ABSTRACT

Despite the consensus in the employee share ownership (ESO) literature for the need to explore contexts that influence ESO outcomes, studies examining two important factors, national context and status of the economy, are limited. In this study, the authors compare the outcomes of ESOs in Britain and South Korea during economic expansion and downturn. The results demonstrate that, during an economic expansion, the effect of ESOs in increasing employee commitment is stronger in South Korea, while their effect in decreasing employee turnover is stronger in Britain. However, during an economic downturn, the authors find no evidence for these effects in both societies. The findings lend support to the contingency perspective in managing ESOs and provide meaningful implications and guidance to the literature.

**1 INTRODUCTION**

The benefits associated with employee share ownership (ESO) schemes have been widely acknowledged by policymakers and practitioners. However, extensive research to date has shown mixed results regarding the effects of ESO on employee-commitment and turnover. The mixed results could be attributed to the presence of contextual factors. Consequently, ESO literature acknowledges the need to examine how contextual factors influence ESO outcomes (e.g., Caramelli and Briole, 2007; Mowday, Porter, and Steers, 2013; Sengupta, Whitfield and McNabb, 2007; Sengupta, 2008). Past studies have examined various contexts such as types of ESO schemes (Addison and Belfield, 2001; Fernie and Metcalf, 1995), the amount of organizational restructuring accompanying ESO implementation (Keef, 1998; Long, 1982), employee participation in decision making (Fernie and Metcalf, 1995; Goldstein, 1978; Katz, Kochan, and Gobeille, 1983; Long, 1980, 1982; McNabb and Whitfield, 1998; Sengupta, 2008; Pendleton, 2001), union presence (Sengupta, 2008), industry (Kruse, 1992), and establishment size (Pendleton, 1997; Blasi, Conte, and Kruse, 1996).

Human resource management (HRM) and ESO scholars emphasize the role of national contexts and economic systems as key moderators of ESO effectiveness (e.g., Caramelli and Briole, 2007; Mowday et al., 2013; Kim and Patel, 2017). These two key factors, however, remain unexplored. This needs to be addressed for several reasons. First, the global nature of operations for today’s organizations calls for managing employees under different national institutions and cultures and moving beyond the current focus of the US and western paradigms (Caramelli and Briole, 2007; Richardson and Nejad, 1986). Moreover, the impact of economic status on ESO effectiveness is relevant due to recent economic turbulence (e.g., 1997 Asian crisis, 2000 IT dot-com bubble crisis, and the 2008 financial crisis).

In this study, we demonstrate the possibility that national contexts and economic systems can moderate the effectiveness of ESO and through different mechanisms. We do this by examining the relationships between ESO and employee commitment and between ESO and employee turnover in Britain and South Korea (hereinafter Korea) in two different economic phases (i.e., during economic expansion and downturn). The results of this study indicate that the effectiveness of ESO is realized through different mechanisms in the two countries. The results also illustrate that the effectiveness of ESO can only be actualized during economic expansions.

Although we do not directly measure and test national contexts and economic systems in this study, the results demonstrate the need to integrate these two factors in future studies of ESO. Through this, we provide meaningful implications and guidance to the literature.

**2 THEORETICAL BACKGROUND AND RESEARCH QUESTIONS**

**2.1 The Benefits of ESOs**

ESOs provide two advantages in managing employees. First, ESOs align the interests of organizations and their employees thereby fostering employee-commitment. This is labelled as the *golden-path* effect (Sengupta et al., 2007). It is underpinned by agency theory (Jensen and Meckling, 1976). Agency theory argues that employees seek to maximize their own interests, rather than the organization's interest, and thereby have a tendency to shirk responsibility (Fama, 1980; Fama and Jensen, 1983; Jensen and Meckling, 1976). However, ESO schemes can align employee interests with that of the organization by allowing employees to partake in the financial prosperity of the firm (Blasi, et al., 1996; Conte and Svejnar, 1988; Gamble, Culpepper, and Blubaugh, 2002; McNabb and Whitfield, 1998; Pendleton, 2001; Pendleton, Wilson, and Wright, 1998; Renaud, St-Onge, and Magnan, 2004; Sesil, Kroumova, Blasi, and Kruse, 2002). Specifically, ESO ties the long-term income prospects of the employees with the financial prosperity of the firm and thereby fosters employee-commitment. Therefore, workers become profit-conscious, reduce waste, and increase their effort levels (Alchian and Demsetz, 1972; Pendleton, 2006; Richardson and Nejad, 1986: 235). These changes, in turn, lead to superior organizational performance.

 Another theoretical argument for the golden-path effect lies in socio-psychological approaches (Klein, 1987). These approaches suggest three possible pathways for ESOs to promote employee-commitment: an intrinsic satisfaction from owning shares; extrinsic satisfaction from financial returns of share-ownership; and instrumental satisfaction from participating in organizational decision making (Klein, 1987).

 Secondly, the *golden-handcuff* thesis argues that ESOs can reduce employee-turnover (Sengupta et al., 2007). This approach suggests that share-ownership schemes are primarily a worker retention tool, and reduce employee-turnover by making it financially lucrative for workers to remain in the firm (Marsden, 1999; Morris, Bakan, and Wood, 2006). Lower employee-turnover encourages investment in firm-specific human capital which in turn minimizes worker replacement and optimizes training costs (Blair and Kruse, 1999; Richardson and Nejad, 1986).

Critics, however, argue that financial rewards associated with ESO make employees feel freer to leave the firm (Culpepper, Gamble, and Blubaugh, 2004). However, firms can manipulate the vesting schedule to encourage continued employment. For example, organizations can offer shares (or right to buy shares at a certain price) in proportion to the years in employment (e.g., staggered vesting schedule) or after an employee has been employed for a certain period of time (e.g., cliff vesting schedule). Others question whether lower employee-turnover induced by financial rewards raise labor productivity and organizational performance since the unproductive employees may remain (Glebeek and Bax, 2004; Luchak, 2003). However, the firm-specific investment argument suggests that a stable workforce encourages firm-specific human capital investment and thus enabling the development of a skilled workforce. This, in turn, helps the firm gain competitive advantage (Richardson and Nejad, 1986).

Overall, the evidence on the benefits of ESO schemes has been mixed (Kim and Patel, 2017; Kaarsemaker, 2006). Hence, there is growing support within the ESO and the wider management literature for the view that contextual factors are key to determining outcomes of management practices. Indeed, it is widely suggested that systematic differences in culture, institutional conditions and period effects could explain the differences in the results (Caramelli and Briole, 2007; Kim and Patel, 2017; Newman and Nollen, 1996; Jones, Kalmi, Kato and Makinen, 2017; Gooderham, Fenton-‘O’ Creevy; Croucher, Brookes, Wood and Brewster, 2015; Kornelakis 2017; Walker, Wood, Brewster, Beleska-Spasova, 2018).

**2.2 The Role of National Context in Manifesting ESO Benefits**

*2.2.1 The role of national culture as a context in manifesting ESO benefits.*

The cultural relativity of the attitudinal and performance effects of management practices is largely documented in the cross-cultural management literature ( Hofstede, 1983: 75-76, Adler, 1983: 226 in Caramelli and Briole, 2007: 291). In fact, there has been acknowledgment and theorization on the moderating effects of culture on the attitudinal effects of employee share ownership schemes (Caremelli and Briole, 2007). The theoretical rationale is that culture is an embodiment of individual value systems and employee attitudinal responses to ESO schemes depends upon the ‘value’ assigned by individual employees to the different aspects of ESO (e.g., financial rewards, participatory rights, and a sense of psychological ownership). Indeed, there is consensus that culture is composed of several logically interrelated elements such as behaviors, values, norms, or basic assumptions (Caramelli and Briole, 2007). This sentiment is captured in a popular definition of culture proposed by Hofstede (1983: 76), “culture is a mental programming: it is that part of our conditioning that we share with other members of our nation, region or group but not with members of other nations, regions, or groups.”

Underpinning the golden path and the golden handcuff theses and the Klein’s (1987) satisfaction models is the assumption that the physical ownership of shares, the financial rewards, and the participation rights associated with employee share ownership result in higher commitment and lower employee turnover because they are ‘valued’ by the employees. This assumption is also consistent with the ‘valence’ condition of expectancy theory which postulates that for incentive schemes to yield desired outcomes, they must be ‘valued’ by the employees.

It is, however, widely argued that perceptions of ‘value’ differ from one individual to another and is dependent on the values upheld by an individual. For example, Francès suggests that the ‘valence’ of the output is determined by employees' values (Francès, 1995: 30). This means that the motivational properties of management practice is moderated by the extent to which the output is valued by employees (Caramelli and Briole, 2007: 296).

Collectively held values are derived from culture. Thus, we could argue that motivational/attitudinal outcomes of management practice are moderated by culture. Therefore, we can expect that culture moderates perceptions of value or valence associated with HRM practices. Based on this, we could argue that cultural norms shape employees’ expectations towards employee ownership (Caramelli and Briole, 2007) and thus the attitudinal outcomes associated with employee share ownership.

The effect of ESO on attitudes is likely to be moderated by the degree of congruence between the actual experiences and socialized ownership expectations (Pierce et al., 1991: 127; Rousseau and Shperling, 2003: 562). Hence, the coherence between culture and employee share ownership schemes will determine the extent and nature of outcomes associated with these practices.

The moderating effects of culture on the attitudinal effects of employee share ownership have been theorized in a recent paper by Caramelli and Briole (2007). Drawing on Hofstede's four cultural dimensions, they have analyzed the extent to which culture moderates the attitudinal effects of employee ownership. They do so by identifying key ‘values’ that may influence employee evaluation of key aspects of employee ownership. Overall, they argue that ESO values are congruent with the low power distance, masculine, low uncertainty avoidance, and collectivist cultures. Hence, the behavioral and attitudinal benefits associated with ESO would be more evident in these cultures.

If the argument that the financial rewards and participatory dimensions of share ownership are more congruent in these types of cultures is valid, we can then expect that employee share ownership schemes will operate as an effective motivation and retention tool in these cultures. For example, we can expect that the psychological ownership and intrinsic satisfaction associated with the collective stock ownership to result in higher level of affective commitment in collectivistic cultures. In these cultures, granting actual/potential ownership of shares can strengthen group membership feelings because they enable employees to share the goal of increasing organizational performance. The shared goal can promote perceptions of similarities amongst employees and thereby foster group cohesiveness (e.g., Good and Nelson, 1973) and a sense of belongingness. Another example can be the case of uncertainty avoidance. The risk associated with the ownership of employee share ownership schemes is likely to be perceived as more fair and congruent with cultures characterized by low uncertainty avoidance. And perceptions of justice result in greater satisfaction and higher commitment (Caramelli and Briole, 2007). Therefore, we could expect positive attitudinal effects to be more strongly manifested in cultures with low uncertainty avoidance.

*2.2.2 The role of a national institution as a context in manifesting ESO benefits.*

A national institution refers to negotiated legal frameworks and social and economic structures which are subject to change (Hall and Soskice, 2001 in Gooderham et al., 2015). Although most cross-national management research has almost exclusively focused on cultural reasons for cross-national variation in the effectiveness of management practices (Wright and Van de Voorde, 2009 in Gooderham et al., 2015), there is evidence and theoretical arguments pointing to the significance of national institutions in explaining cross-national variations (Gooderham et. al. , 2015; Schuler and Rogovsky, 1998; Walker et. al., 2017).

The moderating effect of national context on the golden-handcuff effect is theorized by drawing on the Variety of Capitalism (VoC) framework (Hall and Soskice, 2001). The VoC framework (Hall and Soskice, 2001) provides two representative models of economies: liberal market economies (LMEs) and coordinated market economies (CMEs). In LMEs, the market plays a strong role in the deployment of rewards and labor. The labor market of LMEs is characterized by labor market flexibility (the ease of hiring and firing), use of performance-based rewards, and focus on development of general skills. In contrast, strategic interaction between economic entities (e.g., firms, government, and unions) and a presence of supportive institution plays a strong role in the deployment of rewards and labor in CMEs. The CME labor market is characterized by less labor market flexibility (difficulties in firing due to labor protection), use of seniority-based rewards, and focus on development of firm-specific skills (Hall and Soskice, 2001).

The defining feature of LMEs is the emphasis on shareholder value, and therefore the focus is on incentivizing managers to maximize shareholder value (Dore, 2000 in Walker et al., 2018) and facilitating the transfer of risks associated with market volatility to the employees. The most obvious way in which shareholder value can be maximized and risks be transferred to employees is through the alignment of shareholders, managerial and employee interests through the adoption of ESO schemes. Therefore, employee share ownership schemes are more likely to be prevalent in LMEs (Croucher, Brookes, Wood and Brewster, 2010; Gooderham et al., 2015; Walker et al., 2018). Furthermore, in the absence of institutional arrangements such as seniority-based pay and job security, employee share ownership schemes may be used by firms as a tool for retaining employees. Hence, the golden handcuff effect may be evident in LMEs.

In contrast, there is less reason for ESO adoption in CMEs where stakeholder values and longer-term employer-employee relations are encouraged and supported through the presence of arrangements such as seniority-based pay, collective voice and high levels of job security. Due to these characteristics, employees in CMEs, compared to those in LMEs, are often rewarded for staying with an organization and accruing seniority and firm-specific skills. Thus, we expect employees in CMEs to be motivated to stay longer with an organization regardless of an inducement of extrinsic motivator such as ESO. Hence, ESO effect on reducing employee-turnover can be weaker in CMEs than in LMEs.

There is a compelling empirical evidence using cross-country evidence from the Cranet survey suggesting that employee share ownership schemes are more prevalent in LMEs (Croucher et al., 2010; Walker et al. 2018). However, there is no evidence of the behavioral outcomes capturing the golden path/golden handcuff effects associated with employee share ownership schemes in these contrasting institutional contexts. This is despite the fact that it is widely acknowledged that both cultural and institutional factors account for variations in the outcomes associated with ESO schemes (Caramelli and Briole, 2007, Walker et al., 2018; Gooderham et al., 2015; Poutsma, Blasi and Kruse, 2012).

**2.3 The Role of the Status of the Economy in Manifesting ESO Benefits**

The value of shares is an important premise in the theorization process of golden-path and handcuff effects. The premise is that the value or expected value of shares has to be high enough for employees to appreciate ESO schemes. The expectancy theory (Vroom, 1964) suggests that the foremost condition of compensation practices to be motivating is that employees value the outcomes. Consequently, the low value of shares can weaken the golden-path and golden-handcuff effects.

On average, stock markets perform better during economic expansions than during economic downturns. Thus, we can expect the perceived value of shares in ESO plans is, on average, higher for employees during economic expansions than during economic downturns. Indeed, Oyer (2004) suggests that employee ownership is relatively attractive in strong economies and thus act as an effective retention tool owing to the greater financial worth of the scheme.

Consequently, we can expect the golden-path effect of ESOs to be stronger during economic expansions than during economic downturns. Evidence also suggests that the financial value of ESOs influences commitment levels associated with ESOs (golden-path effect). ESOs with high financial worth foster higher commitment (Buchko, 1992; Goldstein, 1978; Pendleton et al., 1998) and ESO schemes with low financial returns report negative or unchanged commitment levels (Dunn, Richardson, and Dewe, 1991; French and Rosenstein, 1984; Keef, 1998; Sockell, 1985; Wilkinson, Marchington, Ackers, and Goodman, 1994).

In contrast, the effect of financial worth of ESO schemes on employee-turnover (golden-handcuff effect) is debated. One view is that the greater the financial worth of the schemes, the stronger the likelihood that employees will remain in the firm (Oyer, 2004, Oyer and Schaefer, 2004). The other view is that high financial rewards associated with ESO schemes accelerate the propensity to quit after employees make substantial gains (Buchko, 1992; Culpepper et al., 2004). Occasionally, high financial worth of schemes may fail to have any impact, particularly if the employees have to wait for several years to reap the financial rewards (Buchko, 1992). The dominant view, however, is encapsulated in the golden-handcuff thesis which argues that the financial worth of shares contributes towards lowering employee-turnover. Thus, we can also expect the golden-handcuff effect of ESOs to be stronger during economic expansions than during economic downturns.

**2.4 Examining How the Benefits of ESO Unfold in Britain vs. Korea and in Different Economic Phases**

To examine the possibility of national context playing a role in manifesting the benefits of ESO, we compare ESO outcomes in Britain and Korea. The two countries greatly differ in terms of national culture and labor market institutions. Regarding national culture, past studies show that Korea exhibits high levels of collectivism, power-distance, uncertainty avoidance, and feminism, while Britain demonstrates low levels in these four dimensions (Gelfand, Bhawuk, Nishii, and Bechtold, 2004; Hofstede, 1980; Hofstede and Bond, 1988). Regarding national institutions, Britain is often viewed as the representative of liberal market economies (Colvin and Darbishire, 2013; Hall and Soskice, 2001) while Korea is classified as a coordinated market economy with some variations in political factors (Kong, 2006).

 On the other hand, to examine the possibility of economic status playing a role in actualizing the benefits of ESO, we compare ESO outcomes in times before the recent economic recession (i.e., financial crisis started in 2008 when Lehman Brothers has collapsed) and during the economic recession. Through our analysis, we aim to find answers to the following research questions.

*1. Do the benefits of ESO manifest differently under different national contexts such as in Britain vs. Korea?*

*2. Do the benefits of ESO manifest differently under different economic phases (i.e., economic expansion vs. economic downturn)?*

**3 METHOD**

**3.1 Overview and Sample**

The analysis uses matched employer-employee information from nationally representative surveys in Britain and Korea. For the analysis of workplaces/organizations and employees in Britain, Workplace Employee Relations Survey (WERS) was utilized, whereas for Korea, Human Capital Corporate Panel (HCCP) was utilized. Both surveys contain comprehensive information about workplaces/organizations and their employees. WERS was undertaken six times: 1980, 1984, 1990, 1998, 2004, and 2011. HCCP was undertaken five times: 2005, 2007, 2009, 2011, and 2013. There are three noticeable differences in the sampling of the two surveys. First, the unit of data collection for WERS is a workplace whereas an organization for HCCP.[[1]](#footnote-1) Second, WERS collects data from workplaces with five or more employees while HCCP collects data from organizations with one hundred or more employees. Third, WERS collects data from both for-profit and non-profit organizations while HCCP collects data from only for-profit organizations. In the WERS analysis, we included workplace data for for-profit organizations with one hundred or more employees to achieve consistency. In both surveys, individual-level information (e.g., employee-commitment) was collected from a randomly chosen set of employees working in the focal workplace/organization. In contrast, workplace/organizational-level information (e.g., ESO presence and employee-turnover rate) was collected from a manager in charge of human resource or industrial relations and thereby counteracting single respondent bias that exists in most ESO research.

 For the analysis during an economic expansion, we used the 2004 WERS and 2007 HCCP datasets. The starting point of the recent recession is viewed as the second half of 2008 when Lehman Brothers collapsed (e.g., Economist, 2013). Thus 2004 and 2007 were considered as periods of economic expansion. We use 2007 HCCP because the employee-commitment measures were similar between 2004 WERS and 2007 HCCP (details of the measure are introduced in the *Measures* section). The employee-commitment measures were different for 2004 WERS and 2005 HCCP. For the data analysis during the economic downturn, we used the 2011 WERS and 2011 HCCP. The employee-commitment measures in these two surveys were similar. The year 2011 has been widely acknowledged as a period in the midst of a recession[[2]](#footnote-2) (e.g., Lenzner, 2011). To minimize the effect of outliers and reporting errors, we excluded workplaces/organizations with unusually high or low rate of turnover (turnover rate of 1 or higher and 0) in the analysis of the golden-handcuff effect.[[3]](#footnote-3) These cases accounted for 4.9 percent (83 workplaces/organizations out of 1,678 workplaces/organizations with no missing data) of total cases. The size of each analysis sample is shown in tables.

**3.2 Measures**

*3.2.1 Turnover rate*

The turnover rate of a given workplace in WERS was calculated as the number of employees that left voluntarily over the last 12 months divided by the number of employees on the payroll at the workplace 12 months ago. The turnover rate of a given organization in HCCP was calculated as the number of employees that left voluntarily during the one calendar year before (e.g., 2010 for 2011 HCCP) the survey year (e.g., 2011 for 2011 HCCP) divided by number of employees at the end of that calendar year (e.g., 2010 for 2011 HCCP). The distribution of turnover rates was right-skewed, and the logarithm values of turnover rates were used in the model. The operationalization of the measure is in line with previous research on employee-turnover (Mowday et al., 2013).

*3.2.2 Employee-commitment*

In 2004 and 2011 WERS, the commitment level of a given employee was measured through asking to which extent the employee agreed or disagreed (5 point scale) with the following statement: I feel loyal to my organization. In 2007 and 2011 HCCP, the same variable was measured through asking to which extent the employee agreed or disagreed (5 point scale) with the following statement: It is worthwhile to be loyal to this organization. Although the measures of employee-commitment are not perfectly the same for WERS and HCCP, the measures are both capturing the aspect of *loyalty*. Loyalty is widely acknowledged as an important dimension of employee-commitment (especially of *affective commitment*) in various studies (e.g., Lincoln and Kalleberg, 1996; Luchak, 2003; Mowday et al., 2013). Due to the nature of a single-item measure, the reliability of this measure could not be tested. This is a limitation that is duly acknowledged in this study. For a more intuitive comparison of effect sizes between samples in Britain and Korea, standardized values were used in the model.

*3.2.3 Presence of ESO*

The variable was coded in a binary fashion. A workplace/organization is coded as an ESO workplace/organization if any employees in the workplace/organization receive payments from ESO schemes. In WERS, a workplace is coded as an ESO workplace if any of the employees in the workplace participate in at least one of the following five plans: Share Incentive Plan (SIP), Save As You Earn (SAYE or Sharesave) share options scheme, Enterprise Management Incentives (EMI), Company Share Option Plan (CSOP), and any other employee share scheme. In HCCP, an organization is coded as an ESO organization if the organization provides either stock or stock option to any of its employees. The proportion of employees covered by ESOs was only reported in WERS. Hence, we focused on ESO presence, rather than ESO coverage.

*3.2.4 Control variables*

The choices of controls are largely based on the established models of employee-commitment (Meyer and Allen, 1997; Meyer and Herscovitch, 2001; Steers, 1977) and employee-turnover (Cotton and Tuttle, 1986; Fernie and Metcalf, 1995) and their availability in WERS and HCCP. The details of control variables are in Appendices A and B. We attempted to maintain the two country models coherent by drawing on a set of control variables as similar as possible. The only difference is that ethnicity related variables were controlled for in the Britain sample but not the Korean sample.[[4]](#footnote-4)

**3.3 Analysis Model**

For the model examining the effect of ESOs on employee-commitment, hierarchical linear modeling (HLM) method was applied considering the multi-leveled nature (i.e., employees nested in workplaces/organizations) of the data structure (Hofmann, 1997). We applied a two-level HLM analysis. The first level of analysis represented the individual level and modeled how the individual level variables (i.e., control variables such as gender, age, and pay level) affect employee-commitment. The second level of analysis represented the workplace/organizational level and is where we modeled the effect of ESO presence. HLM7 (Raudenbush, Bryk, Cheong, Congdon, and du Toit, 2011) was used in the analysis.

We calculated ICC(1) values of employee-commitment to examine non-independence in the data. ICC(1) values were 0.158 for the sample during an economic expansion in Korea, 0.139 for the sample during an economic downturn in Korea, 0.065 for the sample during an economic expansion in Britain, and 0.072 for the sample during an economic downturn in Britain. Details of ICC(1) and ICC(2) values are in Table 1. These ICC(1) values suggest the need for adopting a multi-level method in analyzing the data (Bliese, 2000; Krull and McKinnon, 2001).

For the model of examining the effect of ESOs on turnover rate, an ordinary least square (OLS) regression method was applied.

[Table 1 near here]

**4 RESULTS**

**4.1 Descriptive Statistics**

Table 2 presents the comparison of means and standard deviations for key variables for the two country samples.[[5]](#footnote-5) At the workplace/organizational-level, workplaces/organizations in the Britain sample were more likely to adopt ESO, to be service industry-focused, older, and higher in the ratio of females and employees aged 50 or more. In contrast, workplaces/organizations in the Korean sample were larger during an economic expansion and were higher in turnover rate during an economic downturn. At the individual level, the employee-commitment level and union member ratio were higher in the Britain sample. In contrast, the ratio of employees with bachelor's degree was higher in the Korean sample.

[Table 2 near here]

**4.2 Hypothesis Testing**

*4.2.1 Golden-path effect*

The results of HLM are presented in Table 3. During an economic expansion, we observed a significant positive relationship between ESO presence and employee-commitment in the Korean sample (estimate=0.078, SE=0.036, p<0.05, Model A4 in Table 3). In contrast, we observed no significant relationship between ESO presence and employee-commitment in the Britain sample (estimate=-0.026, SE=0.035, ns, Model B4 in Table 3). During an economic downturn, however, we observed no significant relationship between ESO presence and employee-commitment in both country samples (Korean sample: estimate=0.089, SE=0.047, ns, Model C4 in Table 3; Britain sample: estimate=0.047, SE=0.041, ns, Model D4 in Table 3).

[Table 3 near here]

 Taken together, the findings suggest that, during an economic expansion, the relationship between the presence of ESOs and employee-commitment is stronger in a positive direction for Korean employees compared to British employees. We observe a significant positive relationship in the Korean sample and an insignificant relationship in the British sample. Furthermore, amongst Korean employees, the findings suggest that the relationship between the presence of ESOs and employee-commitment is stronger in a positive direction during an economic expansion than during an economic downturn. The association between ESO presence and employee-commitment is positive and significant during an economic expansion but insignificant during an economic downturn. [[6]](#footnote-6)

*4.2.2 Golden-handcuff effect*

Table 4 presents the OLS regression results. During an economic expansion, we observed no significant relationship between ESO presence and turnover rate for Korean organizations (estimate=0.032, SE=0.045, ns, Model A4 in Table 4). In comparison, we observed a significant negative relationship between the presence of ESOs and turnover rate for workplaces based in Britain (estimate=-0.093, SE=0.042, p<0.05, Model B4 in Table 4). During an economic downturn, on the other hand, an insignificant relationship between ESO presence and turnover rate is reported for both country samples (Korean sample: estimate=0.031, SE=0.046, ns, Model C4 in Table 4; British sample: estimate=-0.056, SE=0.047, ns, Model D4 in Table 4).

[Table 4 near here]

 Overall, the results indicate that the golden-handcuff effect is evident in British rather than in Korean organizations and ESO effects are stronger during an economic expansion relative to an economic downturn. During an economic expansion, a negative and significant relationship between ESO presence and turnover rate is observed for the British sample, but an insignificant association existed for the Korean sample. All significant associations disappear during an economic downturn. The results for Britain are in line with previous research (Sengupta et al., 2007) and commensurate with the golden-handcuff thesis.

**5 DISCUSSION**

The findings demonstrate that, during an economic expansion, the golden-path effect of ESOs is stronger in Korea, compared to Britain, and the golden-handcuff effect of ESOs is stronger in Britain, compared to Korea. The findings also indicate that these effects disappear during an economic downturn.

**5.1 Possible Reasons for the Results**

First, the observation of the golden-handcuff effect being stronger in Britain rather than in Korea during the economic expansion can be attributed to the difference in national institution between the two economies. In terms of national institutions, Britain is classified as the representative of liberal market economies (LMEs: Colvin and Darbishire, 2013; Hall and Soskice, 2001) while Korea is viewed as a coordinated market economy (CME: Kong, 2006) under the Varieties of Capitalism (VoC) framework (Hall and Soskice, 2001). And as discussed in Section 2.2.2, we can expect the golden handcuff effect to be weaker in CMEs than in LMEs (i.e., to be weaker in Korea than in Britain).

Furthermore, this finding is in line with the view that positive attitudinal and behavioral outcomes would be evident in cultures characterized by low power distance and high masculinity such as Britain. This is because the values of these cultures are congruent with the participatory rights and financial rewards associated with ESO schemes (Caramelli and Briole, 2007). Hence, following from Klein’s (1987) satisfaction models, we could argue that the financial rewards and participatory rights associated with employee share ownership schemes are likely to foster ‘extrinsic’ and ‘instrumental’ satisfaction thus, making it more lucrative for employees to stay longer in the workplace. Empirical research on ESO suggests that when employees perceive ESO schemes as being financially lucrative and they perceive increased information and decision-making rights as a consequence of employee ownership, they show increased levels of satisfaction and commitment and decreased levels of turnover intention (Buchko, 1992: 73; Pendleton, 2001:170–173). Therefore, we could also expect that the ‘golden handcuff’ effect of employee share ownership to be more prevalent in the masculine and low-power distance cultures as is evident from our findings.

Second, why do we observe a stronger golden-path effect in Korea rather than in Britain during the economic expansion? The stronger golden path effect in Korea lends support to the view that positive attitudinal outcomes will be anticipated in collectivist cultures (e.g., Korea) rather than in individualistic cultures (e.g., Britain) (Caramelli and Briole, 2007). As discussed in Section 2.2.1, we can expect that the psychological ownership and intrinsic satisfaction associated with the collective stock ownership would result in higher level of affective commitment in collectivistic cultures. Furthermore, there is congruence between the ESO ideology of widening the distribution of wealth and collective sharing of financial rewards in a collectivist culture leading to shared perceptions of fairness and justice resulting in higher satisfaction and affective commitment. Therefore, we can expect that the golden path effect to be stronger in societies with a higher level of collectivism (i.e., to be stronger in Korea than in Britain).

The stronger golden path effect in Korea rather than in Britain, however, appears to be contradictory to the view that ESO schemes are likely to yield desired attitudinal and behavioral outcomes in cultures characterized by low power distance, low uncertainty avoidance, and high masculinity. This is because these cultural values are observed to be higher in Britain than in Korea (Gelfand, Bhawuk, Nishii, and Bechtold, 2004; Hofstede, 1980; Hofstede and Bond, 198).

 A possible explanation for this result could be that it is the combined effect of cultural and institutional factors that determine the attitudinal effects of ESO. Therefore, it could be possible that the institutional arrangements may mitigate the national cultural traits/dimensions that may not be congruent with certain ESO principles. For example, in high uncertainty avoidance cultures like Korea, the presence of job security and seniority-based pay could counteract the cultural aversion to the risk associated with ESO schemes. Furthermore, the legislative framework may influence the ESO design to make it better aligned with certain cultural dimensions. For example, for high uncertainty avoidance employees, the “vesting period” can be lowered when permitted by the local law (Caramelli and Briole, 2007). In Korea, the rules regarding the minimum ‘vesting’ period for holding shares was relaxed in 1993. Consequently, we find that 58% of ESOP shares have been held for less than three years and over three quarters have been held for less than four years (Cin, Han and Smith, 2003).

These arguments suggest that perhaps future ESO research should consider the combined effects of culture and institutional contexts while theorizing and operationalizing the effects of these dimensions on the analysis of ESO outcomes. This inference is aligned with Hofstede's argument and the widely held view that institutions and cultures are interconnected (Hofstede, 1980; Alesina and Giuliano, 2013 in Gooderham, 2015).

Overall, the prevalence of the golden path effect in Korea and the golden handcuff effect in Britain suggests that certain cultural dimensions may foster certain types of attitudinal and behavioral outcomes. The vast number of cross-cultural management studies do not differentiate between different attitudinal outcomes. Our findings indicate that it may be relevant to consider different attitudinal or behavioral outcomes associated with different dimensions of cultural and institutional contexts while theorizing the moderating effects of national institutions on the outcomes of management practices such as ESO schemes.

Finally, the findings of the golden-path and golden-handcuff effects being present only during economic expansions are in alignment with the discussions made in Section 2.3.

**5.2 Other Theoretical Implications**

The findings in this paper can also be important in terms of theory for other reasons. First, the different results for ESOs in Britain and Korea lend support to the *contingency perspective* by emphasizing the role of national contexts on ESO outcomes. In fact, the paper takes the contingency argument further by identifying mechanisms through which ESO schemes operate in contrasting socio-economic contexts. For example, we find ESO schemes are a more effective ‘retention’ rather than a ‘motivational’ tool in Britain. Conversely, ESO schemes work better as a ‘motivational’ tool in Korea.

Second, the findings around the moderating effect of the economic climate suggest that we cannot expect to benefit from ESOs unless the right economic conditions exist. The ESO benefits are evident during the economic boom and disappear during the recession. Moreover, the findings challenge the tendency in HRM literature to overstate the effects of HRM practices on beneficial organizational outcomes (e.g., employee-commitment and turnover). The lack of ESO impact during an economic downturn in Britain and Korea suggest that HR practices are one of the many factors influencing workplace outcomes. By emphasizing the influence of economic context in moderating the ESO outcomes, the paper challenges the strategic HRM’s conceptualization of the firm as an atomistic actor, with little or no attention paid either to the institutional environment or to the social, political and economic relationships in which firms are embedded. Hence, we offer a fresh perspective by emphasizing the role of context and de-emphasizing the role of individual practices in the ongoing HRM-performance debate.

Finally, the findings advance specific debates within ESO research. Specifically, the results for the moderating effects of the economic status advance the debate around whether the financial or the ownership dimension of ESOs impact employee behavior. Given that ESO benefits disappear during recession suggests that the financial rewards (the extrinsic satisfaction) rather than psychological ownership (intrinsic satisfaction) is the key determinant of ESO outcomes. Therefore, the results lend support for Klein’s (1987) extrinsic rather than intrinsic satisfaction model. Moreover, the support for the golden-handcuff thesis in the British context during an economic boom challenges the argument that financial rewards associated with stock ownership are likely to encourage employees to leave (Culpepper et al., 2004).

**5.3 Practical Implications**

The contribution of the paper extends to policy and practice. It offers management insights into the expected benefits and costs associated with the adoption of share schemes in different national contexts and economic climates. Specifically, the results show that organizations based in Britain can benefit from using ESO as a retention tool while those in Korea can use it as a motivational tool. However, these benefits disappear at times of financial crisis. Thus, organizations should be wary of expecting benefits during the recession. Finally, the study reminds practitioners and policymakers that ‘one size does not fit all,’ and key contextual factors should be considered while implementing ESO schemes.

**5.4 Limitations and Future Research**

Despite the contributions, this study has limitations. First, we were not able to explicitly test national culture, a national institution, or economic status as moderators in our analysis. For example, we were not able to directly incorporate culture (collectivism and power distance) or the type of VoC economy as moderators in the relationship between ESO and outcomes (i.e., commitment and turnover). In this study, we were only able to test and observe the difference in results in British and Korean samples.

Although the paper does not explicitly test ‘cultural’ and ‘institutional’ contexts, the cross-country comparison offers an implicit test of these contextual influences. This is in keeping with the common practice of cross-national comparative research to capture cultural and institutional effects. Researchers generally have compared HRM across countries and then argued that cultural values and orientations are determinants of the differences observed (see Arvey et al., 1991, Bhagat et al., 1990, Brewster and Tyson 1991, Erez 1994, Maruyama 1992 in Jackson and Schuler, 1995). Conceptually, a cross-country comparison allows us to respond to the suggestion that future research on LMEs and CMEs should look at individual countries to acknowledge and capture the heterogeneity prevalent within these institutional typologies (Walker et al., 2018). Furthermore, some also argue that cultural and institutional dimensions are interconnected. Hofstede (1980, 27) endorses this view by suggesting that institutions are a ‘consequence’ of national culture and hence, mediate its impact on organizational practice (Gooderham et al., 2015). The cross-country comparison is aligned with this view whereby the combined effects of culture and institution are captured in the analysis rather than being separately tested as being mutually exclusive influences.

Future research can, however, extend the analysis to other countries and qualitative research can offer fresh insights into factors explaining the differences in the results for Britain and Korea. These insights could contribute towards refining the theoretical framework for explaining cross-national differences, thus adding theoretical rigor to the IHRM research.

Second, the reverse causality is a possibility. However, since ESO schemes are a relatively static phenomenon compared to commitment and employee-turnover, which changes rapidly, it is likely that the presence of share-ownership schemes impacts upon employee outcomes rather than vice versa. Furthermore, there are theoretical arguments and support from longitudinal studies which suggest that ESO schemes contribute to performance related outcomes (Goldstein, 1978; Iqbal and Hamid, 2000; Long, 1980; Rosen, 1990; Rosen and Young, 1991; Richardson and Nejad, 1986).

 Lastly, although the sampling and reporting methods of the two surveys are similar in most ways, we cannot exclude the possibilities of the method or sampling bias in our results. However, by limiting the WERS sample to workplaces with 100 or more employees and by focusing on for-profit workplaces, greater consistency between the samples was achieved.

**5.5 Conclusions**

Despite the limitations, the current study offers theoretical insights and empirical contributions related to the dynamics of ESO under different national contexts and economic conditions. This study provides a partial explanation for inconsistent outcomes of ESOs observed across studies and encourages researchers to consider national context and economic status as important factors in examining the ESO effectiveness in future studies. The study has also contributed to a much-needed demystification of the concept and contextualization of ESOs in IHRM research and broadened the horizons for IHRM research. It manages expectations associated with ESO outcomes and offers guidance to the management on implementation of ESO by offering insights into the complex interplay between ESO and contextual influences.

**Acknowledgement:** The authors would like to acknowledge Paul Edwards, Andrew Pendleton and Kevin Hallock for their helpful comments in developing this manuscript.

**References**

Adler, N. J. (1983), ‘Cross-cultural Management Research: The Ostrich and the Trend. *The Academy of Management Review*, **8,** 226−232.

Addison, J. T. and C. Belfield (2001), ‘Updating the Determinants of Firm Performance: Estimation Using the 1998 UK Workplace Employee Relations Survey’, British Journal of Industrial Relations, 39, 341–366.

Alchian, A. A. and H. Demsetz (1972), ‘Production, Information Costs, and Economic Organization’, *American Economic Review,* **62**, 777–795.

Alesina, A. and P. Giuliano (2013), *Culture and Institutions* (Cambridge, MA: National Bureau of Economic Research).

Alesina, A., A. Devleeschauwer, W. Easterly, S. Kurlat and R. Wacziarg (2003), ‘Fractionalization’, *Journal of Economic Growth*, **8**, 155–194.

Arvey, R.D., R.S.Bhagat and E. Salas (1991), ‘Cross-cultural and Cross-national Issues in Personnel and Human Resources Management: Where do we go from here, *Personnel and Human Resources Management****,* 9,** 367-407.

Bhagat, R.S., B.L.Kedia, S.E. Crawford and M.R. Kaplan (1990), ‘Cross-cultural Issues in Organizational Psychology: Emergent Trends and Directions for Research in the 1990s’,*International Review of Industrial and Organizational Psychology*,5, 55-99.

Blair, M. M. and D. L. Kruse (1999), ‘Worker Capitalists?’, The *Brookings Review,* **17**, 23–26.

Blasi, J., M. Conte and D. L. Kruse (1996), ‘Employee Stock Ownership and Corporate Performance among Public Companies’, *Industrial and Labor Relations Review,* **50**, 60–79.

Bliese, P. D. (2000), ‘Within-Group Agreement, Non-Independence, and Reliability: Implications for Data Aggregation and Analysis’, in K. J. Klein and S. W. Kozlowski (eds), *Multilevel Theory, Research, and Methods in Organizations* (San Francisco: Jossey-Bass) pp. 349-381.

Brewster C, S.Tyson S, eds. (1991), *International Comparisons in Human Resource Management*. (London: Pitman).

Buchko, A. A. (1992), ‘Employee Ownership, Attitudes, and Turnover: An Empirical

Assessment’, *Human Relations,* **45**, 711–733.

Caramelli, M. and A. Briole (2007), ‘Employee Stock Ownership and Job Attitudes: Does Culture Matter?’,*Human Resource Management Review*, **17**, 290–304.

Cin, BC, TS, Han and S.C. Smith (2003), ‘A Tale of Two Tigers: Employee Financial Participation in Korea and Taiwan’, *The International Journal of Human Resource Management*, **14**, 920-941.

Colvin, A. J. and O. Darbishire (2013), ‘Convergence in Industrial Relations Institutions: The Emerging Anglo-American Model?’, *Industrial and Labor Relations Review*, **66**, 1047–1212.

Conte, M. A. and J. Svejnar (1988), ‘Productivity Effects Of Worker Participation in Management, Profit-Sharing, Worker Ownership of Assets and Unionization in U.S. Firms’, *International Journal of Industrial Organization,* **6**, 139–151.

Cotton, J. L. and J. M. Tuttle (1986), ‘Employee Turnover: A Meta-Analysis and Review with Implications for Research’, *The Academy of Management Review,* **11**, 55–70.

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

Culpepper, R. A., J. E. Gamble and M. G. Blubaugh (2004), ‘Employee Stock Ownership Plans and Three-Component Commitment’, *Journal of Occupational and Organizational Psychology*, **77**, 155–170.

Dore, R. (2000), *Stock Market Capitalism: Welfare Capitalism* (Cambridge: Cambridge University Press).

Dunn, S., R. Richardson and P. P. Dewe (1991), ‘The Impact of Employee Share Ownership on Worker Attitudes: A Longitudinal Case Study’, *Human Resource Management Journal,* **1**, 1–17.

Erez, M. (1994), ‘Towards a Model of Cross-Cultural I/O Psychology’,  *Handbook of Industrial and Organizational Psychology*, 4, 569-607.

The Economist (2013), ‘The Origins of The Financial Crisis: Crash Course’, Retrieved from http://www.economist.com/news/schoolsbrief/21584534-effects-financial-crisis-are-still- being-felt-five-years-article (December 17, 2014).

Fama, E. F. (1980), ‘Agency Problems and the Theory of the Firm’, *The Journal of Political Economy,* **88**, 288–307.

Fama, E. F. and M. C. Jensen (1983), ‘Separation of Ownership and Control’, *Journal of Law and Economics,***26**, 301–325.

Fernie, S. and D. Metcalf (1995), ‘Participation, Contingent Pay, Representation and Workplace Performance: Evidence from Great Britain’, *British Journal of Industrial Relations,* **33**, 379–415.

Francès, R. (1995), *Motivation et Efficience au Travail*, (Liège: Mardaga).

French, L. J. and J. Rosenstein (1984), ‘Employee Ownership, Work Attitudes, and Power Relationships’, *Academy of Management Journal,* **27**, 861–869.

Gamble, J. E., R. Culpepper and M. G. Blubaugh (2002), ‘ESOPs and Employee Attitudes: The Importance of Empowerment and Financial Value’, *Personnel Review,* **31**, 9–26.

Gelfand, M. J., D.P. Bhawuk, L. Nishii and D. Bechtold (2004), ‘Individualism and Collectivism’, in R. J. House, P. J. Hanges, M. Javidan, P. W. Dorfman and V. Gupta (eds), *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies* (Thousand Oaks: Sage ) pp. 437-512.

Glebbeek, A. C. and E. H. Bax (2004), ‘Is High Employee Turnover Really Harmful? An Empirical Test Using Company Records’, *Academy of Management Journal,* **47**, 277–286.

Gooderham, P., M. Fenton-O’Creevy, R. Croucher and M. Brookes (2015), ‘A Multilevel Analysis of the Use of Individual Pay-for-Performance Systems’, *Journal of Management*, **20**, 1-26.

Goldstein, S. G. (1978), ‘Employee Share Ownership and Motivation’, *The Journal of Industrial Relations,* **20**, 311–330.

Good, L. R. and D. A. Nelson (1973), ‘Effects of Person-Group and Intragroup Attitude Similarity on Perceived Group Attractiveness and Cohesiveness’, *Psychological Reports*, **33**, 551–560.

Hall, P. A. and D. Soskice (eds). (2001), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press).

Hofmann, D. A. (1997), ‘An Overview of the Logic and Rationale of Hierarchical Linear

Models’, *Journal of Management,* **23**, 723–744.

Hofstede, G. (1980), *Culture’s Consequences: International Differences in Work-Related Values* (Beverly Hills: Sage).

Hofstede, G. (1983), ‘The Cultural Relativity of Organizational Practices and Theories’, *Journal of International Business Studies*, **14**, 75−89.

Hofstede, G. and M. H. Bond. (1988), ‘The Confucius Connection: From Cultural Roots to Economic Growth’, *Organizational Dynamics*, **15**, 4-21.

Iqbal, Z. and S. A. Hami (2000), ‘Stock Price and Operating Performance of ESOP Firms: A Time-Series Analysis’, *Quarterly Journal of Business and Economics*,**39**, 25–47.

Jensen, M. C. and W, H. Meckling (1976), ‘Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure’, *Journal of Financial Economics,***3**, 305–360.

Jones, D.C., P. Kalmi, T. Kato and M. Mäkinen (2017), ’Complementarities between Employee Involvement and Financial Participation: Do Institutional Context, Differing Measures and Empirical Methods Matter? *ILR Review*, **70**, 395-418.

Katz, H. C., T. A. Kochan and K. R. Gobeille (1983), ‘Industrial Relations Performance, Economic Performance, and QWL Programs: An Interplant Analysis’, *Industrial and Labor Relations* *Review,* **37**, 3–17.

Keef, S. P. (1998), ‘The Causal Association between Employee Share Ownership and Attitudes: A Study Based on the Long Framework’, *British Journal of Industrial Relations,* **36**, 73–82.

Kim, K.Y. and P.C. Patel (2017), ‘Employee Ownership and Firm performance: A Variance Decomposition Analysis of European firms’, *Journal of Business Research*, **70**, 248-254.

Klein, K. J. (1987), ‘Employee Stock Ownership and Employee Attitudes: A Test of Three Models’, *Journal of Applied Psychology,* **72**, 319–332.

Kong, T. Y. (2006), ‘Globalization and Labour Market Reform: Patterns of Response in

Northeast Asia’, *British Journal of Political Science*, **36**, 359–383.

[Korea Research Institute for Vocational Education](https://www.google.co.kr/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CBwQFjAAahUKEwi-8t_kvPrGAhXEraYKHd5HAGc&url=http%3A%2F%2Feng.krivet.re.kr%2F&ei=qLO1Vb7-BsTbmgXej4G4Bg&usg=AFQjCNGJUWZx6p1Jt1OzCQwgoJuDULiKqw&sig2=RtgtjrZa7IYQE8eTbdOidQ&bvm=bv.98717601,d.dGY) (2015), ‘The User Guide for 2005-2011 HCCP (published in Korean)’, Retrieved from http://www.krivet.re.kr/ku/ia/prg\_kuGDAVw.jsp?pgn =1andgk=andgv=andgn= HP20000007 (July 27, 2015).

Kornelakis, A. (2017), ‘Why are your Reward Strategies not Working? The Role of Shareholder Value, Country, Context and Employee Voice’, *Business Horizons*, **61**, 107-113.

Krull, J. L. and D. P. MacKinnon (2001), ‘Multilevel Modeling of Individual and Group Level Mediated Effects’, *Multivariate Behavioral Research*, **36**, 249-277.

Kruse, D. L. (1992), ‘Profit Sharing and Productivity: Microeconomic Evidence from the United States’, *The Economic Journal*, **102**, 24–36.

Lenzner, R. (2011), ‘The 2008 Recession Never Ended’, Retrieved from http://www.forbes.com/sites/robertlenzner/2011/10/08/the-2008-recession- never-ended/ (December17, 2014).

Lincoln, J. R. and A. L. Kalleberg (1996), ‘Commitment, Quits, and Work Organization in

Japanese and U.S. Plants’, *Industrial and Labor Relations Review*, **50**, 39-59.

Long, R. J. (1980), ‘Job Attitudes and Organizational Performance under Employee Ownership, *Academy of Management Journal*, **23**, 726–737.

Long, R. J. (1982), ‘Worker Ownership and Job Attitudes: A Field Study’, *Industrial Relations,* **21**, 196–215.

Luchak, A. A. (2003), ‘What Kind of Voice Do Loyal Employees Use?’, *British Journal of Industrial Relations*, **41**, 115–134.

Marsden, D. (1999), *Theory of Employment Systems* (Oxford: Oxford University Press).

Maruyama, M. (1992), ‘Changing dimensions in international business’, *The Executive*,.88-96.

McNabb, R. and K. Whitfield (1998), ‘The Impact of Financial Participation and Employee

Involvement on Financial Performance’, *Scottish Journal of Political Economy*, **45**, 171–187.

Meyer, J. P. and N. Allen (1997), *Commitment in the Workplace: Theory, Research and*

 *Application* (Thousand Oaks: Sage Publications).

Meyer, J. P. and L. Herscovitch (2001), ‘Commitment in the Workplace: Toward a General Model’, *Human Resource Management Review*, **11**, 299–326.

Morris, D., I. Bakan and G. Wood (2006), ‘Employee Financial Participation: Evidence from a Major U.K. Retailer’, *Employee Relations,* **28**, 326–341

Mowday, R. T., L. W. Porter and R. M. Steers (2013), *Employee–Organization Linkages: The Psychology of Commitment, Absenteeism, and Turnover* (New York: Academic Press).

 Newman, K.L. and S.D. Nollen (1996), ‘Culture and Congruence: The Fit between Management Practices and National Culture’, Journal of International Business Studies, **27**, 753-779.

Oyer, P. (2004), ‘Why Do Firms Use Incentives that Have No Incentive Effects?’, *The Journal of Finance*, **59**, 1619-1650.

Oyer, P. and S. Schaefer (2004), ‘Compensating Employees Below the Executive Ranks: A Comparison of Options, Restricted Stock, and Cash’, **No. w10221**, *National Bureau of Economic Research*.

Pendleton, A. (1997), ‘Characteristics of Workplaces with Financial Participation: Evidence from the Workplace Industrial Relations Survey’, *Industrial Relations Journal*, **28**,103–119.

Pendleton, A. (2001), *Employee Ownership, Participation and Governance: A Study of ESOPs in the UK* (London: Routledge).

Pendleton, A. (2006), ‘Incentives, Monitoring and Employee Stock Ownership Plans: New Evidence and Interpretations’, *Industrial Relations,* **45**, 753–775.

Pendleton, A, N. Wilson and M. Wright (1998), ‘The Perception and Effects of Share Ownership: Empirical Evidence from Employee Buy-Outs’, *British Journal of Industrial Relations,* **36**, 99–124.

Pierce, J. L., S.A. Rubenfeld and S. Morgan (1991), ‘Employee Ownership: A Conceptual Model of Process and Effects’, *Academy of Management Review*, **26**, 121−144.

Poutsma, E., J.R.Blasi, and D. Kruse (2012), ‘Employee Share Ownership and Profit Sharing in Different Institutional Contexts’, *The International Journal of Human Resource Management*, **23**, 1513-1518.

Raudenbush, S. W., A. S. Bryk, W. F. Cheong, R. T. Congdon and M. du Toit (2011), *HLM 7* (Lincolnwood: Scientific Software International Inc).

Renaud, S., S. St-Onge and M. Magnan (2004), ‘The Impact of Stock Purchase Plan Participation on Workers' Individual Cash Compensation’, *Industrial Relations*, **43**, 120–147.

Richardson, R. and A. Nejad (1986), ‘Employee Share Ownership Schemes in The U.K.: An

 Evaluation’, *British Journal of Industrial Relations*, **24**, 233–250.

Rosen, C. M. (1990), ‘The Record of Employee Ownership’, *Financial Management*, **19**, 39–47.

Rosen, C. M. and K. M. Young (Ed.). (1991), *Understanding Employee Ownership* (Ithaca: Cornell University Press).

Rousseau, D. M. and Z. Shperling (2003), ‘Pieces of the action: ownership and the changing employment relationship’, *Academy of Management Review*, **28**, 553−570.

Schuler, R.A. and N. Rogovsky (1998), ‘Understanding Compensation Practice Variations Across Firms: The Impact of National Culture’, *Journal of International Business Studies*, **29**, 159-177.

Sengupta, S. (2008), ‘The Impact of Employee Share Ownership Schemes on Performance in

 Unionised and Non-Unionised Workplaces’, *Industrial Relations Journal*, **39**, 170–190.

Sengupta, S, K. Whitfield and R. McNabb (2007), ‘Employee Share Ownership and Performance: Golden Path or Golden-Handcuffs?’, *The International Journal of Human Resource Management*, **18**, 1507–1538.

Sesil, J. C., M. K. Kroumova, J. R. Blasi and D. L. Kruse (2002), ‘Broad-Based Employee Stock Options in U.S. New Economy Firms’, *British Journal of Industrial Relations*, **40**, 273–294.

Sockell, D. (1985), ‘Attitudes, Behavior, and Employee Ownership: Some Preliminary Data’,

 *Industrial Relations,* **24**, 130–138.

Steers, R. M. (1977), ‘Antecedents and Outcomes of Organizational Commitment’, *Administrative Science Quarterly*, **22**, 46–56.

Sturman, M. C., L. Shao and J. H. Katz (2012), ‘The Effect of Culture on the Curvilinear Relationship between Performance and Turnover’, *Journal of Applied Psychology*, **97**, 46–62.

Vroom, V. H. (1964), *Work and Motivation* (New York: Wiley).

Walker, J., G. Wood, C. Brewster and E. Beleska-Spasova (2018), ‘Context, Market Economies, and MNEs: The Example of Financial Incentivization’, *International Business Review*, **27**, 21-23.

Wilkinson, A., M. Marchington, P. Ackers and J. Goodman (1994), ‘ESOP’s Fables: A Tale of a Machine Tool Company’, *International Journal of Human Resource Management,* **5**, 121–143.

Wright, P. M. And K. Van de Voorde (2009), ’Multilevel Issues in IHRM: Mean Differences, Explained Variance, and Moderated Relationships. In P. Sparrow (Ed.), *Handbook of International Human Resource Management: Integrating People, Process and Context*, 29-40. (Chichester, UK: Wiley).

1. *The higher level unit of data collection for HCCP was a workplace in 2005. However, HCCP decided to change the unit to an organization from 2007 because the analysis of the 2005 survey showed that there were almost no differences in HR systems and policies between workplaces within an organization (*[*Korea Research Institute for Vocational Education*](http://eng.krivet.re.kr/), *2015).* [↑](#footnote-ref-1)
2. *To provide further support for the argument that 2011 was still a period in the midst of recession, we have compared the average GDP growth rate between 2000 and 2007 (economic expansion) to GDP growth rate in 2011. In Korea, the average GDP growth rate between 2000 and 2007 was 5.41 percent while the GDP growth rate in 2011 was only 3.68. In the United Kingdom, the average GDP growth rate between 2000 and 2007 was 2.78 percent while the GDP growth rate in 2011 was only 1.45. These figures were obtained from The World Bank website (https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG). The GDP growth rate for the Great Britain area was not provided in this website.* [↑](#footnote-ref-2)
3. *The analyses of samples including and excluding these outliers yielded same results in that the direction and statistical significance of coefficients of key variables were the same in the two analyses.* [↑](#footnote-ref-3)
4. *This is because Britain (or the United Kingdom), compared to Korea, is a diversified society in terms of ethnicity (Alesina, Devleeschauwer, Easterly, Kurlat, and Wacziarg. 2003) and we expected that the variables would add explanatory power to the models predicting employee-commitment and turnover rate. In contrast, Korea is a homogeneous society in terms of ethnicity (Alesina et al. 2003) and controlling for ethnicity related variables, even though HCCP reported this information, would be less meaningful. An analysis by Alesina and colleagues (2003) shows that the probability of two randomly drawn individuals to be in a different ethnic group is 0.002 for Korea and is 0.121 for the United Kingdom. The analysis of the Britain sample excluding ethnicity related variables yielded same results in that the direction and statistical significance of coefficients of key variables did not change.*  [↑](#footnote-ref-4)
5. *We were unable to compare statistics of some variables in the model due to the difference in the reporting method between WERS and HCCP. For example, ages of employees were reported in a discrete fashion in WERS (e.g. aged between 21 to 25, aged between 26 to 30, etc.) while in a continuous fashion in HCCP.* [↑](#footnote-ref-5)
6. *However, it should be noted that the stronger golden-path effect during an economic expansion in Korea is not necessarily due to a larger effect size (coefficient estimate during an economic expansion=0.078, coefficient estimate during an economic downturn=0.089). It can be attributed to smaller standard errors (standard error during an economic expansion=0.036, standard error during an economic downturn=0.047). This implies that although the average size effect of ESOs on employee-commitment in Korea is larger during an economic downturn than during an economic expansion, the effect is less consistent during an economic downturn.* [↑](#footnote-ref-6)