shareholders

Variable	Agree	Neither agree/ disagree	Disagree	Mean
	←	%	→	
Easy to be loyal	35.1	36.3	28.6	2.90
Talk up	20.6	23.0	56.4	3.54
Hard to agree	30.4	45.5	24.1	2.86
Important role	38.5	30.8	30.7	2.88
Concessions	46.2	38.4	15.2	2.47
Co-operate	58.3	32.9	8.8	2.19
Lost influence	59.2	18.4	22.4	2.29
Worker influence	25.0	43.4	34.6	3.14
Survival	60.8	22.8	16.6	2.25

Source: Stage One survey 1997/8

Table 73: Attitudes towards the trade unions - 'within-groups' rankings

	Company One	***Company Two***	***Company Three***	***Company Four***	***Company Five***	***Company Six***
Most likely to agree	Survival	Lost influence	Co-operate/ Lost influence	Lost influence	Lost influence	Survival
↓	Lost influence	Co-operate		Co-operate	Survival	Lost influence
	Co-operate	Survival	Survival	Survival	Co-operate	Co-operate
	Worker influence	Concessions	Concessions	Concessions	Concessions	Concessions
	Concessions	Important role	Important role	Important role/	Worker influence	Important role
	Important role	Worker influence	Easy to be loyal	Worker influence	Important role	Easy to be loyal
	Hard to agree/	Hard to agree/	Worker influence	Hard to agree	Hard to agree	Hard to agree
	Easy to be loyal	Easy to be loyal/	Hard to agree	Talk up	Talk-up	Worker influence
Least likely to agree	Talk up	Talk up	Talk up	Easy to be loyal	Easy to be loyal	Talk up

Exploratory results presented in *Tables 67* to *72* indicate that attitudes towards the trade unions were rather mixed *within* each of the organisations, though as in previous sections, patterns were detected *across* the six cases generally (*Table 73*). In all cases, a majority of respondents agreed that their union had lost some of its influence in recent years. It is suggested, however, that the level of consensus shown by respondents in relation to this item reflected as much the diminishing powers of trade unions generally since the 1980s as anything particular to the individual enterprise at the time of the survey. Notwithstanding, a majority cared about the survival of their union, while around half or more respondents from each company said their union tried to co-operate with managers. There was also a considerable level of agreement that the unions made concessions to avoid problems, with a majority of respondents in three cases (*Company Two, Company Three* and *Company Four*) agreeing that concessions were made. At the same time, relatively few respondents across the six cases (up to a maximum of 30.4 per cent at *Company Six*) said they found it hard to agree with the policies of their union.

Responses to the remaining scale items highlight those areas where respondents were perhaps dissatisfied, or at best indifferent, to their trade union and the role of the union in the enterprise. Well under half in each case said the union currently played an important role in their company, while around one-third of respondents in each of four companies (*Two, Three, Four* and *Five*) said the best way to obtain influence was through the trade union. At the two extremes, *Company One* respondents were the most likely to gain influence through their union (45.9 per cent) and *Company Six* respondents the least likely (25 per cent). Though still less than half, the result for *Company One* suggests that ESO had not 'displaced' the importance of union representation in the eyes of the company's employees. Nevertheless, *Company One* respondents indicated some dissatisfaction with their union in that only 17.2 per cent felt able to speak highly of their union to others, though responses to this item were generally less than positive across all six cases.

The notion of dual commitment was similarly a problematic one for respondents. In all cases, only a minority - down to 14.7 per cent at *Company Five* – agreed that it was easy to be loyal to both their managers and trade union. As discussed earlier in section 7.1, the extent to which employees are able to demonstrate dual commitment may be seen as a reflection of the state of relations between the different parties. A regression model presented in *Table 74* confirms the significance ($p<0.001$) of both employee-manager ('social division') and employee-trade union relations ('union effectiveness') upon dual commitment. Dual commitment is *less* likely where there is seen to be a social division within the firm, but *more* likely where trade unions are considered to be effective. The model also reveals a significant and positive association between dual commitment and ESO, though at the 'company' rather than the 'individual shareholder' level (see section 4.48 in Chapter 4 and *Appendix 7* for a discussion of the different variables used in the regression model).

Table 74: Determinants of 'dual loyalty' (multiple regression)

Variable	Beta Coefficients	t-values
Union effectiveness	0.274	7.659***
Social division	0.147	-4.115***
Employee shareholder status	-0.377	-0.707
Employee owned company	0.127	3.559***
Constant		4.692***

$r = 0.344$ r^2 0.118 Adjusted r^2 0.115

*** Significant at 0.001

Results suggest, therefore, that ESO may lead to a greater likelihood of dual commitment, in that relations between the major parties are more co-operative since all sides have an interest in the company's success. However, as shown by earlier results in this section and in section 7.3, ESO is no guarantee of a more co-operative industrial relations climate. Moreover, the somewhat indifferent views to emerge from respondents across the six cases in relation to both their managers and trade unions go some way to explaining why a majority in each case found it difficult to demonstrate dual commitment.

That none of the six cases 'stands out' in terms of a wholly positive or negative assessment of their trade union is further confirmed by results of a K-W test in *Table 75.* While the table shows significant differences on three scale items – 'easy to be loyal', 'co-operate' and 'lost influence', an examination of mean rank scores finds no single company emerging as 'significantly' different from the other cases overall.

Table 75: Employee-trade union relations: K-W test

	Easy to be loyal	Talk up	Hard to agree	Important role	Concessions	Co-operate	Lost influence	Worker influence	Survival
Chi-Square	28.896	3.886	7.297	4.767	7.231	16.712	24.354	9.333	1.322
df	5	5	5	5	5	5	5	5	5
Asymp. Sig.	.000***	.566	.200	.445	.204	.005**	.000***	.097	.933

*** Significant at 0.001 ** Significant at 0.01

Company Six respondents were generally the most likely to show loyalty to both their managers and trade union (mean rank: 313.32) and *Company Four* respondents were the least likely (mean rank: 414.36). Additionally, *Company Three* respondents were most likely to report union-manager co-operation (mean rank: 330.89) and *Company Five* respondents the least likely (mean rank: 422.80). Finally, *Company Five* respondents were the most likely overall to say their union had lost a lot of influence in recent years (mean rank: 323.90) while *Company One* respondents (mean rank: 442.46) were the least likely. Further details of mean rank scores are presented in *Appendix 20.*

When combined with a number of 'key predictors', employees' attitudes to their union appeared to have limited impact upon levels of desired and actual participation in decision-making. However, *Table 76* shows that individual share ownership had a strong significant effect ($p<0.001$) on desired participation levels. Thus, employees who owned shares in their company were more likely to want a say in workplace decisions. Moreover, in *Table 77,* management efficiency is shown to be positively associated with actual participation ($p<0.001$), suggesting that managers are regarded as more efficient when employees participate in workplace decisions. The ownership status of the company (though not the shareholder status of the employee) is also positively associated with actual participation ($p<0.001$) and indicates that actual EP is more likely where the company is an employee-owned company, though only in combination with other factors.

Table 76: The impact of employee, trade union and organisational characteristics on desired participation in decision-making (multiple regression)

Variable	Beta Coefficients	t-values
Union effectiveness	0.031	0.884
Employee shareholder status	0.390	11.153***
Employee-owned company	0.100	1.849
Trade union membership	-0.011	-0.307
Management efficiency	0.067	1.899
Constant		217.743***

$r = 0.390$ r^2 0.152 Adjusted r^2 0.151

*** Significant at 0.001

Table 77: The impact of employee, trade union and organisational characteristics on actual participation in decision-making (multiple regression)

Variable	Beta Coefficients	t-values
Union effectiveness	0.008	0.226
Employee shareholder status	-0.94	-1.705
Employee-owned company	0.350	9.918***
Trade union membership	0.016	0.455
Management efficiency	0.139	3.943***
Constant		174.810***

$r = 0.370$ r^2 0.137 Adjusted r^2 0.135

*** Significant at 0.001

Like Stage One results, Stage Two observations on the trade unions and of their role and influence were similarly varied, with both favourable and dissenting views emerging from each organisation. Without exception, unions were seen to play a key role in their enterprise in terms of listening to members' concerns, in trying to secure the best deals possible and passing on relevant information to members as required. However, union officers were sometimes unrealistic in their demands (*Company One*) and only concerned with their own interests (*Company One, Company Three, Company Five* and *Company Six*). Unions also needed to work harder to *'educate'* employees in situations where unpopular decisions had to be taken for commercial reasons. Concerns were raised among some management respondents (*Company Four* and *Company Six*) that union officers were putting their own negative 'slant' on information passed to employees. Some managers, therefore, preferred to speak to employees directly to ensure that information was passed on accurately (*Company Four*), though others recognised the *'benefits in having an organised representation'* (*Company Five*).

There was widespread consensus from both management and trade union respondents, however, that the unions were not as dominant as in previous years, though membership of the main union had remained stable in each company. In four companies (*Two, Three, Five* and *Six*), respondents said that in the current employment climate employees regarded trade union membership primarily as a form of 'insurance'. Comments from the *Company Five* (formerly *Company Five (A)*) foreman summarised the general view:

> 'The unions don't have a lot of power nowadays, yet the workers know they need the union – a union is probably an insurance policy. When I was a union representative I "sold" the union to people as an insurance policy. If you ever get into trouble they are there.'

A number of respondents also observed that employees were often complacent about their union. For example, union branch meetings were often poorly attended, prompting a garage manager at *Company Five* to describe the role of a union steward as *'pretty soul destroying'*. As well as branch meetings, a lack of support for the unions was evident in other ways, as highlighted by a traffic manager at *Company Four*:

> 'I think the balance has certainly moved from the trade union dominating the situation when I came here, to the present situation where they cannot get the backing of their members on a lot of issues. They had a ballot recently for possible industrial action and got a majority of those who voted, but they couldn't even get 50 per cent of their workforce to vote.'

Echoing the views of the traffic manager was a TGWU representative from *Company Six,* who said that in the event of his own union calling for industrial action *'it's very possible that you wouldn't get as much support as you might have done a few years ago'.* A changing membership profile was among the reasons put forward for dwindling union support in a number of cases. For example, the garage manager at *Company Five* (formerly *Company Five (A)*) said:

> 'At the last count 70 per cent of the staff hadn't been in the union two years. The membership needs to have some age and service under its belt before it starts being supportive of its trade union leaders. Unfortunately, with such a new group of people, they don't know any previous history of what's gone on and they're not that supportive.'

In contrast, employees at *Company One* and *Company Two* were said to support their union and were willing to take industrial action if necessary. Shortly before the Stage Two interviews, *Company One* had gone through a series of industrial stoppages and according to the TGWU secretary, the response from employees voting for strike action was the biggest in the company's history. However, an inspector and employee director at the company concluded that *'management involves the unions too much'* and described the union as being *'pampered'* by managers. The respondent recognised, however, that it was probably a deliberate strategy to get employees *'on side'* and *'to help smooth the transition when there are changes'.*

Company Three's human resources manager highlighted a similar problem of 'too much union influence' in his own company:

> 'At local level, managers would say they [the unions] have got too much power – probably because they bear the brunt of it'.

Views on the general state of industrial relations in each company were similarly varied. Across all cases, typical comments ranged from *'bad and getting worse', 'poor', 'okay', 'reasonable'* and *'pretty good'* through to *'very good'* and *'a high degree of co-operation'. Company One* illustrates well the extreme range of views to emerge from the Stage Two interviews. The TGWU secretary, for example, said that manager-union relations had *'just got worse',* there was a climate of *'distrust',* managers were *'out of touch'* and did not know their staff. At the other extreme, the ACTS chairman described how managers *'involve the unions every step of the way'.*

At *Company Four* views were clearly divided according to whether the respondent was from the trade union or management side. The TGWU secretary said there were *'no management/union relations'* and described the current industrial relations climate as *'very very weak'*. Similarly, an employee director said he had *'never experienced such an untrusting and confrontational union/management relationship in nearly thirty years in the company'*. Comments from the TGWU chairman who had *'never known industrial relations to be at such a low'* and describing employees as having *'no allegiance whatsoever'* to their firm, paint a picture of a less than harmonious workplace. On the management side views were more positive in that respondents acknowledged that both sides *did* try to work together. Management respondents agreed there would always be arguments but that did not mean there could not be a good working relationship at the same time. One traffic manager commented:

> 'They [the trade unions] have been very co-operative lately. We've put in some radical changes that have not been terribly palatable, but the trade union has gone along with them because they see that as the way to protect their members' jobs in the longer term.'

At three companies, *Company Three*, *Company Five* and *Company Six,* respondents from both the management and trade union sides were generally in agreement that manager-union relations were fairly co-operative at the present time, although there had been difficulties in the past. At *Company Three,* a TGWU representative and traffic assistant described how relations had *'improved tremendously'* since the post-privatisation tensions of the mid-1990s. Similar comments came from a TGWU and health and safety representative who spoke of *'a steady improvement'* since 1994, and from the human resources manager who described previously *'tetchy moments'* between the two sides, but added that current manager-trade union relations were generally *'very good'*.

At *Company Two,* recent major changes within the enterprise had a very clear impact upon the views of Stage Two respondents. The TGWU chairman for the engineering workers described industrial relations as *'a lot worse'* than they had been for a long time, though this was related, in part, to impending redundancies. The engineering unions were described as being *'very apprehensive about the future'* and *'looking at industrial action'*. Some respondents referred back to the time of employee ownership, typified by *'give and take on both sides'*. One example of 'give and take' occurred during the mid-1990s when ACAS was brought into the firm to help resolve industrial relations problems between managers and the union. The TGWU chairman said that the two sides did not suddenly become *'bosom buddies'* following the ACAS intervention, though there was a different perspective and a move away from the *'tunnel vision'* that had characterised the relationship previously. However, there was a general consensus that under the new owners, the relationship would revert back to one of *'us and them'*. The firm's managing director said that future industrial relations would be marked by less consultation compared with the period of employee ownership, though this was attributed primarily to increased work pressures, the pursuit of more stringent business targets and a lack of time. Describing industrial relations during the period of ESO, the respondent referred to *'endless dialogue'* and *'endless debates'*, which would disappear under the new ownership structure:

> 'I think certainly in the days of employee ownership we spent a lot of time in informative discussion but perhaps we won't in the future – just because of the pressure of time.'

7.5 Summary

Chapter 7 set out to examine EP and the extent to which ESO and industrial relations were important predictors of EP in decision-making. The chapter was underpinned by a number of key questions. First, was *actual* EP greater in employee-owned companies than in the 'post-ESO' enterprises and if so, was actual EP more likely to be found in some forms of employee-owned organisation than others? Second, was desire for participation in decision-making less where employees were satisfied with the way their managers ran the organisation? Third, did employees look to their trade union to secure participation in decisions, even if theirs was an employee-owned company? Finally, to what extent did employees' relationship with their managers and trade union influence their ability to show commitment to both parties simultaneously? As discussed at the beginning of the chapter, non-shareholders in an employee-owned enterprise could, like employee-shareholders, benefit from working in a more involving and democratic environment. Hence, the Stage One analysis was undertaken at the 'organisational' level, whereby the responses of shareholders and non-shareholders in the employee-owned firms were combined for the purposes of analysis.

Results presented in the chapter indicate that at a quantitative level, 'actual EP' was not found to any greater degree in the employee-owned organisations than in the 'post-ESO firms'. Moreover, in some cases, employees working in the latter were *more* likely to have actual influence in decision-making. One possible reason is that respondents at the three employee-owned companies had greater expectations of actual participation than were realised in practice, hence the fairly negative responses in each case. Employees' expectations of participation are beyond the scope of this thesis, though it is suggested that future work might focus on an examination of the 'participation expectation gap' between employees' expectations and actual participation. An investigation of this nature would require a rigorous longitudinal approach and will be discussed more fully in Chapter 9.

Notwithstanding, actual EP was generally limited across all of the cases, though where apparent, was most likely to be found in relation to the respondent's own job and health and safety arrangements. However, the job undertaken by the majority of Stage One respondents was semi-autonomous in nature, so perceptions of greater influence over the job are not unexpected. Each firm had also appointed health and safety representatives, providing employees with a channel, albeit indirect, where they could raise any concerns. Typically, all of the companies also had other forms of 'indirect' participation, for example, employee directors, works councils or JCCs, though qualitative observations from respondents at the post employee buy-out firms indicated that these channels were generally more powerful when they operated in an ESO environment. Moreover, ESO was found to be important for actual EP in combination with certain aspects of the organisation's industrial relations climate, such as the efficiency of managers.

Despite some degree of actual EP in relation to job and health and safety issues, a majority of respondents in each case wanted greater influence in these areas, as well as in areas such as pay and the activities of their own depot. At the same time, employees will often say they want more responsibility than they actually have, but then shy away from that responsibility if it is offered – a premise confirmed by findings from Stage Two respondents. Employees were said to be generally disinterested in having more influence in their company and ESO appeared to make little difference. One respondent at *Company Two* concluded that shares only really meant anything to employees if they were able to realise their worth. Financial rewards aside, the notion that a 'sense of ownership' would encourage employees to become more 'actively involved' was not realised in the employee-owned companies.

The second theme examined in the chapter concerned relations between employees and their managers and the impact upon desired participation outcomes. Within the ESO literature, arguments have been put forward that employees would express a desire to become more involved in the running of their organisation only if they were concerned with the way the organisation was being run and if their investment in the company was at risk. Alternatively, employees may have been content for managers to manage if they regarded them as able to protect their investment. A third alternative is that, irrespective of relations with managers, employees were simply unwilling to become involved in the activities of their organisation, either because they did not feel confident enough to assume the additional responsibility or because they did not wish to move 'closer to management'.

At the quantitative level, exploratory results painted a rather mixed picture of employee-manager relations across the six cases. With the exception of one case (*Company Six*), a majority of respondents in each of the five remaining companies agreed there were no divisions between managers and employees, while a majority in two organisations (*Company One* and *Company Two*) regarded their managers as inefficient. Across all organisations, however, a majority of respondents agreed that managers did not listen to employees' ideas and experiences. Once again, ESO on its own appeared to have relatively little impact upon the attitudes of employees to their managers, though as previously highlighted, a combination of ESO and management efficiency was important for actual participation outcomes.

There was little evidence to suggest that employees wanted more say in how their organisation was run where they were dissatisfied with the methods of management. Indeed, conclusions from the Stage Two interviews suggest that employees were generally reluctant to become more involved and work co-operatively with managers, even in the employee-owned organisations. At *Company Three,* for example, respondents described how employees were suspicious of managers' motives and were keen to maintain 'employee-manager divisions' in the organisation.

It is perhaps, therefore, of little surprise that trade unions were still seen as relevant and important for giving employees a voice in their firm. In each case, around half or more respondents said their union tried to co-operate with managers, suggesting once again that ESO on its own was not a key factor. In combination with aspects of 'employee-trade union' and 'employee-manager' relations, however, ESO was important for dual commitment in the organisation. Moreover, qualitative results reveal that the trade unions were important for listening to their members' concerns, in trying to secure the best deals possible for the workforce and in passing on relevant information to members as required. Union officers needed to work harder, however, to secure the commitment of their members who often regarded their union simply as a form of insurance. In addition, union officers were sometimes guilty of putting their own 'slant' on information, which led to negative repercussions. At the same time, employees were said to be complacent about their union, offering only limited support and rarely attending branch meetings. Such a variety of both favourable and less favourable observations from Stage Two respondents were generally found in all of the organisations and suggest that 'case-specific' factors, experiences unique to the individual respondent, plus historical factors, played a larger part in influencing attitudes than ESO per se.

In conclusion, results indicate that ESO in isolation is no universal panacea for organisations. Managers are no more likely, necessarily, to take notice of the ideas and experiences of their employees and there is no guarantee of actual greater EP even where employees own a majority of the organisation's equity. Moreover, employees are not always more interested in exercising greater influence than their counterparts in organisations without ESO. Nevertheless, in combination with other factors, ESO can be significant for both EP and industrial relations outcomes, though the individual circumstances of each organisation are also key. One might argue for an approach to research in the field that 'excludes' from the analysis variables unique to the individual case that could 'cloud' the potential impact of ESO upon organisations. However, as argued throughout the thesis, attempts to exclude 'case-specific' factors would be to ignore the value of complex inter-relationships, the experiences of individuals, plus historical and other contextual factors within these organisations. Instead, it is important that future studies continue with a more 'holistic' research approach to aid a full and realistic understanding of the ESO phenomenon.

8.0 Durability of employee share ownership

8.1. Introduction

Chapter 8 examines whether reasons for ESO and the methods by which companies have created this organisational form are important for their durability as wholly or part employee-owned entities. Given the relatively short life-spans of UK bus companies operating under employee ownership (see Chapter 5), an alternative premise is that ESO was always going to be a transitional phenomenon within the industry, regardless of the model chosen by individual companies. Reasons for the susceptibility of bus companies and of employee-owned firms generally to take-overs were discussed earlier in the thesis. Findings in this chapter are based largely on Stage Two qualitative data and supplementary Stage One quantitative data from the three 'post-ESO' cases - *Company Four, Company Five (A)* and *Company Six*. The three companies entered into ESO arrangements to varying degrees during the late 80s or early 90s and had subsequently been 'sold on' to other transport groups by 1997.

An examination of factors seen as contributing to the 'durability' of ESO in each of the three companies provides the main focus for the chapter. The factors include: the model of ESO adopted by each company at the outset; the objectives and motives behind the introduction of each ESO scheme; the involvement of key actors in the conversions; and the ways in which the schemes were operated and managed. Reflections from Stage Two respondents in relation to lessons learned from the successes and failures of their schemes, the impact of ESO upon employee attitudes and behaviours and the extent to which ESO objectives were met within each company are also presented in the chapter.

The responses of those either directly involved in ownership changes, both pre and post-ESO, and/or those with extensive knowledge of and involvement in related activities within their organisations were documented and subsequently analysed using role-ordered matrices and partially-ordered meta-matrices. Further details of respondents and methods used were given in Chapter 4. As far as possible, it was the intention to obtain detailed information from all respondents in relation to each of the factors outlined above. However, the degree to which individuals were able to comment on each factor naturally varied according to their involvement in ESO activities – whether as an EBT trustee, a member of a buy-out steering group or some other similar role.

The first part of the chapter examines the main objectives of ESO at each company. An examination of objectives is central to the analysis, given that companies may enter into ESO with particular aims in mind. For example, some companies may regard ESO as only a short-term strategy at the outset, whereas others may see it as a more long-term arrangement. Ben-Ner (1988: 289) described employee-owned companies as 'strategic collections of self-interested individuals' who design and redesign their companies to best meet their own interests.

The chapter also examines whether ESO created a 'sense of ownership' among employees at the three firms and subsequently led to changes in their attitudes and behaviours, including increasing their efficiency at work and changing their relationship with their trade union. Stage Two respondents also reflect on the lessons learned from their own experiences of ESO, particularly the perceived successes and failures of their own scheme, plus alternative employee ownership strategies that could have been pursued in each case. The chapter also presents quantitative data collected during the Stage One survey from both *Company Four* and *Company Six,* which examines the views of employees as to whether their companies should have maintained their employee ownership status. At the request of the managing director, these data were not collected from Stage One respondents who had previously worked at *Company Five (A).*

Before the main analysis, *Figures 14* to *16* present summaries of key events in the history of each company. Event-listing matrices, which were used for the purpose (see Chapter 4), allow the researcher to obtain an initial grasp of events in a summarised form and assist in suggesting subsequent lines of deeper analysis and interpretation to follow. The matrices, created using largely documentary data from each company, highlight a number of key areas including: the background to ESO in each case; details of the share offer; operation of the scheme; negotiating structures; and events surrounding the demise of ESO at each company. Further historical details of the three cases were presented in Chapter 5, while matrices created to assist in the main qualitative analysis for this chapter can be found in *Appendices 12* and *13.*

Figure 14: ESO at *Company Four* - formation, life-span and demise

Key dates	Key events and details
March 1989	**Background to ESO**
	• Company moved to ESO following release from local authority ownership
	• Number of alternatives for a buy-out considered, including EBO and MBO. Company finally decided upon a MEBO. Trade unions wanted *all* employees to be given the opportunity to own shares, while financing institutions wanted guarantees that targets would be met.
	• Buy-out was completed at a cost of £12.5 million
	Share offer
	• Managers invested £306,000 of personal equity to fund the purchase
	• 6,000,000 shares were made available to employees
	Share allocation
	• Managers received a majority 51% shareholding through an ESOP. Within this stake, three executive directors acquired ownership of 30 per cent of the shares. Employees received 49% of the share allocation.
	• Number of shares for employees included a service-related allocation of 25 shares for each year of service (see Chapter 5)
	• Original value of 5 pence per share
	Eligibility criteria
	• Participants had to be permanent employees of the company at 31 March 1989 and working more than 16 hours a week. Subsequently, 12 months' continuous service at 31 March each year was required.
	Operation of the scheme
	• Money annually set aside by company board for ESOP was transferred to PST. Money from PST was used to acquire shares held by EBT.
	• Five years after initial allocation, shares were due to be released from tax restrictions and transferred to participants.
	Negotiating structures
	• **Company board**
	Board included three executive directors, other senior managers and two employee directors. Employee directors had rights of veto on certain strategic decisions.
	• **Other**
	Joint Advisory Committee – included three executive directors, other senior managers and five employee representatives
	Divisional ESOP Consultative Committees – included local garage managers, two additional management representatives, five employee representatives and a JAC representative.
	Additional information
	• Employees received financial statements from the company and could attend AGMs where they could put questions to the board and vote on strategic issues.
July 1994	**Dissolution of ESO**
	• Bid made for the company by a leading UK transport group
	• Employees were offered £4.58 per share
	• Support for the sale of the company was unanimous
	• Employees received average windfalls of between £9,000 and £10,000
	• All employees received three-year job guarantees on the day of the sale

Figure 15: ESO at *Company Five (A)* – formation, life-span and demise

Key dates	Key events and details
December 1993	**Background to ESO**
	• Company moved to ESO following release from local borough council
	• Sold to employees for £1.5 million
	• Approximately £300,000 required to fund the buy-out
	Share offer
	• Minimum individual investment for employees was £1,000; managers were required to invest £15,000 each if they wished to participate
	• Loan arrangement with local building society for those wanting to participate in share offer. Approximately 70% of employees took up the share offer
	Share allocation
	• Directors received 8% of shares, managers received 3% of shares and employees, collectively, received 49%. No individual could hold more than 7% of the shares.
	• Company set up an EBT that held 40% of the share capital.
	• Shares originally valued at 10 pence each.
	• **Operation of the scheme**
	• Employees had to sell their shares back to the company when they left
	• Employees were able to vote at the company's AGMs
	Eligibility criteria
	• Employees had to be working for the company at the time of the buy-out
	Negotiating structures
	• **Company board** Apart from an independent chairperson, no external parties were appointed to the board. Board included two executive directors, two managers and three employee directors elected from the workforce. Union representatives were not permitted to sit on the board.
	• **EBT board** Managed by three employee representatives and an independent chairperson
↓	• **Other** Bi-monthly 'sharp end' meetings – provided a forum for discussion
May 1997	**Dissolution of ESO**
	• Merged with *Company Five (B)* to form the new company – move passed by a majority vote of *Company Five (A)* employees
	• *Company Five (A)* was sold for approximately £8 million
	• *Company Five (A)* employees received average windfalls of £18,000 each on an initial £1,000 investment
↓	• On its dissolution, the managing director at *Company Five (A)* left his position immediately. Majority of management positions were taken over by personnel at *Company Five (B),* including the position of managing director
	• Employee director roles at *Company Five (A)* were dissolved.

Figure 16: ESO at *Company Six* – formation, life-span and demise

Key dates	Key events and details
November 1994	**Background to ESO**
	• Company moved to ESO when London Buses sold the company on to a MEBO following privatisation
	• One of four MEBOs to go through following privatisation of London Buses
	• Acquisition completed for approximately £23,000,000
	• Management shareholders invested £284,000 via a subscription of management convertible ordinary shares
	Share offer
	• Employees were offered ordinary shares at 1 pence each and 'employee preference shares' at 10 pence each
	• Ordinary shares made up 4 per cent of the ordinary share capital
	• 'Further ordinary shares' made up an additional 17 per cent of the ordinary share capital and up to 15,927,111 employee preference shares
	• 'Further employee offer' gave employees the right to invest up to £1,700,000 in total in the company
	• Employees investing in the company received a proportion of the total number of ordinary and employee preference shares equal to the proportion of the total employee investment that their individual investment constituted. Minimum investment was £50 and loans were made available to employees
	Share allocation
	• Managers held approximately 50 per cent of the company's equity, employees held a total of 9.5 per cent and the remainder was held by external institutions
	• An EBT was set up to hold the employee ordinary shares
	• Ordinary shares were valued at 1 pence each
	• Employee preference shares were valued at 10 pence each
	Eligibility criteria
	• For ordinary shares, employees had to be employed by the company on 1 May 1994 and continuously employed up to 11 February 1995.
	• For further ordinary shares, employees had to be employed by the company on 31 December 1994 and continuously employed up to 11 February 1995
	Operation of the scheme
	• Two dealing periods each year when ordinary shareholders could sell their shares
	• Shares offered to the EBT could be purchased by the trust and kept for future offers or be offered directly to existing employees shareholders
	• Employees had to sell their shares back to the EBT on leaving the company
	• Holders of institutional shares, management ordinary shares and ordinary shares could attend and vote at AGMs
	• Employees could appoint two non-executive (employee) directors for a two-year term of office
	Negotiating structures
	• **Company board**
	• Made up of a non-executive chair, six executive directors, two employee directors and three non-executive directors
	• **Other**
	• Company has a JCC made up of management and trade union reps that meets once every three months.
	• Health and safety meetings are held once every six weeks
	Additional information
↓	• Considerable de-layering of management structure since 1994
August 1997	**Dissolution of ESO**
	• Sold to an overseas plc subsidiary in 1997 at a cost of £41 million
	• Unanimous workforce vote in support of the sale
↓	• At the time of the sale shares were valued at 74 pence each

8.2 Objectives of employee share ownership

Across the three cases the key objectives of ESO were seen generally from two main perspectives: firstly, to retain control of the company in terms of being able to shape its direction and destiny and ensure job security for employees; secondly, to 'involve' employees in owning a part of their company, though this appeared to be far less of a priority at *Company Six* than in the other two post buy-out firms.

Company Four and *Company Five (A)* had originated from PTE and local authority backgrounds respectively and in each case the form of ESO chosen was that considered most likely to receive support from the local council. Gaining trade union backing was also important, however. An employee director at *Company Four* described the role played by the TGWU and the GMB during initial ESO negotiations:

> 'The decision was taken by the unions that they did not want employees buying different numbers of shares. They set up an equal free share issue for all employees with a one-off issue of 25 shares for each year of service.'

Company Four's trade unions had looked seriously at pursuing a full EBO in 1989, but decided that involving the company's directors and senior managers in an ESOP arrangement was the most realistic way to secure financial backing. A traffic manager said that *'the managers would not have got their 51 per cent if it hadn't been initially for the support of the trade unions, especially in the political arena where they had to deal with local politicians who had control of the company'*.

At *Company Five (A)* respondents described the *'distinct advantages'* of buying their own company and how a 'direct ownership' scheme was regarded as the best way to avoid *'fierce competition'* and a *'hostile take-over bid'*. The strategy was not seen as being long-term, however. An engineering manager at the company commented:

> 'We knew that we would only be buying time. I don't think we believed it would go on forever and be anything spectacular. It was a great experience but it was short-lived.'

Like *Company Four* and *Company Five (A)*, *Company Six* had also faced the prospect of a take-over following reorganisation of the bus industry. The company's directors regarded a MEBO as the best option to move away from London Transport ownership after privatisation and retain independence and control. A garage manager said:

> 'In buying the company, we became our own bosses effectively – we broke away from London Transport. We became our own negotiators, our destiny was in our own hands and control of the company was in our own hands as a whole group, including the employees.'

Among trade union respondents at *Company Six,* however, ESO was described as *'something for nothing', 'the lesser of two evils'* and *'a tiny bit of money for us and a lot of money for somebody else'*. Despite trade union involvement in the ESO conversion, providing employees with a stake in their company was never seen as a key objective. Instead, *'profit'* was regarded as the overriding motive for the buy-out. A service controller commented:

> 'This company, when it first started as [*Company Six*], was too profit-oriented. The company wanted to make a lot of money fast, but there was not the investment. Everything was minimal with regard to controls, management etc. Everything was cut back to a minimum, anything to save a bit more money.'

8.3 Perceived successes and failures of employee share ownership

Albeit to different degrees, Stage Two respondents across the three cases identified the main successes of ESO as: financial reward; job security; improved consultation and communication; everyone in the organisation working towards the same goal; improved relations between different workforce groups; belonging to a family; job satisfaction; and being able to retain the company's independence.

At *Company Four* a key benefit was having access to 'inside' information and learning more about the business, though it was the trade unions who were said to have benefited most in this regard. The TGWU chairman, for example, described how the unions *'had a transparent view of the company, we knew exactly what profits the company was making and what each division was making'*. Greater access to information was also said to have provided the unions with additional power to negotiate better terms and conditions for their members. The TGWU secretary described how the trade unions were able to threaten *Company Four's* directors with strike action because *'their money was on the line'*.

At *Company Five (A)*, *'belonging to a family'*, *'giving employees more of a reason to come to work'*, allowing them *'more input into the business'*, increasing *'job satisfaction'* and *'making it more than a 9-5 job'* were among the main successes of the scheme as highlighted by respondents. The garage manager said that ESO gave employees *'a great amount of kudos out there against other companies'* and said that efficiency was *'fifty times greater'* compared with the pre-ESO period. Improvements in efficiency were attributed to managers spending a lot more time passing information to employees, and in particular, informing them what carrying more passengers meant for the company and ultimately the employees themselves. The respondent added:

> 'They [employees] made sure that they picked up as many passengers as possible because they knew that the money wasn't going to the council or to anybody else. It was going into their fund. It was their company and they were making it stronger.'

'Financial reward', not surprisingly, was cited as a further benefit of ESO by *Company Five (A)* respondents, but was considered less important than 'feeling a part of the organisation' and working harder for its success. A foreman at the company commented:

> 'When the buy-out became imminent, I was still on the buy-out committee. It was then "part and parcel" of the forum to really go out and sell the idea to the rest of the employees and to tell them it was a venture, which, in the long run, would be beneficial to them, although in all honesty we didn't really know how good or bad it would be. But looking at how other bus companies had gone and how they had really benefited at a later date by selling out to a much larger combine, it did seem at the time that we didn't have anything to lose. The council was excellent in that it insisted on an employee buy-out so that every employee would benefit from it in the long run, which really I think was the crux of the whole matter. It actually made people feel part of a company, whereas before, they just said – "oh well, we're with the council".'

At *Company Six,* Stage Two management respondents similarly described how ESO encouraged everyone to *'pull together'* to make the company successful and gave employees the opportunity to *'belong to a family again'* following the company's breakaway from London Transport. The garage manager, for example, said that the company performed more efficiently *'because the responsibility is on us'*:

> 'We couldn't run to the Government and ask for lots of money "because we've made a complete mess of things and please will you help us?" It's down to us as employees at whatever level to make the company work. Everybody has got to pull their weight to be successful.'

The views of managers were not typical among Stage Two respondents at the company generally, however. Overall, ESO advantages were seen purely in financial terms and moreover, only became apparent once the company was sold in 1997 and employees were able to recoup the money they had lost at privatisation. Until that time, the majority of employees were said to have given very little thought to ESO. The TGWU secretary commented that even when the company was sold, the money employees received went little way to compensating them for what they had lost previously:

> 'I got a windfall of about £1,300, but considering the money I had lost in privatisation. What I've lost over the years is about £40,000 in wages. It has literally been about £4,000-5,000 a year since our wage cut, plus the actual rise we would have had on top of what we were earning. That's probably under-estimating it. So getting £1,300 meant nothing. I look upon it still, and I think a lot of them do, in a negative way. There wasn't enough involvement. If I'd been able to buy something worthwhile, I probably would have taken more of an interest, but that opportunity wasn't there for me and many others - probably the majority of people. Not many people had the money, particular after a wage cut.'

Employee apathy towards ESO was identified as a problem generally at *Company Six* and similarly at *Company Four,* in that ESO was seen to have been largely unsuccessful in generating 'feelings of ownership' among employees. Respondents at the two companies said that employees had had no voice or influence in company decisions, though this is not unexpected given that in both cases, the directors were still majority owners of their companies and so the balance of power remained unchanged from pre-ESO days. According to *Company Four* respondents, the 49/51 split for employees and directors respectively was regarded as perhaps the main failure of the ESOP. The TGWU representative commented:

> 'The failure of the original arrangements to give a more equal share to all was the biggest failure. It also led to a small number of people who were very interested in the success of the bid when it was made and who did not, therefore, do very much to explore alternative avenues for the ESOP.'

Shortly before the sale of the company in 1994, preliminary negotiations had taken place between the directors and the trade unions to address the issue of the unequal share allocation and to consider a move to a 100 per cent EBO. The TGWU secretary said:

> 'The company agreed to fund all the legal and financial advice that we needed if we could come up with the funding. We got the funding from the Unity Bank

and other institutions to fund it, and then [XXX] came along and made an offer worth twice what we were offering.'

If employees had made some form of direct financial investment to their company's ESOP it is possible they may have been less likely to vote for a sale in 1994, which saw them achieve relatively modest returns of between £9,000 and £10,000 each (see section 5.6.4 in Chapter 5). As it was, 99 per cent of employees voted for the sale, which, according to the TGWU representative was probably inevitable:

> 'To an ordinary bus driver £10,000 is a lot of money – a lot of money. So when we were asked to vote it was just a ridiculous decision to ask you to make really. I think there were about twenty people in the whole company who said "no", but some of them did it tongue in cheek because they knew if a majority voted for it, it would go through, so they knew they would get away with it. But these people were able to say "well I voted against it". We could have all said that.'

The TGWU secretary said that even if employees had been given the opportunity to invest money directly into the ESOP they would not have done so:

> 'Only when they [employees] got notice of what the directors were making – "well I would have put £10,000 in". But they wouldn't have at the time. If we'd said to everybody "you've got to put £10,000 in they would have said "on your bike, I'm not paying for it".'

As well as the problems of the 'free' shares and unequal share allocations, a traffic manager at the company attributed employees' lack of interest to the fact that they were given only limited information about the ESOP: *'There was no induction as such into what the ESOP was.'* The respondent said that the trade unions were partly to blame insofar as they were given increased access to information via joint management-trade union ESOP committees, though they failed to pass this information on to employees. Hence, unlike the situation at *Company Five (A),* employees were said not to have had any real understanding about what being part-owners of their company really meant and were therefore unable to associate 'owning shares' with working harder for the company. Comments from *Company Four's* TGWU chairman that *'the job was still the same'*, were typical of those from respondents at the firm generally. The traffic manager went further, describing employee efficiency as *'terrible'* during the early years of the ESOP and described how both employees and managers were to blame for the poor performance:

> 'As a publicly-listed company, we have targets set for the group, whereas when it was the old ESOP company, they [the directors] used to revise the budget every six months. If they weren't reaching the budget they would have a budget review and change things and they didn't have the urgency at times to tackle problems. Now the staff complain because we're extending duties, making other changes and they haven't accepted the fact that they sold the right to that sort of complacent attitude when they sold their shares and sold the company.'

Company Six respondents similarly lay the blame for employee apathy with both the employees themselves and the directors of the company. The directors were said to have done little to nurture feelings of ownership among employees who were simply not made aware of the benefits of ESO. At the same time, a majority of employees had not participated in the 'further employee offer' (see section 5.8.1 in Chapter 5) and so were unable to appreciate fully what was being offered to them. Indifference was further compounded by the fact that employees never had any real influence in their company over the period. The TGWU representative said:

> 'Certainly for the vast majority of people who had been given shares and had made no outlay for them at all – this could only be, at worst, a small pay-out, and at best, a large pay-out of money for employees who had never put up any initial investment. I couldn't see that there were any real disadvantages at all, not for the average working man in this garage.'

The respondent added:

> 'It didn't matter which company they [employees] invested in – it just happened to be [*Company Six]* and they just happened to work here. But it could have been any company. Provided they made the money, that was all people were interested in.'

Despite being 'interested in the money', however, the majority of employees did not associate financial gain with working harder for the company. According to the company's garage manager, the performance of employees remained unchanged from the days before privatisation:

> 'The performance of the individuals should have taken an upturn as in "everybody comes to work – no one goes sick because it's my money now. If I go sick and we lose a route, I'm losing work". That's how it should have been viewed and it wasn't ... We still had the same attendance problems that we had before. If I'm the managing director and I don't come to work because I'm sick, *I'm* the problem and I'm causing the company problems. If you're just a worker – "what does it matter?" And that "what does it matter" still carried on. Employees wanted to work for the finance but they didn't want to put a hell of a lot into it.'

Only employees who had bought shares in their company were said to have been willing to work harder for its success, while for the remainder of the workforce it was just 'business as usual'. The company convenor observed:

> 'It changed according to your commitment to the company and what you wanted to see as a return. The directors had invested heavily and probably taken a great deal of risk, so therefore they were very very interested in it being successful, because they had a lot to lose if it wasn't. People at the other end of the scale who had nothing to lose – "who cares if [*Company Six*] is bought? Who cares if it is sold?" They weren't interested. So along the scale, there was a great variance in people's interest.'

Given the apparent level of employee apathy at *Company Four* and *Company Six,* it comes as perhaps little surprise that the relationship between employees and their trade union remained largely unchanged at both companies. *Company Four's* TGWU secretary said that *'in their [employees'] eyes they didn't own shares'.* Employees knew that the unions were still there to represent their members and the managers were still there to manage. Similarly, at *Company Six,* respondents described how employees still looked to the union to represent the workforce and in some cases, relied on the union even more post-privatisation to find out what was happening in the company. The garage manager said:

> 'I think there was a lot of misunderstanding of what was going on – they [the employees] are not financiers, they're bus drivers. They were asked to get involved in something that they hadn't come to the company for. They'd come here to drive a bus, so they were guided by and relied heavily on the trade unions to find out what was going on.'

According to *Company Five (A)'s* garage manager, the union continued to act in *'a trade union capacity when it became necessary'*, though subtle changes in the employee-trade union relationship *were* noted. The engineering manager, for example, referred to a slight *'calming'* of the union role and described how the GMB union felt *'relocated a little'* during the period because the company wanted to emphasise a culture of *'we're all in this together'.* Many of the trade union officers had also bought shares and respondents commented that they were as keen as the rest of the workforce to see the company succeed. The garage manager added that the relationship between employees and their union was never really tested *'because of the commitment of staff towards the company'.* ESO was thus regarded as a largely positive experience for more than financial reasons, and *'drew everyone closer together'.* Respondents said there had been no real problems with the scheme as such, though a practical difficulty had been the relative inexperience of employees in having to run their own company on a day-to-day basis. The engineering manager described the period as both a *'struggle'* and *'quite frightening'* at times:

> 'I don't know whether I was making excuses to my staff, or whether I just really needed to say it, but I kept on having to say to people when they were asking questions that we'd never done it before. None of us had every done it before and so we were finding our feet all the way through from the moment we bought the company to the moment we sold it – we were finding our feet. And yes – people would come up and say "is this right?" And I would say – "well I think it's right". My guts were saying it's right, my head was saying it's right, whether my heart says it's right – maybe not.'

Despite such difficulties, employees experienced a real sense of loss of 'being part of a family' when the firm merged with *Company (B)* in 1997. The garage manager described the general feeling among the workforce at that time:

> 'I was surprised how many people were in tears. It wasn't a case that they'd lost their shareholding because that you can compensate. What they couldn't be were members of the [*Company Five (A)*] family.'

8.4 Reflecting on employee share ownership

Reflecting on the period of time spent in ESO, observations from respondents in relation to whether objectives had been met varied across the three organisations. At *Company Four*, jobs had been secured and employees made financial gains when their firm was sold. At the same time, however, the company was said to have lost sight of its main priorities during the employee ownership period. The directors became motivated by greed and were keen to save money, often by cutting back on investment and also on improvements to employees' terms and conditions. Moreover, it had been anticipated at the outset that the ESOP would be a long-term strategy for the company. The traffic manager said:

> 'I don't think either the managers or the staff envisaged a time when the company would have been sold on to another party. I think it was a long-term strategy - the shares were going to be issued from the EBT over a ten-year period. We didn't get anywhere near that, but they [the directors] wanted control

of the company; they got control of the company and after five years they found that wasn't enough and the incentive of all that cash actually made them sell out.'

The incentive to sell was not only confined to the directors, however. When the company converted to employee ownership in 1989 employees had shown little interest. The TGWU secretary commented:

'Because they [employees] never had a financial stake it was a case of "I couldn't care less – I'm going to get my money at the end of the week regardless". That was the biggest mistake of employee ownership. In hindsight, everybody should have had a stake and then it would have worked.'

Employee apathy quickly disappeared, however, when the company was sold. The TGWU branch chair said *'when there was money on the line, people were asking "where are my shares?"'* Notwithstanding, the view that employees had only been interested in financial gain is contradicted to some extent by findings from the Stage One survey (see section 8.1). From a total of 112 Stage One respondents, 62 per cent (n = 69) believed that *Company Four* should have remained in employee ownership, while 20 per cent (n = 23) said it should have been sold because it was too small to survive on its own. A further 18 per cent of respondents (n = 20) were unsure either way. Some of the reasons put forward for the company remaining in employee ownership are presented in *Table 78*, though responses given appear to have far more in common with the amount of money employees gained from the sale and the subsequent state of working conditions in the aftermath of employee ownership, as opposed to any sense of loss of 'belonging to a family' and 'owning a stake in the company'.

Table 78: Reasons for *Company Four* remaining in employee ownership: Stage One respondents

Reason given:	**Respondents (n)**
Terms and conditions were better during ESO period	10.0
Morale was higher/there was more of an incentive to work harder	7.0
Employees had more say in the way their company was run	7.0
The company is now driven by profit	4.0
Employees did not get enough money from the sale	3.0
Valid cases (n)	**31.0**

Like *Company Four*, respondents at *Company Five (A)* also described how some employees had regarded financial rewards resulting from the divestment of the company as the most important aspect of ESO, while the job itself just *'carried on as normal'*. The engineering manager said:

> 'Some of them said "oh well, if that's what we're doing, we'll carry on with it". Some carried on as if nothing had happened. There were some that said "nothing's changed" and they just carried on. They've said the same since the merger – "nothing's changed".'

Generally, however, ESO was said to have succeeded in changing the culture of the organisation and giving employees increased status among the local competition. Despite apparent employee support for ESO, however, it was recognised that the company would not have been able to sustain its position as an employee-owned organisation for much longer than the three-year period. The engineering manager said *'we knew we would not survive'* and described some of the competitive practices used by the company's main rival, including imposing a freeze on bus fares. *Company Five (A)* had to respond to the actions of the competition accordingly and the respondent said *'there was beginning to be a bus war between the two'*:

> 'Although it was quite light-hearted, the beginning was there and we hadn't got enough money in the bank really to take on another company.'

The company was reluctant to become involved in a battle with other bidders and so decided that merging with *Company (B)* was the best option. The respondent added:

> 'There's no doubt that we held [*Company (B)*] in very high regard as our competitors locally. We had a gentleman's agreement for a number of years and between us we ran a very very good public transport network in [the area] and we always felt that if we did sell, they would obviously be interested. We'd gained a lot of respect for running some popular routes. It was good stuff. It was respected. We wanted to go on in some form. We also wanted to try and find the best option for the majority of our own people who had put their own money into the company back in 1993 and it came down to the devil we knew.'

At *Company Six*, comments from a TGWU representative that the main objectives of ESO *'had nothing to do with co-ownership, or a feeling of well-being'* were fairly typical of views across the company. Like *Company Four*, interest in employee ownership was fairly limited, though reasons for employee apathy at *Company Six* stemmed from cuts to terms and conditions in 1994. The service controller summed up the general view:

> 'I resented so much what the company had done to me earlier and then they said I was going to get some free shares. I couldn't afford to buy more shares because

> they had cut my wages. Shares won't pay the bills at the end of the week. That's all these people work for – to pay their bills. In this industry, people can't be bothered.'

Employee apathy was further highlighted by a *'dramatic changeover of staff'* during the period of employee ownership. The respondent added:

> 'Until such time as they [employees] found out that the shares were worth much more than their original value, people just didn't think about them. It was something that never entered their minds. And then they realised that all of a sudden, their shares were worth a pound each and not a penny each, so then they began to realise there might be something in it.'

Stage One findings generally support those from Stage Two that employees had relatively little interest in ESO. From a total of twenty-two respondents, only six said that the company should have remained in employee ownership, though as shown in *Table 79*, the reason put forward in two cases was that employees believed they had not gained as much from selling the company as they could have done.

Table 79: Reasons for *Company Six* remaining in employee ownership: Stage One respondents

Reason given:	**Respondents (n)**
Company Six should not have been sold to an overseas competitor/ ownership should have remained in the UK	4.0
Employees did not make as much money as they could have done from the sale	2.0
Valid cases (n)	**6.0**

Out of a further thirteen respondents who said *Company Six* should *not* have remained in employee ownership, three said the firm could not have continued to compete with the competition on a long-term basis. In addition, eight said that the 1997 take-over was more likely to secure jobs and the company's future, while two said that the take-over would provide long-term investment for the company. Finally, three respondents said they had not understood ESO sufficiently well to form an opinion either way.

Notwithstanding reservations from Stage Two respondents about ESO, particularly at *Company Four* and *Company Six,* around half of Stage Two respondents across the three cases overall said that the right decisions had been taken in relation to their ESO scheme. Respondents at *Company Five (A)* were all in agreement that the company would not have done anything differently, despite employee ownership being a relatively short-lived experience. The garage manager said:

> 'We knew what was going on in the bus world. We had seen what was going on in other places where people had tried to fight their corner against the giants. So we knew it was going to be a relatively short experience.'

The idea of ESO as a deliberate short-term strategy was highlighted earlier in Chapter 3. Ben-Ner (1998) said that in some cases, members of an employee-owned company could rationally expect the demise of that company, even at the time of its formation, due to predictable environmental changes or internal weaknesses. At the same time, employees could expect a net gain from the company's operation during its limited lifetime relative to other alternatives as to warrant its formation.

At *Company Four,* the overriding view among respondents was that the ESOP exacerbated an already existing 'them and us' situation. Five of the six respondents said there would have been more interest in employee ownership if employees had at least been able to buy some shares, though it was acknowledged that the majority would have not have been prepared to invest any of their own money. Only one respondent, the TGWU chairman, said he would pursue the same strategy again if the company repeated the experience. One of the main objectives of ESO at the outset had been to achieve equality of ownership for employees, which would not have been realised if employees had had to pay for their shares:

> 'We still get the odd gripe that when we formed the ESOP people should have been allowed to buy shares, but at the time, and I still believe we took the right decision, people didn't have a lot of money and we did a deal that got the employees their share of the company at no cost.'

The respondent added that four years after the company had been sold, employees were still complaining about not being able to buy shares in the ESOP, though this was based far more on a desire to realise large cash windfalls rather than wanting to 'own a part of the company'.

A desire to be on a more equal footing with directors was also raised at *Company Six,* though respondents similarly voiced doubts as to whether employees would have been willing to use their own money to buy shares. Two respondents, a TGWU representative and a service controller said that in hindsight they would have bought as many shares as they could through the 'further employee offer', though this probably had far more to do with the potential for financial reward than a sense of ownership. The general view among respondents at the company was that, in hindsight, there should have been a better deal for employees. The traffic manager said:

> 'It caused bitterness in the sense that people who didn't have money didn't get the chance to do anything. There were a lot of people who couldn't buy shares because of commitments to their family or whatever. They felt very bitter.'

A majority of Stage Two respondents at the company described how employees were rather indifferent when the employee ownership period ended. The company convenor referred to employees simply *'grabbing what they could and that was it'*, while the TGWU secretary said that only a very small number of employees, those that had bought extra shares, were perhaps sorry to see the company sold. A traffic manager added that employees might have had regrets because *'now they've got nothing to work for'*. The respondent added however, that in repeating the experience, employees would still have been driven primarily by financial gain.

Of the three companies, the notion of 'being an owner' and 'owning a stake in the firm' appeared to be most tangible among employees at *Company Five (A)*. Stage Two respondents at the company suggested that the share allocation and the way in which employees acquired their shares were key factors in making ESO more meaningful to them. The size of the company may have also been a contributory factor. *Company Five (A)* was smaller than the other two firms by some way in terms of employee numbers (see Chapter 5). It is possible, therefore, that among employee shareholders, a sense of 'belonging to a family' would have been more apparent than at *Company Four* and *Company Six*. The relationship between company size and the effects of ESO upon the attitudes and behaviours of employees was beyond the scope of this study, but is an area that future studies may need to address to develop further understanding of why ESO results in different outcomes for different organisations.

8.5 Summary

This chapter set out to examine employee ownership experiences in three UK bus companies. The companies had entered into employee ownership in the aftermath of bus privatisation and by 1997, all had been 'sold on' to other transport groups. Specifically, the chapter looked at whether the reasons for and methods by which the companies established their systems of employee ownership were important for their durability as wholly or part employee-owned enterprises. The chapter looked at a number of potentially key factors, including the objectives behind the introduction of ESO in each case, the perceived successes and failures of each ESO scheme and the associated impact, if any, upon the attitudes and behaviours of employees.

In general terms, respondents at all three companies regarded ESO as a key strategy in retaining control of their company and in ensuring job security for employees. Despite emerging from different backgrounds, respondents in each case spoke about being able to shape the destiny of their company and in the case of *Company Four* and *Company Five (A),* 'involve' employees in owning and running the company. At the same time, respondents from all three cases said that their company had had little choice but to pursue an employee ownership strategy to try and prevent a hostile take-over. Where respondent views differed was in relation to the anticipated duration of ESO and the extent to which ESO objectives were met. At *Company Four,* ESO was viewed as a 'long-term' strategy with the potential to last for around ten years. In contrast, the aim at *Company Five (A)* had been to operate as an employee-owned organisation for around three years and then sell. The objective was met at *Company Five (A)* insofar as the firm remained in employee ownership for three years, jobs were secured and employees were said to have been motivated to work harder. In contrast, respondents at *Company Four* and *Company Six* said that ownership meant little to employees since they had not invested their own money directly to buy shares. At the same time, employees would have been unwilling to make such an investment and only became interested in owning shares when they thought the shares might be worth some money.

Commenting on the successes and failures of ESO, respondents from all three companies agreed that employees had gained financially, though to different degrees. At *Company Six,* respondents said that when the company was sold in 1997, employees were only recouping what they had lost at privatisation. Aside from the financial benefits, *Company Four* respondents spoke of having access to more information on the performance of their company, while *Company Five (A)* respondents said that ownership gave employees more of a reason to come to work by making them feel a part of the company. In terms of the perceived failures of each scheme, there was resentment at both *Company Four* and *Company Six* that directors had held the majority shareholding. In both cases, however, Stage Two respondents acknowledged that employees would have been reluctant to invest their own money in the company, particularly those at *Company Six* who had just endured cuts to their terms and conditions of employment. Inexperience in running a company and having to take responsibility for difficult decisions were cited as problems at *Company Five (A),* while the inability to take risks with the business was mentioned at *Company Four.* Despite the perceived failures, however, some respondents at *Company Four* and all respondents at *Company Five (A)* said that their firm had made the right decision in relation to the choice of ESO scheme. Respondents at *Company Six,* perhaps unsurprisingly, were the least positive in their views, and concluded that there should have been a more 'level playing field' in distributing shares among employees and directors.

It would appear that the consequence of *Company Four* and *Company Six* employees not paying for their shares was the impact on their attitudes to ownership. In both cases, respondents commented that employees were unlikely to feel like owners of their company since they had not purchased shares. Moreover, employees in the two firms only became interested in owning shares when their companies were sold and they were able to benefit financially. During the period of employee ownership, employees did not feel part of a team, did not have a voice within their company and were disinterested in employee ownership generally. Thus, the benefits of ESO were only realised *after* the two companies had moved out of employee ownership and been 'sold on'. Only at *Company Five (A)* did respondents suggest that employees felt like owners during the employee ownership period and moreover, that at the time of the 1997 merger they felt a real sense of loss for something they had created and worked hard to maintain.

The absence of a sense of ownership at *Company Four* and *Company Six* suggests that ESO also had little impact upon the performance of employees in their work, or in their relationship with their trade unions. At *Company Four,* employees were unable to see a link between owning shares and working harder for their company, while at *Company Six,* respondents commented that only those employees who had bought additional shares in the company would have been interested in working harder for its success. One respondent at *Company Six* summarised the general feeling that commitment to work harder varied according to what employees had put into the company and what they wanted to see as a return. *Company Five (A)* emerged once again as the exception and this can probably be attributed, at least in part, to the fact that employees paid for their shares at the outset. One respondent commented that employees were encouraged to work harder because they could see that any extra profits made would benefit them and their company directly. Respondents at *Company Four* and *Company Six* reported that attitudes to the trade unions remained unchanged during the employee ownership period. Because employees did not feel like owners, there was no sudden shifting of allegiance to the management side and the trade unions were still seen as vital in representing the interests of employees. At *Company Five (A),* respondents spoke of a recognition among the entire workforce that everyone needed to work as part of a team. Moreover, many trade union officers in the company also owned shares. Put simply, there was less room for competing factions though not to the extent that the union was no longer required to represent the interests of its members.

In conclusion, it is suggested that the model of employee ownership may be a key factor for the durability of companies adopting this organisational form. Findings presented in the chapter have suggested that employees are more likely to experience a greater sense of ownership where they have purchased their shares, are prepared to work harder to ensure the continuity of their company and may, in turn, be less likely to vote to sell the company. Where feelings of ownership are not as apparent, however, and ownership is viewed primarily in terms of financial reward, employees are perhaps far more likely to vote for a sale. Despite apparent differences across the three cases, however, the final outcome was the same for each company. Unable to respond to the threat of intense competition and falling bus usage, all three companies had been sold on to other transport groups by the late 1990s. This suggests that employee-owned organisations may well have been a 'transient phenomenon' (see Pendleton 2001: 195) and that the way in which systems of ownership were created and subsequently managed was ultimately of little consequence. Further discussion of the findings presented in this chapter follows in Chapter 9.

9.0 Conclusions

9.1 Introduction

This thesis has set out to examine the diversity of ESO and the potential influence of that diversity upon a number of specified outcomes. Underpinning the thesis is the argument that outcomes associated with ESO are influenced by the 'differing circumstances of ownership' as opposed to the mere fact of ownership per se. Among the key influential factors are the actual 'model' of ESO put in place by the organisation, circumstances leading to ESO conversion, the involvement of key actors in the conversion process and the way in which the ownership system is operated and managed in the workplace.

Previous studies in the ESO arena have hypothesised and established associations between ESO and specific organisational and employee outcomes, although the empirical reality of individual cases has not always been addressed. Pendleton et al (1998) referred to the assumption inherent within much of the existing literature that 'the fact of ownership per se will affect employee attitudes' (p. 102), but which ignores the influence that other variables may have upon particular ESO-employee attitude relationships. The design of many studies, moreover, has been underpinned by the assumption that any relationship between ESO and attitudes will be 'straightforward and direct' (p. 104). To move forward with research in the area, a recognition of the 'contingent characteristics' (Wilson et al 1995: 11) of individual ownership systems, taking in the varying circumstances of ownership conversions and the objectives and philosophies of those involved in mounting conversions, is necessary.

The aim of the present thesis has been to develop further thinking in the field of ESO and to demonstrate empirically how different models of ownership and their 'diverse contexts' can be influential for resulting in particular outcomes for organisations and their employees. In a broader context, recognition of the different factors by key stakeholder groups, including employers, external investors and policy-makers, is vital if ESO is to become a viable and long-lasting strategy for achieving the outcomes as claimed by its supporters. Given the wave of recent government policies to extend the incidence of and simplify ESO conversions (Pendleton 2001; see also Chapter 2), this recognition is more important than ever.

9.2 Feelings of ownership and organisational commitment

Chapter 6 reported on the findings of quantitative and qualitative research undertaken in three employee-owned companies with varying levels of ESO. The purpose of the analysis was to examine the attitudes of employee shareholders in relation to their 'feelings of ownership' and levels of commitment to their organisation. Two central propositions guided the chapter: firstly, that the model of ESO and the motives and events surrounding its introduction were important for explaining possible 'between-company' differences in relation to employees' 'feelings of ownership'; secondly, that 'feelings of ownership' were similarly influential for explaining variations in commitment levels exhibited by employee shareholders to their employing organisation. Within the chapter, it was hypothesised that employee shareholders who had made a direct financial investment to purchase shares in their company would demonstrate more profound feelings of ownership and greater commitment to the firm than employee shareholders working under more indirect arrangements, such as in an ESOP organisation. It has been widely observed in the ESO literature that 'direct ownership' employee-shareholders bear a much greater degree of risk than their counterparts in ESOP companies. The former are financing part of the share acquisition themselves, which in turn helps to engender a more 'responsible' form of ownership (Pendleton 2001): in short, employee shareholders are much more aware of the importance of corporate success and the relevance of their own work behaviour to that success.

Employee-shareholders must perceive, however, that they have sufficient control over their work and the way in which the company is run to be able to contribute to its success. Cotton (1993) observed that when an employee owns one of several million shares, ESO still exists but it is regarded as trivial, as in the case of many of the privatisation flotations of the 1980s discussed in Chapter 2. In addition, individual employee owners must perceive a significant stake in their company and feel they have some influence. Pierce et al (1991) referred to the phenomenon of 'psychological ownership' (p. 122) and described a series of social-psychological and behavioural outcomes that resulted when employees were integrated into the 'ownership experience'. Direct ownership is said to be particularly influential in smaller firms, for example, when the percentage of stock owned by employees is large enough to influence the way in which the firm is run and make individuals feel more 'involved' (see also Cotton 1993; Pendleton et al 1995a).

Quantitative findings presented in Chapter 6 suggested some support for the first hypothesis that 'direct ESO' (*Company One*) is more likely than 'indirect ESO' (*Company Two* and *Company Three*) to engender greater feelings of ownership among employee shareholders. As the chapter illustrated, however, the picture is somewhat more complex than the fact of direct ownership being more 'meaningful' to employees who have purchased their shares. While the transition to ESO for all three companies had been in response to changes in government policy (see Chapter 5), the system of ownership chosen, the proportion of equity held by employees and the 'aftermath' of each conversion was different. Chapter 6 asserted that these differences were ultimately influential for the outcomes reported.

At *Company One,* the purpose of conversion had been to ensure continuity of membership in the Local Government pension scheme and to prevent the uncertainty of coming under third-party control. The reasoning behind the direct ownership model chosen was that it would encourage employees to 'become bonded to a level of performance required for the buy-out to succeed' (Featham and Powrie (1998: 3). An ESOP arrangement had been rejected on the basis that it would weaken the motivational effects of a buy-out and potentially invest responsibility and influence in a small group of elected trustees at the expense of individual employee shareholders. Rather, employees who had invested their own money to purchase shares would be more interested in the performance of the company and prepared to put more effort into their work. An investment of £1,000 was required from each participant, the take-up rate to purchase shares was 91 per cent and the percentage of equity owned by 'employees', including the company's senior managers and directors, was 100 per cent.

At *Company Two* and *Company Three,* both employee shareholder groups participated in ESOP arrangements but there were few other similarities between the two enterprises. The *Company Two* ESOP had been created in 1993 following a PTE privatisation and employees at that time acquired 80 per cent of the shares (26 per cent of this total was retained in an EBT), although no financial investment was required from individual employees. In contrast to the situation at *Company One,* a direct share ownership arrangement had been rejected on the grounds that it would discriminate against those employees without the money to buy shares. Employees were, however, given the opportunity to purchase additional shares on three subsequent occasions following the initial share allocation in 1993 and details were outlined in Chapter 5. Significantly, the set-up of the ESOP meant that employees could potentially own a greater number of shares in the company than senior managers. In the case of many ESOPs, shares had been allocated entirely on the basis of seniority, which in turn had obvious implications for the distribution of power within these organisations (Toscano 1983). *Company Two's* directors did hold 'golden shares', however, and these carried majority-voting rights although certain matters relating to the business required a 75 per cent majority vote from 'ordinary' employee shareholders.

Company Three had moved into ESO following the privatisation of London Buses in 1994 and was one of ten London bus companies electing to do so at that time. On the day of privatisation in October 1994, *Company Three's* 'employees', all those below senior manager level, were invited to apply for shares up to a collective total of 25.1 per cent. The remainder of the shareholding was divided between venture capitalists who acquired 45 per cent and the company's directors and senior managers who attained 29.9 per cent. One of the most significant aspects of the ESOP was the background to the conversion, which resulted in cuts to employees' wages and holiday entitlement (see Chapter 5). Although recouped at a later date, the cuts proved, not unexpectedly, to be a major bone of contention with employees and the level of resentment some three to four years later during the data collection phase of the research programme was still clearly apparent. Personal losses to employees had become inextricably linked with ESO and consequently, negative feelings towards 'ownership' were perhaps more likely and indeed detected, even though an ESOP arrangement was considered to be the only viable option for the company in 1994.

Given the circumstances of ESO conversion at *Company Three,* it is not wholly unexpected that employee shareholders' 'feelings of ownership' were somewhat less than profound compared with results for the other two cases, particularly *Company One.* There were fewer significant differences in relation to 'feelings of ownership' between *Company Two* and *Company Three* respondents, although the former were significantly more likely to find their work more satisfying because they owned shares and additionally, to want to continue working for their company. It is suggested that, given the proportion of collective equity held by employees at *Company Two*, employee-shareholders would be more aware of the implications of ESO and the benefits likely to be derived from it. At the onset of ESO, *Company Two* had promoted itself as a business that aimed to invest in its shareholders as employees, who were recognised as its most valuable asset and a considerable amount of information promoting the ethos of the company was circulated to employees. Additionally, the fact that employee shareholders could potentially own more shares than senior managers may also have helped to facilitate 'feelings of ownership'. There were no significant differences found in the responses of *Company One* and *Company Two* employee shareholders, with the one exception that the former were significantly more likely to say that ESO was very important for their company.

Aside from the main 'between-company' differences, a rankings analysis of items within the 'ESO satisfaction scale' (see *Table 19* in Chapter 6) indicates that employee shareholders in all three companies were most likely to 'care' about owning shares in their company, but least likely to feel like an owner or find their work more satisfying because they owned shares. Even at *Company Three* where employees had suffered direct and tangible losses, just under half of respondents said they 'cared' about ESO, which suggests that they still recognised the value of being able to participate in securing the future of their job and the company. Conversely, the more indirect and perhaps 'additional bonus' outcomes of 'increased work satisfaction' and 'a greater sense of ownership' were regarded as less important all-round.

It is not unexpected, therefore, that 'feeling a part of the company' was not considered to be the main benefit of ESO by any of the companies surveyed: *Company One* respondents ranked it only eighth from a list of ten although somewhat surprisingly, *Company Three* respondents ranked it as the second main benefit overall. In interpreting these results, it is suggested that respondents at *Company Three* had no real expectations in relation to some of the more 'tangible' benefits of ESO, such as greater influence in their organisation. While 'more involvement for employees in company decisions' was identified as a major benefit by *Company Three* respondents (ranked third out of ten), employee-shareholders held a minority stake in the firm and the balance of power remained unchanged from the days prior to ESO conversion. The more realistic expectations of *Company Three* shareholders were perhaps, therefore, limited to 'the prospect of extra money' and 'feeling a part of the company'. At *Company One* in contrast, 'more involvement' and 'more information' were ranked as the first and second main benefits respectively. Given the nature of *Company One's* ESO system, it is not surprising that there were greater opportunities in practice for 'involvement' and 'information' compared with *Company Three.* At *Company Two,* 'more involvement' was similarly ranked as the main benefit although 'more information' was ranked tenth and this may be interpreted in one of two ways: firstly, additional information about day-to-day matters at the company was regarded as unimportant; secondly, employee shareholders had expectations for more information following ESO conversion but these had not been realised in practice.

Despite the benefits identified in all three companies, a majority of respondents at *Company Two* and *Company Three* claimed that owning shares had made no real difference to the way in which they thought about their company: at *Company One,* some three-fifths of respondents pointed to a shift in attitudes following ESO. Across the three cases, where owning shares was said to have made a difference, employees pointed to a greater interest in commercial matters and how the company was spending money, as well as providing a greater incentive to work harder. More negatively, one respondent at *Company One* said it was now 'management against the workforce' while at *Company Three* four respondents said they felt discriminated against because the senior managers had more shares.

For the second hypothesis addressed in Chapter 6 - that a greater sense of commitment to the organisation will ensue where feelings of ownership are stronger - *Company One* respondents were the most likely to indicate that they were committed to their organisation and *Company Three* respondents the least likely. Respondents at *Company Three* scored particularly low in terms of identifying with and displaying loyalty to their firm and, as with 'feelings of ownership', findings are not wholly unexpected. The motivational and attitudinal effects that are said to equate with investing a sum of one's own money into their employing organisation are well documented, but would not necessarily explain why there were no significant commitment differences between *Company One* and *Company Two.* One possible explanation may stem from the fact that *Company Two* respondents were given opportunities to purchase shares subsequently.

A further explanation may be found not so much in terms of the extent to which employees had invested financially in their organisation, but rather in the number of years they had 'invested' in the firm. It may be anticipated that longer-serving employees at *Company Two* would show loyalty to their company given that long service was associated with greater share allocations. In future research it would be valuable to examine in more depth the relationship between organisational commitment and the number of shares held by employees, both collectively and individually. In the present study, the numbers of shares held by individuals at *Company Two* were too varied to categorise into meaningful sub-samples for analysis. Sub-samples at *Company One* were similarly too small to undertake a comparative analysis with *Company Two.*

Notably, no significant differences were found between any of the companies in relation to the 'involvement' sub-scale of the BOCS, indicating that ESO alone is not necessarily influential for increasing certain aspects of organisational commitment. Moreover, there were no significant differences found between the attitudes of employee shareholders and non-shareholders at either *Company One* or *Company Three.* Given the argument of ESO lobbyists that ownership may increase commitment to the organisation, it may be initially surprising that there were no differences between employees who owned shares and those who did not. It could be argued, for example, that the latter would feel isolated in their company although this would depend on the total number of employees overall who owned shares in the enterprise.

For employees who own shares, it is purported that they will share a sense of unity with other employee shareholders through their common stake in the firm. Moreover, such feelings of solidarity and membership could lead to increased commitment to the organisation, although social divisions between employee shareholders and non-shareholders could also result, as indicated in the work of Poole and Jenkins (1990). At the same time, non-shareholders may consider that the 'net rewards' of remaining with their current organisation are greater than would be found at an alternative organisation. Results reported in Chapter 6 suggest that employees at *Company Three* would be significantly more likely than those at *Company One* and *Company Two* to leave their organisation for greater rewards elsewhere, irrespective of their 'shareholder' status.

Further insights into the ESO/organisational commitment relationship were gained from an examination of qualitative Stage Two findings. Chapter 6 had hypothesised that *Company One* respondents would show greater commitment to their organisation because ownership was more direct and tangible. Indeed, respondents at the company highlighted equality, employee commitment and avoiding a 'them and us' situation as key issues and described how a direct ownership arrangement was regarded as the best way to achieve the company's aims. It has already been noted, however, that where employees do not own shares, whether they are unwilling or unable to buy them, social divisions between employee shareholders and non-shareholders may occur. A continually increasing share price meant that after 1993, many employees at *Company One* were unable to afford to buy shares. One respondent at the company observed that the idea of 'shares for all' had disappeared since the initial buy-out because the higher share price had put shares beyond the reach of many employees. Since new entrants could not afford to buy shares, there was a constant drain on the company's profits when existing shareholders left. The same problem was apparent at *Company Two.* One respondent had commented that the three subsequent share offers at *Company Two* should have occurred much sooner than they did, although the set-up of the original ESOP meant that employees were not excluded from becoming shareholders. It is worth remarking on the aim at both *Company One* and *Company Two* to provide an equitable system of ownership in which all employees could participate, although the methods pursued by the two companies to achieve the same aim were very different. Moreover, while both companies suffered from a drain on their profits when existing shareholders left, *Company One* continues to retain its position as an employee-owned firm in 2004. The outcome for *Company Two* has been rather different.

Company Three's ESO system was not set up with the intention of placing employees on an equal footing with managers and so it is not unexpected that 'feelings of ownership' and 'commitment to the organisation' were less compared with *Company One* and *Company Two.* Respondents from both the management and union sides at *Company Three* argued that employees should have been able to invest money into the ESOP in 1994, but admitted that employees would have been unwilling to invest anything due to the loss of their London Transport contracts. Not unexpectedly, it was only when the company floated on the London Stock Exchange in 1997 that employees wished they had been given the opportunity to participate in a direct ownership arrangement three years earlier.

9.3 Employee participation and industrial relations

Chapter 7 explored the relationship between ESO and EP to investigate whether systems of ESO in organisations offered increased opportunities for employees to become more involved in the running of their organisations than firms without ESO structures in place. Quantitative and qualitative results from all six cases – the three employee-owned and three 'post-ESO' companies - were reported in the chapter. Previous ESO studies had addressed the proposition that opportunities for increased EP could occur in a number of ways other than through trade union representation. Methods have included the introduction of works councils, JCCs and the appointment of employee directors to company boards (see Hammer and Stern 1986; Dilts and Paul 1990; Rosen et al 1986; Pendleton et al 1995b). Moreover, shares held by employees generally carry voting rights, thereby allowing them to become 'involved' by virtue of being able to vote on major issues affecting their company. A general 'culture' of participation instilled by managers and resulting from the introduction of ESO could also have a positive impact in terms of giving employees, including those who did not own shares, the opportunity to have more influence in matters relating to their job and workplace.

A second issue addressed in Chapter 7 was whether employees actually *wanted* more influence within their organisation and if so, at what level – in their job, within their department or in relation to overall corporate matters? While it may be assumed that employees would welcome opportunities for more influence and responsibility, previous studies have suggested this may not always be so. French (1987 proposed that employee shareholders would not actively 'seek out' more influence if they perceived that managers were better equipped to look after their shareholding interests by having sole control in running the firm. Some years earlier Hammer and Stern (1980) had reported that employee-shareholders saw themselves primarily as 'financial investors' and regarded managers, rather than themselves, as 'owners'. However, one interpretation of the Hammer and Stern (1980) study was that respondents had skilled interesting jobs which they found 'intrinsically satisfying': hence, they did not seek additional satisfaction via greater influence in organisational decision-making (see also Klein 1987). Addressing the alternative argument that employees as shareholders *did* wish for greater influence in terms of the way their company was run, Pierce et al (1991) proposed that desire for more influence would occur only where employees perceived a 'legitimate right' to become involved.

Chapter 7 also examined the proposition that, following ESO, employee shareholders become less committed to their trade union since the interests of the former become more closely aligned with the interests of managers, subsequently reducing the need for a trade union presence. Alternatively, where employees are dissatisfied with the degree of influence they have in their company, or are unhappy with the performance of managers, they are more committed to their trade union and regard it as the most appropriate vehicle for representing their interests. A further premise is that organisations perceived by employees to enjoy 'favourable' industrial relations will be characterised by a climate of loyalty ('dual loyalty') to both managers and trade unions.

The involvement of trade unions in the initial buy-out of a firm was identified as a significant factor in the context of the present research. As McElrath and Rowan (1992) concluded, trade unions may still be seen as relevant in an ESO environment but only if their functions and attitudes are adapted to what could be viewed as the 'constraints' of a new operating climate. Additionally, employers and unions do not necessarily have to compete for the commitment of employees and indeed both may gain from management-union partnerships aimed at building and maintaining a harmonious climate of industrial relations. However, employees' perceptions of the instrumentality of the union are an important factor influencing union commitment. Thus, if trade unions are to maintain the support of their members they need to ensure that any co-operation with the employer does not come at the expense of the effective representation of members' interests, as highlighted by Hammer and Stern (1986).

In the present study there were generally no significant differences between the six companies in relation to desired levels of influence: a majority of respondents in all cases expressed a desire for more influence than they had at present. Not unexpectedly, the 'participation gap' between desired and perceived influence was found to be highly significant across all six cases for all eleven items measured by the Stage One survey. Where respondents indicated that they did have some degree of influence it was usually in relation to their job. However, a bus-driving job (undertaken by the majority of Stage One survey respondents), is semi-autonomous in design. It is suggested, therefore, that the 'nature' of the job was perhaps more significant for employees perceiving some degree of influence in their job than a culture of 'participation' in the workplace. In summary, the findings presented in Chapter 7 suggested that employee-owned companies did not provide employees with considerably greater influence in decision-making than companies without ESO.

The relative significance and ultimately the success of EP arrangements in any organisation may be dependent upon how employers and employees as two separate groups define participation in the workplace. Some employers may regard the distribution of financial reports to employees, or notice board displays, as forms of EP (see Chapter 2). Employees, on the other hand, may have very different expectations. Where previous studies have focused upon the views of managers to investigate the impact of ESO, it is perhaps not surprising that positive results have been found. Additionally, even where systems of participation and involvement are in place, there is no guarantee that employees will secure an effective say in the way their company is run (Pendleton 1997). Specifically, if managers are not genuinely committed to workplace EP, ways will be found to circumvent democratic structures of decision-making. Equally, employees must be willing to assume the new responsibilities of ownership if managerial interest in EP is to be created and sustained: some employees may simply be disinterested in having more opportunities for EP, while others may believe in the traditional division of labour and the practical utility of allowing managers to manage (Hammer and Stern 1980).

Nevertheless, the fact that a majority of *all* employees across the six companies expressed their desire for more influence is not unexpected. Generally and probably irrespective of ownership status, employees will often say they want more influence in the workplace than they have at present and this was indeed found to be the case judging by comments from Stage Two respondents. Realistically, however, the prospect of having to attend extra meetings outside of normal working hours and assume additional responsibilities may be greeted unenthusiastically and the initial euphoria associated with having more influence will quickly dissipate. Although difficult to test directly, a lack of enthusiasm among employees could be one reason why 'actual' greater influence within the employee-owned cases featured in the thesis apparently failed to materialise.

Overall, results presented in Chapter 7 follow conclusions from studies by Klein (1987), Klein and Rosen (1986) and Kruse (1981), which reported that employees were motivated primarily by the prospect of financial gain resulting from ownership. Kruse (1981) further suggested that employee shareholders could resemble most non-shareholders and define ownership solely in terms of rights to the profits generated by the invested capital. In other words, employee owners could view themselves simply as investors who by coincidence owned shares where they worked and limited their expectations to a satisfactory rate of return on their investment, as long as they viewed ownership from an 'investment' rather than a 'control' perspective. Where financial returns were deemed to be inadequate, dissatisfaction on the part of employee shareholders could increase their desire for influence to ensure that solutions were found for their firm's financial, managerial and personnel problems (see French 1987).

As with outcomes of EP, ESO was not an influential factor in terms of the way in which employees regarded their trade union, although 'attitudinal differences' in relation to 'employee-trade union relations' were evident across the six cases overall. Respondents from all six companies agreed that the survival of their trade union was important, thereby indicating that the trade unions were still seen as relevant and necessary regardless of company ownership status. Pendleton (2001) has described the experience of ESO in the UK as 'moderately encouraging' (p. 188) for trade unions, although much depends on the degree of involvement unions have at the outset of an ESO conversion. In the context of the present research, the trade unions were directly involved in the conversions at *Company One, Company Two* and *Company Three* and in some instances, union personnel had served as employee directors on their company board. Even at *Company Three* where a good deal of resentment had been directed towards the trade union in 1994, respondents still recognised the need for union representation. Pendleton (2001) concluded that there was little evidence to indicate that employee shareholders turned their back on the trade union once they became owners. That trade unions are perceived as 'necessary' within employee-owned organisations is consistent with the work of Baddon et al (1989); Dunn et al (1991), Kruse (1984); Nichols and O'Connell-Davidson (1992); Pendleton et al (1995b) and Toscano (1984).

It is reasonable to assume that the degree to which the trade unions are regarded as necessary to protect employees' interests is related to the state of relations between employees and their managers. If employees are happy with the way in which managers are looking after their interests then it may be the case that allegiance to the trade union will be weaker. If employees do not have confidence in their managers then the reverse outcome might be anticipated. In short, views on employee-manager relations were mixed: across the six cases perceptions of social divisions between managers and their employees were low, but perceptions that managers took notice of the ideas and experiences of employees and were efficient in running their organisations were similarly low. Interestingly, respondents from 'post employee-owned' *Company Six* were the most likely to identify a 'social division' between employees and managers but also the most likely to agree that managers took notice of employees' ideas and experiences and were efficient in running the organisation. The results show, therefore, that assessments of employee-manager relations can be variable within individual organisations and moreover, that ESO provides no guarantee of more harmonious industrial relations. O'Toole (1979) reported that employee-manager conflicts 'are often at the heart of poor performance in employee-owned firms' (p. 188). In addition, when managers are seen as incompetent or inefficient, satisfaction levels among employee shareholders are likely to be lower than among employees who do not own shares, since the former have more to lose (French 1987). Rhodes and Steers (1981) in turn concluded that employees' perceptions of the efficiency of their managers were important for influencing the level of EP desired in the workplace.

9.4 Employee share ownership durability

The final theme addressed by the thesis and reported in Chapter 8 concerns the 'durability' of employee-owned companies. Theoretical, and to a lesser extent empirical research has highlighted some of the factors that are influential for helping to determine likely ESO durability. Ben-Ner's (1988) study (discussed in Chapter 3) addressed some of the environmental and endemic features that placed employee-owned firms in a high 'risk of demise' category of organisational forms. Ben-Ner also explored whether employee-owned firms exhibited discernible life cycle patterns and moreover, if particular forms of ESO, such as workers' co-operatives, were more susceptible to demise than others. The durability and viability of co-operative organisations has long been an area of focus for researchers and arguments were outlined more fully earlier in the thesis.

In contrast, ESOP and other employee-owned structures have received far less attention from the research community, although as Pendleton (2001) noted, ESOP companies are not subject to degeneration in the same way as co-operatives since there is less to degenerate from. In many ESOP organisations management hierarchies have been present from the beginning and the allocation of equity between employees and their managers is often unequal.

Chapter 8 set out to explore two key issues: firstly, are the reasons for, and methods by which organisations elect to establish systems of ESO significant for determining life-cycle patterns? Secondly, is the eventual demise of employee-owned companies inevitable, regardless of the system of ESO in place? Using primary qualitative data from Stage Two trade union and managerial respondents at the three 'post employee-owned' companies – *Company Four, Company Five (A)* and *Company Six* – the chapter examined a number of key variables which, as claimed in the thesis, could be influential for determining the life-cycles of employee-owned firms. The industry in which the three companies were operating may well have been one major factor: in each case, the period of time spent in ESO exceeded the average for all buy-outs of 3.42 years (Wright et al 1992). Moreover, the duration of ESO at *Company Four* and *Company Five (A)* exceeded the average for bus buy-outs of 3.7 years (Pendleton 2001), while *Company Six* recorded slightly below average ESO duration among bus companies. Ben-Ner (1988) noted that employee-owned companies become exposed to more perils of demise as they mature.

A particular weakness of the UK bus industry and one identified in the work of Pendleton (2001: 194) is the lack of a 'sense of ownership' among employees. Results in Chapter 8 revealed that, in the main, transitions to ESO had been based on defensive strategies of protecting companies from hostile take-over bids, being able to retain control and independence and hence being better placed to preserve jobs. Respondents at *Company Five (A)* were something of an exception among the three cases in citing their intention to 'give employees a stake in their company', despite the fact that ESO was never considered by the company's managers to be a long-term strategy. The model of ownership may have been influential however, given that employees at the company were required to invest £1,000 of their own money to buy shares in the firm. Stage Two respondents described how ESO *'changed the culture'* of their organisation and gave employees a certain degree of *'kudos'* because they owned a stake in the firm.

In contrast, no such culture changes were apparent in the remaining two cases following ESO conversion. One respondent at *Company Six* described the share offer to employees as *'something for nothing'*, while the threat of a hostile take-over at *Company Four* was seen as the overriding impetus for ESO back in 1989. Overall, results in Chapter 8 revealed that ESO meant very little to employees who did not have to pay for their shares: they did not have a 'voice' in their company, were not made to feel a part of the company and were generally disinterested in owning shares. ESO was also found to have relatively limited impact upon organisational efficiency where methods for acquiring shares were indirect, with employees making little or no association between 'being owners' and putting in greater effort for their company. In contrast, a strategy of keeping employees at *Company Five (A)* fully informed encouraged them to work harder because they could see that extra profits would benefit them and their company directly. *Company Five (A)* employees were also made to feel part of a family, although this did not extend right across the organisation since not all employees could afford to buy shares. In *Company Four* and *Company Six*, respondents commented that employees only appeared to care about ESO when they thought they were going to get something out of it – generally in the form of financial reward.

Results presented in Chapter 8, therefore, support the work of Pendleton (2001) which also found that the prospect of financial reward heavily outweighed any psychological benefits of ownership. The financial rewards to be gained by selling to an outsider, moreover, appeared to far exceed the financial rewards of retaining shares in one's company. In many situations of ESO, employees have only been able to sell their shares when they leave their organisation; as long as they choose to stay they receive little tangible financial benefit from owning shares. In some of the bus buy-outs of the 1990s, external bidders were offering employees nearly 100 times the original value of their shares and so it is hardly surprising that employee-owned bus companies became particularly susceptible to take-over bids.

In summarising the findings from Chapter 8, it may be stated that employees are likely to feel far more like 'owners', expend greater effort for the good of their company and thus be more reluctant to vote to sell the company if ESO is more 'meaningful' to them. Designing an ESO system whereby employees purchase their shares directly, ensuring that relevant information is passed to employees on a regular basis and having systems in place, whether direct or indirect, that allow employees to have their voices heard, are among the possibilities for companies to take on board.

However, the outcome for all three companies was ultimately the same. Even at *Company Five (A)* where ESO may have been expected to continue given the heightened 'feelings of ownership' among employees, the activities of the local competition eventually proved too great. The company's engineering manager described some of the competitive practices employed by its main rival *Company B* during the period of ESO and eventually a merger between the two was seen as the best option for all concerned. Employees at *Company Five (A)* had already invested money into the firm and their jobs may have been at risk if the company had become involved in a battle with bidders. Ben-Ner (1988) remarked that in employee-owned companies, employees risked a decline in their personal income through buying shares and perhaps the loss of their jobs as well. The author added that employees were often better off working in capitalist enterprises for risk-averse capitalists who assumed the risk of running the firm.

Ultimately it appears that the priorities of ensuring the continuity of the firm and safeguarding jobs remain paramount for employee-owned firms, although these would similarly be among the priorities of more 'conventional' organisations without ESO structures in place. The conclusion from this aspect of the research may be that the demise of employee-owned firms is largely inevitable: the financial rewards of 'selling out' are too great for employees to ignore, particularly when they work in low-paying industries; similarly, the temptation for senior managers to agree to a sale where they have invested a large proportion of their personal income into buying shares may be overwhelming. Employee-owned firms can also become 'victims of their own success and employees may find they are unable to buy shares due to a continually rising share price. Finally, competition from local rivals can escalate to a level where employee-owned companies can no longer survive on their own.

Given the factors above that pertain to impact upon the life-cycles of employee-owned businesses, the example of *Company One* as an employee-owned entity eleven years after its inception is all the more significant. Factors that have contributed to making *Company One* a 'unique' case and perhaps a 'model' for other companies are discussed in the final section.

9.5 Summary

The overriding theme of this research has been 'diversity in ownership', which, it is contended, can have a powerful impact upon the attitudinal, behavioural and performance outcomes generally associated with ESO. Within both academic and political circles, 'employee share ownership' has often been used as a 'catch-all' term; in turn, it has been assumed that its presence in organisations will result in greater employee commitment and subsequently, improved corporate success. As highlighted throughout the thesis, however, there is considerable diversity in ESO, which means no such outcomes can be guaranteed. The circumstances in which ownership conversions occur and the objectives of those conversions, the individuals involved in managing the conversion process, the proportion of 'collective ESO' within organisations and the ways in which employees acquire their shares are all influential.

Recent ESO studies have pointed to the need for more systematic explanations of the interplay of different variables within case study investigations. Until now, both the recognition and analysis of different variables has been largely inconsistent in empirical studies. Some of the methodological approaches used have been the subject of some criticism (see Chapter 3), particularly the reliance on 'cross-sectional' as opposed to longitudinal data. The author recognises that longitudinal data is similarly absent from the current study and perhaps, therefore, a limitation of the research. Difficulties associated with the capture of longitudinal data were discussed earlier in the thesis; within the context of ESO, ensuring sustained co-operation with employee-owned organisations can be especially problematic due to the variable 'employee ownership life-cycles' of these types of firms.

As discussed in Chapter 4, the approach taken by the author was one of 'interrupted involvement': the researcher is present sporadically within the company, moving in and out of the enterprise to deal with other work as necessary across a number of different cases. The process is not one of continuous longitudinal involvement but it allows the researcher to spend a period of time in a particular setting, witness perhaps significant events in the history of the company and subsequently garner potentially richer insights from the environment under investigation. For the future, given the experiences of the UK bus industry during the 1990s, it is unlikely that, aside from a limited number of co-operative structures, ESO will be characterised in the same way again in terms of majority share allocations for employees. Much more likely is the continued proliferation of broad-based share ownership schemes. By their nature, broad-based schemes do not 'unsettle' traditional organisational hierarchies; they are, therefore, inherently more stable and 'long-term' than ESOPs or direct ownership buy-outs precisely because power shifts are unlikely to occur. These characteristics make them a suitable focus for longitudinal examination in future research, particularly in terms of the expectations employees may have on becoming 'shareholders' in their own companies.

To conclude, it is fitting to consider some of the main points that can be drawn from the research for the benefit of key players involved in the promotion and diffusion of ESO, or in the adoption of ESO programmes for their own organisations. If ESO is to become and remain a 'durable' method for motivating employees and creating organisational success, then employers, business leaders and current and future governments need to learn from the 'empirical reality' as illustrated by the featured cases. The example of *Company One* and the way in which it has functioned as an employee-owned business over the past eleven years merits particular consideration:

- ESO has the most impact, in terms of creating a 'sense of ownership' among employees, when ownership is 'meaningful' and 'tangible' to them. At *Company One,* the entire workforce had the opportunity to be 'involved' in the ESO conversion and safeguard their jobs and pensions by investing directly in the buy-out. At the outset, the company had decided to reject an ESOP arrangement because of concerns that it would weaken the motivational effects of owning shares. The *Company One* view of ESOPs is supported by results presented in Chapter 6, whereby a majority of respondents at both *Company Two* and *Company Three* said that owning shares had made no difference to the way they thought about their company.

- A 'broad base' of ESO was seen as important at *Company One.* Senior managers, trade union officials and employees alike had viewed as problematic the idea of an EBT holding a significant proportion of the shares. There were concerns among the parties that the accumulation of a large amount of shares in a trust would invest responsibility and influence in a small group of elected trustees at the expense of individual shareholders. The comments of one respondent that *Company One* should be owned by the majority rather than the minority of employees captured the ethos that lay behind the initial design of the ESO model. That shareholding was intended to be 'equal' was also put forward as one of the reasons for *Company One's* longevity. The same respondent had commented that the company's senior management team would not be keen to sell the company given that employees and managers were on an equal footing in terms of individual share allocations. In situations where senior managers have held a sizeable stake in the business, as at *Company Three* for example, the temptation to sell has often been too great. At *Company One,* senior managers would be unlikely to walk away from their company with a large pay-off as a result of selling their shares and so the likelihood of a sale was reduced.

- A 'strong sense of ownership', moreover, emanating from inside *Company One*, suggests that employees themselves were less likely than their counterparts in companies with 'lower proportions of employee ownership' to vote in favour of a take-over and lose their independence. The company's finance director had observed that a potential buyer would have to convince two-thirds of the workforce to vote in favour of a sale. Despite the high proportion of shareholders found within the business, *Company One* was the smallest of all six companies by some way with only 300 employees. The next smallest was *Company Five* with just over 750 employees (see section 4.4.2 in Chapter 4). *Company One's* finance director added that the company was too small to create real problems for other transport groups and it was simply not worthwhile for one of the larger groups to put in a bid for the company and risk running into problems with the Monopolies and Mergers Commission.

- Notably, out of all of the six cases, *Company One* respondents were the most likely to say that the best way to gain influence was through their trade union, thus indicating that ESO and related structures within the company (see *Appendix 2(ii)*) had not usurped the traditional union role. At the same time, less than one-fifth of *Company One* respondents from Stage One felt able to commend their union to others, although responses in relation to this issue were generally negative across the six companies. One respondent at *Company One* had commented that managers were sometimes guilty of 'pandering' too much to the union but added that this was probably a deliberate strategy to get the unions 'on side'. It is asserted that, despite the apparent depth of feeling among employees towards ESO, managers recognised that share ownership alone was insufficient to completely eradicate 'them and us' feelings. Rather, managers still needed to work with and rely on the unions to ensure the co-operation and commitment of employees during periods of major change. The assertion is further supported by the finding that *Company One* respondents were the least likely to say that their union had lost a lot of influence in recent years.

- Findings relating to the nature of the trade union role at *Company One* also reveal much about the state of 'employee-manager' relations at the firm. Analysis in Chapter 7 revealed that relationships between employees and their managers were not necessarily any more harmonious in an environment of employee ownership. It is perhaps the case, however, that employees had higher expectations of their managers once they became 'owners' and subsequently took a greater interest in how they were running the company. Where expectations had been frustrated it is no surprise that employees turned to their union, perhaps even more so than in the period prior to ESO conversion.

- Further, it is possible that employees at *Company One,* and similarly at *Company Two* and *Company Three,* had greater expectations of influence in their firm than were ever likely to be realised in practice. Actual EP was not found to any greater degree in the employee-owned organisations than in the other three cases. As discussed in Chapter 2, there is little evidence to suggest that share schemes, whether ESOPs, direct ownership or broad-based schemes, are intended by employers to provide employees with greater influence. The proliferation of these schemes has often been in response to favourable tax breaks rather than any attempts to 'empower' employees. From results presented, it is suggested that the dissemination of information and the process of simply 'keeping employees informed' is more realistic; it is, moreover, an approach that employees are more likely to welcome than structures of participation and governance requiring them to assume further responsibilities. Employers are also more likely to welcome the approach; there is no loss of control and the company benefits from having a better informed and possibly more contented and in turn motivated workforce. At the same time, the trade union maintains its 'traditional' role as 'representative' of employees' interests.

- Addressing more broadly the employee-trade union-ESO relationship, two alternative perspectives can be said to have emerged from the research. First, trade unions may benefit from functioning in an ESO environment when they are involved in the conversion process from the outset and supplied with relevant information. At *Company Five (A),* Stage Two respondents remarked that the role of the union 'shifted' slightly during the period of ownership. Employees and managers were drawn closer together into working to ensure the success of the company, which may have at first appeared to be potentially detrimental to the union's position. However, a large number of union representatives had also bought shares in the company and were similarly committed to seeing their firm succeed. Conversely, a supportive union stance towards ESO could be problematic if employees begin to question where their union's loyalties lie. At *Company Three,* the trade union had full involvement in the 1994 buy-out, though this resulted in employees feeling very resentful of the union. Employees felt betrayed that the union had 'negotiated away' some of their terms and conditions during the buy-out process and it was some years before those feelings of betrayal diminished.

- If ESO is judged to be 'successful' where it has been sustained, then *Company One* can be regarded as a 'successful' company and one from which others can learn. Significantly, employees at the company acknowledged that their firm's strategy would not necessarily work in other companies with ESO. The finance director said there was no set formula for success and each situation would differ. In short, results presented in the thesis suggest there is no 'ideal' model of ESO that will guarantee success and company longevity. At *Company Five (A)* a direct ownership mechanism was also put in place but competitive pressures meant that the company survived as an employee-owned entity for less than four years. It may be posited that employee-owned firms are essentially no different from other organisations and will experience successes and failures to the same degree according to the circumstances occurring in their external environment, such as the activities of the competition. Employee-owned firms may also be less 'stable' in that the extension of ESO may be dependent upon the ability of new employees to buy shares (for relevant discussion refer to section 2.2 in Chapter 2). Where shares become too expensive for employees to purchase, the company may have little option but to seek investors elsewhere.

- Notwithstanding, there are certain factors, such as a 'greater sense of ownership among employees' and 'more equal shareholdings for employees and senior managers' that may help to create an environment in which ESO is more likely to be sustained. As highlighted earlier in this section, it is unlikely that ESO will feature again in the UK to the same extent as found in the country's bus industry during the 1980s and 1990s. Given the continued legislation introduced by the current Government, the aim now is clearly to encourage the spread of wider ESO via broad-based share schemes. Broad-based schemes do not provide and are not intended to provide the rights or the basis for employees to take responsibility for the management of their company. Instead, schemes may be regarded as an individualist form of EI and a further way to remunerate employees, rather than as a means to extend EP and partnership.

Appendices

Appendix 1: Company data record questionnaire

Research site: ....

Section 1: Ownership structure and company type (all companies)

For each of the questions below please write your answer in the space provided or circle the appropriate response

1.1 In which year was your company established?

Year ....

1.2 Is your company part of a larger group? (If yes, please specify the name)

Yes 1 Name: ....
No 2

1.3 Where is the head office for your company located?

....

1.4 For each of the staff categories listed below please state the total number employed by your company:

Staff category	Total no. of employees
Drivers	
Engineering	
Maintenance	
Catering/cleaning	
Clerical/administrative	
Supervisory	
Managerial	
Other	

1.5 What is the legal form of your company's registration?

Private limited company 1
Public limited company 2
Other (please specify) 3 ....

1.6 Please give details of who sits on your company board:

....

....

....

Section 2a: For completion by 'employee-owned' companies only

Information on employee share ownership at your company

2.1 When and how did the current ownership status of your company occur?

Date ....

Nature of change ....

....

....

2.2 Please indicate the % of equity in your company held by the following people/groups:

Group	% of equity owned
Directors	
Management (excluding directors)	
Employees (excluding the above and trusts etc.)	
Private investors	
Family owners	
Holding company	
ESOP/EBT trust	
Other (please specify)	

2.3 Please state the proportion of ordinary shares held by employees in your company:

.... %

2.4 Please state the proportion of preference shares held by employees in your company:

.... %

2.5 Please give details of how the equity was raised to buy the company:

....

....

....

2.6 Do employees in your company have voting rights on their shares?

Yes 1
No 2

If yes, please give details: ....

....

2.7 How many opportunities are there each year for employees to purchase shares in your company?

....

2.8 Please provide brief details of how employees join your company's share ownership scheme:

....

....

....

....

2.9 Please provide brief details of how employees exit your company's share ownership scheme:

....

....

....

....

Section 2b: For completion by 'post buy-out' companies only

Information on the current ownership status of your company

2.1 When did your company cease to be owned by its employees?

Date: ....

2.2 Please state the reason for your company ceasing to be owned by its employees:

....

....

2.3 Please state the proportion of equity sold: .... %

2.4 Please state the sale price of the company: ....

2.5 Please state the price per share paid by the purchaser: ....

2.6 Please state the proportion of the workforce voting for the sale: .... %

2.7 Please state the proportion of equity votes in favour of the sale: .... %

Previous ownership status of your company

2.8 When and how did ownership by workers and management of your company occur?

Date: ....

Nature of change: ....

....

....

2.9 Please indicate the % of equity in your company formerly held by the following people/groups:

Group	% of equity owned
Directors	
Management (excluding directors)	
Employees (excluding the above and trusts etc.)	
Private investors	
Family owners	
Holding company	
ESOP/EBT trust	
Other (please specify)	

2.10 **Please state the proportion of ordinary shares formerly held by employees in your company:**

.... %

2.11 **Please state the proportion of deferred shares formerly held by employees in your company:**

.... %

2.12 **Please state the proportion of preference shares formerly held by employees in your company:**

.... %

2.13 **Please give details of how the equity was raised to buy your company in the first instance:**

....

....

....

2.14 **Did any employees in your company have voting rights on their shares?**

Yes 1 If yes, please give details below
No 2

....

....

....

2.15 **How many opportunities were there each year for employees to purchase shares in your company?**

....

2.16 **Please provide brief details of how employees were able to join your company's share ownership scheme:**

....

....

....

2.17 **Please provide brief details of how employees were able to exit from your company's share ownership scheme:**

....

....

....

Section 3: Your company's markets (all companies)

For Qs 3.1, 3.3, 3.4 and 3.5 below please **circle one number** to indicate your response. For example,for Q 3.1, if you believe that demand in your company's market(s) has been stable since 1993 you should circle one of the lower numbers (1 or 2). If however you believe that demand in your company's market(s) has been unstable you should circle one of the higher numbers (4 or 5).

3.1 In general, how would you assess demand in your company's market(s) since 1993?

Very stable demand	1	2	3	4	5	Very unstable demand

3.2 Approximately what % share of the total market in your operating region(s) does your company have?

.... %

3.3 In general, how would you describe your company's cash flow position since 1993?

Highly cash flow positive	1	2	3	4	5	Highly cash flow negative

3.4 In general, how have the prices of your bus services changed relative to the general level of prices since 1993?

Increased	1	2	3	4	5	Decreased

3.5 In general, how have the prices of your bus services changed relative to the competition since 1993?

Increased	1	2	3	4	5	Decreased

Section 4: Work organisation issues (all companies)

4.1 **Please state the current average full-time working week for the following categories of staff in your company:**

Staff category	Average working week (hrs)
Drivers	
Engineering	
Maintenance	
Catering/cleaning	
Clerical/administrative	
Supervisory	
Managerial	
Other	

4.2. **What was the labour turnover rate in your company in 1997?**

.... %

4.3 **What was the labour turnover rate in your company in 1993?**

.... %

4.4 **What was the rate of absenteeism in your company in 1997?**

.... %

4.5 **What was the rate of absenteeism in your company in 1993?**

.... %

4.6 **In the space provided below please give details of any job losses that have occurred in your company since 1993:**

Year	Job category	Numbers affected

4.7 **For each of the categories below please state the % of your workforce employed on permanent full-time contracts:**

Staff category	%
Drivers	
Engineering	
Maintenance	
Catering/cleaning	
Clerical/administrative	
Supervisory	
Managerial	
Other	

4.8 For each of the categories below please state the % of your workforce employed on part-time contracts:

Staff category	%
Drivers	
Engineering	
Maintenance	
Catering/cleaning	
Clerical/administrative	
Supervisory	
Managerial	
Other	

4.9 For each of the categories below please state the % of your workforce employed on temporary contracts:

Staff category	%
Drivers	
Engineering	
Maintenance	
Catering/cleaning	
Clerical/administrative	
Supervisory	
Managerial	
Other	

Section 5: Remuneration issues (all companies)

5.1 How many rates of pay do you have in your company ....

5.2 Have any settlements been linked directly to efficiency/productivity agreements?

Yes 1
No 2

If yes, please give details below:

Year(s)	Details

5.3 At what percentage of normal rates of pay are overtime rates set? .... %

5.4 How many collective bargaining units are there for pay determination in your company?

No. ....

5.5 Please indicate the existence of any of the following types of financial participation or payment schemes in your company by circling the appropriate response in each case:

System	Used by company	Year introduced	% of workforce eligible	% of workforce participating	% of pay each year
Profit-related pay	Yes No				
Cash profit-sharing	Yes No				
Approved profit-sharing	Yes No				
Executive share scheme	Yes No				
Group bonus scheme	Yes No				
Individual bonus scheme	Yes No				
Other (please specify)	Yes No				

Section 6: HRM/industrial relations issues (all companies)

6.1 Is there a senior manager at your company with specific responsibility for industrial relations or HRM/personnel matters?

Yes 1
No 2

If yes, please give details:

....

....

....

6.2 Is there a director on the board with specific responsibility for industrial relations or HRM/personnel matters?

Yes 1
No 2

6.3 Please indicate the number of staff who deal specifically with industrial relations or HRM/personnel related matters in your company:

No. ....

Details: ....

....

....

6.4 Do you have an overall industrial relations policy in your company?

Yes 1
No 2

6.5 Please give details below of any externally assessed HRM quality awards gained by your company such as Investors in People:

Year gained	Award

6.6 Please give details below of any externally assessed HRM quality awards with which your company is <u>currently</u> involved:

Date commenced	**Award**	**Expected date of completion**

6.7 Are any HRM/related activities regularly contracted out to external agencies? (For example, regular use of training or recruitment agencies)

Yes 1
No 2

If yes, please give details below:

Activity	**Date commenced**

Section 7: Communication and participation processes (all companies)

7.1 Please tick boxes as appropriate to indicate which of the following groups are provided with information about each of the issues listed below:

Issues	Trade union representatives	Management	All other employees
Labour turnover			
Absenteeism			
Accidents/injuries			
Labour productivity			
Labour costs			
Sales information			
Financial information			

7.2 Please indicate whether your company uses any of the following communication methods by circling the appropriate response in each case:

Method	Used by company	Year introduced	Frequency of method (E.g. monthly/ bi-monthly)
Notice boards	Yes No		
Newsletters	Yes No		
Company newspapers/ magazines	Yes No		
Company reports	Yes No		
Mass meetings	Yes No		
Road shows	Yes No		
Attitude surveys	Yes No		
Other (please specify)	Yes No		

7.3 **From the list of 'involvement' methods below please indicate which you have within your company by circling the appropriate response in each case and specifying the date they were introduced:**

Scheme	**Used by company**	**Date introduced**
Employee trustee(s) of a pension scheme	Yes No	
Employee trustee(s) of a profit share-save scheme trust	Yes No	
Worker directors	Yes No	
Works council	Yes No	
Joint consultative committee	Yes No	
Joint health and safety committee	Yes No	
Chairperson's forum	Yes No	
Shareholder's forum	Yes No	
Team briefing	Yes No	
Suggestion box	Yes No	
Suggestion scheme with rewards	Yes No	
Joint job evaluation	Yes No	
Job rotation	Yes No	
Mentoring system	Yes No	
Other (please specify)	Yes No	

Section 8: Industrial relations/trade union issues (all companies)

8.1 Please state the approximate % of employees in your company belonging to a trade union:

.... %

8.2 How many trade unions does your company recognise for representation and/or negotiation purposes?

....

8.3 Please state the names of these unions:

....

8.4 Please indicate how overall union density has changed in your company since 1993:

Increased substantially	1	2	3	4	5	Decreased substantially

8.5 Have there been any changes to industrial relations procedures and systems since 1993?

Yes 1
No 2

If yes, please give details below:

Change	**Date**

8.6 Has there been any form of industrial action at your company since 1993?

Yes 1 If yes, please give details below:
No 2

Industrial action	**Date**	**Duration**

Thank you for your assistance in this matter

Appendix 2(i): Responses from data record questionnaire

Que. no.	Section 1: Ownership structure and company type	*Company One*	*Company Five*	*Company Six*
1.1	In which year was your company established?	1993	1935	1989 (incorporated December 1988)
1.2	Is your company part of a larger group?	No	Yes	Yes
1.3	Where is the head office for your company located?	North West	South East	London
1.4	For each of the staff categories listed below please state the total number employed by your company:			
	Drivers	198	547	1,243 (including trainees)
	Engineering	36	12	106
	Maintenance	25	52	
	Catering/cleaning		45	31
	Clerical/administrative	33	44	64
	Supervisory		32	70
	Managerial	4	12	48
	Other	4	8	77 (conductors)
1.5	What is the legal form your company's registration?	Private limited company	Private limited company	Private limited company
1.6	Details of who sits on your company board	Managing director, traffic manager, engineering director, finance director, four employee directors (representing drivers, inspectors, office workers, craftsmen and non-craftsmen) and a non-employee non-executive director who has no vote	Not stated	Non-executive chairman, 6 executive directors, 2 employee directors, 3 non-executive directors

Que. no.	**Section 2a: Information on employee share ownership at your company (employee-owned companies only)**	*Company One*	*Company Five*	*Company Six*
2.1	When and how did the current ownership status of your company occur?			
	Date	31 March 1993		
	Nature of change	Employee buy-out		
2.2	Please indicate the % of equity in your company held by the following people/groups:			
	Directors	100% employee owned - no individual is allowed to own more than 1%		
	Management (excluding directors)			
	Employees (excluding the above and trusts etc.)			
	Private investors			
	Family owners			
	Holding company			
	ESOP/EBT trust			
	Other (please specify)			
2.3	Proportion of ordinary shares held by employees in your company	100%		
2.4	Proportion of preference shares held by employees in your company	Nil		
2.5	Details of how the equity was raised to buy the company	Bank loans, plus employees paid cash for shares		
2.6	Do employees in your company have voting rights on their shares?	Yes		
	Details	On major and special business		
2.7	No. of opportunities each year for employees to purchase shares in your company?	No regular opportunities. On two occasions employees have been offered the chance to buy more shares		

Que. no.	Section 2a continued	*Company One*	*Company Five*	*Company Six*
2.8	Details of how employees join your company's share ownership scheme	Employees complete the necessary forms when they join or anytime thereafter. New employees (and existing ones) can purchase up to a maximum of 1,163 shares and can pay by regular deductions from wages		
2.9	Details of how employees exit your company's share ownership scheme	Upon ceasing employment or the company being sold		
	Section 2b: Information on the current ownership status of your company ('post buy-out' companies only)			
2.1	When did your company cease to be owned by its employees?		*Company B* ceased trading in May 1997 and merged with *Company A*	August 1997
2.2	Reason for your company ceasing to be owned by its employees		Shareholders decided that the long-term future best lay in ownership by one of the bigger transport groups	Purchase of share capital by new buyer
2.3	Proportion of equity sold		100%	100%
2.4	Sale price of the company		Not stated	£41 million
2.5	Price per share paid by the purchaser		Not stated	74 pence
2.6	Proportion of the workforce voting for the sale		100%	100%
2.7	Proportion of equity votes in favour of the sale		100%	100%
2.8	When and how did the previous employee ownership status of your company occur?		*Company A* was sold by the local council to its shareholders	Sale to a management employee buy-out (MEBO)
	Date		December 1993	November 1994

Que. no.	Section 2b continued	*Company One*	*Company Five*	*Company Six*
2.9	Please indicate the % of equity in your company formerly held by the following people/groups:			
	Directors		8%	40+%
	Management (excluding directors)		3%	
	Employees (excluding above and trusts etc.)		49%	9.5%
	Private investors			
	Family owners			
	Holding company			
	ESOP/EBT trust		40%	
	Other (please specify)			40+% (institutions)
2.10	Proportion of ordinary shares formerly held by employees in your company		49%	9.5%
2.11	Proportion of deferred shares formerly held by employees in your company		Nil	Nil
2.12	Proportion of preference shares formerly held by employees in your company		Nil	12%
2.13	Details of how the equity was raised to buy your company in the first instance		Via building society loans	Venture capital plus the purchase of shares by management and employees
2.14	Did any employees in your company have voting rights on their shares?		Yes	Yes
	Details		All shareholders	One vote, one share
2.15	No. of opportunities each year for employees to purchase shares in your company		Once a year	Twice a year

Que. no.	Section 2b continued	*Company One*	*Company Five*	*Company Six*
2.16	Details of how employees were able to join your company's share ownership scheme		Those employed in 1993 at the time of the buy-out and then once a year	Offer of shares followed by dealing periods
2.17	Details of how employees were able to exit from your company's share ownership scheme		Once a year (when employees also had the opportunity to purchase shares)	1. Selling during dealing periods. 2. On leaving the company for any reason employees had to sell their shares back to the EBT
	Section 3: Your company's markets			
3.1	In general, how would you assess demand in your company's market(s) since 1993? (Refer to questionnaire for code definitions as appropriate)	2	2	1
3.2	Approximately what % of the total market in your operating region(s) does your company have?	90%	*Company A* used to run around 28%. *Company Five* now runs 95%	85%
3.3	In general, how would you describe your company's cash flow position since 1993?	2	1	1
3.4	In general, how have the prices of your bus services changed relative to the general level of prices since 1993?	3	3	2
3.5	In general, how have the prices of your bus services changed relative to the competition since 1993?	3	3	3
	Section 4: Work organisation issues			
4.1	Please state the current average full-time working week for the following categories of staff in your company:			
	Drivers	39 hrs	45 hrs	39 hrs
	Engineering			38 hrs
	Maintenance			
	Catering/cleaning			
	Clerical/administrative	37 hrs	37.5 hrs	35 hrs
	Supervisory		42 hrs	37 hrs
	Managerial		37.5 hrs	35 hrs
	Other			39 hrs

Que. no.	Section 4 continued	*Company One*	*Company Five*	*Company Six*
4.2	What was the labour turnover rate in your company in 1997?	< 5%	15%	35-40%
4.3	What was the labour turnover rate in your company in 1993?	< 6%	Not known, but thought to be c.15%	25-30%
4.4	What was the rate of absenteeism in your company in 1997?	c.4.5%	10%	Not stated
4.5	What was the rate of absenteeism in your company in 1993?	c.4.5%	10%	Not stated
4.6	Details of any job losses that have occurred in your company since 1993	Reduced the number of drivers by 10	No significant ones until the merger. Post merger: 20 administrative and 30 engineering posts have gone	33 bus cleaners and 6 bus mechanics lost their jobs in 1995 and 1998 respectively
4.7	For each of the categories below please state the % of your workforce employed on permanent full-time contracts:			
	Driver Engineering Maintenance Catering/cleaning Clerical/administrative Supervisory Managerial Other	All except 7 part-time drivers and 1 temporary office worker	99% of the workforce are full-time	100%
4.8	For each of the categories below please state the % of your workforce employed on part-time contracts:			
	Drivers	7 out of 200 drivers	1% of all staff	Nil
	Engineering Maintenance Catering/cleaning Clerical/administrative Supervisory Managerial Other	Nil		

Que. no.	Section 4 continued	*Company One*	*Company Five*	*Company Six*
4.9	For each of the categories below please state the % of your workforce employed on temporary contracts: Drivers Engineering Maintenance Catering/cleaning Clerical/administrative Supervisory Managerial Other	8 staff across all categories	Nil	Nil
	Section 5: Remuneration issues			
5.1	How many rates of pay do you have in your company?	Numerous	One each for drivers, skilled staff, cleaners and for supervisory engineers; two for supervisory operators and personal rates for administrative staff/managers	c.100
5.2	Have any settlements been linked directly to efficiency/productivity agreements?	No	Yes	Yes
	Details		Enhanced pay for overtime was eliminated in 1994	Each year managerial salaries increase according to performance
5.3	At what percentage of normal rates of pay are overtime rates set?	Varies depending on job - can be $1\frac{1}{4}$ to $2\frac{1}{4}$	Flat time	Not stated
5.4	How many collective bargaining units are there for pay determination in your company?	3	2	4

Que. no.	Section 5 continued	*Company One*	*Company Five*	*Company Six*
5.5	Please indicate the existence of any of the following types of financial participation or payment schemes operating in your company:			
	Profit-related pay	No	Yes	Yes
	Year introduced		1996	1995 (backdated to 5 November 1994)
	% of workforce eligible		All	100%
	% of workforce participating		99%	100%
	% of pay each year		Employees are c. 7% net better off	4%
	Cash profit-sharing	No	No	No
	Year introduced			
	% of workforce eligible			
	% of workforce participating			
	% of pay each year			
	Approved profit-sharing	No	No	No
	Year introduced			
	% of workforce eligible			
	% of workforce participating			
	% of pay each year			
	Executive share scheme	No	No	No
	Year introduced			
	% of workforce eligible			
	% of workforce participating			
	% of pay each year			
	Group bonus scheme	No	No	Yes
	Year introduced			Prior to 1993
	% of workforce eligible			3
	% of workforce participating			3
	% of pay each year			Not stated

Que. no.	Section 5 continued	*Company One*	*Company Five*	*Company Six*
	Individual bonus scheme	No	No	Yes
	Year introduced			Prior to 1993
	% of workforce eligible			3
	% of workforce participating			3
	% of pay each year			Not stated
	Other (please specify)	No	No	No
	Year introduced			
	% of workforce eligible			
	% of workforce participating			
	% of pay each year			
	Section 6: HRM/industrial relations issues			
6.1	Is there a senior manager at your company with specific responsibility for industrial relations or HRM/personnel matters?	No	No	No
	Details			
6.2	Is there a director on the board with specific responsibility for industrial relations or HRM/personnel matters?	No	No	No
6.3	No. of staff who deal specifically with industrial relations or HRM/personnel-related matters in your company	Nil	9	4
	Details		All managers deal with it as part of their remit	4 head office staff, but some HR issues are devolved to line management
6.4	Do you have an overall industrial relations policy in your company?	Not a written policy	Yes	No
6.5	Details of any externally-assessed HRM quality awards gained by your company, such as Investors in People	None	None	None
6.6	Details of any externally-assessed HRM quality awards with which your company is currently involved	None	None	None
6.7	Are any HRM/related activities regularly contracted out to external agencies?	No	No	Yes

Que. no.	Section 6 continued			
	Details			Payroll bureau and pensions administrators (since privatisation)
	Section 7: Communication and participation processes			
7.1-7.3	See Appendix 2(ii) for full details			
	Section 8: Industrial relations/trade union issues			
8.1	Approximate % of employees in your company belonging to a trade union	100%	90%	75%
8.2	No. of trade unions recognised by your company for representation and/or negotiation purposes?	2 and several craft unions	3	2
8.3	Names of unions	TGWU and ACTS	GMB, TGWU and ACTS	TGWU (3 sections) and TSSA
8.4	Please indicate how overall union density has changed in your company since 1993 (refer to questionnaire for code definitions)	3	3	3
8.5	Have there been changes to industrial relations procedures and systems since 1993?	No	No	No
	Details			
8.6	Has there been any form of industrial action at your company since 1993?	Yes	No	No
	Details	3 two-hour stoppages in 1996		

Appendix 2(ii) Communication and participation processes (from company data record questionnaire)

Company One:

Q7.1 Availability of information to different staff groups

Information on:	Staff groups: Trade union representatives	Staff groups: Management	Staff groups: All other employees
Labour turnover	✓	✓	X
Absenteeism	✓	✓	X
Accidents/injuries	✓	✓	X
Labour productivity	✓	✓	X
Labour costs	✓	✓	X
Sales information	✓	✓	X
Financial information*	✓	✓	X

✓ = Group provided with information
X = Group not provided with information
* = Financial information in addition to that relating to ESO

Q7.2 Methods used to disseminate information to staff

Method	Used by company
Notice boards	✓
Newsletters	✓
Company newspapers/magazines	X
Company reports	✓
Mass meetings	✓*
Road shows	X
Attitude surveys	X

✓ = Method used by company
X = Method not used by company
* = Annual General Meeting

Q7.3 Methods used to 'involve' staff and the date of introduction

Method	Used by company	Date introduced
Employee trustee(s) of a pension scheme	✓	1993
Employee trustee(s) of a profit share-save scheme trust	X	
Employee directors	✓	1993
Works council	X	
Joint consultative committee	✓	1986
Joint health and safety committee	X	
Chairperson's forum	X	
Shareholder's forum	X	
Team briefing	X	
Suggestion box	✓	1993
Suggestion scheme with rewards	X	
Joint job evaluation	X	
Job rotation	X	
Mentoring system	X	

✓ = Used by company
X = Not used by company

Source: *Company One* data record – 1999

Company Five:

Q7.1 Availability of information to different staff groups

Information on	Staff groups: Trade union representatives	Management	All other employees
Labour turnover	✓	✓	X
Absenteeism	✓	✓	✓
Accidents/injuries	✓	✓	✓
Labour productivity	X	✓	X
Labour costs	✓	✓	X
Sales information	✓	✓	✓
Financial information	✓	✓	✓

✓ = Group provided with information
X = Group not provided with information

Q7.2 Methods used to disseminate information to staff

Method	Used by company
Notice boards	✓
Newsletters	✓
Company newspapers/magazines	X
Company reports	✓
Mass meetings	X
Road shows	✓
Attitude surveys	X

✓ = Method used by company
X = Method not used by company

Q7.3 Methods used to 'involve' employees and the date of introduction

Method	Used by company	Date introduced
Employee trustee(s) of a pension scheme	✓	NS
Employee trustee(s) of a profit share-save scheme trust	X	
Employee directors	X	
Works council	X	
Joint consultative committee	✓	pre 1993
Joint health and safety committee	✓	pre 1993
Chairperson's forum	X	
Shareholder's forum	X	
Team briefing	X	
Suggestion box	✓	pre 1993
Suggestion scheme with rewards	X	
Joint job evaluation	X	
Job rotation	X	
Mentoring system	X	

✓ = Used by company
X = Not used by company
NS = Not specified by company

Source: *Company Five* data record - 1999

Company Six:

Q7.1 Availability of information to different staff groups

Information on:	Staff groups: Trade union representatives	Management	All other employees
Labour turnover	✓	✓	X
Absenteeism	✓	✓	X
Accidents/injuries	✓	✓	X
Labour productivity	X	✓	X
Labour costs	X	✓	X
Sales information	X	X*	X
Financial information	'Selective'	✓	X

✓ = Group provided with information
X = Group not provided with information

Q7.2 Methods used to disseminate information to staff

Method	Used by company
Notice boards	✓
Newsletters	✓
Company newspapers/magazines	✓
Company reports	✓
Mass meetings	✓
Road shows	✓
Attitude surveys	✓

✓ = Method used by company

Q7.3 Methods used to 'involve' employees and the date of introduction

Method	Used by company	Date introduced
Employee trustee(s) of a pension scheme	✓	1995
Employee trustee(s) of a profit share-save scheme trust	X	
Employee directors	✓	1995
Works council	X	
Joint consultative committee	✓	NS
Joint health and safety committee	✓	NS
Chairperson's forum	X	
Shareholder's forum	X	
Team briefing	X	
Suggestion box	X	
Suggestion scheme with rewards	X	
Joint job evaluation	X	
Job rotation	X	
Mentoring system	X	

✓ = Used by company
X = Not used by company
NS = Not specified by company

Source: *Company Six* data record - 1999

Appendix 3: Stage One questionnaire

Information for employees at [*Company xxx*]

You have been randomly selected to participate in a study that looks at employee participation and commitment, employee share ownership and industrial relations **at [this company].**

The information you provide is to be used solely for an academic and independent study being undertaken at the University of Luton for a PhD thesis and **for no other purpose.** All information given will be treated in the strictest confidence and your individual responses will **not be made available** to your line manager/supervisor at any time.

Your assistance is greatly appreciated

The questionnaire will take approximately 15 minutes to complete. Please answer the questions by **circling the relevant number or by writing your answer in the space provided.** Please mark all of your answers **clearly in ink.** Some of the questions may not be relevant to you personally. Where this occurs, the questionnaire will tell you how to proceed. If you are unsure about a question, leave it blank and go straight to the next one.

Please ensure that you complete this questionnaire by yourself because it is your own personal opinions about [this company] that are of particular interest

This survey has the full support of both the management team *and* the trade union(s) at [this company]

Thank you for your help

Lisa Trewhitt

Research site: ....

Date: ....

Section 1: General details

Please **circle one number** to indicate your response or write your answer in the space provided.

(a) Are you:

Male	1
Female	2

(b) Please indicate your age range:

Under 20	1
20-29	2
30-39	3
40-49	4
50+	5

(c) How long have you worked for [this company]?

Years .... Months ....

(d) Nature of employment status:

Full-time	1
Part-time	2
Temporary	3

(e) Please indicate your job category:

Driver	1	Clerical/administrative	6
Engineer	2	Supervisory	7
Conductor	3	Managerial	8
Maintenance	4	Other	9
Catering/cleaning	5		

(f) Are you currently a member of a trade union?

Yes 1 Name of union ....

No 2

If you answered 'no' please go straight to Section 2

(g) Do you currently hold a position within your union?
(E.g. treasurer, branch secretary, steward, elected official etc.)

Yes 1 Position held ....

No 2

Section 2: Views about your job at [this company]

Company One, Company Two and Company Three Only

Please **circle one number** for each statement below to indicate how you feel about working for [this company]. For example: if you are **quite proud** to be able to tell people that you work for [this company] you should circle one of the lower numbers (1 or 2). If, however, you are **not proud** to be able to tell people that you work for [this company] you should circle one of the higher numbers (4 or 5).

(a) I am quite proud to be able to tell people that I work for [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

(b) I feel myself to be a part of [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

(c) To know that my own work had made a contribution to the good of [this company] would please me

1	2	3	4	5
Strongly agree				Strongly disagree

(d) In my work I like to feel that I am making some effort not just for myself but for [this company] as well

1	2	3	4	5
Strongly agree				Strongly disagree

(e) Even if [this company] was not doing too well financially, I would be reluctant to change to another employer

1	2	3	4	5
Strongly agree				Strongly disagree

(f) The offer of a bit more money with another employer would not seriously make me think of changing my job

1	2	3	4	5
Strongly agree				Strongly disagree

Section 3: Attitudes to the trade unions at [this company]

Please answer this section only if you are a member of a trade union at [this company]
If you are not a member of a trade union please turn to Section 4 on the next page

Please **circle one number** for each statement below to indicate your attitude to the trade union(s) at [this company]. For example: if you **agree** that **it is easy** to be loyal to both the union(s) and management at [this company] you should circle one of the lower numbers (1 or 2). If, however, you **disagree** that **it is easy** to be loyal to both the union(s) and management at [this company] you should circle one of the higher numbers (4 or 5).

(a) It is easy to be loyal to both the union(s) and management at [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

(b) I talk up my union to my friends as a great union to belong to

1	2	3	4	5
Strongly agree				Strongly disagree

(c) I find it hard to agree with my union's policies

1	2	3	4	5
Strongly agree				Strongly disagree

(d) The union(s) play an important role at [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

(e) The union(s) make concessions to avoid problems

1	2	3	4	5
Strongly agree				Strongly disagree

(f) The union(s) try to co-operate with management

1	2	3	4	5
Strongly agree				Strongly disagree

(g) The union(s) at [this company] have lost much of their influence in recent years

1	2	3	4	5
Strongly agree				Strongly disagree

(h) In this company the best way of obtaining worker influence is through the union(s)

1	2	3	4	5
Strongly agree				Strongly disagree

(i) I care about the survival of the union(s) at [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

Section 4: Employee influence at [this company]

(1) Influence you would like to have

Please **circle one number** for each of the issues below to indicate how much influence **you would personally like to have** in each case. For example: if you would like to have **a great deal of influence** over the overall policies of [this company] you should circle one of the lower numbers (1 or 2). If, however, you would **not like to have a great deal of influence** over the overall policies of [this company] you should circle one of the higher numbers (4 or 5).

(a) **Overall policies of [this company]**

1	2	3	4	5
A great deal of say				No say at all

(b) **Matters affecting your own depot/department**

1	2	3	4	5
A great deal of say				No say at all

(c) **How your own job is done**

1	2	3	4	5
A great deal of say				No say at all

(d) **Wage and bonus payments**

1	2	3	4	5
A great deal of say				No say at all

(e) **Health, safety and conditions of work**

1	2	3	4	5
A great deal of say				No say at all

(f) **Changes in staffing levels**

1	2	3	4	5
A great deal of say				No say at all

(g) **Introduction of new products, services or processes**

1	2	3	4	5
A great deal of say				No say at all

(h) **The purchase of new machinery or equipment**

1	2	3	4	5
A great deal of say				No say at all

(i) **Investment decisions**

1	2	3	4	5
A great deal of say				No say at all

(j) **Recruitment**

1	2	3	4	5
A great deal of say				No say at all

(k) **Training**

1	2	3	4	5
A great deal of say				No say at all

(2) Influence you actually have

Please **circle one number** for each of the issues below to indicate how much influence **you actually have** in each case.

(a) Overall policies of [this company]

1	2	3	4	5
A great deal of say				No say at all

(b) Matters affecting your own depot/department

1	2	3	4	5
A great deal of say				No say at all

(c) How your own job is done

1	2	3	4	5
A great deal of say				No say at all

(d) Wage and bonus payments

1	2	3	4	5
A great deal of say				No say at all

(e) Health, safety and conditions of work

1	2	3	4	5
A great deal of say				No say at all

(f) Changes in staffing levels

1	2	3	4	5
A great deal of say				No say at all

(g) Introduction of new products, services or processes

1	2	3	4	5
A great deal of say				No say at all

(h) The purchase of new machinery or equipment

1	2	3	4	5
A great deal of say				No say at all

(i) Investment decisions

1	2	3	4	5
A great deal of say				No say at all

(j) Recruitment

1	2	3	4	5
A great deal of say				No say at all

(k) Training

1	2	3	4	5
A great deal of say				No say at all

Section 5: Relations with management at [this company]

Please **circle one number** for each statement below to indicate your views about management at [this company].

(a) **To what extent do you feel there is a social division (i.e. feelings of 'them and us') between management and employees at [this company]?**

1	2	3	4	5
No social division				Large social division

(b) **To what extent do managers at [this company] take notice of the ideas and experiences of their employees?**

1	2	3	4	5
To a great extent				Not at all

(c) **To what extent do you believe managers are efficient in running [this company]?**

1	2	3	4	5
Very efficient				Not at all efficient

Section 6: Variable sections on employee share ownership

Company One, Company Two **and** *Company Three only*

Please **circle one number** for each statement below to indicate your response.

(a) Do you own any shares in [this company] at the present time?

Yes 1 **If you answered 'yes' please go straight to question (c)**
No 2

(b) Please indicate which one of the following statements applies to you:

I have not worked at [this company] long enough to own shares	1
I do not wish to own shares in [this company] at this time	2
Other	3

(c) To what extent do you agree that owning shares has made a difference to the way you think about [this company]?

1	2	3	4	5
Strongly agree				Strongly disagree

(d) Please state below how owning shares has made a difference to the way you think about [this company]:

....

....

....

Company Four, Company Five **and** *Company Six only*

Please **circle one number** for each statement below to indicate your response.

(a) Did you previously own shares in your company?

Yes 1
No 2

(b) Do you believe your company should have remained employee-owned?

Yes 1
No 2
Do not know 3

(c) Please give the reason for your answer:

....

....

....

Section 7: Benefits of employee share ownership at [this company]

Company One, Company Two **and** *Company Three only*

Please select from the list below what you personally consider to be the **five main benefits of employee share ownership at [this company] by ranking your top five choices only on a scale of 1-5, (first choice = 1, second choice = 2, third choice = 3; fourth choice = 4; fifth choice = 5)** and writing the appropriate number in the space provided.

(Please rank your top five choices only):		**Rank**
(a)	More influence (or say) for employees in company decisions	…………
(b)	The prospect of getting some extra money	…………
(c)	More information about day-to-day matters at [this company]	…………
(d)	The opportunity to own a part of [this company]	…………
(e)	To be able to exercise voting rights	…………
(f)	Making me more interested in [this company's] success	…………
(g)	Making me feel a part of [this company] – working *with* it, not just *for* it	…………
(h)	Increasing co-operation between management and the workforce	…………
(i)	Providing an incentive for employees to stay at [this company]	…………
(j)	Encouraging employees to put more effort into their work	…………

Section 8: Views about employee share ownership at [this company]

Company One, Company Two **and** *Company Three only*

Please **circle one number** for each statement below to indicate your views about employee share ownership at [this company].

(a) My work is more satisfying because I own shares in [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

(b) Owning shares in [this company] makes me want to continue working here

1	2	3	4	5
Strongly agree				Strongly disagree

(c) I feel like I really own part of [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

(d) I care about owning shares in [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

(e) It is very important to me that [this company] has an employee share ownership scheme

1	2	3	4	5
Strongly agree				Strongly disagree

(f) I am proud to own shares in [this company]

1	2	3	4	5
Strongly agree				Strongly disagree

You have now finished this questionnaire
If you would like to add any further comments, please do so in the space below

....

....

....

....

....

....

....

Thank you for your time

Appendix 4: British Organisational Commitment Scale - nine-item version

1. I am quite proud to be able to tell people who it is I work for *(identification)*

2. I sometimes feel like leaving this employment for good *(loyalty)*

3. I'm not willing to put myself out just to help the organisation *(involvement)*

4. Even if the firm was not doing too well financially, I would be reluctant to change to another employer *(loyalty)*

5. I feel myself to be a part of the organisation *(identification)*

6. In my work I like to feel I am making some effort not just for myself but for the organisation as well *(involvement)*

7. The offer of a bit more money with another employer would not seriously make me think of changing my job *(loyalty)*

8. I would not recommend a close friend to join our staff *(identification)*

9. To know that my own work had made a contribution to the good of the organisation would please me *(involvement)*

Cook and Wall (1980)

Appendix 5: Attitudinal scale items and variable labels

Table (i) Variables and variable labels for the 'British Organisational Commitment Scale'

Variable	Variable label
I am quite proud to be able to tell people that I work for [this company]	Proud
I feel myself to be a part of [this company]	Feel
To know that my own work had made a contribution to the good of [this company] would please me	Contribution
In my work I like to feel that I am making some effort not just for myself but for [this company] as well	Effort
Even if [this company] was not doing too well financially, I would be reluctant to change to another employer	Financial
The offer of a bit more money with another employer would not seriously make me think of changing my job	Money

Source: Cook and Wall (1980)

Table (ii) Variables and variable labels for the 'employee-trade union relations' scale

Variable	Variable label
It is easy to be loyal to both the union(s) and management at [this company]	Easy to be loyal
I talk up my union to my friends as a great union to belong to	Talk up
I find it hard to agree with my union's policies	Hard to agree
The unions play an important role at [this company]	Important role
The unions make concessions to avoid problems	Concessions
The unions try to co-operate with management	Co-operate
The unions at this company have lost much of their influence in recent years	Lost influence
In this company the best way of obtaining worker influence is through the unions	Worker influence
I care about the survival of the unions at [this company]	Survival

Source: Angle and Perry (1986)

Table (iii) Variables and variable labels for the 'desired participation in your company' scale

Variable	Variable label
Desired participation in:	
Overall policies of [this company]	Company policies
Matters affecting your own depot/department	Own depot
How your own job is done	Own job
Wage and bonus payments	Wages and bonuses
Health, safety and conditions of work	Health and safety
Changes in staffing levels	Staffing
Introduction of new products, services or processes	New products
The purchase of new machinery or equipment	New machinery
Investment decisions	Investment
Recruitment	Recruitment
Training	Training

Table (iv) Variables and variable labels for the 'actual participation in your company' scale

Variable	Label
Actual participation in:	
Overall policies of [this company]	Company policies
Matters affecting your own depot/department	Own depot
How your own job is done	Own job
Wage and bonus payments	Wages and bonuses
Health, safety and conditions of work	Health and safety
Changes in staffing levels	Staffing
Introduction of new products, services or processes	New products
The purchase of new machinery or equipment	New machinery
Investment decisions	Investment
Recruitment	Recruitment
Training	Training

Source: Adapted from Pendleton et al (1995 a, b), Poole and Jenkins (1990) and Walley and Wilson (1992)

Table (v) Variables and variable labels for the 'relations with management' scale

Variable	Variable label
To what extent do you feel there is a social division (feelings of 'them and us') between management and employees at [this company]?	Social division
To what extent do managers at [this company] take notice of the ideas and experiences of their employees?	Take notice
To what extent do you believe managers are efficient in running [this company]	Managers efficient

Source: Adapted from Pendleton et al (1995 a, b), Poole and Jenkins (1990) and Walley and Wilson (1992)

Table (vi) Variables and variable labels for the 'satisfaction with ESO' scale

Variable	Variable label
My work is more satisfying because I own shares in [this company]	Satisfying
Owning shares in [this company] makes me want to continue working here	Stay
I feel like I really own part of [this company]	Own
I care about owning shares in [this company]	Care
It is very important to me that [this company] has an employee share ownership scheme	Important
I am proud to own shares in [this company]	Proud to own

Source: Rosen et al (1986)

Appendix 6: Codebook for data entry

('N' = numeric; 'D' = date; 'A' = alphanumeric)

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
All companies:					
1	Number	Questionnaire number		N	
2	Date	Date of survey		D	
3	Company	Company where survey was conducted		A	
4	Depot	Depot where survey was conducted		A	
5	Sex	Sex of respondent	Male 1 Female 2	N	Missing 99
6	Age	Age of respondent	Under 20 1 20-29 2 30-39 3 40-49 4 50+ 5	N	Missing 99
7	Years	Length of service in years		N	Missing 99
8	Months	Length of service in months		N	Missing 99
9	Status	Employment status	Full-time 1 Part-time 2 Temporary 3	N	Missing 99
10	Category	Job category	Driver 1 Engineer 2 Conductor 3 Maintenance 4 Catering/cleaning 5 Clerical/administrative 6 Supervisory 7 Managerial 8 Other 9	N	Missing 99
11	Member	Are you currently a member of a trade union?	Yes 1 No 2	N	Missing 99
12	Union name	Name of trade union		A	Missing 99 Not applicable 999
13	Position	Do you hold a position in your union?	Yes 1 No 2	N	Missing 99 Not applicable 999

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
14	Type	Details of position	Chairman 1 Vice chairman 2 Steward 3 Other 4	N	Missing 99 Not applicable 999
Employee-owned companies only:					
15	Proud	I am quite proud to be able to tell people that I work for this company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
16	Feel	I feel myself to be a part of the company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
17	Contribution	To know that my own work had made a contribution to the good of this company would please me	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
18	Effort	In my work I like to feel that I am making some effort not just for myself but for the company as well	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
19	Financial	Even if the organisation was not doing too well financially, I would be reluctant to change to another employer	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
20	Money	The offer of a bit more money with another employer would not seriously make me think of changing my job	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
All companies (trade union members only):					
21	Easy to be loyal	It is easy to be loyal to both the union(s) and management at this company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
22	Talk up	I talk up my union to my friends as a great union to belong to	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
23	Hard to agree	I find it hard to agree with my union's policies	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
24	Important role	The union(s) play an important role at this company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
25	Concessions	The union(s) make concessions to avoid problems	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
26	Co-operate	The union(s) try to co-operate with management	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
27	Lost influence	The union(s) at this company have lost much of their influence in recent years?	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
28	Worker influence	In this company the best way of obtaining worker influence is through the union(s)	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
29	Survival	I care about the survival of the union(s) at this company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99 Not applicable 999
All companies:					
30	Desired policies	Desired influence in company policy	A great deal of say 1 ↓ No say at all 5	N	Missing 99
31	Desired own depot	Desired influence in matters affecting your own depot/department	A great deal of say 1 ↓ No say at all 5	N	Missing 99
32	Desired own job	Desired influence as to how your own job is done	A great deal of say 1 ↓ No say at all 5	N	Missing 99

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
33	Desired wages and bonuses	Desired influence in wages and bonus payments	A great deal of say 1 ↓ No say at all 5	N	Missing 99
34	Desired health and safety	Desired influence in health, safety and conditions of work	A great deal of say 1 ↓ No say at all 5	N	Missing 99
36	Desired staffing	Desired influence in changes to staffing levels	A great deal of say 1 ↓ No say at all 5	N	Missing 99
37	Desired new products	Desired influence in the introduction of new products, services or processes	A great deal of say 1 ↓ No say at all 5	N	Missing 99
38	Desired new machinery	Desired influence in the purchase of new machinery and equipment	A great deal of say 1 ↓ No say at all 5	N	Missing 99
39	Desired investment	Desired influence in investment decisions	A great deal of say 1 ↓ No say at all 5	N	Missing 99
40	Desired recruitment	Desired influence in recruitment	A great deal of say 1 ↓ No say at all 5	N	Missing 99
41	Desired training	Desired influence in training	A great deal of say 1 ↓ No say at all 5	N	Missing 99
All companies:					
42	Perceived policies	Perceived influence in company policy	A great deal of say 1 ↓ No say at all 5	N	Missing 99
43	Perceived own depot	Perceived influence in matters affecting your own depot/department	A great deal of say 1 ↓ No say at all 5	N	Missing 99

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
44	Perceived own job	Perceived influence as to how own job is done	A great deal of say 1 ↓ No say at all 5	N	Missing 99
45	Perceived wages and bonuses	Perceived influence in wages and bonus payments	A great deal of say 1 ↓ No say at all 5	N	Missing 99
46	Perceived health and safety	Perceived influence in health, safety and conditions of work	A great deal of say 1 ↓ No say at all 5	N	Missing 99
47	Perceived staffing	Perceived influence in changes to staffing levels	A great deal of say 1 ↓ No say at all 5	N	Missing 99
48	Perceived new products	Perceived involvement in the introduction of new products, services or processes	A great deal of say 1 ↓ No say at all 5	N	Missing 99
49	Perceived new machinery	Perceived influence in the purchase of new machinery or equipment	A great deal of say 1 ↓ No say at all 5	N	Missing 99
50	Perceived investment	Perceived influence in investment decisions	A great deal of say 1 ↓ No say at all 5	N	Missing 99
51	Perceived recruitment	Perceived influence in recruitment	A great deal of say 1 ↓ No say at all 5	N	Missing 99
52	Perceived training	Perceived influence in training	A great deal of say 1 ↓ No say at all 5	N	Missing 99

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
All companies:					
53	Social division	To what extent do you feel there is a social division (i.e. feelings of 'them and us') between management and employees at this company?	No social division 1 ↓ Large social division 5	N	Missing 99
54	Ideas and experiences	To what extent do managers at the company take notice of the ideas and experiences of their employees?	To a great extent 1 ↓ Not at all 5	N	Missing 99
55	Managers efficient	To what extent do you believe managers are efficient in running the company?	Very efficient 1 ↓ Not at all efficient 5	N	Missing 99
Employee-owned companies only:					
56	Share owner	Do you own shares in this company at the present time?	Yes 1 No 2		Missing 99
57	No shares	Please indicate which one of the following statements applies to you	I have not worked at this company long enough to own shares 1 I do not wish to own shares at this time 2 Other 3	N	Missing 99 Not applicable 999
58	Difference	To what extent do you agree that owning shares has made a difference to the way you think about your company?	To a great extent 1 ↓ Not at all 5	N	Missing 99 Not applicable 999
59	Comments 1	Additional comments 1	**Refer to additional comments 1 for open-ended responses (see p. 175 – Chapter 6)**	A	Missing 99 Not applicable 999
Post buy-out companies only:					
60	Previous share owner	Did you previously own shares in your company?	Yes 1 No 2	N	Missing 99
61	Employee-owned	Do you believe your company should have remained employee-owned?	Yes 1 No 2 Do not know 3	N	Missing 99 Not applicable 999
62	Comments 2	Additional comments 2	**Refer to additional comments 2 for open-ended responses (see pages 242 and 244 – Chapter 7)**	N	Missing 99 Not applicable 999

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
Employee-owned companies only:					
63	More influence	Influence in company decisions	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
64	Extra money	Getting extra money	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
65	More information	Information on day-to-day matters	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
66	Own part	Opportunity to own a part of the company	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
67	Voting rights	To exercise voting rights	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
68	Success	Interest in the success of the company	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
69	Feel part	Feel a part of the company	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
70	Co-operation	Increasing co-operation between management and the workforce	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
71	Incentive to stay	Providing an incentive for employees to stay with the company	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
72	More effort	Encouraging employees to put more effort into their work	First choice 1 Second choice 2 Third choice 3 Fourth choice 4 Fifth choice 5	N	Missing 99 Blank 9999
73	Satisfying	Work is more satisfying because respondent owns shares	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
74	Stay	Owning shares makes respondent want to stay with the company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
75	Own	Respondent feels that they own part of the company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
76	Care	Respondent does not care about owning shares in the company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99

Column number	Variable name	Variable label	Value label	Type of variable	Missing value
77	Important	It is very important that the company has a share ownership scheme	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99
78	Proud to own	Respondent is proud to own shares in the company	Strongly agree 1 ↓ Strongly disagree 5	N	Missing 99

Appendix 7: Regression variables

Chapter 6:

Table 24: The impact of employee ownership characteristics on ESO satisfaction

- 'Company type': direct ownership = 1; ESOP = 0
- 'Total company shares': total employee shareholding in company (e.g. *Company One* = 100; *Company Two* = 80; *Company Three* = 25)
- 'Relative employee shares': actual individual employee shareholding as a proportion of the mean individual shareholding in each company (e.g. *Company One* = 957; *Company Two* = 1,565; *Company Three* = 914)

Table 37: The impact of employee ownership characteristics on identification, involvement and loyalty

- 'Company type': direct ownership = 1; ESOP = 0

- 'Total company shares': total employee shareholding in company (e.g. *Company One* = 100; *Company Two* = 80; *Company Three* = 25)

- 'Relative employee shares': actual individual employee shareholding as a proportion of the mean individual shareholding in each company (e.g. *Company One* = 957; *Company Two* = 1,565; *Company Three* = 914)

- 'ESO satisfaction': average of all six items from the Klein et al (1986) 'ESO satisfaction' scale ('satisfying'; 'stay'; 'own'; 'care'; 'important'; 'proud to own')

Sub-components of the BOCS:

- 'Identity': average of 'proud' and 'feel'
- 'Involvement': average of 'contribution' and 'effort'
- 'Loyalty': average of 'financial' and 'money'

Chapter 7:

Table 74: Determinants of dual loyalty

• 'Union effectiveness':	average of five items from the Angle and Perry (1986) 'employee-trade union relations' scale ('important role'; 'concessions'; 'co-operate'; 'influence'; 'worker influence')
• 'Social division':	single variable taken from 'employee-manager relations' scale
• 'Employee shareholder status':	'employee owns shares' = 1; 'employee does not own shares' = 0
• 'Employee-owned company':	'employee-owned company = 1; 'not an employee-company' = 0
• 'Dual loyalty':	single variable taken from 'employee-trade union relations' scale

Table 76: The impact of employee, trade union and organisational characteristics on desired participation in decision-making

• 'Union effectiveness':	average of five items from the Angle and Perry (1986) 'employee-trade union relations' scale ('important role'; 'concessions'; 'co-operate'; 'influence'; 'worker influence')
• 'Employee shareholder status':	'employee owns shares' = 1; 'employee does not own shares' = 0
• 'Employee-owned company':	'employee-owned company = 1; 'not an employee-company' = 0
• 'Trade union membership':	yes = 1; no = 0
• 'Management efficiency':	single variable taken from 'employee-manager relations' scale
• 'Desired participation':	average of all eleven items from the 'desired participation' scale ('company policies'; 'own depot'; 'own job'; 'wages and bonuses'; 'health and safety'; 'staffing'; 'new products'; 'new machinery'; 'investment'; 'recruitment'; 'training')

Table 77: The impact of employee, trade union and organisational characteristics on actual participation in decision-making

• 'Union effectiveness':	average of five items from the Angle and Perry (1986) 'employee-trade union relations' scale ('important role'; 'concessions'; 'co-operate'; 'influence'; 'worker influence')
• 'Employee shareholder status':	'employee owns shares' = 1; 'employee does not own shares' = 0
• 'Employee-owned company':	'employee-owned company = 1; 'not an employee-company' = 0
• 'Trade union membership':	yes = 1; no = 0
• 'Management efficiency':	single variable taken from 'employee-manager relations' scale
• 'Actual participation':	average of all eleven items from the 'actual participation' scale ('company policies'; 'own depot'; 'own job'; 'wages and bonuses'; 'health and safety'; 'staffing'; 'new products'; 'new machinery'; 'investment'; 'recruitment'; 'training')

Appendix 8: Descriptive results from *Company Five (B)*

Desired participation: all respondents

	A great deal of say	Neither a lot nor a little say	No say at all	
Decisions	%			**Mean**
Company policies	45.1	38.5	16.4	2.55
Own depot	70.4	18.7	10.9	2.13
Own job	71.5	15.3	13.2	2.11
Wages and bonuses	69.3	17.5	13.2	2.04
Health and safety	73.7	18.7	7.6	1.90
Staffing	55.0	28.5	16.5	2.42
New products	55.0	25.3	19.7	2.48
New machinery	55.6	21.1	23.3	2.50
Investment	26.7	31.1	42.2	3.24
Recruitment	27.5	33.0	39.5	3.18
Training	37.4	33.0	29.6	2.87

Actual participation: all respondents

	A great deal of say	Neither a lot nor a little say	No say at all	
Decisions	%			**Mean**
Company policies	9.8	10.9	79.3	4.29
Own depot	10.8	16.3	72.9	4.09
Own job	33.7	18.5	47.8	3.27
Wages and bonuses	7.6	14.1	78.3	4.32
Health and safety	19.5	21.7	58.8	3.74
Staffing	10.9	15.2	73.9	4.23
New products	4.4	17.4	78.2	4.33
New machinery	2.2	13.3	84.5	4.50
Investment	5.4	7.6	87.0	4.57
Recruitment	9.7	6.5	83.8	4.39
Training	9.8	10.9	79.3	4.22

Employee-manager relations: all respondents

	Agree	Neither agree/disagree	Disagree	
Variable	%			**Mean**
Social division	22.0	11.0	67.0	3.28
Ideas and experiences	17.8	14.5	67.7	4.21
Managers efficient	24.1	37.4	38.5	3.69

Employee-trade union relations: all respondents

	Agree ←	Neither agree/ disagree	→ Disagree	
Variable	%			**Mean**
Easy to be loyal	17.1	44.7	38.2	3.96
Talk up	18.5	32.9	48.6	3.19
Hard to agree	23.7	44.7	31.6	3.38
Important role	31.5	30.3	38.2	3.19
Concessions	38.6	30.7	30.7	2.62
Co-operate	48.7	28.9	22.4	2.38
Lost influence	77.6	10.6	11.8	2.19
Worker influence	31.6	31.6	36.8	3.12
Survival	59.3	26.3	14.4	2.36

(n = 76)

Source: Stage One survey – 1997

Appendix 9: Stage Two respondent profiles

Company One				
Respondent no.	**Position held**	**Length of service**	**Involvement in ESO activities (e.g. position on steering committee)**	**Additional information**
1	Branch secretary of the TGWU	Nineteen years		
2	Shop steward for the TGWU automotive section (represents vehicles, builders, coach painters and upholsterers. Section has around nine members).	Not stated		
3	Chairman of ACTS	Thirteen years		
4	Assistant traffic manager	Thirty-six years		Member of ACTS
5	Stores manager and member of the TGWU (clerical and supervisory section)	Twelve years		
6	Finance director	Twelve years		
7	Director of engineering	Nine years		
8	Accountant	Eleven years		Member of ACTS
9	Inspector and employee director	Not stated		Member of the TGWU

Company Two				
Respondent no.	**Position held**	**Length of service**	**Involvement in (former) ESO activities (e.g. position on steering committee)**	**Additional information**
1	Chairman for the engineering employees section of the TGWU	Twenty-two years		Represents between 430 and 440 engineers
2	Chairman of the TGWU	Twenty-one years		Represents approximately 1,200 members, including around 900 bus drivers
3	Branch secretary of the TGWU	Seventeen years	Sat on the company's EBT1 and was involved in the initial negotiations for the ESOP	Sits on the national General Executive Council for the TGWU
4	Operations director	Not stated		
5	Group human resources executive	Not stated		
6	Managing director for one of two company sites	Not stated		Formerly operations director

Company Three				
Respondent no.	**Position held**	**Length of service**	**Involvement in ESO activities (e.g. position on steering committee)**	**Additional information**
1	Representative for the TGWU and an EBT trustee	Fifteen years	Sat on the employee buy-out steering committee	Former branch chairman of the TGWU.
2	Traffic assistant/TGWU representative	Twenty-six years	Represented his section on the buy-out steering committee and sits on the EBT	Represents other members of staff at disciplinary hearings. Also health and safety officer and sits on the company's Joint Consultative Committee.
3	Bus driver, TGWU trade union/health and safety representative	Thirty-one years	Sat on the employee buy-out steering committee	Former branch chairman and vice chairman of the TGWU.
4	Company convenor	Thirty years		Looks after 1,200 employees and authorised to make decisions with the trade union representative if the garage manager cannot resolve an issue, but no involvement in pay negotiations.
5	Garage staff manager	Twenty-nine years	One of three representatives who formed the 'inner sanctum' of the employee buy-out steering group and met with the venture capitalists. Also sits on the company's PST.	Responsible for two of the company's five main garages and 280 employees. Liaises with trade union representatives. Representative for the British Transport Officers' Union until it was derecognised and managers were moved to personal contracts.
6	Human resources manager	Nineteen years	No direct role in the employee buy-out in 1994 or the flotation in 1997, but was involved in related administration for both events.	Responsible for HR issues at corporate level for around 2,500 employees. Reports directly to the managing director and indirectly to all main board directors. Involved with local strategic community issues including the 'New Deal'. Also trustee for two of the company's five pension funds.

Company Four				
Respondent no.	**Position held**	**Length of service**	**Involvement in (former) ESO activities (e.g. position on steering committee)**	**Additional information**
1	Branch chairman of the TGWU	Thirty years		
2	Branch secretary of the TGWU	Fifteen years		Secretary of the company's Central Negotiating Committee and a member of the Joint Negotiating Committee and Joint Advisory Committee.
3	Employee director	Eighteen years		Member of the TGWU
4	Representative for the TGWU	Not stated		
5	Divisional traffic manager	Eight years		Responsible for all operational, strategic and planning matters at his site and for all of the company's travel shops. Former traffic superintendent.
6	Divisional traffic manager	Sixteen years	Formerly a trustee of the PST	Responsible for the traffic operations of his division and for over 200 employees, including 190 drivers.

Company Five				
Respondent no.	**Position held**	**Length of service**	**Involvement in (former) ESO activities (e.g. position on steering committee)**	**Additional information**
1	Branch chairman of the GMB (formerly *Company (A)*)	Sixteen years		
2	Foreman (formerly *Company (A)*)	Seventeen years	Sat on *Company (A's)* buy-out committee.	Former GMB representative
3	Engineering manager (formerly *Company (A)*)	Twenty-three years		Responsible for all engineering activity on site, including the maintenance and preparation of around 60 vehicles. Also co-ordinates engineering activities on other sites when engineers are absent. Former GMB representative.
4	Garage staff manager (formerly *Company (A)*)	Eleven years		Responsible for all staff matters, including hiring and firing.
5	Branch chairman of the TGWU (formerly *Company (B)*)	Eighteen years		
6	Branch secretary of the TGWU (formerly *Company (B)*)	Fifteen years		
7	Garage manager (formerly *Company (B)*)	Fifteen years		Responsible for 240 drivers and four inspectors.
8	Operations manager (formerly *Company (B)*)	Thirty-three years		Looks after day-to-day operations. Also responsible for planning new and revised routes, alterations to existing routes and fare structures. Directly responsible for fourteen people and indirectly, through the garage staff managers, for around 700-800 drivers, plus all of the driver supervisors and customer liaison officers.

Company Six				
Respondent no.	**Position held**	**Length of service**	**Involvement in (former) ESO activities (e.g. position on steering committee)**	**Additional information**
1	Branch representative for the TGWU	Twenty-four years		Formerly branch chairman of the TGWU
2	Company convenor	Not stated		Responsible for all of the company's TGWU representatives
3	Branch secretary of the TGWU	Not stated		
4	Garage general manager	Twelve years		Has general overall responsibility for the whole operation of the garage including engineering, staffing, finance and discipline. Responsible for 400 employees and for health and safety at his garage. Former operating manager.
5	Service quality manager	Twenty-one years		Responsible for the company's twelve service controllers.
6	Traffic manager	Thirty-five years		Deals with 'first-line' discipline, including reports 'from the road', compassionate leave, sickness, referrals and the general day-to-day running of the garage. Responsible for around 350 employees, including drivers, conductors, driver operators and service controllers.
7	Service controller	Eighteen years		Goes out on the road making sure that buses are running to time. Acts as a 'go-between' for management and staff.

Appendix 10: Stage Two interview questions

Section 1 - General information (all companies):

1.1 What is your (managerial/trade union) role in the company?

1.2 How long have you worked at the company?

1.3 How many employees are you responsible for? (management respondents only)

1.4 Approximately what percentage of the workforce, including managers, are members of your union? (trade union respondents only)

1.5 Have there been any major changes to the management structure in the company over the past five years?

1.6 What do you consider are/were the main objectives of ESO in your company?

1.7 Do you believe these objectives are being/were met?

Section 2a - Management attitudes to the unions - management respondents only - (all companies):

2.1 Do you consider union representatives at the company to be skilful bargainers?

2.2 Do you consider the union officers to be effective leaders of their union?

2.3 Do you believe that the unions are generally reasonable in their claims?

2.4 How do you feel about using the unions as the main channel of communication to employees on company policy?

2.5 Do you think that the unions in the company have too little, too much, or the right amount of power?

2.6 Do you think that managers here have a relatively free hand in running the company?

2.7 Do you believe that the unions co-operate with management? In which areas?

Section 2b - Union attitudes to managers – trade union respondents only - (all companies):

2.1 Do you think that management is effective in running the company?

2.2 Do you think that management is interested in the welfare of employees?

2.3 Do you think that managers have tried to undermine the position of your union through direct dealings with employees, or have they been careful to safeguard the union position in such contacts? Please give details.

2.4 Do you consider managers to be generally reasonable when it comes to discussing union claims?

2.5 Overall, what do you believe to be the attitude of management to your union?

2.6 Overall, what do you believe to be the attitude of the unions in the company to management?

2.7 In your opinion, does management try to live up to its agreements?

Section 2c - Management and trade union respondents:

2.1 Overall, how do you personally view management/union relations in the company?

2.2 Do you believe that the union(s) have the support of employees in the company?

2.3 Do you believe that management has the support of employees in the company?

2.4 How would you describe the current industrial relations climate e.g. consultative/co-operative/adversarial?

2.5 Do you think this has changed in recent years?

2.6 What are the current consultation/negotiation arrangements between management and the unions on particular issues?

2.7 Has this changed in recent years?

2.8 At the present time, what scope do you have in the company for involving employees - e.g. disseminating information, joint consultative committees etc.

2.9 Do you have any worker directors in the company? How many?

2.10 Do you consider them to be effective in their role?

2.11 Do you think there has been a change in morale in recent years?

2.12 Do you think there are likely to be any job losses in this company?

Section 3 – Variable company sections

***Company One* respondents only:**

3.1 Could you describe the circumstances surrounding the buy-out in 1993?

3.2 How much involvement did the trade unions have in the buy-out?

3.3 Do you believe employees/trade unions were provided with full information?

3.4 Did you have any specific role in the buy-out?

3.5 How do you personally feel about the way in which shares were distributed to employees in the company?

3.6 How do you feel about 'free share' distributions as opposed to 'direct purchase' share schemes?

3.7 Is there anything you think should have been done differently?

3.8 How likely do you think it is that there will be a bid to buy the company in the near future?

***Company Two* respondents only:**

3.1 What were the main reasons behind the sale of the company in 1998?

3.2 Could you describe the circumstances regarding the sale?

3.3 How much involvement did the trade unions have in the recent ownership change?

3.4 Do you believe that employees/trade unions were provided with full information?

3.5 Did you have any specific role in the sale?

3.6 What do you believe to be the general feeling among employees, employers and the trade unions since the sale?

3.7 In what ways do you think the new ownership structure will change the way the company is run, if at all?

3.8 What will happen to the company's share trusts?

3.9 What do you think the effects of the sale will be on existing systems of employee involvement and participation?

3.10 How far do you think share ownership previously affected industrial relations?

3.11 How far do you think the new ownership structure will affect industrial relations in the future?

3.12 Is there anything you think should have been done differently?

Company Three **respondents only:**

3.1 What were the main reasons behind the flotation in 1998?

3.2 Can you describe the circumstances surrounding the flotation of the company?

3.3 How much involvement did the trade unions have in the flotation?

3.4 Do you believe that employees/trade unions were provided with full information?

3.5 Did you have any specific role in the flotation?

3.6 Is there anything you think should have been done differently?

3.7 What do you see as having been the main consequences of the flotation for the company?

***Company Four* respondents only:**

3.1 What were the main reasons behind the sale of the company in 1994?

3.2 Can you describe the circumstances surrounding the sale of the company/dissolution of the ESOP in 1994?

3.3 How much involvement did the trade unions have in the sale?

3.4 Do you believe that employees/trade unions were provided with full information?

3.5 Did you have any specific role in the sale?

3.6 Is there anything you think should have been done differently?

3.7 What do you see as having been the main consequences of the sale/dissolution of the ESOP for the company?

***Company Five* respondents only:**

3.1 What were the main reasons behind the merger of the two companies in 1997?

3.2 Could you describe the circumstances surrounding the merger.

3.3 How involved were the trade unions at the time of the merger?

3.4 Do you believe that employees/trade unions were provided with full information?

3.5 Did you have a specific role in the merger?

3.6 Would you have liked to see anything done differently?

3.7 What do you see as having been the main consequences of the merger?

Company Six respondents only:

3.1 What were the main reasons behind the sale of the company in 1997?

3.2 Can you describe the circumstances surrounding the sale?

3.3 How involved were the trade unions at the time of the sale?

3.4 Do you believe that employees/trade unions were provided with full information?

3.5 Did you have a specific role in the sale?

3.6 What do you see as having been the main consequences of the sale?

Section 4 – post employee ownership ('post buy-out' companies only)

4.1 Can you describe management-union relations during the time the company was employee-owned?

4.2 What do you view as having been the main advantages of employee share ownership?

4.3 What do you view as having been the main disadvantages of employee share ownership?

4.4 Do you think employees cared about share ownership?

4.5 Do you think they ever felt like owners?

4.6 Do you think employees were sorry to see the dissolution of share ownership at the company?

4.7 Would you have done things differently during your time as an employee-owned company?

4.8 In what ways do you think share ownership affected the overall efficiency of the workforce?

4.9 In what ways do you think ESO changed employees' attitudes to their work?

4.10 What do you see as being the future for your company?

Mutual attitudes scale (Stagner et al 1958) as featured in Rim and Mannheim (1964)

Management attitudes towards unions:

1. Are the local union officers skilful bargainers?

2. Are the union officers effective leaders of their organisation?

3. Is the union generally reasonable or not in its claims?

4. How do you feel about using the union as the main channel of communication to the workers on company policies?

5. Are the union officers interested in the welfare of the rank-and-file workers?

6. Does the union have too much power in your establishment?

7. Does the union interfere seriously with how the company is managed, or does the management have a reasonably free hand in running the plant?

8. Does the union co-operate with management on production matters or not?

9. Has the union tended to weaken employee discipline or has it co-operated with management on disciplinary matters?

10. In general, how do you personally feel about your company's relationship with the union?

11. Does the union have the support of the workers?

Mutual attitudes scale continued:

Union attitudes towards managements:

1. Are the top management officials effective executives of the establishment?

2. Are the top management officials interested in the welfare of the workers?

3. Has the management tried to undermine the union position through direct dealings with the workers, or has it been careful to safeguard the union position in such contacts?

4. Is the top management generally reasonable or not when it comes to discussing union claims?

5. Has the management shown any understanding of your problems as a union officer?

6. In general, how do you personally feel about your union's relations with the company?

7. Does the company try to live up to its agreements?

8. What is the top management attitude toward the union?

9. Does the company abuse its power in this establishment?

Poole and Jenkins (1990)

Questions for managers:

1. What were your objectives in introducing the scheme?

2. What are the advantages of your scheme to the company/employees?

3. What are the disadvantages of your scheme to the company/employees?

4. What changes, if any, would you make?

5. Do you have an overall industrial relations policy in the company? What contribution does profit sharing/share ownership make to this policy?

6. Which trade unions/staff associations are recognised by your company?

7. Please give details of the percentage of employees represented by these unions/staff associations

8. What collective bargaining and consultative arrangements do you have with these unions/staff associations?

9. Were the trade unions/staff associations consulted before the introduction of the scheme?

10. How did you inform your employees of the scheme – directly, through union/staff association channels? What mode did this take? Did employees find this satisfactory?

11. Have you continued to inform employees/advise them on the scheme subsequent to setting it up?

12. Has financial participation by employees:
    (i) increased profitability through improved efficiency?
    (ii) made organisational changes more acceptable to employees?
    (iii) reduced levels of absenteeism/ labour turnover
    (iv) improved employee attitudes at work?

13. What other forms of employee involvement are there in the company? To what extent do these link with profit sharing/share ownership?

14. Has the introduction of the scheme affected/changed company employee involvement policy?

Questions for trade union representatives/officers:

1. What were management's objectives in introducing share ownership into the company?

2. Do you think these objectives have been met? If not, can you recommend any alternative schemes more likely to achieve these aims?

3. Are union/management relations in the company satisfactory?

4. Have members' attitudes to the union changed since the scheme was introduced?

5. Was your union consulted about the scheme? Was the information satisfactory? If not, how could it have been improved?

6. Has the introduction of the scheme changed management/union relations in any way

Appendix 11(i) Contact summary form

Respondent details: Engineering manager
Company: *Five (A)*
Respondent no: 3 (refer to respondent profile sheet in *Appendix 9*)
Date of interview: 19 November 1998

Page no.	Key points/quotes from interview	THEMES
1	'They lack the necessary skills. It's not just a badge you could go and grab and then "look after the lads". A lot of skills are required and the skills are not there. People who wear the trade union badge don't give it their full appreciation in terms of what they are doing and what they are trying to achieve. It's a skilled pastime.'	ARE UNION REPRESENTATIVES SKILFUL BARGAINERS?
2	• 'We all prefer to come to a satisfactory arrangement rather than slog it out. • 'What I try to do is help *them* be representative, to try and get them to "come at me with something" that we can really mull over, to try and help them with their skills.'	ARE UNION OFFICERS EFFECTIVE LEADERS OF THEIR UNIONS?
2	'I think every trade union negotiator worth his salt will package a claim with a certain amount of things to be knocked away.'	ARE UNIONS REASONABLE IN THEIR CLAIMS?
3	'Policy should be carried out by managers through a supervisory structure. Unions can help the process but they are not the process.'	VIEWS ON UNIONS AS THE MAIN CHANNEL OF COMMUNICATION TO EMPLOYEES ON COMPANY POLICY
3	• Most effective is one-to-one. • Emphasis needs to be on management to get things across and then invite feedback. • Trade unions always say 'management doesn't tell us anything'. • 'A manager, if he's to do his job, needs to delegate some of the information through his supervisors.'	MAIN CHANNELS OF COMMUNICATION USED BY COMPANY
3	About the right amount at respondent's own depot. There are different cultures at the different sites.	DEGREE OF POWER HELD BY THE UNIONS
4	• In terms of the supervisory chain the structure is top heavy. When *Company Five (A)* was employee-owned, responsibility was cascaded more down the ranks. Some management levels were phased out. • 'We then merged and went backward. We had to have people supervised and everything. To me that's wrong, because we're in an age now where empowerment is very much a buzzword. Individuals *do* want to come to work and use their brains.'	ARE MANAGERS ALLOWED TO MANAGE?
5	By and large - co-operation is pretty good.	DO UNIONS CO-OPERATE WITH MANAGEMENT?

Appendix 11(i) continued

Page no.	Key points/quotes from interview	THEMES
5	Good – no deadlocks. Compromise takes place.	**MANAGEMENT-UNION RELATIONS**
5	'Policy should always be left to the management, but issues need to be discussed and communicated to the workforce. The union official is there when we're not getting it right, so the guy's got another option. The first option should be to see his immediate supervisor.'	**CURRENT INDUSTRIAL RELATIONS CLIMATE**
6	• General consensus that unions are there for the employees and that employees should embrace them. Definite decline in membership during the years of ESO. • Not a conscious 'we don't need this anymore' - more a 'calming' of the role that gathered momentum after the merger.	**EMPLOYEE-UNION RELATIONS**
8	• Good by and large. • 'We're never going to satisfy everybody – there's always going to be a contingent that says 'no, we don't support management.'	**MANAGEMENT-EMPLOYEE RELATIONS**
9	• Company tries to adopt a 'one-to-one' approach. • The managing director encourages managers to get out and communicate. • 'We regularly hold meetings with supervisors who pass information on to the rest of the staff.'	**EMPLOYEE INVOLVEMENT/ PARTICIPATION**
10	Went on 'one hell of a downward slide' at [respondent's own depot] after the merger.	**MORALE**
12	• Very involved - makes his presence known at all of the depots. • Never short of new ideas – always looking ahead. • 'Sometimes his enthusiasm and commitment are not supported by some of the staff under him.'	**INVOLVEMENT OF THE MANAGING DIRECTOR**
16	Once ESO ended, the trade union representative was happy to be off the EBT and 'one of the team again'.	**DIVIDED LOYALTIES (E.G. TRADE UNION REPRESENTATIVES ALSO HOLDING A POSITION ON THE EBT)**
18	• 'A lot of them did, a lot of them didn't.' • 'Some carried on as if nothing had happened.'	**DID EMPLOYEES CARE ABOUT EMPLOYEE SHARE OWNERSHIP?**
18	'A lot of them did, but a lot couldn't afford to become owners.'	**DID EMPLOYEES FEEL LIKE OWNERS?**
18	Attitudes to work 'probably changed for the better.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEE EFFICIENCY**

Appendix 11(ii): Contact summary form

Respondent details: Garage general manager
Company: *Six*
Respondent no: 4 (refer to respondent profile sheet in *Appendix 9*)
Date of interview: 20 November 1998

Page no.	Key points/quotes from interview	THEMES
1	'I wouldn't say that they're all very very good at what they do.'	**ARE UNION REPRESENTATIVES SKILFUL BARGAINERS?**
1	'At grass roots level it's pretty weak really.'	**ARE UNION OFFICERS EFFECTIVE LEADERS OF THEIR UNIONS?**
1	• 'We've built up a very good working relationship.' • 'We like to be honest and fair and they've reciprocated that.'	**ARE UNIONS GENERALLY REASONABLE IN THEIR CLAIMS?**
2	'Because of the lack of experience, I don't have a lot of confidence that information I want to put over is communicated to them [employees] effectively and accurately.'	**VIEWS ON UNIONS AS THE MAIN CHANNEL OF COMMUNICATION TO EMPLOYEES ON COMPANY POLICY**
3	'About the right amount.'	**DEGREE OF POWER HELD BY THE UNIONS**
2	'We do have a relatively free hand.'	**ARE MANAGERS ALLOWED TO MANAGE?**
3	• 'Good, very open.' • 'Good attitude at meetings.' • 'Mutual respect.'	**MANAGEMENT-UNION RELATIONS**
3	• 'There have been major changes and a lot of that has caused a bit of distrust and a bit of scepticism.' • 'The employees have understood that what's been done in the past has been a necessity.'	**MANAGEMENT-EMPLOYEE RELATIONS**
4	'There is good co-operation, which comes from good consultation.'	**CURRENT INDUSTRIAL RELATIONS CLIMATE**
4	• 'One of the difficulties of our industry is that you cannot get everybody together.' • 'We tend to rely on notices and written information.'	**EMPLOYEE INVOLVEMENT/ PARTICIPATION**

Appendix 11(ii) continued:

Page no.	Key points/quotes from interview	THEMES
6	'They [trade unions reps] worked together because they knew what was required, what was wanted.'	**DIVIDED LOYALTIES (TRADE UNION ATTITUDES TO EMPLOYEE SHARE OWNERSHIP)**
7	'I think those who were truly interested in the success of the company and the shares they had invested in and wanted to see a return from them – yes, they had a vested interest in seeing the company succeed.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEE EFFICIENCY**
8	'The commitment was there according to what you had put into the company and what you wanted to see come out.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEE ATTITUDES**
9	'Rather than act head on, which traditionally trade unions have always done in most industries – "you're on one side of the fence and we're on the other and we battle over everything" - suddenly you're on the same side because you want to work together to get a good deal, to get the company strong, for everyone to benefit from what's happening. Therefore you want to work at getting things sorted.	**CO-OPERATION BETWEEN MANAGEMENT AND UNIONS (AS A RESULT OF EMPLOYEE SHARE OWNERSHIP)**
9/10	• 'The company itself performed much much better because the responsibility was on us.' • 'It was down to us as employees at whatever level to make the company work.' • 'You're monitored, continually reviewed and if you don't perform - when your routes come up for tender you don't get them.'	**MAIN ADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**
10	'There is a big group of staff who gained nothing from it, they lost nothing from it, they stayed the same, but there are a hell of a lot of people who made a lot and there is that distrust.' 'There were also essential wage cuts. We had to get into a position financially where we could afford to buy the company and be competitive on tenders, so there had to be wage cuts.'	**MAIN DISADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**
10	'I think if you were to turn the clock back, they would say it was a bad thing. It took them away from their comfort zone of being part of London Transport – but it varies.'	**DID EMPLOYEES CARE ABOUT EMPLOYEE SHARE OWNERSHIP?**
11	'The performance of the individuals and the company should have taken an upturn as in "everybody comes to work – no one goes sick because it's my money now. If I go sick and we lose a route, I'm losing work". That's how it should have been viewed and it wasn't.'	**DID EMPLOYEES FEEL LIKE OWNERS?**
11	• 'No not really. I don't think there's a full understanding of the principle. Nothing has changed, we still have the same directors, the same garages, the same managers.' • 'So does it really matter?'	**WERE EMPLOYEES SORRY TO SEE THE DEMISE OF EMPLOYEE SHARE OWNERSHIP?**

Appendix 11(iii): Contact summary form

Respondent details: TGWU branch chairman
Company: *Four*
Respondent no: 1 (refer to respondent profile sheet in *Appendix 9*)
Date of interview: 23 October 1998

Page no.	**Key points/quotes from interview**	**THEMES**
2	• 'There's no such thing as discussion and consultation.' • 'There's no leeway whatsoever.'	**MANAGEMENT EFFECTIVENESS**
2	• 'They [managers] haven't got a clue about operating a bus service.' • The managing director is 'basically a finance person'.	**STAFF WELFARE**
3	• 'Very unreasonable'.' • 'Low money, long hours and people are just not having it any more.'	**'REASONABLENESS' OF MANAGERS**
4	'You now have to try to negotiate everything with the managing director, otherwise agreements will not be made at local level.'	**MANAGEMENT-UNION RELATIONS**
4	'If the trade union came back with a good argument for a dispute I'm sure it would be supported 100 per cent by their colleagues.'	**UNION-EMPLOYEE RELATIONS**
4	• 'Morale in this company is so low. People will not do a thing to help the company.' • 'There's no allegiance to the company whatsoever.'	**MANAGEMENT-EMPLOYEE RELATIONS**
5	• 'They still talk to us but the problem is, I think they're being dictated to from above.' • 'It's getting so bad – 'very frustrating.'	**ATTITUDE OF MANAGEMENT TO UNIONS**
6	• 'It's getting more and more bitter everyday.' • 'There is 'apathy' and 'divisions'.	**ATTITUDE OF UNIONS TO MANAGEMENT**
6	• 'I've never known industrial relations at this company to be at such a low.' • 'Morale is so low it's unbelievable.'	**CURRENT INDUSTRIAL RELATIONS CLIMATE**
9	• 'There's stacks of scope but I think the company just plays around the edges.' • 'The Joint Advisory Committee appears not to involve anybody in anything at the moment. They just want to do their own thing and decide what they're going to talk about, what they're going to implement and just do it.' • 'A guy who is driving a bus up and down every day on a certain route – he knows where the problems are, they should be asking him, but it doesn't happen.'	**EMPLOYEE INVOLVEMENT/ PARTICIPATION**

Appendix 11(iii) continued:

Page no.	Key points/quotes from interview	THEMES
12	'The only difference was that we *did* get more information on the company's budgets. So we had a transparent view of the company, we knew exactly what profits the company was making, what each division was making.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEE EFFICIENCY**
12/13	• Managers 'still had to manage' and unions 'still had to be there to represent our members'. • Didn't lose any members over it.	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEES' ATTITUDES TO THE TRADE UNIONS**
13	• 'The only time people actually saw money from those shares was when they left or when we were bought out.' • 'The carrot was dangled and they took it.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEES' ATTITUDES TO THEIR WORK**
14	There was never a problem. The unions made sure that people nominated for the EBT were those who could be trusted – not necessarily a trade union official, but perhaps an ex-trade union official.	**DIVIDED LOYALTIES (E.G. TRADE UNION REPRESENTATIVES ALSO HOLDING A POSITION ON THE EBT)**
15	'You learned a hell of a lot.'	**MAIN ADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**
16	'Privatisation has just gone from bad to worse – it's not easy.'	**MAIN DISADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**
16	People think they should have been allowed to buy shares in the ESOP, but a lot of people didn't have the money.'	**DID EMPLOYEES CARE ABOUT EMPLOYEE SHARE OWNERSHIP?**
17	Employees are living to regret the demise of the ESOP now.	**WERE EMPLOYEES SORRY TO SEE THE DEMISE OF EMPLOYEE SHARE OWNERSHIP?**

Appendix 11(iv): Contact summary form

Respondent details: TGWU branch secretary
Company: *Two*
Respondent no: 3 (refer to respondent profile sheet in *Appendix 9*)
Date of interview: 4 September 1998

Page no.	Key points/quotes from interview	THEMES
5	'I think going back a year or so we had got to a point where I felt industrial relations were going very sour. I think we've built some bridges - I don't really think the sale has created a different atmosphere in negotiations or anything like that. We had problems then and we've got problems now. I don't see any significant change at this stage.'	**MANAGEMENT-UNION RELATIONS**
7	'The employees themselves saw very little employee involvement under the ESOP, if any at all. In some respects, management used that to give themselves more managerial power anyway, so there was more of a traditional management-trade union-employee role under the ESOP than there had been before it in my opinion. So I don't think we will see very much change in that. There was very little input in involvement and there certainly won't be under the new ownership.'	**EMPLOYEE INVOLVEMENT/ PARTICIPATION**
8	'In some respects we were proud to have shares in the company and feel as though we could make something of this company together. However, in terms of normal industrial relations – the fact that bus drivers were still being screwed to the ground and schedules were tight and wages were poor - meant there was not a great deal of difference to the traditional way of operating. People need their trade union to talk to management to try and secure the best deal and on several occasions we came close to considering ballots for industrial action. The fact that we were an ESOP I don't think really complicated that.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON INDUSTRIAL RELATIONS**
11/12	• 'There was a lot of mixed feeling about the employee directors. There's no doubt about it – you put ex-trade union representatives on the board and give them an enhanced salary and all the responsibility of sitting on the board and their attitude does seem to change a bit. After some initial problems I think we ended up getting a reasonably good bunch and they did try to act together in the interests of the workforce. I think they did have quite an influence over the managing director and the other executive directors and probably did make some influential changes to board decisions. It might not have been fully what we wanted but I think they had a positive role.' • 'It's easy to believe that every employee director will ensure that employees' interests are always taken into account. I just don't believe you can expect that. I don't have that much expectation of employee directors but I think they did what they could.'	**EMPLOYEE DIRECTORS**

Appendix 11(iv) continued:

Page no.	Key points/quotes from interview	THEMES
12	• 'For most people the shares were just an added bonus – you got something of value which you were given free and could only increase in value. I think certainly we all felt that about it. The trouble is, the first five years of the ESOP were never really going to be the big change. The managers had the ultimate power by right that we agreed – they had what we call 'A' shares and could override the decisions of everybody else.' • 'I think perhaps we were guilty of not doing more to make the workforce aware of how the ESOP was supposed to work and what its future was going to be. There was a surprising amount of ignorance about the set-up and about how the structure worked. Perhaps that was our fault really – not doing more to explain it better and keep on explaining it.'	**DID EMPLOYEES CARE ABOUT EMPLOYEE SHARE OWNERSHIP?**
13	'I don't think the ESOP really did captivate the minds of people – there wasn't enough practical benefit from it. We didn't have the capital and resources to develop the company – we were struggling with competition and the wages and conditions package just gradually deteriorated.'	**WERE EMPLOYEES SORRY TO SEE THE DEMISE OF EMPLOYEE SHARE OWNERSHIP?**
14	'The advantages were more apparent to the trade union I think than to the workforce as a whole. We were able to see the directors on a regular basis, we were able to discuss with them the company strategy, we were able to ask questions, we were also able to criticise them. We were certainly better informed about the realities of where the company was in the market place and how its performance was going.'	**MAIN ADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**
14	'The disadvantages really come back to the fact that we were an independent company. The ESOP structure had left us with precious few assets and very few resources to invest. An ESOP company starts off with some financial disadvantages over a capitalist company.'	**MAIN DISADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**

Appendix 11(v): Contact summary form

Respondent details: Human resources manager
Company: *Three*
Respondent no: 6 (refer to respondent profile sheet in *Appendix 9*)
Date of interview: 14 December 1998

Page no.	Key points/quotes from interview	THEMES
1/2	'At local level the reps are fairly good at taking the staff with them.'	**ARE UNION OFFICERS EFFECTIVE LEADERS OF THEIR UNIONS?**
4	'There are times when we tend to over-rely on it - the message doesn't get through as effectively as we would like it to. So we have to have a medium where we do parallel stuff.'	**VIEWS ON UNIONS AS THE MAIN CHANNEL OF COMMUNICATION TO EMPLOYEES ON COMPANY POLICY**
4	'I think the balance is about right at the moment. In the early 70s it was too much the other way. I think leading up to 1993-94 it was too much our way. I think there is a balance now. They know how far to push and we know how far to push.'	**DEGREE OF POWER HELD BY THE UNIONS**
4	'You do have a lot of freedom – yes. There are constrictions – you have to negotiate with the trade unions. People have come a cropper because they think they can circumvent them. Often with trade unions, you find it's the little things that bother them, but other than that there's a lot of freedom.'	**ARE MANAGERS ALLOWED TO MANAGE?**
5	'On balance they're fairly good. There are moments when we get tetchy with each other in any given year.'	**MANAGEMENT-UNION RELATIONS**
5	'They [the union reps] sometimes have a problem convincing them [the employees] that they're not in bed with us, but they manage to do it most of the time.'	**UNION-EMPLOYEE RELATIONS**
6	'I think there is quite a bit of loyalty to managers as individuals. If you look at management as a group there isn't the same sort of loyalty and commitment I don't think.'	**MANAGEMENT-EMPLOYEE RELATIONS**
6	'At the moment it's consultative. It has been adversarial and it will be again. At the end of the day there is a balanced approach from both sides.'	**CURRENT INDUSTRIAL RELATIONS CLIMATE**

Appendix 11(v) continued:

Page no.	Key points/quotes from interview	THEMES
7	'Most of the stuff is done through the trade union. There are joint consultative committees where staff can raise things with their trade union who can then raise them with the management. There is always the opportunity for a driver to see his manager and talk to them. We do have an in-house journal, which gives people the opportunity to write in about most things, but generally speaking people don't, or it's the same people who do it all the time.'	**EMPLOYEE INVOLVEMENT/ PARTICIPATION**
8	'I don't think morale is particularly high on the shop floor. There are questions of motivation it would be fair to say.'	**MORALE**
12	'It put even more pressure on managers to cut costs – as simple as that, and we did. We didn't spend money unnecessarily, people did more and drivers were doing longer hours because there were fewer of them.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEE EFFICIENCY**
13	'I think it would be too much to say that things changed significantly, but I think that subconsciously they did. When you talk to people they might moan and moan and moan but they would say – "well yes, I suppose I did do that". There was more co-operation to get things done than there was before.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEES' ATTITUDES TO WORK**
13	• 'It made them [employees] more suspicious of the trade union. I don't think the trade union fully recovered from what was perceived by some staff as having been "sold down the river". • 'People have formed into groups, into cliques in the canteen. They won't leave the trade union, they're just "anti" the reps and "anti-management", because both sides got together and sold them down the river.'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEES' ATTITUDES TO THE TRADE UNIONS**
13	'A benefit to a lot of people who wouldn't have had a shareholding – who wouldn't have had the amount of money in shares that they've currently got. The company has managed to remain independent in a sense.'	**MAIN ADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**
14	'In the beginning it was difficult because we had to make some very difficult decisions in terms of costs. We did some things that were perceived as unpalatable at the time.'	**MAIN DISADVANTAGES OF EMPLOYEE SHARE OWNERSHIP**
14	'Not in the beginning. They do now.'	**DID EMPLOYEES CARE ABOUT OWNING SHARES?**
14	'I think some do now.'	**DID EMPLOYEES FEEL LIKE OWNERS?**

Appendix 11(vi): Contact summary form

Respondent details: Inspector and employee director
Company: *One*
Respondent no: 9 (refer to respondent profile sheet in *Appendix 9*)
Date of interview: 21 May 1998

Page no.	Key points/quotes from interview	THEMES
1	• 'It might be beneficial at times to have more information released so that employees are kept informed and that there are better lines of communication perhaps. However, management should still be allowed to manage.' • 'In recent years there has been an increase [in employee involvement/participation], generally speaking.'	**EMPLOYEE INVOLVEMENT/ PARTICIPATION**
3	'You weren't actually buying your job, although some people felt that that was what they were doing. The information I had inspired me more and pushed me further in the direction of buying shares for all the right reasons. I don't think there were any other considerations. The information, from my point of view and from others I spoke to at the time, was clear enough.'	**EMPLOYEES' UNDERSTANDING OF EMPLOYEE SHARE OWNERSHIP**
3	'This is the first bone of contention. It is like self-enlightenment – it is in our own interests to work with management so that the company becomes prosperous. That's certainly my and my colleagues' point of view. However, there are some sections of the workforce, though not all, who seem to have the attitude "what's in it for me?"'	**IMPACT OF EMPLOYEE SHARE OWNERSHIP ON EMPLOYEE EFFICIENCY**
5	'I have to say yes. Being an employee director I do get a fuller and more detailed picture than others get. I attend board meetings once a month so I do know what's going on. I don't always agree with the way they do it but they are doing it fine so I think they are managing. At the end of the day you have to look at where you are and where you could be, and I am where I want to be. So that counts for enough surely.'	**ARE MANAGEMENT EFFECTIVE IN RUNNING THE COMPANY?**
5	'I have not worked at any other firm where the management does its utmost to help wherever it can. In some respects you would say they bend over backwards to help people. That does not just go for shareholders but for other employees as well.'	**STAFF WELFARE**
5	'I personally feel that the management involves the union "too much". I would not be as accommodating although I'm only too glad to help if the union has a problem. However, I would not involve them in all development plans at such an early stage – later on maybe.'	**MANAGEMENT-UNION RELATIONS**
6	'Managers regard the unions as a useful tool. If they can get the unions on side the rest of the staff will follow.'	**MANAGEMENT ATTITUDE TO UNIONS**
6	'I think that's how it should have been. There is a top limit to the number of shares that people can own, the potential to own all the shares up to the maximum number is still there. It's not possible for everyone to own the same amount now that the share value has gone the way it has. However, wherever possible, it should be maintained that everyone can own the same amount and that no one person can go galloping ahead. It's a shame we can't give everyone shares.'	**WAY IN WHICH SHARES WERE DISTRIBUTED**

Appendix 11(vi) continued:

Page no.	Key points/quotes from interview	THEMES
6/7	'Even if we had the money to buy the company without buying the shares, I feel that people should have invested money in the first place just to show that they had some commitment to the job or to the company.'	**FREE VS. BOUGHT SHARES**
7	• 'There is a constant rumour … People are not going to pay a large amount for [*Company One*] because they are not going to get their money back on it. There is not the sort of scope for a big bid and it would have to be a big bid.' • 'Management does not want to sell. Managers are equal shareholders with the rest of the workforce. They would not end up with a large sum of money that would support them for the rest of their lives. If they did decide to sell, who would be the first ones to go – it would be the managers. It is therefore unlikely that the managers would support a buy-out.'	**LIKELY SURVIVAL OF THE COMPANY/LIKELIHOOD OF THE COMPANY BEING SOLD**
8	• 'We bought the company to stop other people from buying us and to safeguard our jobs – that was the 'utopian' idea at the time. The share value since the purchase has rocketed and now it is difficult for new people to become shareholders because of the financial cost and obviously there is a drain on the company when shareholders leave. However, the idea is still the same – lots of shareholders owning the company so it is owned by the majority, not the minority. Hence, there are a lot of people to convince to sell. If the company doesn't sell, competitors have got to force us off the road which is costly for anybody and therefore it is unlikely to happen.' • 'We not only need to consolidate what we are doing, but we need to improve what we are doing. In today's climate, while we do not have predators at the door, just being in business is hard work, certainly in our industry.'	**ADDITIONAL COMMENTS**

Appendix 12(i): Stage Two respondent views on the model of ESO - *Company One*

Respondent type	Respondent no.	Role	Choice of ESO scheme/method of share distribution
Trade union officers/ representatives	2	Shop steward for the TGWU automotive section	• 'It was right that workers bought their shares.' • 'Everyone put in £1,000 for "our" company. It was done fairly'.
	3	Chairman of ACTS	• 'The ultimate objective was to have equality – we did not want to have a "them and us" situation where some had a lot more shares than others.'
Managers	4	Assistant traffic manager	• 'It was done the right way in order to increase commitment, but people should have been able to buy as many shares as they liked.'
	5	Stores manager	• 'Buying shares gives the company money. If you get them free the company does not get any money, but when employees leave they still get the money – the company has to pay out.' • 'I think the company has done all it can to help people who cannot afford to buy shares. Most people who want them have bought them – some people just don't want to buy them anyway.' • 'Maybe now, to raise capital, it might be reasonable for some people to buy more, but initially, that was the best way to do it.'
	6	Finance director	• 'Direct purchase schemes generate more commitment as everyone takes the risk. We had to raise 10 per cent of the value of the company – where would the money have come from if we had formed an ESOP?' • 'We wanted to make things equal. We had to put our case across to the banks that the workforce was committed. This was the best way of obtaining money internally.'
	7	Director of engineering	• 'To make things fair, everyone should have free shares but this is not good from a business point of view. Not everyone can afford to buy the shares so the concept of shares for all has gone.' • 'The platform union in particular wanted things to be equal for everyone. Length of service shouldn't be an issue. It's how you do from day one of the buy-out rather than what you did previously.'
Other	8	Accountant	• 'Free share issues should be made a bonus but purchasing shares gives employees more of a stake - "I've put money in my company".' • 'The way the shares were distributed was satisfactory – the unions did not want any one party to have a controlling stake.'
	9	Inspector and employee director	• 'Even if we had had the money to buy the company without buying the shares, I feel that people should have put the money in to buy the shares in the first place just to show that they had some commitment to the job or to the company.' • 'No other routes were preferable. None of them would have provided the broad base or the security that most people now feel they have because of share ownership. No one feels now that someone would come along with a wad of money and buy us out – it wouldn't be worth it for each individual.' • 'It's not possible for everyone to own the same amount of shares now that the share value has gone the way it has. People just cannot shell out that sort of money all in one go. However, wherever possible, it should be maintained that everyone can own the same amount. No one person can go galloping ahead. It's a shame we can't give everyone shares.'

Appendix 12(ii): Stage Two respondent views on the model of ESO - *Company Two*

Respondent type	Respondent no.	Role	Choice of ESO scheme/method of share distribution
Trade union officers/ representatives	1	Chairman for the engineering employees section of the TGWU	• 'A lot of ESOPs had been set up on a similar sort of basis. We thought that was quite a good thing and it made sure that the more service people had, and in my opinion the more loyalty to the company, the more shares they got out of it.' • 'There were some people against doing it this way, but by and large I don't think we had a lot of problems putting that across to people and they seemed to accept it fairly well.' • 'There are perhaps things we would have liked to have done differently and better but it was the best we could do at the time.' • 'We'd done a lot of research and learned the pitfalls and the problems of other ESOPs and therefore we put in safeguards and so on to make it better.'
	2	Chairman of the TGWU	• 'We didn't reach out to shareholders. We could have made the company a lot better if we had reached out to the shareholders, which was the workforce and said "we're all in this together, we're all shareholders – the managing director is a shareholder and you're a shareholder. Let's try to make this company good". We could have done it as well, but there wasn't the resolve to do it.'
	3	Branch secretary of the TGWU	• 'The initial criteria was not to give any shares at all to people with less than two years' service and that those shares should be distributed on the basis of service only. I didn't agree with that. I didn't agree with the EBT1 owning only 26 per cent but I was a minority voice.' • 'I would have had a much larger collective share - a common ownership project. I don't see the value of individual employees having shares in their company. That doesn't give the workforce any influence – it gives individuals a very small, negligible amount of influence which isn't nearly as powerful.' • 'It [ESO] is only going to work if everybody has one vote. It's the vote that matters rather than the shares. If you have a common ownership structure then you don't have a financial stake but you have a vote and that's a much more positive way of getting employee involvement and participation on a more democratic basis.'
Managers	6	Managing director (at one of two company sites)	• 'There was always going to be an equitable scheme – we were never going to get an opportunity to do anything else so I think that under those circumstances there was actually very little we could have done differently. Looking back with hindsight, we ought to have started the share sale sooner, rather than the company having to buy the shares back and draining its profits every year. With investment being low, they ought to have started share shops straight off.' • 'With another scheme you would have to have the ability to pay and people would have said "I can't afford it" and so they would have got no shares.'

Appendix 12(iii): Stage Two respondent views on the model of ESO - *Company Three*

Respondent type	Respondent no.	Role	Choice of ESO scheme/method of share distribution
Trade union officers/ representatives	1	Representative for the TGWU and an EBT trustee	• 'To say it was free would be wrong. How they [the employees] paid for their first set of shares was through wage negotiations where they lost a week's holiday.' • 'Shares have now become a secondary issue, outweighed by the fact that the job is not paying enough. The most important thing to me is what I'm taking home, and I would say that most people are like that.'
	2	Traffic assistant/ TGWU representative	• 'We should have had a larger stake for the employees where they could have put money in. I don't care how much money the directors put in as long as the employees could also put money in. What I don't like is when the directors earn £4 million and then they try to keep your wages down. But I think the ESOP was very good because everyone was involved in it from all sides.'
	3	Bus driver, TGWU trade union/health and safety representative	• 'I believe that the ESOP changed the culture of the company. Privatisation was like a sore and if you treat a sore with the proper medication it will heal over a period of time. The healing process is still going on four years later.' • 'The loss of our contract was part of the price we paid.' • 'If anything, we just wanted to have an employee buy-out, but that didn't happen for a lot of different reasons. We weren't in a position to be able to do that.' • 'The willingness of employees to put some money into an employee buy-out - at the time the vast majority wouldn't have invested anything.'
	4	Company convenor	• 'We should have tried to get the maximum for everybody. In hindsight I would have sought to convince them that the investment would bring a greater reward.' • There was a large number of people who left the union over it [the ESOP]. The general reaction was that gallows corner was still operating. They would have hung us from the gallows. So it took a very strong will from the reps to be able to go about their work, smile and take the insults from the staff.'
Managers	5	Garage staff manager	• 'Employees should have been given more shares. I believe we were really kicked in the teeth.' • 'They [the directors] told us that there weren't enough shares. The unions had pulled the rug from under us in insisting on the 25.1 per cent. The eight senior managers and the four directors – we call them the "dirty dozen". I'm not financially astute to really understand it but we had to accept it. I felt like a second-class citizen.' • 'We as middle managers were pushed out in the cold – we were not given the opportunity to buy shares.'
	6	Human resources manager	• 'We should have perhaps tried to see if we could get employees to put a stake in – they did it for the flotation. It would have meant that less money was needed from the venture capitalists.' • 'The trade union had said that people wouldn't buy shares. They may have been right – I don't know. A lot of people are now saying "if only we'd bought shares, we would have been even better off". That's all hindsight now. Drivers are saying – "I wish we could have bought shares. Why weren't we allowed to buy shares?" But the funny thing was, it was the trade union that said – "no, we don't want to get involved in that". They wanted to issue free shares. Well they were never free, they were shares that didn't cost anything to buy.'

Appendix 12(iv): Stage Two respondent views on the likely survival of ESO - *Company One*

Respondent type	Respondent no.	Role	Likelihood of a buyout/future of the company
Trade union officers/ representatives	1	Branch secretary of the TGWU	• 'A buyout of the company is not likely. Management 'appears' to be fully supportive of share ownership. The idea of share ownership in 1993 was good at the time.'
	2	Shop steward for the TGWU automotive section	• 'It is hard to say, although I am surprised that [XXX] hasn't done so already.'
	3	Chairman of ACTS	• 'There is no reason why the company cannot continue as it is. The company has a maintenance contract with the borough council to service other vehicles in the town.'
Managers	4	Assistant traffic manager	• 'Very likely.'
	5	Stores manager	• 'I don't think there will be. The big groups cannot own everything – there have to be some independents. I think if someone was going to make a bid for us they would have done it before now.' • 'Someone who has a long time left at the company would probably vote against it, while others with only 12 months left might vote for it – "money talks".'
	6	Finance director	• 'It is not likely. The way the company is at present it is not big enough to cause any real problems for the big players – it is not a threat to anyone else. Everyone within the company has to compromise at the end of the day. Ours is not necessarily a good recipe for everyone to follow – it will not always work in every situation. There is no set formula – each situation will differ.'
	7	Director of engineering	• 'It may happen but who knows? Things change from day to day.'
Other	8	Accountant	• 'It will be inevitable at some point, although the company is financially quite sound at the moment.'
	9	Inspector and employee director	• 'There is a constant rumour.' • 'People are not going to pay a large amount for us because they are not going to get their money back on it. There is not the sort of scope for a big bid and it would have to be a big bid.' • 'Management does not want to sell. Managers are equal shareholders with the rest of the workforce. They would not end up with a large sum of money that would support them for the rest of their lives. If they did decide to sell, who would be the first ones to go? It would be the managers. It is therefore unlikely that the managers would support a buy-out.' • 'The sort of money that I would get from a buy-out would not equal what I could earn at this company if I stayed until I was 65. Nobody is going to give that sort of money in a buy-out bid - not when there are 200 shareholders.' • 'Generally speaking, I don't think there would be widespread support for a buy-out. If a buyer came along they would have to convince 200 shareholders.'

Appendix 12(v): Stage Two respondent views on employee involvement and communication - *Company One*

Respondent type	Respondent no.	Role	Employee involvement	Effectiveness of management in running the company (trade union respondents only)	Union as the main channel of communication to employees on company policy (management respondents only)
Trade union officers/ representatives	1	Branch secretary of the TGWU	• 'Employees can only express their views through the union. The company did introduce suggestion schemes but these were a total flop.'	• 'Management is out of touch. They don't know their staff and listen to rumours too much.'	
	2	Shop steward for the TGWU automotive section	• 'The workers have no real expectations as long as they are kept informed.'	• 'They could be better but there are no real problems.'	
	3	Chairman of ACTS	• 'Each workforce group has a worker director and there is a non-executive representative on the board.'	• 'It is in their interests to be effective. They have a lot to lose if the company is sold.'	
Managers	4	Assistant traffic manager	• 'There needs to be more communication, more consultation with employees.'		• 'Workers should consult more with the management. A climate of co-operation is encouraged.'
	5	Stores manager	• 'We have worker directors so the workers can get their point of view put across at board level.'		• 'The worker directors provide employees with a lot of the information.'
	6	Finance director	• 'We have worker directors and a works committee that meets every six weeks.'		• 'The worker directors have a big input in communicating policy.'
	7	Director of engineering	• 'Employees did expect to have more say in decision-making. At the time of the buy-out, they wanted to know the areas where they could have a say.'		• 'The managers need to know when to communicate and when to leave it to the unions.'
Other	8	Accountant	• 'There could be more consultation with employees.'		• 'They do communicate policy to their members but they're not the only channel.'
	9	Inspector and employee director	• 'There has been an increase, generally speaking, but managers should be allowed to manage.'	• 'I don't always agree with the way they [the managers] do it, but they are doing it fine so I think they are managing.'	• 'Managers try to involve the union at an early stage in most things. If they get the unions on side the rest of the staff will follow.'

Appendix 12(vi): Stage Two respondent views on company industrial relations - *Company One*

Respondent type	Respondent no.	Role	Current industrial relations climate	Management/union relations	Management/employee relations
Trade union officers/ representatives	1	Branch secretary of the TGWU	• 'Employees and the unions don't trust management. During the 1996 stoppages, the duty officer said it was the biggest response for strike action he had ever seen.'	• 'The relationship has just got worse.'	• 'Management does not have the human touch it used to have.'
	2	Shop steward for the TGWU automotive section	• 'It is a pretty "laid-back" company. There have been no strikes on the engineering side in the last seven years.'	• 'Management and the unions have a good working relationship, although the managing director would like to see more flexibility.'	• 'People are just happy that their jobs have been secured.'
	3	Chairman of ACTS	• 'Management tries to involve the unions every step of the way.'	• 'They are very good. Managers do try to talk things through.'	• 'We try to avoid a "them and us" situation at the company.'
Managers	4	Assistant traffic manager	• 'A lot of the decisions made are the same old decisions. Things are still the same as when the company was owned by the council.'	• 'They can be poor at times. Some of the demands made by the unions are not feasible.'	• 'The workers think that management is working behind their backs. There is some distrust. Share ownership has not been good for everybody.'
	5	Stores manager	• 'The general industrial relations environment is fairly co-operative.'	• 'They're okay. But management and unions can't agree on everything – each side has to try and save face.'	• 'The managers are very approachable, but platform staff would normally go through the union.'
	6	Finance director	• 'Issues are fully discussed with the shop stewards. The strength of the unions has not been diluted.'	• 'Relations are satisfactory but there is room for improvement. The unions don't realise the realities of the trading situation.'	• 'Managers are doing their best under the circumstances. They have to do what is in the best interests of the company.'
	7	Director of engineering	• 'There are no militant attitudes as such. There are ways of getting things done without wielding a big stick.'	• 'Quite good. Relations have become neither better nor worse. There has been no real change since share ownership.'	• 'The company is on a fairly even keel – relations between managers and employees are quite co-operative.'
Other	8	Accountant	• 'It is reasonable. Things have not really changed since the buyout. Issues are discussed in-depth.'	• 'Managers regard the unions as an integral part of the company with whom they must do business.'	• 'Managers fulfil their obligations to employees.'
	9	Inspector and employee director	• 'I think we only get real problems when there are wage negotiations, as in the 1996 stoppages. Flexibility is the name of the game. There is co-operation when it is necessary.'	• 'I personally feel that the management involves the unions too much. I certainly feel that they need not be so accommodating most of the time.'	• 'It is certainly in our own interests to work with the management so that the company becomes prosperous. However some sections of the workforce have the attitude – "what's in it for me".'

Appendix 12(vii): Stage Two respondent views on trade union issues - *Company One*

Respondent type	Respondent no.	Role	Union/employee relations	Effectiveness of union officers (management respondents only)	Degree of power held by the unions (management respondents only)
Trade union officers/ representatives	1	Branch secretary of the TGWU	• 'Some think that the unions are not as powerful as they used to be.'		
	2	Shop steward for the TGWU automotive section	• 'The engineering staff sometimes find it frustrating that the platform union has more say.'		
	3	Chairman of ACTS	• 'The unions are given information every step of the way to pass on to the employees.'		
Managers	4	Assistant traffic manager	• 'Drivers get a lot of information from their union but other sections are not consulted enough.'	• 'They try to do their best for the workers.'	• 'Some of the demands made by the unions are not feasible.'
	5	Stores manager	• 'The workers do support the unions, but the unions have to be seen to be making a few waves. If they don't make any waves then they won't get elected.'	• 'I would say that the union officers are effective.'	• 'The unions do have influence – sometimes that's a good thing, sometimes it's not. Managers should be allowed to manage.'
	6	Finance director	• 'There was almost 100 per cent support for the [1996] stoppages. The unions represent in general the views of the workforce.'	• 'They are fairly effective.'	• 'Consultation is "far and wide". It is very extensive compared with some other organisations, although we do not have much room for manoeuvre on wages.'
	7	Director of engineering	• 'The workers support the unions in some areas but not in others. It is to do with the way the unions are run. Some workers perceive that they don't get as much out of their union as others do.'	• 'On the engineering side there is a "more pay, less work" mentality. The unions don't want to know that the company may not be able to afford a pay rise because of having to buy back shares.'	• 'The driver's union has too much influence. Drivers can be taken off the road for any minor quibble. The TGWU is the only union in the company that gets time off on a Friday.'
Other	8	Accountant	• 'The unions have a secure position within the company. That has not changed since the buy-out.'		
	9	Inspector and employee director	• 'The bulk of the workers are drivers and their union has the biggest membership in the company. Workers are out for themselves. It is not a case of "I'm an owner".'	• 'Sometimes you feel that the unions are there to help you and at other times you think they're only out for themselves.'	• 'Managers try to involve the union at an early stage in most things and make every effort to maintain them as the main negotiating body. It helps to smooth the transition when there are changes.'

Appendix 12(viii): Stage Two respondent views on employee involvement and communication - *Company Two*

Respondent type	Respondent no.	Role	Employee involvement	Effectiveness of management in running the company (trade union respondents only)	Union as the main channel of communication to employees on company policy (management respondents only)
Trade union officers/ representatives	1	Chairman for the engineering employees section of the TGWU	• '[During ESO] people had an input at board level through the worker directors. Now we've only got one worker director and he's kept a lot more in the dark now than he ever was before the company was sold.'	• 'The new managers will make sure that the company has a bigger profit margin than ever before. There'll be reduced costs, better utilisation of resources and greater efficiency.'	
	2	Chairman of the TGWU	• 'The drivers know the job but the managers won't talk to them.'	• 'Some of our managers were not progressive at all. Now there is going to be more investment because the new managers want to make a profit.'	
	3	Branch secretary of the TGWU	• 'The employees saw very little involvement under the ESOP. In some respects they used the ESOP to give themselves more power.'	• 'We'll have a more professional management, but it will be tougher. They'll be a lot more profit conscious and determined to get their decisions implemented.'	
Managers	4	Operations director	• 'At present we are just carrying on as we are. The big motivation to be involved came at £6.40. Since that time, I don't think people have been interested.'		• 'We have our differences but a good working relationship. I'm implementing management's policies and they're trying to get a better deal for their members.'
	5	Group human resources executive	• '[With ESO], people realised the importance of company profitability and I think that will still be the case. Employees will not want to do anything to upset the balance.'		• 'We've always had well-established procedures for working and consulting with the unions. In future there'll probably be less trade union time made available.'
	6	Managing director for one of two company sites	• 'There's never been secrets between management and the trade unions – that won't change. But being part of a plc you often have to react very quickly, so the time scales will be a lot less, but that's no reason not to give staff information.'		• 'If the trade union wants to know what's going on and if there's a need for information, we're not normally secretive.'

Appendix 12(ix): Stage Two respondent views on company industrial relations - *Company Two*

Respondent type	Respondent no.	Role	Current industrial relations climate	Management/union relations	Management/employee relations
Trade union officers/ representatives	1	Chairman for the engineering employees section of the TGWU	• 'It's a lot worse than it's been for a long time. The new structure is quite a change.'	• 'There was give and take on both sides [during ESO]. But since [company XXX] has taken us on relations have got a lot worse - they have a hidden agenda.'	• 'Managers will expect people to be more committed to the company than before. If they aren't toeing the company line, they'll be dealt with more severely than in the past.'
	2	Chairman of the TGWU	• 'I think the engineers will be looking at industrial action very very shortly and we won't be far behind them. It's alright saying "we've got a new company", but we've got to show them that we're not going to be trodden on, otherwise we'll lose everything.'	• 'They had been pretty poor for a while but then we went to ACAS. We didn't suddenly become bosom buddies but there was a different perspective to the tunnel vision we had had before. But now it's going to be back to "us and them".'	• 'They [the managers] don't sort out the good employees from the bad employees – that's wrong. I think that if you've got a good workforce, they should be told they're doing a good job – not just keep on at them because that will get their backs up.'
	3	Branch secretary of the TGWU	• 'There's every likelihood of a ballot for industrial action in the next 12 months. I don't think that's because it's [company xxx] - I think it's the whole history of the bus industry since deregulation.'	• 'Going back a year or so, industrial relations were very sour. I think we've built some bridges. It's now a case of seeing what the new senior management is going to do. We've yet to see their real style in operation.'	• 'Drivers are still being screwed to the ground, schedules are tight and wages are poor. The employees saw very little employee involvement under the ESOP and there certainly won't be any under the new ownership.'
Managers	4	Operations director	• 'Everyone's still on a high at present – they're happy that they've got "x" thousands of pounds. We can't say what will happen in the future, other than that the company will produce a 15 per cent profit.'	• 'There is an understanding. We [the managers] know where they [the trade unions] are coming from and they know where we're coming from. At present, nothing is changing.'	• '95 per cent of staff here are work-oriented but the other 5 per cent you will never motivate.'
	5	Group human resources executive	• 'The engineering unions are very very apprehensive about the future. There are going to be job losses. The TGWU is not anticipating any major changes, but they may be surprised.'	• 'They're reasonably healthy.'	• 'No one is under any illusions about what's going to happen. [Company xxx] has said there is an urgent need to see profitability levels in the region of 15 per cent. Morale is quite low.'
	6	Managing director for one of two company sites	• 'Targets will have to be met one way or another. Whether that's achieved by friendly dialogue or by each side chucking threats across the table remains to be seen.'	• 'They haven't actually changed. We've been marking time because we've been more involved with redundancies.'	• 'Certainly there won't be the loyalty to [company xxx]. Commitment will probably go down. I think employees' interest has obviously declined.'

Appendix 12(x): Stage Two respondent views on trade union issues - *Company Two*

Respondent type	Respondent no.	Role	Union/employee relations	Effectiveness of union officers (management respondents only)	Degree of power held by the unions (management respondents only)
Trade union officers/ representatives	1	Chairman for the engineering employees section of the TGWU	• 'In the past the union had been put in a compromising position through its connection with the EBT. It was difficult for people on the shop floor to understand.'		
	2	Chairman of the TGWU	• 'The industry that we're in is very union-oriented. Employees appreciate the benefits they get from being in the union.'		
	3	Branch secretary of the TGWU	• 'People need their trade union to try and secure the best deal, and on several occasions we have come close to considering ballots for industrial action. The fact that we were an ESOP, I don't think really complicated that.'		
Managers	4	Operations director	• 'If you talk to drivers they will say they've got bad terms and conditions no matter what, so you will never get a true picture.	• 'There is no problem.'	• 'I deal with the unions on everything from recruitment to dismissal. We don't set the policies, we have to implement them and work alongside each other.'
	5	Group human resources executive	• 'There will be a return to reality now, in that the employee representatives will concentrate on looking after employees' interests and the management team will look after the interests of the business. With the ESOP, the dual role of the unions had muddied the waters.'	• 'There's a mixture really. It depends on the individual concerned. During the ESOP a lot of them faced a conflict of interest. There were some who never really divorced themselves from being a trade union representative. Others had their own hidden agenda.'	• 'We've always had a consultation process that allows for a lot of input from employee representatives. But at the end of the day, you can debate and debate but somebody has to make a decision, and I think that process had become extremely muddy over the last four or five years.'
	6	Managing director for one of two company sites.	• 'I think there is a good relationship there. No one says "you're in management's pocket" or anything like that. I think the trust is there.'	• 'They have coped very well. They have been in an extremely difficult position at times.'	• 'There won't be quite the time for dialogue in the future. There's no reason why each side can't have its input, but the target's got to be hit.'

Appendix 12(xi): Stage Two respondent views on employee involvement and communication - *Company Three*

Respondent type	**Respondent no.**	**Role**	**Employee involvement**	**Effectiveness of management in running the company (trade union respondents only)**	**Union as the main channel of communication to employees on company policy (management respondents only)**
Trade union officers/ representatives	1	Representative for the TGWU and an EBT trustee	• 'The information side of it is really down to the union. I would rather tell them [employees] than have management do it.'	• 'Not without the trade union. Unity and purpose are the goals and I believe that they [managers] take the same view.'	
	2	Traffic assistant/TGWU representative	• 'It's all done at local level. If anything is happening the minutes of the JCC are always posted up for people to read. Otherwise, no information is provided by [*Company Three*].'	• 'If you look at every other company that has gone through privatisation, we're the only one that has bought other companies and expanded. At the end of the day, we have to put some of it down to the managers.'	
	3	Bus driver, TGWU trade union/health and safety representative	• 'We have too many notices and people don't have time to read them. Even when we attach information to their pay slips we find that the bin is pretty full of letters.'	• 'They're as effective as any management would be.'	
	4	Company convenor	• 'The staff are quite free to go to management and make any suggestion they like, but the trade union would prefer that they go to them first.'	• 'The senior managers are effective – yes. I sometimes wonder if the people below them get to grips with everything that is going on.'	
Managers	5	Garage staff manager	• 'Sometimes an employee will suggest something. If it's reasonable and positive we might go ahead with it if it doesn't cost too much.'		• 'I would prefer that every member of staff was a member of the union. When I'm talking to the union rep, I'm talking to everybody.'
	6	Human resources manager	• 'Not a lot. We do have an in-house journal, which gives people the opportunity to write in about most things, but generally, people don't, or it's the same people who do it all the time.'		• 'There are times when we tend to over-rely on the union, which doesn't help them or us, because the message doesn't get through as effectively as we would like it to.'

Appendix 12(xii): Stage Two respondent views on company industrial relations - *Company Three*

Respondent type	Respondent no.	Role	Current industrial relations climate	Management/union relations	Management/employee relations
Trade union officers/ representatives	1	Representative for the TGWU and an EBT trustee	• 'I would say that we are consultative and working towards being co-operative.'	• 'There have been quite a lot of sacrifices made by all grades and buying companies gives the wrong signals when pay isn't being raised.'	• 'With long-service people I think it's a matter of them having been in the job for so long that they go with the flow. The younger people are here just to make money.'
	2	Traffic assistant/TGWU representative	• 'I think it's very co-operative, though sometimes there doesn't seem to be any lee-way.'	• 'They have improved tremendously. Prior to privatisation it was always "them and us". The unions are now more involved than they ever were before.'	• 'Some of the workers don't get to see the senior managers as often anymore. Most of them don't know who the directors are, or who the senior managers are.'
	3	Bus driver, TGWU trade union/health and safety representative	• 'Consultative. It used to be more adversarial and it was frowned upon I think by both union and management if it wasn't. That seems to have gone out of the window.'	• 'I would say that since 1994 there has been a steady improvement. At present relations are still moving in an upward direction.'	• 'Managers will never get the support of the workforce in any company. But our management, since privatisation, has had more support from the workforce than they had pre-privatisation.'
	4	Company convenor	• 'Industrial relations – without co-operation it won't work. The consultative machinery is very good.'	• 'It's pretty good. I can achieve pretty much all I want within reason. It's a "give and take" game.'	• 'As long as what is being done is in the best interests of the workforce, employees will give their support to managers.'
Managers	5	Garage staff manager	• 'Nothing's been bad – nothing has been terribly good. I think with industrial relations we still plod along pretty much as we ever did.'	• 'I think the co-operation is quite good all round.'	• 'A lot of employees go on union recommendation. In this industry you will always get people who want to be led - want their representative to say something or their managers to say something.'
	6	Human resources manager	• 'At the moment the climate is consultative. It has been adversarial and it will be again, but so far there has been a balanced approach from both sides.'	• 'On balance, they're fairly good. There are moments where we get tetchy with each other in any given year. But generally speaking they're very good.'	• 'On an individual basis there is quite a bit of loyalty to managers as individuals. For management as a group there isn't the same sort of loyalty and commitment.'

Appendix 12(xiii): Stage Two respondent views on trade union issues - *Company Three*

Respondent type	Respondent no.	Role	Union/employee relations	Effectiveness of union officers (management respondents only)	Degree of power held by the unions (management respondents only)
Trade union officers/ representatives	1	Representative for the TGWU and an EBT trustee	• 'There are many reasons why people join unions. I think the most important one is protection. Everything else is secondary.'		
	2	Traffic assistant/TGWU representative	• 'Some of the older ones have dropped out of the union because they felt let down after privatisation. Privatisation is the sticking point.'		
	3	Bus driver, TGWU trade union/health and safety representative	• '1993 was a watershed with the loss of our old contracts. Employees who were here through that and who are still here today have a far better understanding and they benefited as well from it, even though they had to make a major sacrifice at the time.'		
	4	Company convenor	• 'About 75 per cent of the workers support the union. It goes back to 1993. The die-hards can't drag themselves out of the past and into the future.'		
Managers	5	Garage staff manager	• 'Long servers will make up their own minds one way or another, but they will still carry their card with pride because they've had it for so long.'	• 'They try to get as much as they can for their members. Some more than others have got the company at heart.'	• 'The union probably has about the right amount of power at the present time.'
	6	Human resources manager	• 'The unions sometimes have a problem convincing the workforce that they're not in bed with the managers, but they manage to do it most of the time.'	• 'The union officers are very effective. At local level, the reps are fairly good at taking the staff with them. There are problems sometimes but generally speaking, the reps manage to do it.'	• 'In the early 70s it was too much the unions' way. I think leading up to 1993-94, it was too much the managers' way. There is a balance now. They know how far to push and we know how far to push.'

Appendix 12(xiv): Stage Two respondent views on employee involvement and communication - *Company Four*

Respondent type	Respondent no.	Role	Employee involvement	Effectiveness of management in running the company (trade union respondents only)	Union as the main channel of communication to employees on company policy (management respondents only)
Trade union officers/ representatives	1	Branch chairman of the TGWU	• 'There's stacks of scope but this company just plays around the edges.' • 'They [managers] just want to do their own thing.'	• 'I think industrial relations in this company are probably the worst I've ever known.' • 'There's no such thing as discussion and consultation.'	
	2	Branch secretary of the TGWU	• 'There are consultative committees which are supposed to be the forum for involving the employees on the shop floor but they rarely occur now.'	• 'I don't think that managers are able to manage now. They are being pulled from above. There are decisions being made at Perth by the [xxx] board and they are being relayed down.'	
	3	Employee director	• 'When the employees owned the company there were regular briefings and seminars. All aspects of the company would be open for discussion. This has now finished.'	• 'As profitability is at record levels then management is effective. However, long-term prospects are poor.'	
	4	Representative for the TGWU	• 'The communication sometimes leaves a lot to be desired – the right hand doesn't know what the left hand is doing sometimes.'	• 'Everything now is money-oriented. They [managers] want their pound of flesh and they don't seem to have any consideration for the people who are working for them.'	
Managers	5	Divisional traffic manager	• 'We do try to keep people informed basically by notices or through word of mouth - talking to key drivers who I know will then pass on the information to other members of staff.'		• 'Some individuals in the union will put forward a reasonable view of what management wants, and there are others who will put their own slant on it. I tend to talk to staff myself in the depot.'
	6	Divisional traffic manager	• 'We pass on information through the Divisional Consultative Committee.' • 'Occasionally we have seminars where we invite the staff to come along. We're fairly open really.'		• 'I agree with the trade union system and collective bargaining procedures. I'd rather be dealing with a trade union, then you can work together really.'

Appendix 12(xv): Stage Two respondent views on company industrial relations - *Company Four*

Respondent type	Respondent no.	Role	Current industrial relations climate	Management/union relations	Management/employee relations
Trade union officers/ representatives	1	Branch chairman of the TGWU	• 'I've never known industrial relations at this company to be at such a low.' • 'Morale is so low it's unbelievable.'	• 'We're now in a situation where local line managers cannot make agreements because if they do, they're fearful of the repercussions from the top.'	• 'People will not do a thing to help the company – that's how bad it is.' • 'There's no allegiance to the company whatsoever – they'll [employees] not go out of their way to help the company in any way, shape or form.'
	2	Branch secretary of the TGWU	• 'Very very weak'	• 'There aren't any management/union relations.'	• 'They [employees] believe that the management and the trade unions will do nothing for them.'
	3	Employee director	• 'Current industrial relations in this company are adversarial.'	• 'Bad and getting worse. I have never experienced such an untrusting and confrontational union/management relationship in nearly thirty years in the company.'	• 'Managers are driven only to produce greater profits and have no time to consider employees.'
	4	Representative for the TGWU	• 'At the moment the climate is consultative, but it's swings and roundabouts.'	• 'Managers accept the unions as being a necessity that's there and they've got to put up with them, so they do.'	• 'Local management has the support of the employees but higher management has not.'
Managers	5	Divisional traffic manager	• 'It's a very consultative system. We do have a lot of arguments, but we tend to work together to reach sensible compromises, rather than always being in a confrontational mood.'	• 'We both give a little, take a little and tend to work pretty well together. We don't always agree – it can never happen, but I've got a good working relationship with the trade union here.'	• 'The majority [of employees] support management. Every company has an element that no matter what you did, they [employees] would never support management.'
	6	Divisional traffic manager	• 'We [management and trade unions] consult on most matters. Even though we disagree about some things, it's not confrontational.'	• 'We're okay – there's no major issues on the go at the moment. Things are not too bad, though some of them are a bit strained.'	• 'I've got a good relationship with the workforce here, I believe, but I think throughout the company overall there's still a problem between [xxx] as a company and the shop floor.'

Appendix 12(xvi): Stage Two respondent views on trade union issues - *Company Four*

Respondent type	Respondent no.	Role	Union/employee relations	Effectiveness of union officers (management respondents only)	Degree of power held by the unions (management respondents only)
Trade union officers/ representatives	1	Branch chairman of the TGWU	• 'I think if the trade union came up with a good argument for a dispute, it would be supported 100% by the workers.'		
	2	Branch secretary of the TGWU	• 'There's an apathy that we [the unions] do nothing for them [employees] now.'		
	3	Employee director	• 'Over 80% of the drivers have recently supported the trade union in voting for industrial action over proposed changes to working conditions.'		
	4	Representative for the TGWU	• 'If we were asking people to take industrial action they wouldn't just follow. We have got employees' support but not the way it was in years gone by. Sometimes I tend to think that's a good thing.'		
Managers	5	Divisional traffic manager	• 'I think people are less interested in the trade unions because in the past they were quite confrontational. Quite regularly they can't get a quorum at their branch meetings.'	• 'They are pretty effective. They tell their members that it's in their interests if they are willing to accept and go along with certain things.	• 'Certain people think the unions have too much power, but the balance has certainly moved from the trade union dominating the situation.'
	6	Divisional traffic manager	• 'I think relations are a bit tentative. There are a couple of different factions. The trade unions do come in for a lot of criticism because people blame them for the change.'	• 'I think that unions are changing and national full-time officers should realise that and try and educate people a little bit more on the shop floor. I'm inclined to have to rely on experience rather than education.'	• 'Probably about the right amount.'

Appendix 12(xvii): Stage Two respondent views on employee involvement and communication - *Company Five*

Respondent type	Respondent no.	Role	Employee involvement	Effectiveness of management in running the company (trade union respondents only)	Union as the main channel of communication to employees on company policy (management respondents only)
Trade union officers/ representatives	1	Branch chairman of the GMB (formerly *Company (A)*)	• 'We have information on the walls about what the company has been doing. All the profits and losses are put up every quarter.'	• 'This management, quite frankly, just does not know what it's doing. It's because I've worked with two, and seeing how management should be and how it is now are two different things.'	
	2	Foreman (formerly *Company (A)*)	• 'They [the managers] are pretty good with the paper work. They've also started one-to-one meetings where the managers are there and you can go along and ask whatever you like.'	• 'Well they're making profits and they've won a lot of awards, so they must be doing something right.'	
Managers	3	Engineering manager (formerly *Company (A)*)	• 'You do have a certain amount of scope to talk to your staff. By and large, I think the managing director does encourage us to get out and communicate.'		• 'I think policy should be carried out by managers through a supervisory structure. I think there should be consultation with the unions, but they shouldn't become the communication vessel. They can help the process but they are not the process.'
	4	Garage staff manager (formerly *Company (A)*)	• 'It's down to individual garage staff managers. I've always had the belief that as long as it can't do any damage or harm in any way – any information we've got that is relevant to the troupes should be shared.' • 'I can always go down the trade union line and speak to the trade union who would then pass it on.'		• 'I suppose it's the main communication channel but it's not the only one. If we go back to the [*Company (A)*] days, the union was very effective here, but we also had regular meetings with staff where they could come and question us and ask us how we were doing.' • 'With [*Company Five*], the unions are the main communication channel but they make a valiant attempt with their fortnightly newspaper and weekly "talk-back" sessions.'

Stage Two respondent views on employee involvement and communication - *Company Five* (continued)

Respondent type	Respondent no.	Role	Employee involvement	Effectiveness of management in running the company (trade union respondents only)	Union as the main channel of communication to employees on company policy (management respondents only)
Trade union officers/ representatives	5	Branch chairman of the TGWU (formerly *Company (B)*)	• 'They put up their profits on the walls in the paying-in rooms, in the depots, their accident damage and aspirations. There has certainly been more information in the last couple of years than there was before.'	• 'Wherever you go, there is never ever a perfect working area and cock-ups happen, but they don't just happen at [*Company Five*]. So I would say they [managers] are effective.'	
	6	Branch secretary of the TGWU (formerly *Company (B)*)	• 'Well we have the local company paper. Apart from the talk-back sessions that is their main vehicle for conveying information. I think there could be improvements.'	• 'They're a little bit too effective for us sometimes. They know we're constrained by laws now. The bully-boy tactics do come out occasionally.'	
Managers	7	Garage manager (formerly *Company (B)*)	• 'It's something we don't tend to do. We tend to use the unions to a certain extent and that's about it. The only other way we do it is through the training of new staff. We've recently just gone through a period where we had to draft some of our drivers into the training school to draw on their experience.'		• 'Generally they [the trade unions] are a good medium to meet and discuss problems and to say "this is the way we're going to do things". But we still like to have some direct contact with everybody because you mustn't be deemed to be treating the non-members unfairly.'
	8	Operations manager (formerly *Company (B)*)	• 'We encourage all managers to spend more time talking. I think we can improve on that. I'd like to think that our way of communicating is perhaps better than a lot of other companies. We come from a viewpoint where we feel that communication is fairly good anyway.'		• 'We have quite a good system of communicating with our employees, our drivers particularly, which has nothing to do with the union process. • We use the unions to some extent but don't look upon them as the main channel for disseminating information.'

Appendix 12(xviii): Stage Two respondent views on company industrial relations - *Company Five*

Respondent type	Respondent no.	Role	Current industrial relations climate	Management/union relations	Management/employee relations
Trade union officers/ representatives	1	Branch chairman of the GMB (formerly *Company (A)*)	• 'Things are fairly okay. We were a family because we were a small company and everybody knew everybody else. This is a much bigger company. It's not like how we were.'	• 'Relations are not too bad'	• 'Employees do not support the management. It's different things – like spread-over pay. When we first joined with this firm they didn't tell us anything about spread-over pay, so we went on for quite a long time without getting it.'
	2	Foreman (formerly *Company (A)*)	• 'It's reasonable I think. I wouldn't say it's excellent.'	• 'I think they're reasonable. They're not bad and not brilliant. I think we're probably in the middle. I think one side has to tolerate the other, otherwise things don't work.'	• 'I think the management needs us as much as we need them. Without us, they haven't got anything.'
Managers	3	Engineering manager (formerly *Company (A)*)	• 'I think it's consultative. While I personally believe that company policy should be left to the managers, I still think there should be consultation because we all know there's someone somewhere who will not listen to their supervisor on a particular subject. I would not ignore the union official, but the union official is there for when we're not getting it right.	• 'They are good. My feeling is that the unions challenge some things but I don't think there is ever any deadlock. I don't think anybody ever comes out and says "right, this is what we're going to do brothers". I don't think it ever gets to that stage. It's fairly co-operative – compromise takes place.'	• 'We [the managers] are never going to satisfy everybody. There's always going to be a contingent that says they don't support management. You will always get people who object to everything.'
	4	Garage staff manager (formerly *Company (A)*)	• 'It's co-operative to the extent that a good majority of the staff have got to a stage where they are really apathetic. They think that whatever [*Company Five*] decides to do it's going to do, so why waste your energy and make a fuss about it? So they [employees] are co-operative by default in the sense that they don't want to challenge it.'	• 'I think we're got a very good management-union relationship.'	• 'The workers do their job and basically that's all they want to do. The longer-serving people are the people who've got the commitment and they will support you in most things you do. But some of the newer members of staff don't see why they should support you.'

Stage Two respondent views on company industrial relations - *Company Five* (continued)

Respondent type	Respondent no.	Role	Current industrial relations climate	Management/union relations	Management/employee relations
Trade union officers/ representatives	5	Branch chairman of the TGWU (formerly *Company (B)*)	• 'We [the trade unions] do not get everything that we want but if you start issuing threats then you're going to get threats back. At the present time, the committee as a whole – we try and negotiate – yes. We talk and try to put our points across.'	• 'In the company they're good. In an ideal world we wouldn't have to fight so hard, but sadly no one is going to give you "out for nowt". But on the whole, relations are pretty good.'	• 'Judging by comments made in the paying-in room and the canteens, employees do not support the managers. But when the majority of workers face the management it's a different story. They tell us one thing, but when it's face-to-face with the managers it's a little bit different.'
	6	Branch secretary of the TGWU (formerly *Company (B)*)	• 'I would say that the climate is co-operative. Things are improving but it's been an uphill struggle.'	• 'Although we have differences, relations are reasonably good. They [the managers] are always courteous to us – they're always prepared to listen to us and discuss things. You may not get the answer you want but they'll always listen.'	• 'Employees have been beaten down over the years. As far as general terms and conditions go, we haven't done too badly really. Perhaps the grass isn't greener on the other side.'
Managers	7	Garage manager (formerly *Company (B)*)	• 'I would say that we are making every effort on the management side now to consult and explain to the staff. On the other side of the coin, my gut feeling is that despite the good reports, there is still an underlying suspicion that we could do more and give more, and that we're keeping something back.'	• 'I think they're excellent. There's always consultation, but not necessarily always agreement. Nothing is just decided carte blanche, and despite the fall-outs and arguments from time to time, there's generally a reasonable discussion.'	• 'There is still room for improvement – we've had to make some quite harsh business decisions. If people understand the reasons for those decisions they're more likely to accept them. Communication is the important thing really. We haven't got it right yet but we have made a good start. We try and make the effort.'
	8	Operations manager (formerly *Company (B)*)	• 'We have a very informal way of resolving problems – more informal than it's ever been. A great deal of the problem-solving within the company is done very quickly and very satisfactorily by informal chats, sometimes on street corners, when we go out on the buses. We talk to people and get problems solved.'	• 'I would say generally across-the-board, there is a very high degree of co-operation. I would stick my neck out and say we probably work together more now than we've every done.'	• 'Employees look for a strong management that is going to safeguard the company's interest and safeguard their jobs. In that sense I think generally speaking the staff have got to appreciate the way we manage the company. But you will always get people who criticise the company – that's human nature.'

Appendix 12(xix): Stage Two respondent views on trade union issues - *Company Five*

Respondent type	Respondent no.	Role	Union/employee relations	Effectiveness of union officers (management respondents only)	Degree of power held by the unions (management respondents only)
Trade union officers/ representatives	1	Branch chairman of the GMB (formerly *Company (A)*)	• 'The employees are the union and they've had to support themselves half the time. Over the years it's changed. You get some of the backroom noise – all the hot air. But you try and get them to stick together and they don't anymore.'		
	2	Foreman (formerly *Company (A)*)	• 'The unions don't have a lot of power nowadays, yet the workers know they need the union. A union is probably an insurance policy.'		
Managers	3	Engineering manager (formerly *Company (A)*)	• 'The general consensus of opinion is that the union is there and a lot of people's perception is that they should be a part of it.	• 'There's a difference between being a leader and being a steward. Some are much more oriented towards being a good leader – they can command the sort of respect that people can relate to. Others are just there because no one else will do it … It's not just about wearing the badge and getting a day off a week for union duties or attending some meetings.'	• 'About the right amount at [this depot]. I would say it all averages out across the three depots. Overall the representation is about right. In the first few months after the merger, I was a little bit concerned about the amount of involvement there was with the union. It wasn't something we were accustomed to.'
	4	Garage staff manager (formerly *Company (A)*)	• 'I think it's pretty soul destroying being a steward within this depot because there's a lot of apathy from the members. The membership needs to have some age and service under its belt before it starts being supportive of its trade union leaders. With such a new group of people, they don't know any previous history of what's gone on and they're not that supportive of the group.'	• 'I think they're effective in leading their members and making sure their members get a fair deal.'	• 'At the end of the day, the amount of power they've got is in their hands, because they can only put forward anything with the knowledge of what sort of support they've got behind them. Branch meetings are very poorly attended – it's not a secret. So they never know exactly what power they have got, because their strength is only in the support they can get from their membership.'

Stage Two respondent views on trade union issues - *Company Five* (continued)

Respondent type	Respondent no.	Role	Union/employee relations	Effectiveness of union officers (management respondents only)	Degree of power held by the unions (management respondents only)
Trade union officers/ representatives	5	Branch chairman of the TGWU (formerly *Company (B)*)	• 'Once you get out from depot level, it's just a full-time official level and then up and up and up. They're removed and remote and quite frankly don't know what's happening because they're dealing with the broader aspects.'		
	6	Branch secretary of the TGWU (formerly *Company (B)*)	• 'It would be difficult to justify why they [employees] pay £2.35 a week each if they didn't support us.' • 'We have meetings twice a month and don't get people turning up and complaining as much as they used to at one time. So whether that means they're happy, or whether it means they've just become apathetic, I don't know.'		
Managers	7	Garage manager (formerly *Company (B)*)	• 'They [the trade unions] haven't necessarily lost a lot of their members. They're still basically very close to 100% but there are people, in much the same way that they will stand in the canteen and criticise us, will also criticise the union. So I think the unions have lost a bit of their following.'	• 'They are very effective. Obviously it's in their best interests to get the best for their members and in order to do that they are always going to ask for a bit more than they would actually be happy with, but that's all part of the bargaining procedure isn't it?'	• 'I would say that the balance is about right. We've gone through patches where it's been patently obvious that the management has had the upper hand and it can swing the other way, where the unions have the upper hand. We win some, we lose some – on both sides.'
	8	Operations manager (formerly *Company (B)*)	• 'I think there are probably fewer workers who see the union role as vital as it used to be. But on the other side of the coin, I think those who do see a role for the unions are fairly satisfied with their officers and the officers do respond.'	• 'The union leaders here have certainly got the personality and leadership skills. I prefer to deal with a good strong leader rather than somebody who has not got those skills.'	• 'It is probably about right at the moment. I wouldn't want them to have more power than they've got. But on the other hand, there are dangers if a union has too little power. There are decided benefits in having an organised representation.'

Appendix 12(xx): Stage Two respondent views on employee involvement and communication - *Company Six*

Respondent type	Respondent no.	Role	Employee involvement	Effectiveness of management in running the company (trade union respondents only)	Union as the main channel of communication to employees on company policy (management respondents only)
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'Virtually none. I don't think there could ever be any involvement of employees when commercial interests are the overriding priority.'	• 'Insofar as on a day-to-day basis, most of the buses run and run on time. We tend to retain our routes fairly well.'	
	2	Company convenor	• 'They [the managers] are starting to involve employees a lot more because we have two worker directors who go out and do surveys within the company.'	• 'They could do a lot better in my opinion. They seem to cut corners and they don't communicate with us as much as we would like.'	
	3	Branch secretary of the TGWU	• 'Management posts notices quite often. Whether people read them is another thing. Monthly branch meetings are very poorly attended - there's a general disinterest within the company.'	• 'Yes, they probably are effective, because they had to cut wages and start running a profitable business. Unfortunately with this trade, it's a public service and running it for a profit creates a conflict.'	
Managers	4	Garage general manager	• 'A difficulty of our industry is that you cannot get everybody together. Sometimes, drivers will go three or four weeks, if not more, and never meet. We tend to rely on notices and written information.'		• 'They're elected and we recognise them. I've got no problem with that. I just have a concern over how effective they are in communicating information accurately and effectively.'
	5	Service quality manager	• 'Involvement is achieved via notices on notice boards. Employees ask management rather than the trade unions.'		• 'The trade unions like to think they are the main channels of communication but there is apathy. Their members don't get to hear the information but that is because they don't turn up to meetings.'
	6	Traffic manager	• 'You're sometimes tied down with paper when you should be talking to staff a little bit more. One of their biggest criticisms is that they don't know what's going on in the company.'		• 'When you have a new policy, if the unions don't like it they can put out the wrong vibes – as management could. That's where discussions between unions and management come in.'
Other	7	Service controller	• 'Informing staff about what's going on – yes, that's fine, but involving staff seems very limited. All the negotiating and talking takes place through the union.'		• 'If the union is doing it's job and communicating with its members then that's fine. If the union isn't communicating properly that's when the breakdown comes.'

Appendix 12(xxi): Stage Two respondent views on company industrial relations - *Company Six*

Respondent type	Respondent no.	Role	Current industrial relations climate	Management/union relations	Management/employee relations
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'The managers try to do their best, but they're not backward when it comes to breaking agreements that don't suit them.'	• 'I think they're fairly good and we have a fairly good working relationship.'	• 'Most people, if they were given the opportunity to get another job, wouldn't think twice about leaving here. I think it has become a very transient job.
	2	Company convenor	• 'The people higher up are quite good. It's lower down where there is a problem.'	• 'In the dealings I've had, relations are not too bad. You get the odd problem but that's part and parcel of the job.'	• 'The workers are always moaning about the way the managers treat them. The majority wouldn't give the managers support.'
	3	Branch secretary of the TGWU	• 'It's less consultative than it should be, although it is co-operative because there is two-way traffic. There is not enough involvement on a wider front.'	• 'They [managers] rely on us to run things in the spirit of industrial relations. We've had joint management-union industrial relations courses, so I think things are pretty good. There's always room for improvement.'	• 'There are still probably around 80 drivers here of long service who actually remember a much better job. It's okay to realise that privatisation was an inevitability, but there's an underlying problem within the industry.'
Managers	4	Garage general manager	• 'You talk and you're open and then the unions co-operate. If they find that you're trying to do something underhand, then they shut up and they don't want to know. We've never had that. Good co-operation comes from good consultation.'	• 'They're very good – very open. Good meetings, good attitude at meetings, mutual respect and so on. We've got a good relationship.'	• 'We've gone through a lengthy period of dramatic change, which caused a bit of distrust and scepticism. But in the main, the workers understand that what's been done in the past protected the company and their jobs.'
	5	Service quality manager	• 'It is more consultative than anything else.'	• 'I don't see that we've got a problem now.'	• 'Some people come to work and they are as good as gold – there is no problem. Others give you grief – you've got a split.'
	6	Traffic manager	• 'Currently we've got a very good relationship with the unions all the way down the company. There was an awful lot of bitterness when we came out of nationalisation into privatisation. It used to be "them and us". Now it's more informal – we try to reason things out.'	• 'We've only had one or two occasions where it looked as through problems were going to arise. But at the moment, I would say it's a very good relationship. I wouldn't say it's a soft relationship, but it's a good working relationship. We've got worker directors, which also helps.'	• 'There's always a "them and us". You could have a driver and you're best friends with him. Put an inspector's hat on him and he becomes "them". It's very hard to remove that barrier. It is the workers who put the barrier there because they don't feel safe once they're "in" with management.'
Other	7	Service controller	• 'It's quite co-operative. I think everybody has realised that you've all got to pull in the same direction otherwise it's just not going to work.'	• 'I think they're quite good. I'm quite happy with them.'	• 'The employees know that the managers here are available to see them.'

Appendix 12(xxii): Stage Two respondent views on trade union issues - *Company Six*

Respondent type	Respondent no.	Role	Union/employee relations	Effectiveness of union officers (management respondents only)	Degree of power held by the unions (management respondents only)
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'Commitment to the [union] cause has been diluted. I think today, if you called a strike, it's very possible that you wouldn't get as much support as you might have done a few years ago.'		
	2	Company convenor	• 'We've got so much legislation now that our hands are tied, although the employees don't see the legislation. They just see what the union hasn't done.'		
	3	Branch secretary of the TGWU	• 'The memberships' feelings are a lot weaker than we would wish.'		
Managers	4	Garage general manager	• 'The employees know it is best to have representation.'	• 'At the top it's very good. At grass roots level, it's pretty weak really.'	• 'They [the trade unions] know that the managers have a relatively free hand. But we don't abuse it so therefore they don't give us too much of a hard time. They know that what we're trying to do is for the benefit of everybody. But we do co-operate.'
	5	Service quality manager	• 'Some support the unions – some don't. Some people here have totally denounced the trade unions.'	• 'They are all out to get what they can for themselves, rather than working for their members.'	• 'It is about right – when they [the unions] use it! Some of the issues they should get involved in, they don't, and with other issues – they will make a big thing out of them.'
	6	Traffic manager	• 'At the moment I don't think the unions have got a very good rapport with the staff. The governments in years gone by have gone out purposely to break the unions – they've discredited them and I don't think they've got their credibility back.'	• 'You need to have a very good union official because [he] can control a lot of things within the garage. If he's passing on the wrong views, for example. I'm not saying the current person is doing that. [He] needs a bit more training and a little bit more experience.'	• 'In the past they [the unions] have had too much. Now I would say it's on an equal basis – it's just right. We've got a good working relationship. Whether the staff would also say that to the same extent - but that's always the case.'
Other	7	Service controller	• 'When you're working with a large number of staff, you're always going to have your disagreements. I think people have got less faith in the unions – people feel as if they are being let down.'	• 'The people we have at the moment are very good. The drivers have their moans and disagreements, but generally there isn't much problem.'	• 'I think now there is quite a nice balance, compared with the 1980s when they [the unions] had too much power.'

Appendix 12(xxiii): Stage Two respondent views on ESO objectives and outcomes - *Company Four*

Respondent type	Respondent no.	Role	Main objectives of ESO	Were objectives met?
Trade union officers/ representatives	1	Branch chairman of the TGWU	• 'To prevent other big groups from buying the company'. • 'To get the best deal we could for the workforce'. • 'Our hand was forced to a certain extent due to the relationship with the local council'.	• 'Yes - if we hadn't gone down the ESOP road we wouldn't have been in such a strong position three or four years later when the company was sold. We could have been swallowed up and would have probably been in a worse situation.'
	2	Branch secretary of the TGWU	• 'The main thing was to get employee participation – to involve them in owning a part of the company.'	• 'No - I think we got derailed half-way through. Greed started to motivate the directors. They were keen to save money.' • 'No - the ESOP didn't work because employees did not pay for their shares – it did not mean anything to them.'
	3	Employee director	• 'The main reason behind the formation of the ESOP was political. The directors wanted to buy the company and could not persuade the council to sell to a management buy-out. A marriage was the only answer and the best offer was a 51:49 management-employee buy-out. The decision was taken by the unions that they did not want employees buying different numbers of shares.'	• 'Yes - the directors had wanted to control the direction and strategy of the company and this was achieved for the duration of the company's independence.' • 'To provide a financial stake in the company – this was definitely achieved.'
	4	Representative for the TGWU	• 'I think it was job security and we felt that we could run the company because we knew what bus work was about. At the time we were frightened of people coming in who didn't know what they were doing. From a union point of view, we pushed it with local MPs - we wanted to buy it.'	• 'Yes - although we could have done better in hindsight. We knew how to run buses because that was our expertise - running buses, putting buses on the road and keeping them on the road. But how to actually make a profit out of doing it - a good profit - was something that we've had to be shown.'
Managers	5	Divisional traffic manager	• 'Because of our relationship with the local council, the ESOP was the only route for us to pursue.' • 'I think because the trade unions were so involved in the set-up of the buy-out and they had so much power in those days, an ESOP was probably the only road they could go down.'	• I don't think so - people weren't really interested. We have a Divisional Consultative Committee, which we also had during the time of the ESOP and very few people used to attend. People just wanted to get on with their own lives. They wanted to come here, get paid and go home.'
	6	Divisional traffic manager	• 'The government at the time was encouraging Passenger Transport Authorities to divest their interests. Basically they were going to be under threat – they had to sell off their bus companies.' • 'The opportunity was there and with the ESOP we proposed, it was easier to raise money through the banks.'	• 'The directors had wanted control of the company and they had that for five years. However, at the start there was an expectation that share ownership would be a long-term project. I don't think the ESOP came in for them to sell the company five years down the road. I don't think that was their expectation.'

Appendix 12(xxiv): Stage Two respondent views on advantages/disadvantages of ESO and alternative strategies – *Company Four*

Respondent type	Respondent no.	Role	Main advantages of ESO	Main disadvantages of ESO	What would you have done differently?
Trade union officers/ representatives	1	Branch chairman of the TGWU	• 'You learned a hell of a lot.' • 'It was a way of trying to protect your wages and conditions at the time, which it did.'	• 'I would have preferred to stay in public ownership, but we had to go down the line of protecting what we had as far as possible. I think the ESOP was the way to do it'	• 'I think we would have gone for the same ESOP as we did. I don't think we could have bettered it.'
	2	Branch secretary of the TGWU	• 'When we had share ownership we could go into meetings and threaten the directors with strike action. Their money was on the line.	• 'The ESOP was the right road to go down but the mechanism we used wasn't sufficient to keep everybody level.'	• 'I would have bought shares'.
	3	Employee director	• 'As someone who was on the inside of all decisions, I obviously had five very interesting years.'	• 'The failure to give a more equal share to all.'	• 'The 51:49 split of shares should have been different.' • 'There should have been more co-operation between employee directors at different bus companies.'
	4	Representative for the TGWU	• Job security - a chance to try and work out our own future, secure our own future.'	• 'I don't think there were any disadvantages.' • We had to wake up and 'grasp the nettle a little bit.'	• 'People should have been invited to put money in – there would have just been that much more interest. But they weren't asked.'
Managers	5	Divisional traffic manager	• 'I didn't actually think it worked.' • 'There was no effort made to say what an ESOP really is and "this is what will happen, this is when you will get shares".'	• 'Very few people were really interested in it at all.' • 'The unions had too much power because they had been so involved in the ESOP. If you made a decision at divisional level, they would just go straight to the directors and get it changed.'	• 'If people had been required to put in a stake, rather than just be given a free share issue, it would have created a better environment for its success.'
	6	Divisional traffic manager	• 'Probably the consultation and communication process. I think that was the advantage to some people who wanted to know what was going on. Financially, people benefited when we sold the company and that was it.'	• 'As a company we looked inwardly, there was a lack of investment and basically we didn't take the bull by the horns.'	• 'I think if employees had had the option to invest in the company, I think that would have given them a greater incentive. They had 49 per cent as a group of people, but personally, it meant very little to them.'

Appendix 12(xxv): Stage Two respondent views on ESO and employee behaviours – *Company Four*

Respondent type	Respondent no.	Role	Impact on employee efficiency	Impact on attitudes to work	Impact on attitudes to the trade unions
Trade union officers/ representatives	1	Branch chairman of the TGWU	▪ 'I don't think it made any difference. The job was still the same.' ▪ 'The only difference was that we did get more information on the company's budgets. We knew exactly what profits the company was making.'	• 'The number of shares we had from the ESOP weren't a great deal anyway.' • 'The only time-share ownership meant anything was when the company was sold.' • 'The carrot was dangled and they took it.'	• 'I think everybody still stayed in the trade union and everybody knew it was still the trade union. • 'Management still had to manage and we still had to be there to represent our members.'
	2	Branch secretary of the TGWU	• 'Because they didn't have a financial stake it was a case of "I couldn't care less – I'm going to get my money at the end of the week regardless".'	• 'When they had free shares they weren't interested. In their eyes they didn't have shares. There was no value to them.'	• 'It didn't change their attitude because the shares were worth nothing to them. In their eyes "they didn't own shares".'
	3	Employee director	• 'Owning the company provided a spur to employees to begin with.'	• 'There was a lot more financial information given to employees when we owned the company. The result was a knowledgeable workforce and an obvious change in attitude to their work.'	• 'There was no change in attitude.'
	4	Representative for the TGWU	• 'I don't think it changed the employees in any way. I don't think they realised they actually owned the company. Although we had a 49 per cent share, I don't think we used it in the right way. I think we could have been more dominant and we could have forced issues in different ways.' I know I certainly never considered myself as being a part-owner. I was just an employee.'		
Managers	5	Divisional traffic manager	• 'They certainly weren't very efficient in the early years. Efficiency was terrible and productivity was extremely low.'	• 'They had a complacent attitude because they were owners.' • 'Now we have targets set for the group whereas when it was the old ESOP company the budget used to be revised every six months.'	• 'I don't know whether it resulted from the ESOP, but the majority of staff now approach management over problems.'
	6	Divisional traffic manager	• 'I don't believe that the overall feeling on the job changed very much from pre-ESOP ownership to ESOP ownership.'	• 'A lot of people here just come along every week, do their job, pick the money up and go home.'	• 'When employees realised what the value of the company was, they said "why couldn't we have invested in the company? We've been sold out by the unions".'

Appendix 12(xxvi): Stage Two respondent views on employees' attitudes to ESO – *Company Four*

Respondent type	Respondent no.	Role	Did employees feel like owners?	Did employees care about ESO?	Employee attitudes to the demise of ESO
Trade union officers/ representatives	1	Branch chairman of the TGWU	• 'If you put £50,000 in it will mean something. But I still believe we took the right decision. People did not get the opportunity to buy shares and I think that was the right way to do it.'	• 'We still get the odd gripe that when we formed the ESOP people should have been allowed to buy shares.'	• 'They didn't care at the time who was taking it over – they saw the money and they grabbed it. Some of them are now living to regret it – most of them.'
	2	Branch secretary of the TGWU	• 'Because the shares were worth nothing to them in their eyes it didn't change their attitudes.'	• 'There were actually quite a few people who opted out of the free shares. Some people said "I don't want them".	• 'They hadn't initially invested anything themselves and that's what it's all about – investing in your company for your future.'
	3	Employee director	• 'The reality was that the management still controlled their day-to-day lives and the feeling soon wore off.'	• 'Only for a few months when the shares had real value.'	• 'The vote to sell the company was 99 per cent. The average payment from [XXX] was £10,000 and that was enough for anybody it was felt.'
	4	Representative for the TGWU	• 'No. I don't think they felt like owners.'	• 'No – not the majority'.	• 'One day they had shares that they didn't really have and the next day someone was offering them £10,000. • 'It was just a ridiculous decision to ask you to make really.'
Managers	5	Divisional traffic manager	• 'There might have been a few.' • 'We did provide information at seminars, but people just weren't interested.'	• 'They only cared at the time of the sale to [XXX], when they saw the cash.'	• 'They all saw the pound signs.'
	6	Divisional traffic manager	• 'Owning the company actually meant very little – a lot of people resented the fact that the managers owned 51 per cent.'	• 'The short answer is no – not until the end.'	• '99 per cent of them voted to take the money so it wasn't a matter of - "well, the ESOP has gone". They hadn't been getting anything out of the ESOP.'

Appendix 12(xxvii): Stage Two respondent views on ESO objectives and outcomes - *Company Five (A)*

Respondent type	Respondent no.	Role	Main objectives of ESO	Were objectives met?
Trade union officers/ representatives	2	Foreman (formerly *Company (A)*)	• 'The whole idea was to have share ownership for a three-year period to avoid a hostile bid. If we sold in the first year we had to pay the council 90 per cent of any profit we made, 60 per cent in the second year and 30 per cent in the third. After the third year we became quite open to sell, so we went the full three years and then we sold.'	• 'The directors had probably known they could run the company for about three years before getting into trouble.' • 'Employees got an excellent return at the end of it. £1,000 became £18,000. It was an excellent return, bearing in mind that over three years they were also given free shares and anyone with 10-12 years' service would have picked up another £10,000-£12,000 of shares as well.'
Managers	3	Engineering manager (formerly *Company (A)*)	• 'I remember saying to myself "we're either going to be sold off to the private sector by [XXX] council, or we're going to take it on board ourselves". We were given distinct advantages if we decided to take it on board ourselves. The managing director said "we've got some good people here – let's give it a go because we can then dictate a little bit of our fate". Once we did it we knew we would only be buying time. I don't think we believed it would go on forever and be anything spectacular. It was a great experience but it was short-lived.'	• 'We decided to take it and do something with it. We changed the culture, we invested in a training campaign. We bought new vehicles. We made a big splash in town with a new route and state-of-the-art vehicles. We got a lot of interest going, knowing that just around the corner we would not survive, but it was great fun. It was the most enjoyable time I spent at the company in 23 years of working there – the three years of employee share ownership - because there was never a minute to sit back.' • 'We enrolled ourselves on a limited time of ownership. Some of the board may have thought – "this is it – we're going to do it forever", but they would have been kidding themselves. It was for a limited time, but it was better than the uncertainty of being sold off.'
	4	Garage staff manager (formerly *Company (A)*)	• 'We knew that we could possibly be the target of some fierce competition from outside operators.' • 'When you buy shares you have a real stake in the company. I think it gave employees a great amount of kudos out there against other companies and they really achieved maximum satisfaction - "those guys may be in the bigger company but they haven't got a stake in their company – we own ours".'	• 'I think the proof of the pudding was in the eating. Anybody who invested £1,000 three years previous made nearly £18,000. You wouldn't get that from a building society and you wouldn't get it from an off-shore account. It must have worked. We had a product that we started off with and managed to sell for £8 million.'

Appendix 12(xxviii): Stage Two respondent views on advantages/disadvantages of ESO and alternative strategies - *Company Five (A)*

Respondent type	Respondent no.	Role	Main advantages of ESO	Main disadvantages of ESO	What would you have done differently?
Trade union officers/ representatives	1	Branch chairman of the GMB (formerly *Company (A)*)	• 'There were fewer accidents because employees were being more careful. They owned a little part of that family.'	• 'There weren't any.'	• 'Nothing - I think it was great the way it worked out.' • 'If you wanted to buy shares you could buy shares, but we also had free shares as well.'
	2	Foreman (formerly *Company (A)*)	• 'Financial reward.'	• 'None, because it drew everyone closer together. I think it was an advantage.'	• 'I would buy more shares. Other than that, we couldn't have done any better.' • 'If someone came up to me now and said they wanted to purchase their company, I would use ours as a yardstick because I think our way was as good as any.'
Managers	3	Engineering manager (formerly *Company (A)*)	• 'Giving people a greater interest in coming to work – giving people a bit more than just a job.' • 'Encouraging people to become more involved.' • 'Giving employees a different perspective – making it more than just a 9-5 job – you're in it for different reasons.'	• 'Trying to get across what we were really trying to do. We stumbled occasionally on some of the policies that we needed to adopt. • 'It really was a struggle telling the troupes that we couldn't afford to give them a pay rise.'	• 'I don't think so.' • 'The thing was, a lot of the things we did, we did for the first time, and there were times when we sat there with the board and it was quite frightening thinking that what we were doing was quite powerful. There were some serious decisions to be made, but we got there.'
	4	Garage staff manager (formerly *Company (A)*)	• 'I suppose the biggest one was that everyone was working towards the same goal.' • 'We were all trying to make us into the best company that we possibly could.' • 'The employees actually felt they were a part of it. They all had the opportunity to have an input and it gave them that job satisfaction.'	• 'There was a constant concern that if you got it wrong, you're not costing the council any money, you're costing the workers money.' • 'I thought, if this goes pear-shaped, my career is finished.' • 'It caused concern about whether you were doing it right or wrong, but I really can't see any other real disadvantage to it.'	• 'No – not really, because we knew when we went into it that it was going to be a relatively short-lived experience.'

Appendix 12(xxix): Stage Two respondent views on ESO and employee behaviours - *Company Five (A)*

Respondent type	Respondent no.	Role	Impact on employee efficiency	Impact on attitudes to work	Impact on attitudes to the trade unions
Trade union officers/ representatives	2	Foreman (formerly *Company (A)*)	• 'Well we won an Investors in People award. Share ownership was part and parcel of it. People felt part of the company whereas before, they just said – "oh well, we're with the council".'	• 'I think it's all down to how people are treated and how they feel. If they feel involved and a part of the company, that is what matters.'	• 'A trade union is there for the benefit of the people.' • 'The employees knew that they still needed the union – a union is probably an insurance policy. You either believe in it or you don't. If you don't, it's still a good thing to join because you never know.'
Managers	3	Engineering manager (formerly *Company (A)*)	• 'Whether their efficiency was that much better I don't know. We've always had a problem with sickness and when we became owners, we went to an external consultancy that dealt with sickness and medical matters and things improved greatly. However, that was more to do with the methods that the consultancy used to track it than a general change in attitude.'	• 'I think their attitude to work probably changed for the better. But we'd always had a good reputation. Employees enjoyed knowing that they had a stake in the company – they were proud of the organisation.'	• 'There was not a conscious "we don't need them anymore". I just think the union felt "relocated" a little.' • 'We deliberately included the union when we first considered buying the company. We were all in it together, we were buying the company and needed to be in it as whole.'
	4	Garage staff manager (formerly *Company (A)*)	• 'If we'd got a graph of efficiency on lost mileage and revenue I should think that efficiency would be fifty times greater when we had share ownership.' • 'They've just not got the incentive to perform at their best any more.'	• 'We spent a lot of time explaining to the troupes what it was all about and that every passenger we carried meant a more profitable company. They picked up as many passengers as possible. It was their company and they were making it stronger.' • 'After share ownership their attitude to the company and their work completely changed and you can see that in the first six months of their sickness and absence reports.'	• 'A change did come about. But trade unionists were shareholders themselves and despite being shareholders, the union would act in a "trade union capacity" when it became necessary. Because of the commitment of staff towards the company, we never had to really test it.'

Appendix 12(xxx): Stage Two respondent views on employees' attitudes to ESO - *Company Five (A)*

Respondent type	Respondent no.	Role	Did employees feel like owners?	Did employees care about ESO?	Employee attitudes to the demise of ESO
Trade union officers/ representatives	1	Branch chairman of the GMB (formerly *Company (A)*)	• 'Yes. We were a small company but we were also a family.'	• 'Yes. Because we were a small company everybody knew everybody else. We are now part of a much bigger company. The managing director likes to think we're a family but it's not like how we were.'	• 'We were all very very sorry, but it had to be.'
	2	Foreman (formerly *Company (A)*)	• 'The majority felt they had something to give, which made them ask a lot more questions of management – "I own the company - what's going on?"'	• 'They cared about the company. Shares are just a piece of paper aren't they? • 'I think it made them more aware of where the company was going.'	• 'I think they were sorry because they had felt part of something for three years. They had worked hard to build it up into something.'
Managers	3	Engineering manager (formerly *Company (A)*)	• 'There was only a 64% take-up of ownership at the time of the purchase. It's not an overwhelming response, but it has also got a lot to do with the fact that people generally couldn't afford it.'	• 'A lot of them did, a lot of them didn't. Some carried on as if nothing had happened.'	• 'It was a sad day when it ended. Okay, they got money but it wasn't just about money. It was about something we'd created that they actually enjoyed.'
	4	Garage staff manager (formerly *Company (A)*)	• 'Yes, I really believe they did.'	• 'On the preamble up to it, there were a lot of "anti" comments but there were no real strong objections to it. There were very few people who didn't want to invest in it. There were people who for one reason or another couldn't invest in it. Once they got into the share ownership itself and they became part of the company, it was probably the best thing that happened to us.'	• 'I think they're sorry they lost this family atmosphere.'

Appendix 12(xxxi): Stage Two respondent views on ESO objectives and outcomes – *Company Six*

Respondent type	Respondent no.	Role	Main objectives of ESO	Were the objectives met?
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'Maybe the directors thought they were giving the drivers a stake in their own future, but I don't ever remember that being said.'	• 'By the time the three years was up, we had had such a dramatic changeover of staff, probably only a third of people here had shares'. • 'Until such time as they found out that their shares were worth more than their original value, people just didn't think about them.' • 'It was purely financial.'
	2	Company convenor	• 'People were given the opportunity to buy shares – that's it'. • 'If you're offered something for nothing then you'll take it.'	• 'I think they were met in the end – judging by what the directors got out of it.'
	3	Branch secretary of the TGWU	• 'I don't think it was ever done to include people. I think it was something the directors had to do. It was the lesser of two evils.' • 'My view of it was a tiny bit of money for us and a lot of money for somebody else.'	• Because of the issue with the ordinary shares I suppose I closed my eyes to a lot of it because I would not in principle accept that fact. I probably switched off from it and didn't see any advantage.'
Managers	4	Garage general manager	• 'Job security was one of them.' • 'In buying the company, we became our own bosses effectively – we broke away from London Transport.' • 'We became our own negotiators, our destiny was in our own hands and control of the company was in our own hands as a whole group, including the employees.'	• 'Yes, because we've been successful.' • 'The shares that everybody benefited from, even if they were only free shares – people got quite a good return from that.' • 'We went from strength to strength to the point where we became worth a much higher price than we were originally bought for.'
	5	Service quality manager	• 'It was so that we could control our own destiny to a certain extent.'	• 'It was done because it was the "in-thing" to do at the time. It was paying "lip-service".'
	6	Traffic manager	• 'I don't think the directors had a lot of choice. If they hadn't, it would have been sold on to someone else. So the management buy-out was really the only way to go forward.'	• 'Being in a company buy-out – it was the best thing that could have happened to the staff.' • 'I think people who invested money got their just rewards.'
Other	7	Service controller	• 'Profit. I can't honestly see any other reason for it.'	• 'Well, in making money – yes, but at everybody's expense.'

Appendix 12(xxxii): Stage Two respondent views on advantages/disadvantages of ESO and alternative strategies - *Company Six*

Respondent type	Respondent no.	Role	Main advantages of ESO	Main disadvantages	What would you have done differently?
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'Initially, most people would not have given it a thought.' • 'As their penny shares became 30 pence, 70 pence, 90 pence, then there was a difference.'	• 'At worst, share ownership was a small pay-out, and at best, a large pay out of money for employees who had never put up any initial investment.'	• 'In hindsight, knowing what I know now, I would have sold my house and bought as many shares as they would let me. I believe I speak for most people.'
	2	Company convenor	• 'Profit and what you could get out of it.'	• 'Some people got nothing at all.'	• 'I never got involved in the dealings of the share scheme.'
	3	Branch secretary of the TGWU	• 'The free shares I suppose.' • 'I got a windfall, but considering the money I had lost in privatisation …'	• 'Wages had been decreased by so much.' • 'There wasn't enough time to nurture any feelings of – "let's do something with this".'	• 'I would have liked a level playing field.' • 'If there could have been any way of being fairer.'
Managers	4	Garage general manager	• 'The company has performed much better because the responsibility is on us.' • 'It's down to us as employees at whatever level to make the company work.'	• 'Some people who had only been with the company five or ten years who were in a position to put in a lot of money – they made a lot of money out of it. Some would say they made a lot of money out of the older worker.'	• 'In the main, I think we can look back and say it worked very well. • 'If there was once concern, it was that it had to be very heavily financed by outside financial backers.'
	5	Service quality manager	• 'Financial gain' • 'I was financially motivated and it was worth the risk at the time.'	• 'I don't think there were disadvantages. It's just that people weren't aware of the advantages.'	• 'People didn't understand.' • More user-friendly information could have been provided.'
	6	Traffic manager	• 'Basically, employees saw it as a chance to make some money and belong to a family again.'	• 'It may have disillusioned those people who couldn't afford it.'	• 'If there had been a lot more ordinary shares going around, I think that employees would have bought them.'
Other	7	Service controller	• 'It gave employees a few bob – they got some free shares and they sold them.'	• 'We didn't really have a lot of influence. We did have employee directors and a bit of money in our pockets, but that was it.'	• 'In hindsight, I would have liked to have bought some more shares and made a lot of money.'

Appendix 12(xxxiii): Stage Two respondent views on ESO and employee behaviours - *Company Six*

Respondent type	Respondent no.	Role	Impact on employee efficiency	Impact on attitudes to work	Impact on attitudes to the trade unions
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'I doubt if it made a quarter of 1 per cent difference in the way people worked and felt about their daily routine, and that's what most people would tell you.'	• 'For most people, the amount of money they had tied up in this company was only the shares they had been given, and it was a fairly insignificant amount of money.'	• 'I don't think there was any real change, because I don't think people actually believed they had a stake in the company – not a real stake – not with a few penny shares.'
	2	Company convenor	• 'People who had invested a lot of money in the shares put a lot of complaints in about others who were messing around.'	• 'The majority just got on with their work, they didn't care whether the shares went up or down until the actual time of selling.'	• 'You still need people who can represent the workforce.'
	3	Branch secretary of the TGWU	• 'Because it was such a poor deal and so few people could put money into it, the directors were left with a demoralised disillusioned and inefficient workforce.'	• 'It affected very few people in that regard.'	• 'With privatisation people are now guarded against the unions. A lot of it stems not from how share ownership was handled, but the unions' inability to stop any of it.'
Managers	4	Garage general manager	• 'There were those who were truly interested in the success of the company. For others it was a case of "today, we're part of London Transport, tomorrow we're [XXX] and the day after that we're working for [XXX]. Who cares?" There was a lot of that.'	• 'The commitment was there according to what you put into the company and what you wanted to see come out.'	• 'They were guided by and relied heavily on the trade unions to find out what was going on'. • 'I don't think they ever felt they were misinformed or treated badly by the unions, or unfairly represented.'
	5	Service quality manager	• 'So few people actually bought shares that it didn't really make any difference.'		
	6	Traffic manager	• 'They didn't seem to be able to grasp that by being a shareholder, the way they did their work totally governed the way their shares went. It took an awful long time for people to realise they were a part of it.' • 'It started to show when you had staff reporting other staff for not doing their job properly.'		
Other	7	Service controller	• 'I don't think that shares have got any real influence on people – not in this industry. I had no perception that I needed to work harder.'		• 'There was no difference in attitude at all.'

Appendix 12(xxxiii): Stage Two respondent views on ESO and employee behaviours - *Company Six*

Respondent type	Respondent no.	Role	Impact on employee efficiency	Impact on attitudes to work	Impact on attitudes to the trade unions
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'I doubt if it made a quarter of 1 per cent difference in the way people worked and felt about their daily routine, and that's what most people would tell you.'	• 'For most people, the amount of money they had tied up in this company was only the shares they had been given, and it was a fairly insignificant amount of money.'	• 'I don't think there was any real change, because I don't think people actually believed they had a stake in the company – not a real stake – not with a few penny shares.'
	2	Company convenor	• 'People who had invested a lot of money in the shares put a lot of complaints in about others who were messing around.'	• 'The majority just got on with their work, they didn't care whether the shares went up or down until the actual time of selling.'	• 'You still need people who can represent the workforce.'
	3	Branch secretary of the TGWU	• 'Because it was such a poor deal and so few people could put money into it, the directors were left with a demoralised disillusioned and inefficient workforce.'	• 'It affected very few people in that regard.'	• 'With privatisation people are now guarded against the unions. A lot of it stems not from how share ownership was handled, but the unions' inability to stop any of it.'
Managers	4	Garage general manager	• 'There were those who were truly interested in the success of the company. For others it was a case of "today, we're part of London Transport, tomorrow we're [XXX] and the day after that we're working for [XXX]. Who cares?" There was a lot of that.'	• 'The commitment was there according to what you put into the company and what you wanted to see come out.'	• 'They were guided by and relied heavily on the trade unions to find out what was going on'. • 'I don't think they ever felt they were misinformed or treated badly by the unions, or unfairly represented.'
	5	Service quality manager	• 'So few people actually bought shares that it didn't really make any difference.'		
	6	Traffic manager	• 'They didn't seem to be able to grasp that by being a shareholder, the way they did their work totally governed the way their shares went. It took an awful long time for people to realise they were a part of it.' • 'It started to show when you had staff reporting other staff for not doing their job properly.'		
Other	7	Service controller	• 'I don't think that shares have got any real influence on people – not in this industry. I had no perception that I needed to work harder.'		• 'There was no difference in attitude at all.'

Appendix 12(xxxiv): Stage Two respondent views of employees' attitudes to ESO - *Company Six*

Respondent type	Respondent no.	Role	Did employees feel like owners?	Did employees care about ESO?	Employee attitudes to the demise of ESO
Trade union officers/ representatives	1	Branch representative for the TGWU	• 'They took a keener interest in the profits the company was making and in the share price.' • 'They were only really interested in the money.'	• 'Yes – I'm sure some of them did. The question is, was it anything to do with this company, or was it purely oriented towards making money? Would it have mattered which company it was?'	• 'It was a sum of money that they were going to get for something they had not had to pay out for.'
	2	Company convenor	• 'No – it was just "something for nothing".'	• 'No – because a lot of them didn't actually buy shares.'	• 'Once the shares were sold, everybody just grabbed what they could and that was it.'
	3	Branch secretary of the TGWU	• 'Share ownership was put forward very much as a fait accompli. I don't think any of us felt it was anything we had control over.'	• 'I don't think it ever occurred to employees to have ownership of the company or to have any say in the company.'	• 'I don't think they were sad to see it go.'
Managers	4	Garage general manager	• 'The financial side – yes. Everybody felt it was their company and that they could benefit from it. However, their performance showed that there wasn't the interest.'	• 'If you were to turn the clock back, they would say it was a bad thing. It took them away from their comfort zone – of being part of London Transport.'	• 'I wouldn't say they were sorry. I don't think anybody really got to grips with it because nothing has changed. We still have the same directors, the same garages, the same managers.'
	5	Service quality manager	• 'I certainly didn't. I didn't think about the company any differently.'	• 'Those who had shares may have been interested in what was going to happen, but I don't think it was a big issue.'	• 'Those who bought shares did well out of it and for those who hadn't bought them, it made no difference.'
	6	Traffic manager	• 'No – not to the degree that they were willing to come in and do extra and above what they were supposed to do.'	• 'Shares are someone else's problem, and then the employees suddenly see others making something out of it.'	• 'Now they've got nothing to work for.' • 'Having seen people make some money, I think they'd be interested in owning shares.'
Other	7	Service controller	• 'No. You can't feel like an owner when you're not made to feel a part of the team.'	• 'The shares were just a short-term thing to buy a new car or go on holiday – that's all it was.' • 'Involvement – "it's something for other people".'	• 'It would have been nice if employees could have got a little bit more money.'

Appendix 13(i): Stage Two respondent views on employee involvement and communication – all companies

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
1	• Employees can only express views through the union (TU)	• During ESO employees had more input. They are kept a lot more in the dark now (TU)	• Disseminating information to employees is down to the trade unions (TU)	• Lots of scope for involvement but managers are not interested (TU)	• Notices about company activities/profits/ losses in depots (TU)	• Virtually none. Commercial interests are the main priority (TU)
2	• Employees have no real expectations – they just want to be kept informed (TU)	• Drivers know the job but managers don't consult with them (TU)	• Notices are displayed in depots but there is very little else (TU)	• Consultative committees but rarely occur (TU)	• Managers give out information and hold one-to-one meetings (TU)	• Employee directors do surveys and find out what employees think (TU)
3	• Employee directors are the main channel of communication for employees (TU)	• Very little employee involvement under the ESOP. Won't be any under the new ownership (TU)	• There are too many notices. Employees don't read them (TU)	• Seminars and briefings during ESO – an 'open' environment. No longer the case (TU)	• Opportunities for managers to talk to staff. Communication is encouraged (M)	• Notices posted in the depots/monthly union branch meetings but lack of interest (TU)
4	• There needs to be more communication and consultation (M)	• Only interest to become involved came at £6.40 a share (M)	• Employees can make suggestions to management but should go to the union first (TU)	• Communication leaves a lot to be desired (TU)	• Managers and trade unions are both used to disseminate information (M)	• Difficult to get all employees together. Use notice boards/ written information (M)
5	• Through employee directors, employees can get their point across at board level (M)	• Employees will not risk profits. They are more switched on (M)	• Managers will implement suggestions if they are reasonable and cost-effective (M)	• Use 'word of mouth'. Give information to 'key' drivers to pass on (M)	• Notices posted in the depots. Increase in the last couple of years (TU)	• Use of notice boards. Employees ask managers rather than their union (M)
6	• Employee directors/works committee (M)	• No secrets between management and trade unions but less time for discussion (M)	• In-house newspaper but same contributors each time (M)	• Divisional consultative committees and occasional seminars (M)	• In-house newspaper and 'talk-back' sessions but could be improvements (TU)	• Managers don't talk to employees enough – too much paperwork (M)
7	• Employees' expectations are not fully met (M)				• Limited scope. Mainly rely on the unions (M)	• Procedures for informing staff are fine but very limited involvement (O)
8	• More consultation is needed (O)				• Managers encouraged to talk. Communication is good anyway (M)	
9	• Managers should still be allowed to manage (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(ii): Stage Two respondent views on company industrial relations – all companies

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
1	• Employees and the unions don't trust management (TU)	• Worst it has been for a long time (TU)	• Consultative and working towards co-operation (TU)	• Never known industrial relations to be at such a low (TU)	• Fairly okay. Have moved from a small family to a big family (TU)	• Managers do their best but will break agreements when it suits them (TU)
2	• A pretty 'laid-back' company. No strikes among engineers in recent years (TU)	• Industrial action is imminent. The unions won't be trodden on (TU)	• Very co-operative but little flexibility on some issues (TU)	• Very very weak (TU)	• Reasonable – not excellent (TU)	• Senior managers are fine to deal with. Problems at lower levels (TU)
3	• Management tries to involve the unions every step of the way (TU)	• Every chance of industrial action – nature of the bus industry (TU)	• Consultative. Previously expected that it 'should' be adversarial (TU)	• Current climate is adversarial (TU)	• Managers consult with the unions but managers should be able to manage (M)	• Less consultative than it should be. Not enough union involvement (TU)
4	• Same old decisions are made (M)	• Everyone is still on a high. Don't know what will happen in the future (M)	• Without co-operation industrial relations cannot work (TU)	• Consultative at present but swings and roundabouts (TU)	• Co-operation by default. Managers do what they want so why challenge them? (M)	• There is co-operation. Good co-operation comes from good consultation (M)
5	• Fairly co-operative industrial relations climate (M)	• Engineering unions are very apprehensive and TGWU may be in for some surprises (M)	• Neither good nor bad. Just keep plodding along as we always have done (M)	• Very consultative. Lots of arguments but parties work together to reach compromises (M)	• Unions don't get everything they want but no point in making threats (TU)	• More consultative than anything else (M)
6	• Full discussion between managers and stop stewards. Union strength has not been diluted (M)	• Targets have to be met regardless – whether by friendly dialogue or threats (M)	• Balanced at the moment, but it can swing between consultative and adversarial (M)	• Managers and trade unions consult on most matters. Sometimes argue but not confrontational (M)	• Co-operative climate but it has been an uphill struggle (TU)	• A very good relationship between management and the unions. Previously a lot of bitterness – 'them and us' (M)
7	• Can get things done without wielding a big stick (M)				• Managers make every effort to consult but could do more (M)	• Everybody has to pull in the same direction otherwise it won't work (O)
8	• Issues discussed in depth. Things have not changed since the buy-out (O)				• We talk to people informally and get problems solved (M)	
9	• Only have problems during the wage negotiations. Flexibility is important (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(iii): Stage Two respondent views on the effectiveness of management in running the company - all companies (trade union/other respondents only)

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
1	• Management is out of touch (TU)	• New managers will make sure that the company's profit margins will be the biggest yet. There will be greater efficiency (TU)	• Managers are not effective without the trade union. Both share the same interests in some respects (TU)	• There is no such thing as discussion and consultation (TU)	• Management does not know what it is doing. It is a lot different to how it was previously (TU)	• Insofar as buses run on time and the company retains its routes (TU)
2	• They could be better but no real problems (TU)	• Previously some managers were not progressive. There will be more investment now because the new owners want bigger profits (TU)	• *Company Three* is the most successful of all the privatised companies. Managers must be doing something right (TU)	• Managers are unable to manage. All decisions come from head office (TU)	• They're making profits and winning awards so they must be doing something right (TU)	• Managers could do better. They cut corners and don't communicate as much as they should (TU)
3	• It is in their interests to be effective. They have a lot to lose if the company is sold (TU)	• There is now a more professional but tougher management. More profit-conscious/ determined to get their own way (TU)	• They are as effective as any management (TU)	• Profitability is at record levels so management must be effective (TU)		• They are effective because they cut wages and had to start running a profitable business (TU)
4			• Senior managers are effective. Below senior levels there are problems (TU)	• Everything is money-oriented. Managers want their pound of flesh (TU)		
5					• No company is ever perfect. The company is effective (TU)	
6					• Management is too effective for the unions sometimes, as the unions are constrained by law (TU)	
9	• I do not always agree with their methods but they seem to be managing (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(iv): Stage Two respondent views on management/employee relations – all companies

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
1	• Management does not have the human touch it used to have (TU)	• Managers will expect more commitment than before. Severe consequences if that does not happen (TU)	• Longer-serving employees 'go with the flow'. Younger people just want to make money (TU)	• People will not do anything to help the company – no allegiance whatsoever (TU)	• Employees don't support managers for a variety of reasons (TU)	• Most people wouldn't think twice about looking for another job (TU)
2	• People are just happy that their jobs have been secured (TU)	• Managers don't distinguish between good and bad employees (TU)	• Some employees don't get to see the senior managers as often anymore (TU)	• Employees think that managers and unions do nothing for them (TU)	• Without the employees, management hasn't got anything (TU)	• Majority of employees wouldn't support managers (TU)
3	• We try to avoid a 'them and us' situation (TU)	• Employees saw very little evidence of good relations under the ESOP. There will be none under the new ownership (TU)	• In any company, employees will never support managers, but things have improved here (TU)	• Managers are only driven by greater profits. There is no time for employees (TU)	• Managers will never satisfy everybody. You will always have employees who object to everything (M)	• Around 80 per cent of drivers in the company remember a much better job (TU)
4	• There is distrust between managers and employees. ESO has not been good for everybody (M)	• 95 per cent of staff in the company are motivated to work. You will never motivate the other 5 per cent (M)	• As long as managers are looking after employees' interests, employees will support managers (TU)	• Employees support local managers but not managers at a higher level (TU)	• Employees do their job and that's all they want to do (M)	• Gone through a period of change but employees now understand why it happened (M)
5	• Managers are very approachable but platform staff go through the union (M)	• Employees are under no illusions. Targets have to be met (M)	• Employees go on union recommendation – they want to be led (M)	• Most employees support managers but you won't make everybody happy (M)	• Employees do not support managers but would not tell the managers directly (TU)	• There is a split. Some employees are fine, others are not (M)
6	• Managers do their best under the circumstances (M)	• There is less loyalty to the company. Employees are not interested any more (M)	• There is loyalty to individual managers, but not as a group (M)	• A good relationship locally, but there are problems across the company (M)	• Employees have been beaten down over the years (TU)	• Always 'them and us'. Employees 'prefer' a barrier (M)
7	• Company is on a fairly even keel – co-operative (M)				• Managers have had to make some harsh decisions (M)	• Managers make themselves available for employees (O)
8	• Managers fulfil their obligations to employees (O)				• Some employees will always criticise how managers run the company (M)	
9	• It is in employees' interests to work with management (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(v): Stage Two respondent views on management/union relations – all companies

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
1	• Relationship has just got worse (TU)	• Prior to the new ownership, there was give and take on both sides. Relations have now become much worse (TU)	• A lot of sacrifices have been made. Managers give out the wrong signals (TU)	• Local line managers cannot make agreements because of repercussions from above (TU)	• Relations are not too bad (TU)	• Fairly good working relationship (TU)
2	• Good working relationship but more flexibility is needed (TU)	• Relations had started to improve but it's now back to 'them and us' (TU)	• Tremendous improvements. Used to be 'them and us' (TU)	• There aren't any management/union relations (TU)	• Reasonable. Each side has to tolerate the other, otherwise it doesn't work (TU)	• Not too bad. The odd problem but that's part of the job (TU)
3	• Very good. Managers try to talk things through with the unions (TU)	• We'd built some bridges. Now waiting to see what the new owners are going to do (TU)	• Steady improvement since 1994. Relations are still moving upwards (TU)	• Bad and getting worse. Untrusting and confrontational (TU)	• Fairly co-operative – compromise takes place. Never reach a stage of deadlock (M)	• Company has held management/union industrial relations courses. Relations are pretty good (TU)
4	• Poor at times. The unions make unreasonable demands (M)	• Both parties know where the other is coming from (M)	• Pretty good – a 'give and take' game (TU)	• Managers have to put up with the unions so they do (TU)	• Very good management/union relationship (M)	• Very good – very open. Mutual respect (M)
5	• Okay but the parties can't be seen to agree on everything – have to 'save face' (M)	• Reasonably healthy management/union relations (M)	• Co-operation quite good all round (M)	• Give and take on both sides. Don't always agree but good working relationship (M)	• We wouldn't have to fight so hard in an ideal world but relations are pretty good (TU)	• No problems now (M)
6	• Satisfactory, but unions don't appreciate the realities of the trading situation (M)	• Relations haven't changed. We've been more involved with redundancies (M)	• Times when there is tension but relations are generally good (M)	• Fair. Some issues are a bit strained (M)	• Reasonably good. Unions may not get what they want but managers will always listen (TU)	• Not a soft relationship but a good working relationship (M)
7	• Relations are quite good. No real change since ESO (M)				• Excellent. Not always agreement, but reasonable discussion (M)	• Quite good (O)
8	• Managers recognise that they have to consult with the unions (O)				• Very high degree of co-operation across the board (M)	
9	• Managers involve the unions too much – they are too accommodating (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(vi): Stage Two respondent views on union/employee relations – all companies

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
1	• Some employees think that the unions aren't as powerful anymore (TU)	• The union was put in a compromising position because of the EBT (TU)	• People join unions mainly for protection (TU)	• Industrial action would be fully supported by the workforce (TU)	• Employees have had to support themselves half the time (TU)	• Unions would not get as much support for a strike now as previously (TU)
2	• Engineering staff are frustrated that the TGWU has more say (TU)	• The bus industry is very union-oriented. Employees appreciate the benefits e.g. the distress fund (TU)	• Some longer-serving employees felt let down by the unions after privatisation (TU)	• There's an apathy among the workforce that the unions do nothing for them (TU)	• The unions don't have a lot of power nowadays – they are seen mainly as insurance (TU)	• There is so much legislation that restricts the union, but employees don't see that (TU)
3	• Unions are given information every step of the way to pass on to employees (TU)	• People need their trade union to secure the best deal. The ESOP did not complicate that (TU)	• Employees had to make a major sacrifice at the time (TU)	• Over 80 per cent of the drivers have recently supported taking industrial action (TU)	• The union is there so people feel that they should be a part of it (M)	• Members' feelings are weaker than the unions would wish (TU)
4	• Drivers get a lot of information from their union but other sections less so (M)	• Drivers will say they've got bad terms and conditions no matter what (M)	• About 75 per cent of the workers support the union, but others can't move out of the past (TU)	• The unions have the support of the employees but not to the same extent as previously (TU)	• There's a lot of apathy among the younger members (M)	• Employees know it is best to have representation (M)
5	• Workers support the unions but the unions have to make a few waves (M)	• During the ESOP, the dual role of the union muddied the waters (M)	• Long-servers still carry their membership card with pride (M)	• People are now less interested in the trade unions (M)	• Above depot level, union officers are removed and remote (TU)	• Some employees support the unions – some don't (M)
6	• Unions generally represent the views of the workforce (M)	• There is a good relationship. The union is not in management's pocket (M)	• Unions sometimes have a problem convincing the workforce that they're not in bed with managers (M)	• Relations are tentative – there are a couple of different factions. People blame them [the unions] for the change (M)	• Employees pay their union dues which would be difficult to justify if they didn't support the unions (TU)	• Presently the unions don't have a very good rapport with the staff (M)
7	• Workers support the unions in some areas but not in others (M)				• Union membership is still very close to 100 per cent but the unions have lost some of their following (M)	• People have got less faith in the unions – they feel let down (O)
8	• The unions have a secure position within the company (O)				• Few workers see the union role as vital but union officers are satisfactory (M)	
9	• Most of the workers are in the union (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(vii): Stage Two respondent views on the effectiveness of union officers - all companies (management/other respondents only)

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
3					• Some are better at being a leader than others. Some take on the job because no one else will (M)	
4	• They try to do their best for the workers (M)	• There is no problem (M)			• They're effective in leading their members and getting a fair deal (M)	• Very good at the top level. At grass roots level it is very weak (M)
5	• Union officers are effective (M)	• Depends on the individual. During the ESOP, some officers did not divorce themselves from the union. Others had a hidden agenda (M)	• Union officers try to get as much as they can for their members. Some have the interests of the company at heart more than others (M)	• Pretty effective. They tell their members it's in their interests to accept certain things (M)		• They are all out for themselves rather than working for their members (M)
6	• Fairly effective (M)	• Union officers have coped well in extremely difficult circumstances (M)	• Union officers are very effective. Sometimes there are problems but they deal with them (M)	• Full-time officers need to try and educate people on the shop floor a little bit more (M)		• Good union officials are very important. If they are passing on the wrong information it can cause problems (M)
7	• Lack of realism. Some officers don't want to know that the company can't afford a pay rise (M)				• Very effective. It is in their interests to get the best for their members (M)	• Very good at present. People complain but there isn't really a problem (O)
8					• They have the leadership skills. It is better to deal with people with those skills (M)	
9	• Sometimes the unions are there to help you. Sometimes they are only out for themselves (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(viii): Stage Two respondent views on the degree of union power – all companies (management/other respondents only)

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
3					• About the right amount. It averages out across the company (M)	
4	• Some of the demands made by the unions are not feasible (M)	• Managers and unions work alongside each other (M)			• Branch meetings are very poorly attended. Power comes from the support of the members (M)	• Unions know that the managers have a relatively free hand but the managers don't abuse that (M)
5	• The unions have influence but managers should be allowed to manage (M)	• The company has always had a consultation process that allows for union input, but decisions have to be made at the end of the day (M)	• The union probably has about the right amount of power at the present time (M)	• Some think that the unions have too much power, but they don't have as much power as previously (M)		• It varies. They [the unions] get involved in issues where they shouldn't get involved and vice versa (M)
6	• Consultation is far and wide – it is very extensive compared with some organisations (M)	• There won't be the time for dialogue in the future. Each side can have input but targets have to be met (M)	• In the 1970s the unions had too much power, then it went management's way in 1993-4. Now there is a balance (M)	• Probably about the right amount (M)		• In the past they [the unions] have had too much. Now it's about right. There is a good working relationship (M)
7	• The TGWU has too much influence. Drivers can be taken off the road for a minor quibble (M)				• The balance is about right but power can swing from one side to the other (M)	• There is a nice balance compared with the 1970s when they [the unions] had too much power (O)
8					• Probably about right. I wouldn't want them to have more power, but there are benefits in having a union (M)	
9	• Managers involve the unions at an early stage in most things. It helps to smooth the way for change (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(ix): Stage Two respondent views on the union as the main communication channel to employees on company policy - all companies (management/other respondents only)

Respondent no.	*Company One*	*Company Two*	*Company Three*	*Company Four*	*Company Five*	*Company Six*
3					• There should be consultation with the unions but they should not be the main communication source (M)	
4	• Workers should consult more with managers (M)	• There are differences but also a good working relationship between managers and union representatives. Each side respects the other's role (M)			• Unions are a major communication channel but not the only one. It is good for managers to communicate with staff directly (M)	• The unions are recognised but there is concern about how effective they are in communicating information (M)
5	• Worker directors provide employees with a lot of information (M)	• There will be less time for consultation under the new ownership (M)	• It is better if every employee is a union member – it makes communication easier for managers (M)	• Some union officers pass on information as intended. Others put their own 'slant' on it (M)		• Members do not get to hear the information because they do not attend union meetings (M)
6	• Worker directors have a big input in communicating policy to employees (M)	• Managers are not secretive. If information is needed, trade unions receive it (M)	• The unions are relied upon too much at times. Information is not always passed on effectively to employees (M)	• It is right that the company has trade unions and collective bargaining. It encourages a 'team' mentality (M)		• Has to be discussion between unions and managers to establish a 'common ground' (M)
7	• Managers and unions both have a role to play in communicating with employees (M)				• Trade unions are a good medium but managers should have direct contact with employees (M)	• If unions are doing their job properly and communicating with employees, that's fine (O)
8	• Unions communicate policy to employees but they are not the only channel (O)				• Unions are used to some extent but they are not the main communication channel (M)	
9	• If management gets the union on side the rest of the staff will follow (O)					

TU = trade union respondent
M = management respondent
O = other

Appendix 13(x): Stage Two respondent views on the objectives of ESO – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	***Company Four***	***Company Five (A)***	***Company Six***
1	• 'To get the best deal for the workforce and break free from local authority control.' (TU)		• 'Maybe the directors thought they were giving the drivers a stake in their future but I don't remember that being said.' (TU)
2	• 'To involve employees in owning a part of the firm.' (TU)	• 'The whole idea was to have share ownership for three years and avoid a hostile take-over bid.' (TU)	• 'People were given the opportunity to have shares – that's all.' (TU)
3	• 'The directors could not persuade the council to sell to a management buy-out and the trade unions wanted equality for the workforce.' (TU)	• 'There were distinct advantages to buying the firm ourselves. We wanted to control our own fate but we new it wouldn't last forever.' (M)	• 'It was never done to include people - it was the lesser of two evils. It was a tiny bit of money for us and a lot of money for somebody else.' (TU)
4	• 'We knew best how to run the firm. We didn't want other people coming in who did not know what they were doing.' (TU)	• 'We knew we could be a target for some fierce competition. It also provided employees with a stake in the firm and gave them a certain amount of kudos.' (M)	• 'To provide job security and to put our destiny in our own hands. We broke away from London Transport and took control of the firm.' (M)
5	• 'An ESOP was the only option the trade unions and the local council were willing to accept.' (M)		• 'We could control our own destiny to a certain extent.' (M)
6	• 'The opportunity was there and it was easier to raise the money to pursue the strategy that we chose.' (M)		• 'The directors didn't have a lot of choice. If they hadn't bought the firm, it would have been sold on to someone else. The buy-out was the only way forward.' (M)
7			• 'Profit. There was no other reason for it.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xi): Stage Two respondent views on the advantages of ESO – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'You learned a hell of a lot. It was a way of protecting your wages and conditions at the time.' (TU)	• 'There were fewer accidents because people were being more careful – they owned part of a family.' (TU)	• 'Initially most people did not give share ownership a thought, but there was a difference once the shares rose in value.' (TU)
2	• 'When we had share ownership we could go into meetings and threaten the directors with strike action because their money was on the line.' (TU)	• 'Financial reward was the main advantage.' (TU)	• 'Profit and what you could get out of it were the main advantages.' (TU)
3	• 'You were on the inside of all decisions and I had five very interesting years.' (TU)	• 'People had a greater interest in coming to work – it was more than just a job. They were encouraged to become more involved and had a different perspective. It was more than a 9-5 job.' (M)	• 'The free shares and the windfall afterwards were the main advantages, though we lost a lot of money at privatisation.' (TU)
4	• 'The main advantages were job security and a chance to try and secure our own future.' (TU)	• 'Everyone was working towards the same goal. We were all trying to make it into the best firm we possibly could and employees felt a part of it. They had the opportunity to have an input and it gave them job satisfaction.' (M)	• 'The firm performed much better because the responsibility was on us. It was down to us as employees at whatever level to make it work.' (M)
5	• 'I don't actually think it worked. There was no effort made to say what an ESOP was and what would actually happen.' (M)		• 'Financial reward was the main advantage.' (M)
6	• 'The main advantage was probably the consultation and communication process. People wanted to know what was going on. Financially, people benefited when we sold the firm.' (M)		• 'Employees saw it as a chance to make some money and belong to a family again.' (M)
7			• 'Employees got some free shares and a bit of money.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xii): Stage Two respondent views on the disadvantages of ESO – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'None really. I would have preferred to stay in public ownership but we had to protect what we had and the ESOP was the best way to do it.' (TU)	• 'There were no disadvantages.' (TU)	• 'At worst, share ownership was a small pay out and at best a large pay out for those who had never put up any initial investment.' (TU)
2	• 'The ESOP was the right strategy but the mechanism we used wasn't sufficient to keep everybody level.' (TU)	• 'There were no disadvantages. Share ownership drew everyone closer together – it was an advantage.' (TU)	• 'Some people got nothing at all from share ownership.' (TU)
3	• 'The disadvantage was that we couldn't give a more equal share to all.' (TU)	• 'It was difficult trying to get across what we were trying to do. We stumbled occasionally and it was a real struggle having to tell people that we couldn't afford to give them a pay rise.' (M)	• 'Wages were reduced and there was not enough time to nurture any feelings of ownership.' (TU)
4	• 'I don't think there were any disadvantages. We had to wake up and grasp the nettle.' (TU)	• 'There was a constant concern whether you were doing it right or wrong. If you got it wrong you were costing the employees money.' (M)	• 'Some employees made a lot of money out of share ownership – perhaps at the expense of other employees in the firm.' (M)
5	• 'Very few people were interested in share ownership and the unions had too much power.' (M)		• 'I don't think there were any disadvantages. It's just that people weren't aware of the advantages.' (M)
6	• 'Overall, we looked inwardly. There was a lack of investment and we didn't take the bull by the horns.' (M)		• 'People who couldn't afford to buy shares may have become disillusioned.' (M)
7			• 'We didn't really have a lot of influence. We had employee directors and some money in our pockets but that was it.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xiii): Stage Two respondent views on what could have been done differently in relation to ESO – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'I think we would have gone for the same ESOP as before. We couldn't have bettered it.' (TU)	• 'We would have done nothing differently. It was great the way it worked out. You could buy shares if you wanted or you could just have free shares.' (TU)	• 'In hindsight, I would have sold my house and bought as many shares as I could. I think I speak for most people.' (TU)
2	• 'I would have bought shares.' (TU)	• 'I would have bought more shares but other than that, we couldn't have done any better. I would use our firm as a yardstick for others because our way was as good as any.' (TU)	• 'I never got involved in the dealings of the share scheme so I can't comment.' (TU)
3	• 'The 51:49 split should have been different and there should have been more co-operation between employee directors at different bus companies.' (TU)	• 'I don't think we would have done anything differently. We had to make some serious decisions but we got there.' (M)	• 'I would have liked a level playing field and for things to be fairer.' (TU)
4	• 'Employees should have been invited to put money in. They would have been more interested [in ESO] but they weren't asked.' (TU)	• 'We wouldn't really have done anything differently. We went into it knowing that it was going to be a relatively short-lived experience.' (M)	• 'Overall we can look back and say it worked very well. If there was one concern it was that we had to be financed very heavily by outsiders.' (M)
5	• 'If employees had been required to invest money it would have created a better environment for success.' (M)		• 'People didn't understand the scheme. More user-friendly information could have been provided.' (M)
6	• 'If employees had been able to invest in the firm it would have given them a greater incentive. As a group they had 49 per cent but as individuals, it meant very little to them.' (M)		• 'If there had been more ordinary shares available I think that employees would have bought them.' (M)
7			• 'In hindsight I would have liked to have bought some more shares and made a lot more money.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xiv): Stage Two respondent views on ESO and employee efficiency– ***Company Four, Company Five (A)*** **and** ***Company Six***

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'Share ownership made no difference to employee efficiency. The job was still the same. The only difference was that we got more information on the firm's budgets. We knew exactly what profits the firm was making.' (TU)		• 'I doubt if ownership made a quarter of 1 per cent difference to the way employees worked and felt about their job. That's what most people would tell you.' (TU)
2	• 'Because employees did not have a financial stake they couldn't care less. They had the attitude that they were going to get their money at the end of the week regardless.' (TU)	• 'We won an Investors in People award and share ownership was part and parcel of that. Employees felt a part of the firm whereas before it was just a case of being owned by the council.' (TU)	• 'Employees who had invested a lot of money in buying shares started to put in complaints about others who were messing around.' (TU)
3	• 'At the beginning, owning the firm provided employees with more motivation.' (TU)	• 'I don't know whether their efficiency improved. We've always had problems with sickness and when we became owners we brought in external consultants who dealt with these matters and things improved greatly. However, the improvement was more to do with the methods the consultants used rather than a general change in attitude.' (M)	• 'Because share ownership was such a poor deal and so few people put money into it, the directors were left with a demoralised, disillusioned and inefficient workforce.' (TU)
4	• 'Share ownership did not change employees in any way. I don't think they even realised that they owned a part of the firm. We could have been more dominant and we could have forced issues. I know I never felt like a part-owner. I was just an employee.' (TU)	• 'I think that efficiency was probably fifty times greater under share ownership than it is now. Employees haven't got an incentive to perform anymore.' (M)	• 'There were those who were truly interested in the success of the firm. For others, it was a case of being owned by London Transport today, someone else tomorrow and someone else the day after that. There was a lot of that.' (M)
5	• 'Employees certainly weren't very efficient in the early years. Efficiency was terrible and productivity was extremely low.' (M)		• 'So few people actually bought shares that it didn't really make any difference.' (M)
6	• 'I don't believe that attitudes overall changed towards the job from pre-ownership to ownership.' (M)		• 'Employees didn't seem to be able to grasp the fact that by being a shareholder, the way they did their work dictated how the shares performed. It took an awful long time for people to realise that they were a part of the firm. It started to show when you had staff reporting other staff for not doing their job properly.' (M)
7			• 'I don't think that shares have got any real influence on people, not in this industry. I had no perception that I needed to work harder.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xv): **Stage Two respondent views on ESO and attitudes to work – *Company Four, Company Five (A)* and *Company Six***

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'We didn't get a great number of shares from the ESOP. The only time that share ownership meant anything was when the firm was sold. The carrot was dangled and employees took it.' (TU)		• 'For most people, the money they had tied up in the firm was only from the shares and it was a fairly insignificant amount.' (TU)
2	• 'When employees had free shares they weren't interested. In their eyes they didn't have shares – there was no value to them.' (TU)	• 'It's all down to how people are treated and how they feel. If they feel involved and a part of the firm, that is what matters.' (TU)	• 'The majority of employees just got on with their work. They didn't care whether the shares went up or down until the actual time when they were sold.' (TU)
3	• 'Employees had access to a lot more financial information when we owned the firm. The result was a knowledgeable workforce and an obvious change in attitude to their work.' (TU)	• 'I think their attitude to work probably changed for the better, although we'd always had a good reputation. Employees enjoyed knowing they had a stake in the firm and were proud of the firm.' (M)	• 'ESO affected very few people in terms of changing attitudes to work.' (TU)
4	• 'Share ownership did not change employees in any way. I don't think they even realised they owned a part of the firm. We could have been more dominant and could have forced issues. I know I never felt like a part-owner. I was just an employee.' (TU)	• 'We spent a lot of time explaining to employees what ownership was all about and how every passenger we carried meant a more profitable firm. They picked up as many passengers as possible. It was their firm and they were making it stronger. After share ownership their attitude to the firm and to their work completely changed and you could see that in the first six months of their sickness and absence reports.' (M)	• 'The commitment was there according to what you had put into the firm and what you wanted to see come out.' (M)
5	• 'Employees were actually complacent because they were owners. Now we have targets set for the group. Before, as an ESOP firm, budgets used to be revised every six months.' (M)		• 'So few people actually bought shares that it didn't really make any difference.' (M)
6	• 'A lot of people here just come along every week, do their job, pick up their money and go home.' (M)		• 'Employees didn't seem to be able to grasp the fact that by being a shareholder, the way they did their work dictated how the shares performed. It took an awful long time for people to realise that they were a part of the firm. It started to show when you had staff reporting other staff for not doing their job properly.' (M)
7			• 'I don't think that shares have got any real influence on people, not in this industry. I had no perception that I needed to work harder.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xvi): Stage Two respondent views on ESO and attitudes to the trade unions – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'I think that everybody stayed in the trade union and everybody knew it was still the trade union. Managers still had to manage, we still had to be there to represent our members.' (TU)		• 'I don't think there was any real change because people did not actually believe they had a stake in the firm. It was not a real stake – not with a few penny shares.' (TU)
2	• 'Share ownership did not change employees' attitudes because the shares were not worth anything to them. In their eyes they didn't own shares.' (TU)	• 'A trade union is there for the benefit of the people. Employees knew that they still needed the union. It was probably an insurance policy – you never know when you might need it.' (TU)	• 'You still need people who can represent the workforce.' (TU)
3	• 'There was no change in attitudes.' (TU)	• 'There was not a conscious attitude that the unions weren't needed anymore. Their role perhaps shifted a little. We deliberately included the union when we first considered buying the firm. We were all buying the firm and needed to be in it as a whole.' (M)	• 'A lot of people are now guarded against the unions. It stems from privatisation – not from how it was handled, but the unions' inability to stop any of it.' (TU)
4	• 'Share ownership did not change employees in any way. I don't think they even realised that they owned a part of the firm. We could have been more dominant and we could have forced issues. I know I never felt like a part-owner. I was just an employee.' (TU)	• 'A change did occur. The trade unionists were shareholders themselves but despite being shareholders they would still act in a trade union capacity when it became necessary. Because of staff commitment to the firm we never really had to test it.' (M)	• 'Employees were guided by and relied heavily on the trade unions to find out what was going on. I don't think they ever felt misinformed, that they had been treated badly by the unions or that they had been unfairly represented.' (M)
5	• 'I don't know whether it was as a result of the ESOP but the majority of staff now approach managers with their problems.' (M)		• 'So few people actually bought shares that it didn't really make any difference.' (M)
6	• 'When employees realised the value of the firm they asked why they could not have invested in it. They believed they had been sold out by the unions.' (M)		• 'Employees didn't seem to be able to grasp the fact that by being a shareholder, the way they did their work dictated how the shares performed. It took an awful long time for people to realise that they were a part of the firm. It started to show when you had staff reporting other staff for not doing their job properly.' (M)
7			• 'There was no difference in attitude at all.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xvii): Stage Two respondent views on feelings of ownership – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	***Company Four***	***Company Five (A)***	***Company Six***
1	• 'If you put £50,000 in, it will mean something. But I still think we took the right decision – it was the right way to do it.' (TU)	• 'Employees did feel like owners. We were a small firm but we were also a family.' (TU)	• 'Employees took a keener interest in the profits of the firm and in the share price. They were only really interested in the money.' (TU)
2	• 'The shares were worth nothing to employees in their eyes so share ownership didn't change their attitudes.' (TU)	• 'The majority of employees felt that they had something to give so they asked a lot more questions about what was going on in the firm.' (TU)	• 'Employees did not feel like owners. It was just "something for nothing".' (TU)
3	• 'The reality was that the managers still controlled the lives of employees day-to-day, so any feelings of ownership soon wore off.' (TU)	• 'There was only a 64 per cent take-up of shares at the time. It wasn't an overwhelming response but people generally couldn't afford it.' (M)	• 'Share ownership was very much a fait accompli. I don't think any of us felt that we had very much control over it.' (TU)
4	• 'Employees did not feel like owners.' (TU)	• 'I really believe that employees did feel like owners.' (M)	• 'On the financial side, employees were interested. Everybody wanted to benefit but their performance did not indicate that the interest was there.' (M)
5	• 'There might have been a few employees who felt like owners. We did provide information at seminars but people just weren't interested.' (M)		• 'I certainly didn't think any differently about the firm.' (M)
6	• 'Owning the firm actually meant very little to employees. A lot of people resented the fact that the managers owned 51 per cent.' (M)		• 'Employees did not feel like owners to the extent that they were willing to come in and do over and above what they were supposed to do.' (M)
7			• 'You can't feel like an owner when you're not made to feel part of the team.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xviii): Stage Two respondent views on whether employees cared about ESO – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'We still get the odd gripe that employees should have been able to buy shares but we did a deal which meant employees got their share of the firm at no cost.' (TU)	• 'Employees cared because we were a small firm and everybody knew everybody else. We are now part of a much bigger firm. The new managing director likes to think we're a family but it's not like how it was.' (TU)	• 'I'm sure some employees did care about share ownership but was it to do with the firm or purely to do with money. Would it have mattered which firm it was?' (TU)
2	• 'There were actually quite a few employees who opted out of receiving the free shares. They said they didn't want them.' (TU)	• 'Employees cared about the firm. The shares are just a piece of paper. I think it [ESO] made employees more aware of where the firm was going.' (TU)	• 'Employees did not really care about share ownership because a lot of them didn't actually buy shares.' (TU)
3	• 'Employees only cared about share ownership for a few months when the shares had real value.' (TU)	• 'A lot of employees cared but a lot of them didn't. Some carried on as if nothing had happened.' (M)	• 'I don't think it every occurred to employees that they were owners in their firm or had a say in their firm.' (TU)
4	• 'The majority did not care about ownership. However, now that people can buy shares in the new firm they are looking in the paper to see how the shares are performing. That's because they've actually got money invested.' (TU)	• 'At the outset there were a lot of negative comments but no real objections. There were very few people who didn't want to invest in it but there were people who couldn't afford to invest in it. Once they got into share ownership and became a part of the firm it was probably the best thing that happened to us.' (M)	• 'If you were to turn the clock back employees would say share ownership was a bad thing because it took them away from the comfort zone of London Transport.' (M)
5	• 'Employees only cared when the firm was sold and they saw the cash.' (M)		• 'Those who had shares may have been interested in what was going to happen but I don't think it was a big issue.' (M)
6	• 'Employees did not care about ownership until the end.' (M)		• 'The shares were seen as someone else's problem until employees saw what others were making out of them.' (M)
7			• 'The shares were just seen as short term – something to use to buy a new car or go on holiday. 'Involvement' was seen as being something for other people.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xix): Stage Two respondent views on the demise of ESO – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'At the time, employees did not care who was taking over the firm – they saw the money and grabbed it. Most of them are now living to regret it.' (TU)	• 'We were all very very sorry but it had to be.' (TU)	• 'It was a case of getting a sum of money for something they had not had to pay out for in the first place.' (TU)
2	• 'Employees were not really bothered because they had not invested anything into the firm themselves.' (TU)	• 'Employees were sorry because they had felt a part of something for three years. They had worked hard to build the firm up into something.' (TU)	• 'Once the shares were sold it was just a case of everybody grabbing what they could and that was it.' (TU)
3	• '99 per cent of employees voted to sell the firm. The offer made was enough for anybody.' (TU)	• 'A lot of employees were sorry – it was a sad day when it ended. They got the money but it wasn't about the money. It was about something they had created.' (M)	• 'There may have been a few employees who were sad to see the end of share ownership, but the majority were not.' (TU)
4	• 'One day employees had shares they didn't really own and the next day someone was offering them £10,000. It was a ridiculous decision to ask anybody to make.' (TU)	• 'It was not a case of them being sorry about not being shareholders any longer. They were sorry that they had lost the "family" atmosphere.' (M)	• 'Employees had never really got to grips with share ownership because nothing really changed. We still had the same directors, the same garages and the same managers.' (M)
5	• 'The employees all just saw the pound signs.' (M)		• 'Employees who had bought shares did well out of the sale. It made no difference for those who had not bought shares.' (M)
6	• '99 per cent of them voted to take the money. It wasn't as if they had been getting anything out of the ESOP.' (M)		• 'Employees perhaps are sorry because now they've got nothing to work for. Having seen some people make money, I think they'd now be interested in owning shares.' (M)
7			• 'It would have been nice if employees could have got more money from the sale.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 13(xx): Stage Two respondent views on whether objectives of ESO were met – *Company Four, Company Five (A)* and *Company Six*

Respondent no.	*Company Four*	*Company Five (A)*	*Company Six*
1	• 'Objectives were met. If we hadn't gone down the ESOP road we wouldn't have been in such a strong position when the firm was sold. We could have been swallowed up and would have been in a worse situation.' (TU)		• 'We had such a dramatic changeover of staff over the three years that probably only a third of people had shares by the time the firm was sold.' (TU)
2	• 'Objectives weren't met because we got derailed half-way through. Directors were motivated by greed and were keen to save money and employees did not pay for their shares so share ownership meant nothing to them.' (TU)	• 'The directors knew they could run the firm for about three years before running into trouble. Employees also got an excellent return as well. £1,000 became £18,000.' (TU)	• 'Objectives were met in the end judging by what the directors got out of it.' (TU)
3	• 'Objectives were met. The directors had wanted to control the strategy and direction of the firm and this was achieved for the duration of share ownership.' (TU)	• We decided to take share ownership and do something with it. We changed the culture, bought new vehicles and got a lot of interest going, knowing that we could not survive but it was great fun. There was never a minute to sit back. We enrolled ourselves on a limited time of ownership but it was better than the uncertainty of being sold off.' (M)	• 'I closed my eyes to a lot of it because I could not accept it in principle. I probably switched off and didn't see any advantage.' (TU)
4	• 'Objectives were met although we could have done better in hindsight. We knew how to put buses on the roads but we've had to learn how to make a profit out of doing it.' (TU)	• 'Anyone who invested £1,000 made nearly £18,000 three years later – you wouldn't get that from a building society. We had a product and managed to sell it for £8 million.' (M)	• 'Objectives were met because we were successful. The shares benefited everybody, even if they were only free shares, because people got quite a good return. We went from strength to strength in that we became worth far more than what we were originally bought for.' (M)
5	• 'Objectives were not met because people weren't really interested. Very few people used to attend meetings – they just wanted to come into work, get paid and go home.' (M)		• 'ESO was the "in-thing" to do at the time and we were paying "lip-service".' (M)
6	• 'Objectives were met in that directors had control of the firm for five years. However, there had been an expectation that share ownership would be a longer-term project. We didn't go into it to sell the firm five years down the road.' (M)		• 'The buy-out was the best thing that could have happened to the staff. People who invested money got their reward.' (M)
7			• 'Objectives were met because we made money but it came at a price.' (O)

TU = trade union respondent
M = management respondent
O = other

Appendix 14: K-W ANOVA – ESO satisfaction

Ranks

	Company	N	Mean Rank
Satisfying	1.00	49	96.62
	2.00	95	112.08
	3.00	104	148.98
	Total	248	
Stay	1.00	48	91.03
	2.00	95	111.45
	3.00	103	149.74
	Total	246	
Own	1.00	50	98.04
	2.00	95	118.52
	3.00	104	143.88
	Total	249	
Care	1.00	47	106.16
	2.00	94	119.53
	3.00	104	133.75
	Total	245	
Important	1.00	50	96.46
	2.00	95	128.26
	3.00	104	135.74
	Total	249	
Proud to own	1.00	50	101.70
	2.00	95	119.63
	3.00	104	141.11
	Total	249	

Test Statistics[a,b]

	Satisfying	Stay	Own	Care	Important	Proud to own
Chi-Square	23.702	28.119	16.073	5.743	11.146	11.619
df	2	2	2	2	2	2
Asymp. Sig.	.000***	.000***	0.000***	0.057*	0.004**	0.003**

a. Kruskal Wallis Test

b. Grouping Variable: Company

*** Significant at 0.001 ** Significant at 0.01 * Significant at 0.1

Results of the K-W test above verify results of the ANOVA test presented in Section 6.2 in Chapter 6. The test found significant differences between the companies for all six variables ('satisfying', 'stay' and 'own': $p = 0.001$; 'important' and 'proud to own': $p = 0.01$; care: $p = 0.1$).

Appendix 15: K-W ANOVA – organisational commitment

Ranks

	NEWCO	N	Mean Rank
Proud	1.00	56	109.85
	2.00	100	126.76
	3.00	111	152.70
	Total	267	
Feel	1.00	56	105.87
	2.00	100	135.82
	3.00	111	146.56
	Total	267	
Effort	1.00	56	118.73
	2.00	100	134.10
	3.00	112	142.75
	Total	268	
Contribution	1.00	56	123.09
	2.00	100	132.73
	3.00	111	140.65
	Total	267	
Financial	1.00	56	113.18
	2.00	99	124.70
	3.00	111	151.60
	Total	266	
Money	1.00	56	115.28
	2.00	100	125.14
	3.00	111	151.43
	Total	267	

Test Statistics[a,b]

	Proud	Feel	Effort	Contribution	Financial	Money
Chi-Square	13.678	10.976	3.823	2.123	11.958	10.848
df	2	2	2	2	2	2
Asymp. Sig.	0.001***	0.004**	.148	.346	0.003**	0.004**

a. Kruskal Wallis Test

b. Grouping Variable: Company

*** Significant at 0.001   ** Significant at 0.01

Results of the K-W test above verify results from the ANOVA test presented in Section 6.3 in Chapter 6. The test found significant differences between the companies for four variables - ‘proud’ (p = 0.001), ‘feel’, ‘financial’ and ‘money’ (p = 0.01) – but found no significant differences between the companies for the variables ‘effort’ and ‘contribution’.

Appendix 16: K-W ANOVA – desired participation mean ranks

	Company	N	Mean Rank
Desired policies	1	90	381.44
	2	104	391.69
	3	186	404.39
	4	212	414.96
	5	121	399.08
	6	94	420.06
	Total	807	
Desired own depot	1	88	412.55
	2	105	377.98
	3	186	402.15
	4	212	427.61
	5	121	388.23
	6	93	387.02
	Total	805	
Desired own job	1	89	404.62
	2	105	365.25
	3	187	399.40
	4	210	416.74
	5	121	417.61
	6	93	401.28
	Total	805	
Desired wages and bonuses	1	89	425.74
	2	105	384.41
	3	188	414.62
	4	210	401.09
	5	121	403.15
	6	93	387.17
	Total	806	
Desired health and safety	1	89	414.83
	2	105	356.87
	3	188	420.07
	4	210	415.32
	5	121	390.23
	6	94	406.68
	Total	807	
Desired staffing	1	89	419.24
	2	104	386.41
	3	185	409.15
	4	210	414.92
	5	121	381.60
	6	94	386.25
	Total	803	
Desired new products	1	89	413.93
	2	105	388.11
	3	186	401.61
	4	210	405.14
	5	121	409.11
	6	94	399.39
	Total	805	
Desired new machinery	1	90	432.26
	2	105	389.08
	3	183	416.58
	4	211	408.51
	5	120	373.52
	6	94	380.82
	Total	803	
Desired investment	1	90	378.37
	2	105	356.96
	3	185	401.52
	4	211	432.44
	5	120	440.48
	6	94	367.01
	Total	805	
Desired recruitment	1	90	415.93
	2	105	389.13
	3	185	382.23
	4	211	423.90
	5	121	424.73
	6	94	376.38
	Total	806	
Desired training	1	90	443.52
	2	105	397.96
	3	186	380.45
	4	212	412.76
	5	121	420.05
	6	93	378.81
	Total	807	

Appendix 17: K-W ANOVA – actual participation mean ranks

	Company	N	Mean Rank
Perceived policies	1	89	394.75
	2	104	388.03
	3	187	384.87
	4	215	440.95
	5	122	410.03
	6	93	388.91
	Total	810	
Perceived own depot	1	89	412.93
	2	104	386.06
	3	187	385.42
	4	215	450.51
	5	122	393.90
	6	92	366.89
	Total	809	
Perceived own job	1	89	399.53
	2	104	419.69
	3	188	387.75
	4	215	466.00
	5	122	373.10
	6	93	338.23
	Total	811	
Perceived wages and bonuses	1	89	345.50
	2	104	435.12
	3	188	415.87
	4	214	444.46
	5	122	412.71
	6	93	309.74
	Total	810	
Perceived health and safety	1	88	392.22
	2	104	374.59
	3	188	416.15
	4	213	451.38
	5	122	375.25
	6	93	357.02
	Total	808	
Perceived staffing	1	89	417.29
	2	104	410.27
	3	186	380.57
	4	214	445.32
	5	122	381.07
	6	93	370.47
	Total	808	
Perceived new products	1	89	421.38
	2	104	403.37
	3	187	386.80
	4	215	442.50
	5	122	391.09
	6	93	363.66
	Total	810	
Perceived new machinery	1	89	412.38
	2	104	421.14
	3	187	380.17
	4	214	429.29
	5	120	406.64
	6	93	363.13
	Total	807	
Perceived investment	1	89	390.09
	2	104	413.27
	3	186	385.02
	4	215	426.61
	5	122	417.43
	6	93	383.70
	Total	809	
Perceived recruitment	1	89	404.30
	2	104	402.16
	3	186	381.37
	4	215	440.75
	5	122	396.41
	6	93	384.72
	Total	809	
Perceived training	1	89	403.48
	2	104	422.47
	3	187	381.84
	4	215	440.87
	5	122	384.43
	6	92	377.26
	Total	809	

Appendix 18: 'Participation gap' - Wilcoxon Signed Ranks test

Actual and desired participation (means) at *Company One*

Decision	Actual	Desired	Gap	*Sig*
Company policies	4.28	2.46	1.82	0.001***
Own depot	4.13	2.23	1.90	0.001***
Own job	3.49	2.00	1.49	0.001***
Wages and bonuses	3.96	2.21	1.75	0.001***
Health and safety	3.83	2.12	1.71	0.001***
Staffing	4.38	2.64	1.74	0.001***
New products	4.35	2.55	1.80	0.001***
New machinery	4.42	2.79	1.63	0.001***
Investment	4.37	2.91	1.46	0.001***
Recruitment	4.38	3.12	1.26	0.001***
Training	4.25	2.89	1.36	0.001***

*** Significant (two-tailed) at 0.001

Actual and desired participation (means) at *Company Two*

Decision	Actual	Desired	Gap	Sig
Company policies	4.27	2.49	1.78	0.001***
Own depot	4.02	2.09	1.93	0.001***
Own job	3.64	1.76	1.88	0.001***
Wages and bonuses	4.37	2.06	2.31	0.001***
Health and safety	3.68	1.85	1.83	0.001***
Staffing	4.33	2.45	1.88	0.001***
New products	4.30	2.39	1.91	0.001***
New machinery	4.48	2.52	1.96	0.001***
Investment	4.49	2.78	1.71	0.001***
Recruitment	4.37	2.95	1.42	0.001***
Training	4.29	2.62	1.67	0.001***

*** Significant (two-tailed) at 0.001

Actual and desired participation (means) at *Company Three*

Decision	Actual	Desired	Gap	*Sig*
Company policies	4.20	2.59	1.61	0.001***
Own depot	3.99	2.24	1.75	0.001***
Own job	3.40	2.01	1.39	0.001***
Wages and bonuses	4.31	2.30	2.01	0.001***
Health and safety	3.91	2.24	1.67	0.001***
Staffing	4.24	2.59	1.65	0.001***
New products	4.20	2.48	1.72	0.001***
New machinery	4.27	2.73	1.54	0.001***
Investment	4.34	3.05	1.29	0.001***
Recruitment	4.23	2.91	1.32	0.001***
Training	4.05	2.55	1.50	0.001***

*** Significant (two-tailed) at 0.001

Actual and desired participation (means) at *Company Four*

Decision	**Actual**	**Desired**	**Gap**	***Sig***
Company policies	4.48	2.68	1.8	0.001***
Own depot	4.34	2.45	1.89	0.001***
Own job	3.92	2.16	1.76	0.001***
Wages and bonuses	4.45	2.19	2.26	0.001***
Health and safety	4.14	2.21	1.93	0.001***
Staffing	4.56	2.66	1.90	0.001***
New products	4.49	2.56	1.93	0.001***
New machinery	4.50	2.68	1.82	0.001***
Investment	4.56	3.24	1.32	0.001***
Recruitment	4.60	3.18	1.42	0.001***
Training	4.46	2.75	1.71	0.001***

*** Significant (two-tailed) at 0.001

Actual and desired participation (means) at *Company Five*

Decision	**Actual**	**Desired**	**Gap**	***Sig***
Company policies	4.35	2.55	1.80	0.001***
Own depot	4.11	2.13	1.98	0.001***
Own job	3.36	2.05	1.31	0.001***
Wages and bonuses	4.30	2.10	2.20	0.001***
Health and safety	3.72	1.93	1.79	0.001***
Staffing	4.24	2.41	1.83	0.001***
New products	4.30	2.54	1.76	0.001***
New machinery	4.49	2.44	2.05	0.001***
Investment	4.56	3.28	1.28	0.001***
Recruitment	4.39	3.17	1.22	0.001***
Training	4.21	2.76	1.45	0.001***

*** Significant (two-tailed) at 0.001

Actual and desired participation (means) at *Company Six*

Decision	**Actual**	**Desired**	**Gap**	***Sig***
Company policies	4.17	2.64	1.53	0.001***
Own depot	3.82	2.13	1.69	0.001***
Own job	3.08	1.97	1.11	0.001***
Wages and bonuses	3.78	1.98	1.80	0.001***
Health and safety	3.59	2.05	1.54	0.001***
Staffing	4.13	2.43	1.70	0.001***
New products	4.04	2.47	1.57	0.001***
New machinery	4.12	2.49	1.63	0.001***
Investment	4.24	2.85	1.39	0.001***
Recruitment	4.24	2.87	1.37	0.001***
Training	4.02	2.51	1.51	0.001***

*** Significant (two-tailed) at 0.001

Appendix 19: K-W ANOVA – employee-manager relations mean ranks

	Company	N	Mean Rank
Social division	1	89	431.20
	2	102	433.80
	3	184	380.64
	4	213	416.91
	5	120	418.64
	6	92	311.95
	Total	800	
Ideas and experiences	1	89	420.48
	2	101	395.23
	3	184	383.30
	4	214	443.26
	5	119	395.59
	6	92	323.91
	Total	799	
Managers efficient	1	89	453.63
	2	101	454.00
	3	183	368.53
	4	214	415.13
	5	120	391.65
	6	92	327.13
	Total	799	

Appendix 20: K-W ANOVA – employee-trade union relations mean ranks

	Company	N	Mean Rank
Easy to be loyal	1	87	326.82
	2	100	349.15
	3	161	334.15
	4	204	414.36
	5	102	409.25
	6	77	313.32
	Total	731	
Talk up	1	87	390.07
	2	100	340.50
	3	161	369.65
	4	205	363.19
	5	102	359.75
	6	78	389.27
	Total	733	
Hard to agree	1	87	375.99
	2	100	348.93
	3	160	372.05
	4	201	381.51
	5	102	366.95
	6	79	314.44
	Total	729	
Important role	1	87	348.97
	2	100	345.07
	3	162	370.39
	4	204	383.70
	5	102	383.07
	6	78	343.50
	Total	733	
Concessions	1	86	386.58
	2	99	337.98
	3	156	341.95
	4	203	369.07
	5	101	393.30
	6	78	346.56
	Total	723	
Co-operate	1	85	403.11
	2	100	348.29
	3	162	330.89
	4	202	360.33
	5	102	422.80
	6	79	357.01
	Total	730	
Lost influence	1	85	442.46
	2	98	338.15
	3	162	367.82
	4	200	342.15
	5	102	323.90
	6	76	393.74
	Total	723	
Worker influence	1	87	310.87
	2	100	354.36
	3	161	388.25
	4	202	361.38
	5	102	375.09
	6	76	383.01
	Total	728	
Survival	1	87	380.36
	2	100	363.64
	3	162	370.67
	4	203	354.93
	5	101	374.08
	6	79	366.32
	Total	732	

References

Ackroyd, S. and Hughes, J. (1983), *Data Collection in Context,* Harlow, Longman Press.

Allen, C., Cunningham, I. and McArdle, L. (1991), *Employee Participation and Involvement in the 1990s,* Stockton, Jim Conway Foundation.

Angle, H. and Perry, J. (1986), 'Dual Commitment and Labor-Management Relation Climates', *Academy of Management Journal,* **Vol. 29,** pp. 31-50.

Baddon, L., Hunter, L., Hyman, J., Leopold, J. and Ramsay, H. (1989), *People's Capitalism? A Critical Review of Profit Sharing and Employee Share Ownership,* London, Routledge.

Barkai, H. (1977), *Growth Patterns of the Kibbutz Economy,* Oxford, North-Holland.

Barkin, S. (1950), 'A Trade Unionist Appraises Management Personnel Philosophy', *Harvard Business Review,* **Vol. 28(5),** pp. 59-64.

Barnes, J. (1977), *The Ethics of Inquiry of Social Science,* New Delhi, Oxford University Press.

Bartkus, B. (1997), 'Employee Ownership as Catalyst of Organisational Change', *Journal of Organisational Change Management,* **Vol. 10(4),** pp. 331-44.

Beaumont, P. (1992), *Public Sector Industrial Relations*, London, Routledge.

Ben-Ner, A. (1988), 'The Life Cycle of Worker-Owned Firms in Market Economies', *Journal of Economic Behaviour and Organisation,* **Vol. 10,** pp. 287-313.

Ben-Ner, A. and Jones, D. (1995), 'Employee Participation, Ownership and Productivity: A Theoretical Framework', *Industrial Relations* **Vol. 34(4),** pp. 532-53.

Benn, E. (1928), *Britain's Industrial Future* ('The Yellow Book'), London.

Blasi, J. and Kruse, D. (2001), 'Employee Equity: Employee versus Owner Issues in Organisational Behavior', in C. Cooper and D. Rousseau (eds) *Employee versus Owner Issues in Organisations,* Chichester, John Wiley and Sons.

Blasi, J. and Kruse, D. (1991), *The New Owners: The Mass Emergence of Employee Ownership in Public Companies and What it Means to American Business,* New York, Harper Business.

Blasi, J. Kruse, D, Sesil, J. and Kroumova, M. (2003), 'An Assessment of Employee Ownership in the United States with Implications for the EU', *International Journal of Human Resource Management,* **Vol. 14(6),** pp. 893-919.

Bradley, K., Estrin, S. and Taylor, S. (1990), 'Employee Ownership and Company Performance', *Industrial Relations,* **Vol. 29(3),** pp. 385-402.

Bradley, K. and Nejad, A. (1989), *Managing Owners: The National Freight Consortium in Perspective,* Cambridge, Cambridge University Press.

Bratton, J. (1999), 'The Human Resource Management Phenomenon', in J. Bratton and J. Gold *Human Resource Management: Theory and Practice,* London, MacMillan Press.

Bryman, A. (1988), *Quantity and Quality in Social Research,* London, Unwin Hyman.

Buchanan, B. (1974), 'Building Organisation Commitment: The Socialisation of Managers in Work Organisations', *Administrative Science Quarterly,* **Vol. 19,** pp. 533-546.

Buchko, A. (1992), 'Employee Ownership, Attitudes and Turnover: An Empirical Assessment', *Human Relations,* **Vol. 45(7),** pp. 711-33.

Burrell, G. and Morgan, G. (1979), *Sociological Paradigms and Organisational Analysis,* London, Heinemann.

Centre for Tomorrow's Company (2001), *Employee Ownership in Tomorrow's Company,* London.

Coffey, A. and Atkinson, P. (1996), *Making Sense of Qualitative Data,* London, Sage.

Conte, M. and Lawrence, H. (1992), 'Trends in ESOPs', *Trends in Pensions,* US Department of Labour, Pension and Welfare Benefits.

Conte, M. and Svejnar, J. (1990), 'The Performance Effects of Employee Share Ownership Plans', in A. Blinder (ed) *Paying for Productivity: A Look at the Evidence,* Washington DC, Brookings Institution.

Conte, M. and Svejnar, J. (1988), 'Productivity Effects of Worker Participation in Management, Profit Sharing, Worker Ownership of Assets and Unionisation in US Firms', *International Journal of Industrial Organisation,* **Vol. 6,** pp. 139-151.

Conte, M. and Tannenbaum, A. (1978), 'Employee-Owned Companies: Is the Difference Measurable?' *Monthly Labor Review,* **Vol. 101,** pp. 23-8.

Cook, J. and Wall, T. (1980), 'New Work Attitude Measures of Trust, Organisational Commitment and Personal Need Non-fulfilment', *Human Resource Management Journal,* **Vol. 1(3),** pp. 18-31.

Copeman, G., Moore, P. and Arrowsmith, C. (1984), *Shared Ownership,* Hampshire, Gower.

Cotton, J. (1993), *Employee Involvement: Methods for Improving Performance and Work Attitudes,* California, Sage.

Cox, P. and Parkinson, A. (1999), 'Values and the Impact on the Changing Employment Relationship', in G. Hollinshead, P. Nicholls and S. Tailby (eds) *Employee Relations,* London, Financial Times.

Creigh, S., Donaldson, N. and Hawthorn, E. (1981), 'A Stake in the Firm', *Employment Gazette,* May, pp. 229-36.

Cully, M., O'Reilly, A., Millward, N., Forth, J., Woodland, S., Dix, G. and Bryson, A. (1998), *The 1998 Workplace Employee Relations Survey: First Findings,* London, Economic and Social Research Council/Advisory, Conciliation and Arbitration Service/Policy Studies Institute/Department of Trade and Industry.

Cyert, M. and March, J. (1963), *A Behavioral Theory of the Firm,* Englewood Cliffs N. J., Prentice Hall.

de Vaus, D. (1996), *Surveys in Social Research,* fourth edition, St Leonards Aus., Social Research Today Series no. 5.

Dean, L. (1954), 'Union Activity and Dual Loyalty', *Industrial and Labor Relations Review,* **Vol. 7,** pp. 526-36.

Decrop, A. (1999), 'Triangulation in Qualitative Tourism Research', *Tourism Management,* **Vol. 20,** pp. 157-161.

Denzin, N. (1989), *Interpretative Interactionism,* Applied Social Research Methods Series Vol. 16, Newbury Park CA, Sage.

Denzin, N. (1978), *The Research Act: A Theoretical Introduction to Sociological Methods,* New York, McGraw-Hill.

Department of Trade and Industry website (2004), www.dti.gov.uk/er/ consultation/proposal

Dey, I. (1998), *Qualitative Data Analysis: A User-Friendly Guide for Social Scientists,* London, Routledge.

Diamantopoulos, A. and Schlegelmilch, B., (1997), *Taking the Fear Out of Data Analysis,* London, Dryden Press.

Dilts, D. and Paul, R. (1990), 'Employee Ownership of Unionised Firms: Collective Bargaining or Co-Determination', *Business and Society,* **Vol. 29,** pp. 19-27.

Dow, G. and Putterman, L. (1999), 'Why capital (usually) hires labor: an assessment of proposed explanations', in M. Blair and M. Roe (eds) *Employee and Corporate Governance,* Washington DC, Brookings Institution.

Dunn, S. and Metcalf, D. (1996), 'Trade Union Law Since 1979', in I. Beardwell (ed) *Contemporary Industrial Relations: A Critical Analysis,* Oxford, Oxford University Press.

Dunn, S., Richardson, R. and Dewe. (1991), 'The Impact of Employee Share Ownership on Worker Attitudes: A Longitudinal Case', *Human Resource Management Journal,* **Vol. 1(3),** pp. 1-17.

Durkheim, E. (1964), *The Rules of Sociological Method,* Glencoe, IL., The Free Press.

Easterby-Smith, M., Thorpe, R. and Lowe, A. (1991), *Management Research: An Introduction,* London, Sage.

England, G. (1960), 'Dual Allegiance to Company and Union', *Personnel Administration,* **Vol. 23(2),** pp. 20-5.

ESOP Centre website (2004), www.mhcc.co.uk/esop

Estrin, S. and Jones, D. (1992), *The Determinants of Investment in Employee-Owned Firms: Evidence from France,* Centre for Economic Performance, London School of Economics and Political Science, Discussion Paper No. 87, July.

Estrin, S. and Jones, D. (1991), *Survivability and Degeneration in Employee-Owned Firms: Evidence from France,* Centre for Economic Performance, London School of Economics and Political Science, Discussion Paper No. 23, March.

Estrin, S. and Jones, D. (1987), *Are There Life-Cycles in Labor-Managed Firms? Some Evidence from France,* London School of Economics.

Farnham, D. and Pimlott, J. (1995), *Understanding Industrial Relations,* fifth edition, London, Cassell.

Fenwick, R. and Olson, J. (1986), 'Support for Worker Participation: Attitudes among Union and Non-Union Workers', *American Sociological Review,* **Vol. 51(4),** pp. 505-22.

Ferner, A. (1989), 'Ten Years of Thatcherism: Changing Industrial Relations in British Public Enterprises', *Warwick Papers in Industrial Relations no. 27,* Coventry, Industrial Relations Research Unit, University of Warwick.

Flanders, A., Pomeranz, R. and Woodward, J. (1968), *Experiment in Industrial Democracy,* London, Faber.

Fogarty, M. and White, M. (1988), *Share Schemes – As Workers See Them,* London, Policy Studies Institute.

Forrester, K. (1993), 'Buses', in A. Pendleton and J. Winterton (eds) *Public Enterprise in Transition: Industrial Relations in State and Privatised Corporations,* London, Routledge.

Foster, J. (2001), *Data Analysis Using SPSS for Windows,* London, Sage.

French, J. (1987), 'Employee Perspectives on Stock Ownership: Financial Investment or Mechanism of Control', *Academy of Management Review,* **Vol. 12(3),** pp. 427-35.

French, J. and Rosenstein, J. (1984), 'Employee Ownership, Work Attitudes and Power Relationships', *Academy of Management Journal,* **Vol. 27,** pp. 861-9.

Fukami, C. V. and Larson, E. (1984), 'Commitment to Company and Union: Parallel Models', *Journal of Applied Psychology,* **Vol. 69,** pp. 367-71.

Fukami, C. and Larson, E. (1982), *The Relationship Between Union Commitment and Organisational Commitment: Dual Loyalty Re-examined,* paper presented at the 42nd Annual Meeting of the Academy of Management, New York.

Gallagher, D. (1984), 'The Relationship Between Organisational and Union Commitment Among Federal Government Employees', *Proceedings of the Academy of Management,* pp. 319-23.

Gates, J. (1988), *The Ownership Solution: Towards a Shared Capitalism for the Twenty-First Century,* London, Penguin.

General Accounting Office (1987), *Employee Stock Ownership Plans: Little Evidence of Effects on Corporate Performance,* Washington DC, GAO/PEMD-88-1.

Gillham, B. (2000), *Case Study Research Methods,* London, Continuum.

Glaser, B. and Strauss, A. (1970), 'Discovery of Substantive Theory', in W. Filstead (ed) *Qualitative Methodology,* Chicago, Rand McNally.

Glaser, B. and Strauss, A. (1967), *The Discovery of Grounded Theory,* New York, Aldine.

Gold, M. (1991), 'Financial Participation in Britain: A Review', *European Participation Monitor,* **Vol. 1(1),** pp. 13-16.

Greenberg, E. (1981), 'Industrial Self-Management and Political Attitudes', *American Political Science Review,* **Vol. 75,** pp. 29-42.

Guest, D. and Dewe, P. (1991), 'Company or Trade Union: Which Wins Workers' Allegiance? A Study of Commitment in the UK Electronics Industry? *British Journal of Industrial Relations,* **Vol. 29(1),** pp. 75-96.

Guest, D. and Hoque, K. (1996), 'Human Resource Management and the New Industrial Relations', in I. Beardwell (ed) *Contemporary Industrial Relations: A Critical Analysis,* New York, Oxford University Press.

Gummesson, E. (2000), *Qualitative Methods in Management Research*, Thousand Oaks, CA., Sage.

Gustaven, B. and Sorenson, B. (1982), 'Aksjonsforskning', in H. Holter and R. Kalleberg (eds) *Kvalitativa meoder isamfunnsforskning*, Drammen, Nor., Universitetsforlaget.

Habermas, J. (1970), 'Knowledge and Interest' in D. Emmet and A. MacIntyre (eds) *Sociological Theory and Philosophical Analysis*, London, Macmillan Press.

Hammer, T. and Stern, R. (1986) 'A Yo-Yo Model of Co-operation: Union Participation at the Rath Packing Company', *Industrial and Labor Relations Review*, **Vol. 39(3)**, pp. 337-49.

Hammer, T. and Stern, R. (1980), 'Employee Ownership: Implications for the Organisational Distribution of Power', *Academy of Management Journal*, **Vol. 23,** pp. 78-100.

Hammer, T., Currall, S. and Stern, R. (1991), 'Worker Representation on Boards of Directors: A Study of Competing Roles', *Industrial and Labour Relations Review*, **Vol. 44(4)**, pp. 661-80.

Hammer, T., Stern, R. and Gurdon, M. (1982), 'Workers' Ownership and Attitudes Towards Participation', in F. Lindenfeld and J. Rothschild-Whitt, (eds) *Workplace Democracy and Social Change*, pp. 87-108, Boston, Porter Sargent.

Hammersley, M. (1990), *Reading Ethnographic Research: A Critical Guide*, London, Longman Press.

Hanford, T. and Grasso, P. (1991), 'Participation and Corporate Performance in ESOP Firms' in R. Russell and V. Rus (eds) *International Handbook of Participation in Organisations*, **Vol. II**, *Ownership v. Participation*, Oxford University Press.

Heller, F. (1998), 'Influence at Work: A 25-Year Program of Research'. *Human Relations*, **Vol. 51(12),** pp. 1425-56.

Heller, F. (1992), 'Decision-Making and the Under-Utilization of Competence', in F. Heller (ed) *Decision-Making and Leadership,* Cambridge, Cambridge University Press.

Heller, F., Pusic, E., Strauss, G. and Wilpert, B. (1998), *Organisational Participation: Myth and Reality,* New York, Oxford University Press.

Heller, F. and Yukl, G. (1969), 'Participation and Managerial Decision-Making as a Function of Situational Variables', *Organisational Behaviour and Human Performance* **Vol. 4,** pp. 227-41.

Helman, A. (1992), 'The Israeli Kibbutz as a Socialist Model', *Journal of Institutional and Theoretical Economics,* **Vol. 148(1),** pp. 168-83.

Heritage, J. (1984), *Garfinkel and Ethnomethodology,* Cambridge, Polity.

Heseltine, P. and Silcock, D. (1990), 'The Effects of Bus Deregulation on Costs', *Journal of Transport Economics and Policy* **Vol. 24,** pp. 239-54.

Hirschman, A. (1970), *Exit, Voice and Loyalty,* Cambridge MA., Harvard University Press.

Hussey, J. and Hussey, R. (1997), *Business Research: A Practical Guide for Undergraduate and Postgraduate Students,* London, Macmillan Press.

Hyman, J. and Mason, B. (1995), *Managing Employee Involvement and Participation,* London, Sage.

Industrial Democracy in Europe research group (1981), *European Industrial Relations,* Oxford, Oxford University Press.

Inland Revenue website (2004), www.inlandrevenue.gov.uk/shareschemes/essa_2002_detail.htm

Involvement and Participation Association (2002), *Sharing the Challenge Ahead: The EU Employee Consultation Director – A Guide to the Text of the Directive.*

IRS Management Review (1998), *Financial Participation.*

Jensen, M. and Meckling, W. (1979), 'Rights and Production Functions: Its Application to Labor-Managed Firms and Co-Determination', *Journal of Business,* **Vol. 52**, pp. 469-506.

Jensen, M. C. and Meckling, W. H. (1976), 'Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure', *Journal of Financial Economics,* **Vol. 3,** pp. 305-60.

Jick, T. (1979), 'Mixing Qualitative and Quantitative Methods: Triangulation in Action', *Administrative Science Quarterly,* **Vol. 24,** pp. 602-611.

Jones, D. (1984), 'American Producer Co-operatives and Employee-Owned Firms: An Historical Perspective', in R. Jackall and H. Levin (eds) *Worker Co-operatives in America,* Berkeley and Los Angeles, University of California Press.

Jones, D. and Kato, T. (1993), 'The Scope, Nature and Effects of Employee Stock Ownership Plans in Japan', *Industrial and Labor Relations Review,* **Vol. 46(2),** pp. 352-67.

Judd, C., Smith, E. and Kidder, L. (1991), *'Research Methods in Social Relations',* sixth edition, Florida, Holt, Rinehart and Winston.

Keef, S. (1998), 'The Causal Association Between Employee Share Ownership and Attitudes: A Study Based on the Long Framework', *British Journal of Industrial Relations,* **Vol. 36(1),** pp. 73-82.

Kelly, J. and Kelly, C. (1991), 'Them and Us: Social Psychology and The New Industrial Relations', *British Journal of Industrial Relations,* **Vol. 29(1),** pp. 25-48.

Kelso, L. and Adler, M. (1958), *The Capitalist Manifesto,* New York, Random House.

Kjellen, B. and Soderman, S. (1980), *Praktikfallsmetodik,* Malmo, Sw., SIAR/Liber.

Klein, K. (1987), Employee Stock Ownership and Employee Attitudes: A Test of Three Models, *Journal of Applied Psychology,* **Vol. 72,** pp. 319-32.

Klein, K. and Rosen, C. (1986), 'Employee Stock Ownership in the United States' in R. Stern and S. McCarthy (eds) *The Organisational Practice of Democracy,* New York, Wiley.

Kornhauser, A., Shepherd, H. and Mayer, A. (1956), *When Labour Votes,* New York, University Books.

Kruse, D. (2002), *Research Evidence on Prevalence and Effects of Employee Ownership.* Paper presented before the Subcommittee on Employer-Employee Relations, Committee on Education and the Workforce, US House of Representatives, 13 February.

Kruse, D. (1984), *Employee Ownership and Employee Attitudes: Two Case Studies,* Norwood PA., Norwood Editions.

Kruse, D. (1981), *The Effects of Worker Ownership Upon Participation Desire: An ESOP Case Study,* unpublished Bachelor's Thesis, Harvard University, Cambridge MA.

Labour Research (1990), *Uncertain Future for Employee Share Ownership,* May, pp. 21-3.

Legge, K. (1984), *Evaluating Planned Organisation Change,* London, Academic Press.

Lehaney, B. and Vinten, G. (1994), 'Methodology: An Analysis of its Meaning and Use', *Work Study,* **Vol. 43(3),** pp. 5-8.

Leitko, T., Greil, A. and Peterson, S. (1985), 'Lessons at the Bottom: Worker Non-Participation in Labor Management Committees as Situational Adjustments', *Work and Occupations,* **Vol. 12,** pp. 285-306.

Levine, D. and Tyson, D. (1990), 'Participation, Productivity and the Firm's Environment', in A. Blinder (ed) *Paying for Productivity: A Look at the Evidence,* Washington DC, Brookings Institution.

Likert, R. (1967), *The Human Organisation: Its Management and Value,* New York, Mc-Graw-Hill.

Livingston, D. and Henry, J. (1980), 'The Effect of Employee Stock Ownership Plans on Corporate Profits', *Journal of Risk and Insurance,* **Vol. 47,** pp. 491-505.

Logue, J. and Yates, J. (2001), *The Real World of Employee Ownership,* New York, Cornell University Press.

Long, R. (1981), 'The Effects of Formal Employee Participation in Ownership and Decision Making on Perceived and Desired Patterns of Organisational Influence: A Longitudinal Case Study', *Human Relations,* **Vol. 34,** pp. 847-76.

Long, R. (1980), 'Job Attitudes and Organisational Performance Under Employee Ownership', *Academy of Management Journal,* **Vol. 23(4),** pp. 726-37.

Long, R. (1979), 'Desires for and Patterns of Worker Participation in Decision-Making After Conversion to Employee Ownership', *Academy of Management Journal,* **Vol. 22(3),** pp. 611-17.

Long, R. (1978a), 'The Effects of Employee Ownership on Organisational Identification, Employee Job Attitudes and Organisational Performance: A Tentative Framework and Empirical Findings', *Human Relations,* **Vol. 31,** pp. 29-48.

Long, R. (1978b), 'The Relative Effects of Share Ownership vs. Control on Job Attitudes in an Employee-Owned Company', *Human Relations,* **Vol. 31,** pp. 753-63.

Marchington, M. (1995), 'Involvement and Participation', in Storey, J. (ed) *Human Resource Management: A Critical Text,* London, Routledge.

Marchington, M., Goodman, J., Wilkinson, A. and Ackers, P. (1992), *New Developments in Employee Involvement,* Manchester School of Management, Employment Department Research Series No. 2.

Marsh, C. (1982), *The Survey Method: The Contribution of Surveys to Sociological Explanation,* London, George Allen and Unwin.

Marshall, C. and Rossman, G. (1989), *Designing Qualitative Research,* Newbury Park CA., Sage.

Martin, J. (1981), 'Dual Allegiance in Public Sector Unionism: A Case Study', *International Review of Applied Psychology,* **Vol. 30,** pp. 245-59.

Martin, J., Mageneau, J. and Peterson, M. (1982), 'Variables Differentiating Patterns of Commitment Among Union Stewards', *Proceedings of the Academy of Management,* pp. 302-6.

May, T. (1997), *Social Research: Issues, Methods and Process,* second edition, Buckingham, Open University Press.

McElrath, R. and Rowan, R. (1992), 'The American Labour Movement and Employee Ownership: Objections to and Uses of ESOPs', *Journal of Labour Research,* **Vol. 13(1),** pp. 99-119.

McLean, H. (1994), *Fair Shares - The Future of Employee Financial Participation in the UK,* London, Institute of Employment Rights.

McMillar, P. and Wilson, M. (1984), *A Dictionary of Social Science Methods,* London, John Wiley.

Metcalf, D. (1989),'Water Notes Dry Up: The Impact of the Donovan Reform Proposals and Thatcherism at Work on Labour Productivity in British Manufacturing Industry, *British Journal of Industrial Relations,* **Vol. 27,** pp. 1-31.

Miles, M. and Huberman, A. (1994), *Qualitative Data Analysis,* second edition, Thousand Oaks, CA., Sage.

Miles, R. and Snow, C. (1984), 'Designing Strategic Human Resource Systems', *Organisational Dynamics,* Summer, pp. 36-52.

Millward, N. Stevens, M., Smart, D. and Hawes, W. (1992), *Workplace Industrial Relations in Transition,* Aldershot, Dartmouth.

Monks, J. (1998), 'Trade Unions, Enterprise and the Future', in P. Sparrow and M. Marchington *Human Resource Management: The New Agenda,* London, Financial Times Management.

Mulder, M. and Wilke, H., 'Participation and Power Equalisation', *Organisational Behaviour and Human Performance,* **Vol. 5,** (1970) pp. 430-48.

Mulley, C. and Wright, M. (1986), 'Management Buy-Outs and the Privatisation of National Bus', *Fiscal Studies,* August, pp. 1-24.

Nachmias, C. and Nachmias, D. (1996), *Research Methods in the Social Sciences,* fifth edition, London, St. Martin's Press.

National Center for Employee Ownership website (2003), www.nceo.org

Nichols, T. and O'Connell Davidson, J. (1992), 'Employee Shareholders in Two Privatised Utilities', *Industrial Relations Journal,* **Vol. 23,** pp. 107-19.

Normann, R. (1970), *A Personal Quest for Methodology,* Stockholm, Scandinavian Institute for Administrative Research.

Oakeshott, R. (2000), *Jobs and Fairness: The Logic and Experience of Employee Ownership,* Norwich, Michael Russell.

Odman, P. (1985), 'Hermeneutics' in T. Husen and N. Postlethwaite (eds) *The International Encyclopaedia of Education,* Oxford, Pergamon Press.

Oppenheim, A. (1992), *Questionnaire Design, Interviewing and Attitude Measurement,* second edition, London, Pinter Publishers.

Orlitzky, M. and Rynes, S. (2001), 'When Employees Become Owners: Can Employee Loyalty Be Bought?' in C. Cooper and D. Rousseau (eds) *Employee Versus Owner Issues in Organisations,* Chichester, John Wiley and Sons.

O'Toole, J. (1979), 'The Uneven Record of Employee Ownership', *Harvard Business Review,* **Vol. 57,** November/December, pp. 185-97.

Ouchi, W. (1981), *Theory Z: How American Business Can Meet the Japanese Challenge,* Boston, Addison-Wesley.

Pateman, C. (1970), *Participation and Democratic Theory,* London, Cambridge University Press.

Patton, M. (1980), *Qualitative Evaluation Methods,* Beverley Hills, CA., Sage.

Peccei, R. and Guest, D. (1993), *The Dimensionality and Stability of Organisational Commitment,* Centre for Economic Performance, London School of Economics and Political Science, Discussion Paper no. 149.

Pendleton, A. (2001), *Employee Ownership, Participation and Governance: A Study of ESOPs in the UK,* London, Routledge.

Pendleton, A., (1997), 'Shareholders and Stakeholders', in A. Gamble, D. Kelly and G. Kelly (eds) *Stakeholder Capitalism,* Basingstoke, Macmillan Press.

Pendleton, A. (1992), 'ESOPs and Employee Relations', in Wilson, N. (ed) *ESOPs: Their Role in Corporate Finance,* Hants, Macmillan Press.

Pendleton, A., Wilson, N. and Wright, M. (1998), 'The Perception and Effects of Share Ownership: Empirical Evidence from Employee Buy-Outs', *British Journal of Industrial Relations,* **Vol. 36(1),** pp. 99-123.

Pendleton, A., McDonald, J., Robinson, A. and Wilson, N. (1996), 'Employee Participation and Corporate Governance in Employee-Owned Firms', *Work, Employment and Society,* **Vol. 10(2),** pp. 205-66.

Pendleton, A., McDonald, J., Robinson, A. and Wilson, N. (1995a), 'The Impact of Employee Share Ownership Plans on Employee Participation and Industrial Democracy', *Human Resource Management Journal,* **Vol. 5(4),** pp. 44-60.

Pendleton, A., Robinson, A. and Wilson, N. (1995b), 'Does Employee Ownership Weaken Trade Unions? Recent Evidence from the UK Bus Industry', *Economic and Industrial Democracy,* **Vol. 16,** pp. 577-605.

Pendleton, A. and Winterton, J. (1993), 'Introduction' in A. Pendleton and J. Winterton (eds) *Public Enterprise in Transition: Industrial Relations in State and Privatised Corporations*, London, Routledge.

Pettigrew, A. (1985), 'Contextualist Research: A Natural Way to Link Theory and Practice', in E. Lawler (ed) *Doing Research That is Useful in Theory and Practice,* San Francisco, Jossey Bass.

Pierce, J. Kostova, T. and Dirks, K. (2001), 'Towards a Theory of Psychological Ownership in Organisations', *Academy of Management Review,* **Vol. 26(2),** pp. 298-310.

Pierce, J. Rubenfeld, S. and Morgan, S. (1991), 'Employee Ownership: A Conceptual Model of Process and Effects', *Academy of Management Review,* **Vol. 16(1),** pp. 121-44.

Poole, M. (1986), *Towards a New Industrial Democracy,* London, Routledge.

Poole. M. and Jenkins, G. (1990), *The Impact of Economic Democracy: Profit Sharing and Employee-Shareholding Schemes,* London, Routledge.

Porter, L., Steers, R., Mowday, R. and Boullian, P. (1974), 'Organisational Commitment, Job Satisfaction and Turnover Among Psychiatric Technicians', *Journal of Applied Psychology,* **Vol. 59,** pp. 603-9.

Poutsma, E. and de Nijs, W. (2003), 'Broad-Based Employee Financial Participation in the European Union', *International Journal of Human Resource Management,* **Vol. 14(6),** September, pp. 863-892.

Poutsma, E., de Nijs, W. and Poole, M. (2003), 'The Global Phenomenon of Employee Financial Participation', *International Journal of Human Resource Management,* **Vol. 14(6),** September, pp. 855-862.

Purcell, T. V. (1960), *Blue Collar Man: Patterns of Dual Allegiance in Industry,* Cambridge MA., Harvard University Press.

Quarrey, .M. (1986), *Employee Ownership and Corporate Performance,* Oakland CA., National Center for Employee Ownership.

Ragin, C. (1987), *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies,* Berkeley, University of California Press.

Ramsay, H. (1991), 'Reinventing the Wheel? A Review of the Development and Performance of Employee Involvement', *Human Resource Management Journal,* **Vol. 1(4),** pp. 1-21.

Ramsay, H., Hyman, J. Baddon, L., Hunter, L. and Leopold, J. (1990), 'Options for Workers: Owner or Employee?' in G. Jenkins and M. Poole (eds) *New Forms of Ownership, Management and Employment,* London, Routledge.

Rhodes, S. and Steers, R. (1981), 'Conventional vs. Worker-Owned Firms', *Human Relations*, **Vol. 34,** pp. 1013-35.

Rim, Y. and Mannheim, B. (1964), 'Factors Related to Attitudes of Management and Union Representatives', *Personnel Psychology,* **17,** pp. 149-165.

Robinson, A. and Wilson, N. (1993), 'Co-operative vs private firms: an empirical comparison of co-operative and private small firms in Britain', *International Business Review* **Vol. 2(3),** pp. 281-96.

Robinson, A. and Wilson, N. (1992), 'ESOPs and Corporate Performance', in N. Wilson (ed) *ESOPs: Their Role in Corporate Performance Finance and Performance,* Hants, Macmillan.

Rodgers, L. (2003), *Ownership and Motivation: What Does Ownership Mean to Employees?*. Updated and adapted for the National Center for Employee Ownership website (www.nceo.org) from Rodgers, L. (2001), 'Ownership and Motivation', *The Ownership Culture Report*, **Vol. 1(4),** Cambridge MA, Ownership Associates.

Rose, D. and Sullivan, O. (1996), *Introducing Data Analysis for Social Scientists,* second edition, Buckingham, University Press.

Rosen, C. (1984), 'Employee Ownership Gaining Popularity in the United States', Appendix to D. Bell and Hanson, C. (eds) *Profit Sharing and Employee Share-holding Attitude Survey,* London, IPA.

Rosen, C., Klein, K. and Young, K. (1986), *Employee Ownership in America: The Equity Solution,* Lexington KY., Heath.

Rosen, C. and Quarrey, M. (1987), 'How Well is Employee Ownership Working?' *Harvard Business Review,* September/October pp. 126-32.

Ross, I. (1980), 'What Happens When the Employees Buy the Company', *Fortune,* **Vol. 101,** June, pp. 108-111.

Rossman, G. and Wilson, B. (1985), 'Numbers and Words: Combining Quantitative and Qualitative Methods in a Single Large-Scale Evaluation Study', *Evaluation Review,* **Vol. 9,** pp. 627-643.

Rousseau, D. and Shperling, Z. (2000), *Pieces of the Action: Ownership, Power and the Psychological Contract,* paper presented at the Academy of Management meetings, August, Toronto.

Rus, V. (1970), 'Yugoslav Self-Management: Thirty Years Later', in Wilpert and Sorge (1984), pp. 371-90.

Russell, R., Hochner, A. and Perry, S. E. (1979), 'Participation, Influence and Worker Ownership', *Industrial Relations,* **Vol. 18(3),** pp. 330-41.

Schuller, T. (1989), 'Financial Participation', in J. Storey (ed) *New Perspectives on Human Resource Management,* London, Routledge.

Schuller, T. (1985), *Democracy at Work,* Oxford, Oxford University Press.

Scott, A. (1994), *Willing Slaves? British Workers Under Human Resource Management,* Cambridge, Cambridge University Press.

Scott Bader (2003), *The History of a Future,* www.scottbader.com

Sekaran, U. (1992), *Research Methods for Business: A Skill-Building Approach,* second edition, New York, John Wiley.

Sesil, J., Kroumova, M., Blasi, J. and Kruse, D. (2002), 'Broad-based Employee Stock Options in US New Economy Firms', *British Journal of Industrial Relations,* **Vol. 40(2),** June pp. 273-294.

Shperling, Z. and Rousseau, D. (2001), 'When Employers Share Ownership with Workers', in C. Cooper and D. Rousseau (eds) *Employee versus Owner Issues in Organisations,* Chichester, John Wiley and Sons

Silverman, D. (1993), *Interpreting Qualitative Data Methods for Analysing Talk, Text and Interaction,* London, Sage.

Silverstein, A. (1988), 'An Aristotelian Resolution of the Ideographic Versus Nomothetic Tension, *American Pschologist,* **Vol. 43(6),** pp. 425-430.

Simon, H. A. (1976), *Administrative Behaviour,* third edition, New York, Macmillan.

Smith, G. (1993), 'Employee Share Schemes in Britain', *Employment Gazette,* April, pp. 149-54.

Snape, E., Redman, T. and Chen, A. (2000), 'Commitment to the Union: A Survey of Research and the Implications for Industrial Relations and Trade Unions', *International Journal of Management Reviews,* **Vol. 2(3),** pp. 205-230.

Sockell, D. (1985), 'Attitudes, Behaviour and Employee Ownership: Some Preliminary Data', *Industrial Relations,* **Vol. 24,** pp. 130-8.

Sparrow, P. (2001), 'The Psychological Consequences of Employee Ownership: On the Role of Risk, Reward, Identity and Personality', in C. Cooper and D. Rousseau (eds) *Employee versus Owner Issues in Organisations,* Chichester, John Wiley and Sons.

Stagner, R., Chalmers, W. and Derber, M. (1958), 'Guttman-Type Scales for Union and Management Attitudes Toward Each Other', *Journal of Applied Psychology,* **Vol. XLII,** pp. 293-300.

Stern, R., Whyte, W., Hammer, T. and Meek, C. (1983), 'The Union and the Transition to Employee Ownership', in W. Whyte, T. Hammer, C. Meek and R. Stern (eds) *Worker Participation and Ownership,* Cornell University, ILR Press.

Stevens, B. (1991/2), 'Employee Ownership and Participation in the USA', *Industrial Participation,* Winter, pp. 16-19.

Strauss, A. (1987), *Qualitative Analysis for Social Scientists,* Cambridge, Cambridge University Press.

Strauss, A. and Corbin, J. (1998), *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory,* second edition, Thousand Oaks, CA., Sage.

Tannenbaum, A. S. (1983), 'Employee-Owned Companies' in L. Cummings and B. Staw (eds) *Research in Organisational Behaviour,* **Vol. 5,** pp. 235-65, Greenwich, CT., JAI Press.

Taylor, I. (1988), *Fair Shares for all the Workers,* London, House of Commons Library.

Taylor, S. and Bogdan, R. (1984), *Introduction to Qualitative Research Methods,* New York, John Wiley.

Thompson, S., Wright, M. and Robbie, K. (1990), 'Management Buy-Outs from the Public Sector: Ownership Form and Incentive Issues', *Fiscal Issues* **Vol. 11(3),** pp. 71-88.

Tichy, N., Fombrun, C. and Devanna, M. (1984), 'Strategic Human Resource Management', *Sloane Management Revuew,* **Vol. 23(2),** Winter, pp. 47-61.

Todd, D. (1979), 'Mixing Qualitative and Quantitative Methods Triangulation in Action', *Administrative Science Quarterly,* **24,** pp. 602-111.

Toscano, D. (1984), 'Employee Share Ownership and its Effects on Attitudes Towards Trade Unions', *Labour Studies Journal,* Spring, pp. 80-7.

Toscano, D. (1983), 'Towards a Typology of Employee Ownership', *Human Relations,* **Vol. 36(7),** pp. 581-601.

Trades Union Congress (1979), *Industrial Democracy,* London, TUC.

Transport and General Workers' Union (1991), *Report and Accounts 1990,* TGWU.

Transport and General Workers' Union (1990), *ESOPs, ECOPs and Employee Ownership: A Guide for Trade Unionists,* London, TGWU.

Treasury (1998), *Consultation on Employee Share Ownership,* London, HM Treasury.

Trewhitt, L. (2000), *Employee Buy-Outs Within the UK Bus Industry: A Case Study Investigation of Employee Attitudes,* Industrial Relations Journal, **Vol. 31(5),** pp. 437-453.

Trewhitt, L. (1999a), *A Tale of Two Bus Companies: Identifying Forms of Employee Share Ownership and Implications for Employee Attitudes, Behaviours and Effects.* Paper presented at the British Academy of Management Conference, Manchester Metropolitan University, 1st-3rd September 1999.

Trewhitt, L. (1999b), *Employee Involvement and Employee Share Ownership: Never the Twain Shall Meet?* Paper presented at the British Academy of Management Conference, Manchester Metropolitan University, 1st-3rd September 1999.

Tucker, J., Nock, S. and Toscano, D. (1989), 'Employee Ownership and Perceptions of Work', *Work and Occupations* **Vol. 16(1),** pp. 26-42.

Wagner, J. A. and Gooding, R. (1987), 'Effects of Societal Trends on Participation Research', *Administrative Science Quarterly,* **Vol. 32,** pp. 241-62.

Walley, K. and Wilson, N. (1992), 'Employee Share Ownership Plans in the UK: A Preliminary Survey', in Wilson, N. (ed) *'ESOPs: Their Role in Corporate Finance and Performance,* Hants, Macmillan.

Webb, C. (1912), *Industrial Co-operation: The Story of a Peaceful Revolution,* Manchester, Co-operative Union.

Webb, E., Campbell, D., Schwartz, R. and Sechrest, L. (1996), *Unobtrusive Measures: Non-Reactive Research in the Social Sciences,* Chicago, Rand McNally.

Webb, S. and Webb, B. (1914), *Co-operative Production and Profit Sharing,* London, New Statesman special supplement.

Whyte, W. Hammer, T., Meek, C., Nelson, R. and Stern, R. (1983), *Worker Participation and Ownership,* Ithaca, New York, NYSSILR.

Wilpert, B. (1989), 'Participation Behavior and Personal Growth', in E. Krau (ed) *Self-Realization, Success and Growth,* New York, Praeger.

Wilson, N. (1992), 'Employee Ownership: ESOPs in Context,' in Wilson, N. (ed.) *ESOPs: Their Role in Corporate Finance and Performance,* Hants, Macmillan.

Wilson, N., Pendleton, A. and Wright, M. (1995), *The Impact of Employee Ownership on Employee Attitudes: Evidence From UK ESOPs,* University of Bradford Management Centre Working Paper Series no. 9402.

Winter, G. (2000), 'A Comparative Discussion of the Notion of Validity in Qualitative and Quantitative Research', *The Qualitative Report,* **Vol. 4(3 & 4),** March, pp. 1-11.

Wright, M., Chiplin, B., Thomson, S. and Robbie, K. (1990). 'Management Buyouts, Trade Unions and Employee Ownership', *Industrial Relations Journal,* **Vol. 21(2),** pp. 136-146.

Wright, M., Dobson, P., Thompson, S. and Robbie, K. (1992), 'How Well Does Privatisation Achieve Government Objectives? The Case of Bus Buy-Outs', *International Journal of Transport Economics,* **Vol. 19,** pp. 259-85.

Wright, M., Pendleton, A. and Robbie, K. (2000), 'Employee ownership in enterprises in Africa and Asia', *International Journal of Human Resource Management,* **Vol. 11(1),** February, pp. 90-111.

Wright, M. and Robbie, K. (1992), 'Employee Buy-outs in the UK', in N. Wilson (ed), *ESOPs: Their Role in Corporate Finance and Performance,* London, Macmillan Press.

Wright, M., Thompson, R. and Robbie, K. (1989), 'Privatisation Via Management and Employee Buy-Outs: Analysis and UK Experience', *Annals of Public and Co-operative Economy,* **Vol. 60,** pp. 399-429.

Yin, R. (1994), *Case Study Research,* Thousand Oaks, CA, Sage.

Yin, R., Bateman, P. and Moore, G. (1983), *Case Studies and Organisational Innovation: Strengthening the Connection,* Washington DC, COSMOS Corporation.

Young, K. (1990), 'Managing an Employee-Owned Company', in K. Young (ed) *The Expanding Role of ESOPs in Public Companies,* Westport CT., Quorum Books.

Zwerdling, D. (1984), *Workplace Democracy: A Guide to Workplace Ownership, Participation and Self-Management Experiments in the United States and Europe,* New York, Harper Torchbooks.