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# The Role of Employee Ownership, Financial Participation, and Decision-Making in Corporate Governance: A Multilevel Review and Research Agenda

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## ABSTRACT

**Research Question/Issue:** The allocation of return and control rights to employees has been somewhat overlooked in governance literature, but it has garnered interest from scholars across various fields. Our analysis of five decades of research integrates and juxtaposes theory and evidence from three independent yet intertwined domains: employee ownership, financial participation, and decision-making. Our work synthesizes an extensive body of past and current findings and introduces a multilevel contingency framework to formulate novel theoretical, methodological, and contextual remedies.

**Research Findings/Insights:** We conducted a multilevel analysis of 184 articles published in reputable journals. Our results reveal complementary and substitutive relationships between employee financial participation and decision-making and show that various contextual variables operating at different levels (i.e., individual, company and country) jointly impact employees behaviors and firm outcomes. Our findings help explain the mixed or ambiguous results of previous studies and offer novel theoretical and methodological pathways for future research.

**Theoretical/Academic Implications:** Our study invites scholars to further investigate the antecedents and consequences of employee ownership, financial participation and decision-making. Specifically, we recommend adopting theories and methods that illuminate the complex nature of the employee ownership construct, develop a multilevel understanding of the phenomenon, and analyze the moderating effects of various contextual variables.

**Practitioner/Policy Implications:** Insights from our review can assist practitioners and policymakers in designing plans that allocate either one or both of ownership rights to employees, enhancing their understanding of the role and impact of diverse contextual factors operating at various levels.

## 1 | Introduction

The efficient allocation of ownership rights to stakeholders—the right to receive residual income and the right to participate in high-level decision-making (DM) (Grossman and Hart 1986; Hansmann 1988)—is a critical topic in corporate governance research. Scholars have theorized for decades as to whether and how the allocation of one or both of these rights can profoundly

influence stakeholder behaviors and, consequently, impact various organizational outcomes (Hansmann 1988, 1996).

Despite its theoretical relevance, corporate governance research has remained closely aligned with the tradition of agency theory, focusing on the consequences of the separation between ownership and control in large public companies (Berle and Means 1932; Jensen and Meckling 1976).

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This rather narrow emphasis on conflicts of interest between shareholders and top managers in widely held companies has prevented research from investigating the broader allocation of ownership rights to stakeholders, in particular, to employees (Blair and Roe 1999).

Over time, scholars—particularly in human resource management and industrial relations—started discussing the antecedents and consequences of employee ownership (EO), financial participation (FP), and decision-making (DM). Different theories have been developed to test the presumed relationship between EO and firm performance, as well as between EO and employee satisfaction, based on different assumptions about the extrinsic, intrinsic or instrumental role these mechanisms play, from interest alignment to psychological ownership (Klein 1987; Kruse 1996; Pierce, Kostova, and Dirks 2001).

This academic interest has been nurtured by several policy reports and reforms initiated by policymakers. Interest surged in the 1970s with the UK Bullock report (1977) and the US Employee Retirement Income Security Act (ERISA, 1974), which promoted employee share ownership plans (hereafter, ESOPs). After an initial spike, academic focus waned until the last decade, when renewed policy interest in employee participation reignited momentum. Notable examples include the United Kingdom's 2016 green paper on corporate governance reform and the US 2018 Accountable Capitalism Act and Reward Work Act.

Five decades of research on the topic have generated a wealth of findings and themes. But what, exactly, are the implications of these mechanisms for individual and firm outcomes? Explaining the empirical link with employee attitudes or behaviors is a popular topic among researchers in the field. However, the nonlinearity of the main relationship calls for further theoretical and empirical refinement. Performance effects are also routinely tested, but the slightly positive results obtained are often marginal and contingent on firm characteristics and institutional environments (see, e.g., Doucouliagos et al. 2020; Kruse, Freeman, and Blasi 2010; O'Boyle, Patel, and Gonzalez-Mulé 2016). As a result, recent studies on EO, FP, and DM are embracing broader contingency or complementarity theses to explain the said equivocal findings.

Prompted by a continuous interest in the topic and a rather fragmented literature, this review aims at identifying major results, highlighting open issues, and suggesting various ways to develop a more comprehensive understanding of the phenomenon (Simsek et al. 2022). Specifically, our systematic review integrates and juxtaposes theory and evidence from three partially distinct streams of research—EO, FP, and DM—as to emphasize the theoretical and empirical links among them. Second, our multilevel review aims at reconciling and interpreting the equivocal or statistically marginal results in this research field, analyzing the complex relationships between employee FP and DM, as well as the potential moderating role of various contextual variables. Lastly, as the existing systematic reviews have been published more than 20 years ago (see Ben-Ner and Jones 1995; Pierce, Rubinfeld, and Morgan 1991; Rousseau and Shperling 2003), our study provides a timely update to the literature and discusses new avenues for future studies.

To this end, we conducted an integrative and interdisciplinary review of prior empirical studies published in reputable journals. Building on recent reviews (e.g., Bezemer et al. 2023; Zattoni et al. 2020), we used selected keywords to identify relevant articles published in top journals and analyzed our final pool of 184 studies along various dimensions aimed at capturing the theoretical framework, the research method, and the main results.

Our findings encourage governance scholars to further investigate the antecedents and the consequences of EO, FP, and DM and identify best practices to gather novel evidence. Overall, we note that the construct of EO has been uniformly used by scholars to position a wealth of studies involving some form of EO, FP, or DM. This has led to a large yet uneven body of research, among and across different fields, theoretical domains, and levels of analysis. To better understand the complex and multidimensional nature of the construct, we encourage future studies to investigate its various facets. This includes juxtaposing different dimensions, such as the degree of financial and/or decisional participation, and the specific technical forms of the plan.

Second, our multilevel review underlines how future studies might benefit from a more holistic contingency understanding of the phenomenon. To illuminate the embeddedness of these relationships, we invite scholars to incorporate the influence of these multilevel interactions into richer and more comprehensive theoretical frameworks in order to better understand how individual characteristics, firm-level determinants, and institutional environments may moderate the impact of EO, FP, and DM on employee behaviors and company results.

Lastly, current research often employs rich qualitative methods for single case-studies or small samples or quantitative methods for large archival datasets. While these approaches have enriched extant evidence, future studies could benefit from mixed or multi-method perspectives (McNulty, Zattoni, and Douglas 2013), hierarchical linear models clustering micro-, meso-, and macro-level data, and theory-building methods (e.g., fuzzy-set qualitative comparative analysis or fs/QCA; necessary condition analysis or NCA) to identify necessary and sufficient conditions for achieving desired outcomes.

## 2 | EO, FP, and DM

### 2.1 | The Ownership of the Firm

The ownership of an asset implies the right to control it and to receive the returns coming from it (Hansmann 1988, 1996). Consistent with this view, the ownership of a company is traditionally conceived as the ownership of two interrelated rights: that is, the residual income right (that is, the right to receive the company's net income) and the residual control right (namely, the right to influence corporate decisions) (Hansmann 1988).

After an initial debate about which stakeholders should receive ownership rights, as to maximize companies' efficiency and survivability (e.g., Grossman and Hart 1986; Hansmann 1988, 1996; Zattoni 2011; Zingales 1998), corporate governance scholars

crystallized the discussion around a shareholder view of the firm. According to this perspective, shareholders are entitled to receive ownership rights for two complementary reasons. First, while all other stakeholders have some form of protection from management's expropriation, shareholders are highly exposed to managerial opportunism unless they receive residual control rights (Jensen and Meckling 1976). Second, while all other stakeholders receive a predetermined compensation, they receive the residual income and are intrinsically motivated to increase firm value (Alchian and Demsetz 1972).

Relatedly, most of the national legal systems allocate these two ownership rights to shareholders, who make the most important decisions and receive the residual income (e.g., Blair and Stout 1999). In such a context, corporate governance scholars focused their attention on the consequences of the separation between ownership and control in widely held companies. Specifically, they investigated the emerging agency problems between shareholders and top managers and analyzed the effectiveness of various governance mechanisms to address these issues (Jensen and Meckling 1976). Only recently, governance scholars have expanded our understanding of agency problems by investigating the consequences associated with both the presence and the identity of large shareholders, as well as their use of control enhancing mechanisms to aggrandize control over the company (Kumar and Zattoni 2019).

Despite a large consensus on this traditional view, the debate on whether stakeholders should receive ownership rights is far from being settled (Hansmann 1996; Zattoni 2011). Among a company's various stakeholders, employees hold a critical role as they both make significant firm-specific investments exposing them to the risk of managerial opportunism (Blair 1996; Blair and Stout 1999) and have the potential to significantly influence the firm's long-term performance (Barney 1990; Freeman and Lazaar 1995). The relevance of this topic is underlined by the high interest shown by both policymakers from several countries and scholars from various disciplines (Blasi et al. 2003; Long 1978a; Pierce, Kostova, and Dirks 2001).

## 2.2 | The Allocation of Ownership Rights to Employees

Scholars acknowledge that ownership is a complex concept, as ownership rights “may be held by an individual or a group (participant) as a bundle, or may be held separately by different participants” (Ben-Ner and Jones, 1995, 533). Thus, while all EO plans grant (one or both) ownership rights to employees (Quarrey, Blasi, and Rosen 1986), they substantially differ along several dimensions (Toscano 1983). A useful classification discriminates these plans based on the degree of allocation of the two ownership rights, that is, the residual return rights and the residual control rights (Ben-Ner and Jones 1995). Using these two dimensions, Ben-Ner and Jones (1995) identify a typology of EO plans, with private companies and worker cooperatives as the two polar extremes. Between these two extremes, they position plans that emphasize employee participation either to financial results (e.g., profit sharing, stock options) or to DM (e.g., employee representation on the board, codetermination).

Employee FP includes several plans, with the most common being profit-sharing and stock option plans. Profit-sharing plans are popular in several countries (like the United States, the United Kingdom, and France) where corporate legislation encourages companies to grant employees a share of firm profits in the form of cash savings or future bonds. Agency theory predicts that such direct link between employees' remuneration and firm profitability (Doucouliagos et al. 2020) would positively affect employees' attitudes and ultimately also firms' productivity and performance (Coyle-Shapiro et al. 2002; Florkowski and Schuster 1992; Magnan and St-Onge 2005; Pérotin and Robinson 2000). Broad-based employee stock option plans—those targeting the majority of company's employees—can be viewed as levered claims on a stock, with the option value increasing in parallel with stock price growth (Babenko, Du, and Tserlukevich 2021). Broad-based stock options are quite common among Anglo-American countries, where they are implemented to influence employees' attitudes (e.g., retention, motivation, and risk taking), mitigate agency costs, and impact firm productivity (e.g., Blasi, Freeman, and Kruse 2016; Oyer and Schaefer 2005).

Employee DM may take various forms, with the most common ones being employees' involvement in decisions, board-level employee representation, and codetermination. Since early studies on the Yugoslav experience, scholars have highlighted that employee participation in DM may equally affect their satisfaction (Obradovic, French, and Rodgers 1970; Obradovic 1970; Rosner et al. 1973) and generate positive effects on wages and productivity (Chen, Su, and Wang 2022; Russell, Hochner, and Perry 1979). Board-level employee representation, an embedded practice in several European countries (such as Austria, Germany, and the Scandinavian ones), gives employees a voice over matters concerning them and the firm, attenuates employment reductions during times of crisis (Gregorič and Rapp 2019; Gregorič 2022), and emphasizes the relevance of employees and other stakeholders' interests (Adams, Licht, and Sagiv 2011; Dam and Scholtens 2012; Nekhili, Boukadhaba, and Nagati 2021). Finally, studies on German codetermination—characterized by the presence of employee-elected supervisory board members and workers' councils at the plant level—underline its potential positive effects in term of higher exchange of information, long-term collaborative orientation, and higher company performance (Fauver and Fuerst 2006; Freeman and Lazaar 1995).

Lastly, EO plans may include employee stock ownership and worker cooperatives. Different employee stock or share ownership plans—like ESOPs in the United States or the United Kingdom—allocate shares to employees, usually at a discount and with tax benefits, with the aim of motivating employees while improving company outcomes (O'Boyle, Patel, and Gonzalez-Mulé 2016). The level of EO varies significantly across different company settings and influences the potential effect on employee attitudes and firm outcomes alike. On one hand, the literature suggests that plans providing employees with marginal incentives and no substantial DM power may generate frustration among employees, with a consequent zero or negative impact on company's results (French 1987; Long 1979, 1981). On the other hand, it underlines that, beyond a certain optimal (“prudent”) threshold, both cash flow and control rights may become ineffective or even

detrimental (Fauver and Fuerst 2006; Ginglinger, Megginson, and Waxin 2011; Guedri and Hollandts 2008). Worker cooperatives are employee owned and managed companies, where workers have full control and return rights. Approached as potential vehicles to transform capitalism and founded on democratic principles—that is, “one head, one vote”—cooperatives may struggle to manage typical tensions between meritocracy and equality, hierarchy and democracy, profitability and employment (e.g., Basterretxea, Heras-Saizarbitoria, and Lertxundi 2019; Bonache and Zárraga-Oberty 2020; Bourlier-Bargues, Gond, and Valiorgue 2024).

This brief overview of the literature showcases how plans differ significantly based on whether they allocate one or both ownership rights to employees. We discussed the numerous arguments supporting their potential positive impact on individual behavior and firm outcomes, and the lack of integration across studies due to differences in plans and scholarly disciplines. In this context, we propose that the topic shall be addressed by simultaneously considering three key domains, EO, financial, and decisional participation, which have occasionally overlapped and occasionally diverged one from another. Our ultimate goal is to take stock of what is known and identify new research opportunities through a multilevel and more comprehensive understanding of the phenomenon (Simsek et al. 2022).

### 3 | Method

#### 3.1 | Sample

We examine a wide range of research and follow a systematic selection process to ease replication and transparency (Banerjee, Nordqvist, and Hellerstedt 2020). In sampling articles to include in our review, we scanned and preliminarily analyzed leading journals in business, management, finance, accounting, organization, and human resource management areas. Consistently with previous reviews (e.g., Zattoni et al. 2020; Zattoni and van Ees 2023), in order to keep the number of articles manageable and to analyze equally rigorous works, we considered only papers published in the top journals of each field, that is, those classified as 4 and 4\* in the ABS/AJG list (see Table 1). The only exception is the inclusion of *Corporate Governance: An International Review (CGIR)*—ranked as 3 in ABS/AJG—given its status of leading journal on corporate governance.

To conduct a systematic sampling of published research articles, we followed a disciplined approach in the manner of prior studies (Banerjee, Nordqvist, and Hellerstedt 2020; Cuomo, Mallin, and Zattoni 2016; Pugliese et al. 2009). We started our exploratory search process using the following set of keywords: “employee OR worker” complemented by a term indicating “ownership” in the field “AB Abstract or Author-Supplied Abstract” and the journal name in the field “SO Publication Name.” The specific keywords employed in combination with “employee OR worker” include “ownership,” “cooperative,” “ESOPs,” “governance,” “board-level representation,” “directors,” “codetermination,” “participation in management,” “profit-sharing,” “financial participation,” “stock incentives,” and “equity incentives,” always in the field “AB Abstract or Author-Supplied Abstract.”

Our literature search in the electronic database *Business Source Ultimate* was conducted at the end of January 2024. The first screen yielded an initial sample of 256 articles. We downloaded all papers and carefully parsed their abstracts to exclude those not directly related to EO. From this initial pool of articles, we discarded those that were conceptual articles, call for papers, editorials, business cases, duplicates, or covered a topic outside the scope of this review (e.g., EO was not the focal construct). The discipline that has experienced the most significant drop in articles from Step 1 to Step 2 is Accounting (see Table 1). This is because, within this field, the concept of EO encompasses narrow-based or executive options, which were beyond the scope of our article. We ended our search using a snowball sampling procedure (i.e., Milliken and Martins 1996), cross-analyzing references cited in our initial pool of studies to identify any potential missing articles. After this screening, our final sample consists of 184 empirical articles. While not explicitly included in the analysis of the empirical literature, we also considered other sources (e.g., conceptual, review, and meta-analyses) to gain a deeper understanding of research to date.

Our careful content analysis considered several elements. Authors read and coded all articles in the sample based on a set of theoretical and methodological themes: (i) use of theory; (ii) EO mechanisms; (iii) research setting; (iv) sample period; (v) research method; (vi) data analysis; (vii) source of data; (viii) moderating variables; and (ix) dependent variables. The coding scheme has been agreed after an initial open coding phase based on a subsample of studies and followed by a discussion between the two authors. As we integrate these three EO domains, our approach takes on similarities to umbrella reviews, offering a comprehensive yet exploratory perspective (Simsek et al. 2022).

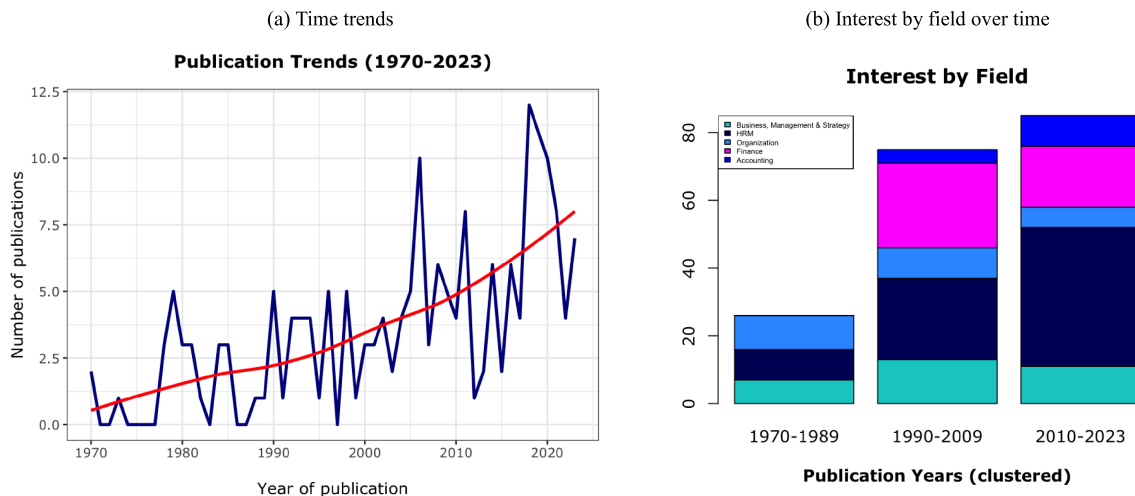
### 4 | Results

#### 4.1 | Prevailing Trends in the Literature

Results from our content analysis covering over five decades of research on EO revealed several important patterns and critical areas. Despite research on the topic has witnessed discontinuous waves in popularity, results show a sustained increase in interest and a definite upward trajectory, with slightly less than half of articles in our sample (46%) published between 2010 and 2023 (see Figure 1a). As shown in Figure 1b, the topic permeates unevenly the different disciplines: about two-fifths of our sample is sourced from Human Resource Management outlets (74 articles), while a significant portion is also found in Finance journals (38 articles). By segmenting our sampled articles into three distinct time periods, we observe how the topic has either surfaced or receded within particular academic fields over time. For instance, finance scholars have been initially uninterested in the topic, but started to increasingly engage in more recent time periods, in the same fashion as accounting research. Business and management scholars have shown only modest interest in the topic, which appears to be waning over time. Interestingly, only a small pool of articles covers this topic in *Corporate Governance: An International Review*. This reveals that governance literature has conventionally adopted a traditional view of ownership, focused on the analysis of agency problems related to ownership dispersion or concentration (Kumar and Zattoni 2019).

**TABLE 1** | Number of empirical articles on employee ownership in selected journals.

<b>Academic journals (ranking)</b>	<b>Preliminary sample</b>	<b>Final sample</b>
<i>Academy of Management Journal</i> (4*)	9	8
<i>Administrative Science Quarterly</i> (4*)	2	2
<i>Journal of Management</i> (4*)	3	0
<i>British Journal of Management</i> (4)	3	1
<i>Journal of Management Studies</i> (4)	6	4
General management (total)	23	15
<i>Management Science</i> (4*)	8	5
Management science (total)	8	5
<i>Journal of International Business Studies</i> (4*)	4	4
<i>Journal of World Business</i> (4)	4	4
International business (total)	8	8
<i>Organization Science</i> (4*)	4	4
<i>Human Relations</i> (4)	17	15
<i>Organization Studies</i> (4)	7	6
Organization studies (total)	28	25
<i>Human Resource Management Journal</i> (4*)	9	7
<i>Human Resource Management</i> (4)	19	17
<i>Industrial Relations</i> (4)	26	21
<i>British Journal of Industrial Relations</i> (4)	31	29
Human resource management (total)	85	74
<i>Strategic management journal</i> (4*)	3	3
Strategy (total)	3	3
<i>Journal of Finance</i> (4*)	11	10
<i>Journal of Financial Economics</i> (4*)	15	15
<i>Journal of Corporate Finance</i> (4)	7	6
<i>Journal of Financial and Quantitative Analysis</i> (4)	6	5
<i>Review of Finance</i> (4)	2	2
Finance (total)	41	38
<i>Accounting Review</i> (4*)	14	3
<i>Accounting, Organizations and Society</i> (4*)	4	1
<i>Journal of Accounting and Economics</i> (4*)	12	6
<i>Journal of Accounting Research</i> (4*)	12	0
<i>Contemporary Accounting Research</i> (4)	9	0
<i>Review of Accounting Studies</i> (4)	4	1
Accounting (total)	55	11
<i>Corporate Governance: An International Review</i> (3)	5	5
Grand total	256	184



**FIGURE 1** | Publication trends over five decades of research (1970–2023). [Colour figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1111/corg.12614)]

In general, our content analysis revealed that scholars have expressed greater interest for employee share ownership (75 articles), followed by stock options (51), profit-sharing (42), worker cooperatives (21), codetermination (14), employee participation (10), and employee directors (8), respectively (we refer to Table 2 for a specification of articles sampled within each of the three domains examined).

Research has employed a restricted set of theoretical lenses, with agency (38%) and social psychological theories (26%) being the two dominant approaches. Specifically, research on FP is dominated by agency theory, which explains the allocation of return and control rights to employees as a way to align workers' interests with company's ones (Akerlof 1982; Blasi, Freeman, and Kruse 2016). Sociocognitive perspectives are, instead, widely employed by studies examining employees' meaningful expectations and psychological ownership (Long 1978a, 1980; Pierce, Kostova, and Dirks 2001; Vroom, 1964). Early studies have also drawn upon sociopolitical perspectives (7%), which, however, have waned over the longer run. Less often, scholars have adopted other theories (e.g., human capital, stakeholder, institutional and transaction cost theory). Overall, the majority of studies (71%) has explored EO's outcomes, whereas a smaller set has analyzed its antecedents and/or functioning. The use of a wide array of moderators is relatively common (60 articles or 33%), particularly in HRM and organization studies.

Despite a very diverse range of variables explored, we were able to round the main outcomes to five clusters (see Table 2). All in all, scholars in the field have shown a significant interest in firm-level outcomes (76%), with organizational performance and productivity being the most widely studied variables (30%). At the same time, this literature exhibits a much stronger focus on individual-level constructs (24%) compared to other fields in governance research, where their frequency is much lower (Foss, Husted, and Michailova 2010). Explaining employee attitudes like satisfaction and motivation is in fact a popular goal for scholars in this field (14.7%). The literature on antecedents (25%) is substantial and predominantly popular among finance scholars adopting an agency perspective.

About the empirical setting, studies on FP and employee share ownership focus mostly on liberal market economies (LMEs) (Hall and Soskice 2001). However, more recent research points to an increase of non-Western samples, with a growing interest toward emerging economies (e.g., K. Kim and Patel 2021; Yoon and Sengupta 2019). Conversely, studies on employee participation in decisions (e.g., Fauver and Fuerst 2006; Ginglinger, Megginson, and Waxin 2011; Gregorič and Poulsen 2020) have mostly analyzed coordinated market economies (CMEs), where employee board-level representation is institutionalized via codetermination laws in Germany or mandatory employee board representation in France and Scandinavian countries. Finally, transitioning economies have been mostly analyzed by early studies with an almost exclusive focus on worker managed companies in Yugoslavia.

Our review illustrates some interesting patterns in methods and data collection as well (see Table 3). Results point to a majority of quantitative studies (86%), with fewer qualitative and some mixed-methods studies. Moreover, the majority of studies are cross-sectional (50%) as compared to longitudinal ones. To better understand the distribution of topics by method of analysis, research on EO has been mostly examined through quantitative and cross-sectional analyses, based on surveys (e.g., French and Rosenstein 1984; Coyle-Shapiro et al. 2002) or available databases (e.g., Kim and Han 2019). By the same token, research on FP is largely quantitative and heavily archival in terms of data sources. Studies involving cooperatives have instead almost exclusively employed primary data, through either surveys or single case studies (e.g., Stern and Hammer 1978; Basterretxea, Heras-Saizarbitoria, and Lertxundi 2019). Still underrepresented are alternative methods of data analysis: We find only two multilevel studies (e.g., K. Kim and Patel 2021; Oehmichen, Wolff, and Zschoche 2018), no configurational approaches, and just a handful of studies examining curvilinear effects (e.g., Ginglinger, Megginson, and Waxin 2011; Ogbonnaya, Daniels, and Nielsen 2017).

Data collection relies on a variety of sources: 64 studies (33%) collect primary data and 128 studies (66%) archival data. Regarding primary data, 31 articles (48%) used only surveys,

**TABLE 2** | Descriptive statistics of theoretical findings.

	Total		Financial participation			Participation in decisions			Ownership	
	#	%	Profit-sharing # (%)	Stock options # (%)	Directors # (%)	Code termination # (%)	PDM # (%)	ESOPs # (%)	Coops # (%)	
Use of theory										
Theoretical lenses (#)	211		49	52	13	16	12	84	25	
Theoretical lenses (mean)	1.14		1.16	1.02	1.62	1.12	1.20	1.12	1.19	
Agency theory	81	38.38%	24 (48.97%)	25 (40.32%)	4 (28.57%)	5 (29.41%)	2 (15.38%)	36 (39.56%)	6 (20.68%)	
Sociocognitive theories	55	26.06%	12 (24.48%)	7 (11.29%)	1 (7.14%)	4 (23.52%)	4 (30.77%)	22 (24.17%)	11 (37.93%)	
Sociopolitical perspectives	15	7.10%	0 (0.00%)	0 (0.00%)	2 (14.28%)	2 (11.76%)	4 (30.77%)	7 (7.69%)	3 (10.34%)	
Institutional theory	12	5.68%	4 (8.16%)	3 (4.83%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	5 (5.49%)	3 (10.34%)	
Other theories	22	10.42%	2 (4.08%)	18 (29.10%)	6 (42.85%)	5 (29.41%)	2 (15.38%)	14 (15.38%)	2 (6.89%)	
No theory (or implicit)	26	12.32%	7 (14.28%)	9 (14.51%)	1 (7.14%)	1 (5.88%)	1 (7.69%)	7 (7.69%)	4 (13.79%)	
Main research topic										
Performance/productivity	63	30.00%	18 (32.72%)	18 (28.12%)	3 (30.00%)	5 (33.33%)	3 (30.00%)	19 (29.68%)	4 (21.05%)	
Employee turnover	23	10.95%	10 (18.18%)	7 (10.93%)	0 (0.00%)	1 (6.66%)	1 (0.00%)	5 (7.81%)	2 (10.52%)	
Employee wages	13	6.19%	4 (7.27%)	1 (1.56%)	2 (20.00%)	2 (13.33%)	1 (10.00%)	2 (3.12%)	3 (10.52%)	
Employee attitudes	31	14.76%	7 (12.72%)	2 (3.12%)	0 (0.00%)	1 (6.66%)	3 (30.00%)	16 (25.00%)	5 (26.31%)	
Type of mechanism as DV	53	25.23%	9 (16.36%)	28 (43.75%)	1 (10.00%)	3 (20.00%)	1 (10.00%)	12 (18.75%)	4 (21.05%)	
Other firm outcomes	27	12.85%	7 (12.72%)	8 (12.50%)	7 (40.00%)	4 (20.00%)	3 (20.00%)	10 (15.62%)	2 (10.52%)	
Research on outcomes										
Studies on outcomes (#)	131		35	23	7	11	9	59	16	
Number of DV (mean)	1.70		2.02	1.74	1.71	1.72	1.53	1.93	1.19	
Individual-level outcomes	31	23.66%	7 (20.00%)	2 (8.69%)	0 (0.00%)	1 (9.09%)	3 (33.33%)	16 (27.11%)	5 (31.25%)	
Firm-level outcomes	100	76.33%	28 (80.00%)	21 (91.30%)	7 (100.00%)	10 (90.90%)	6 (66.66%)	43 (72.88%)	11 (68.75%)	
Total number of studies	184		81	81	24	24	79	79	79	

*Note:* The percentages presented in the table refer to the number of papers published in each category. In certain instances, such as for mechanisms or use of theory, we coded more than one category (e.g., the sample may encompass both profit-sharing and stock options), resulting in a total that exceeds the overall number of papers.

**TABLE 3** | Descriptive statistics of methods and data sources.

	Total		Financial participation			Participation in decisions			Ownership	
	#	%	Profit-sharing # (%)	Stock options # (%)	Directors # (%)	Code termination # (%)	PDM # (%)	ESOPs # (%)	Coops # (%)	
Research method										
Quantitative	159	86.41%	38 (90.47%)	51 (100.00%)	7 (87.50%)	11 (78.57%)	7 (70.00%)	70 (93.33%)	7 (33.33%)	
Qualitative	12	6.52%	2 (4.76%)	0 (0.00%)	1 (12.50%)	3 (21.42%)	0 (0.00%)	2 (2.66%)	7 (33.33%)	
Mixed-methods	13	7.06%	2 (4.76%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	3 (30.00%)	3 (4.00%)	7 (33.33%)	
Data analyses										
Cross-sectional	95	50.53%	23 (53.48%)	19 (34.54%)	1 (12.50%)	7 (50.00%)	7 (70.00%)	43 (56.57%)	12 (57.54%)	
Longitudinal	89	47.34%	19 (44.18%)	34 (61.81%)	7 (87.50%)	7 (50.00%)	3 (30.00%)	31 (40.78%)	9 (42.85%)	
Multilevel	2	1.06%	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	2 (2.63%)	0 (0.00%)	
Experiment	2	1.06%	1 (2.32%)	1 (1.81%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	
Data collection										
Secondary data	128	66.66%	29 (69.04%)	48 (91.66%)	6 (75.00%)	8 (57.14%)	2 (12.50%)	57 (73.08%)	6 (25.00%)	
Primary data of which:	64	33.33%	13 (30.95%)	5 (8.33%)	2 (25.00%)	6 (42.85%)	8 (87.50%)	21 (26.92%)	18 (75.00%)	
Only primary (surveys)	31	48.43%	7 (16.66%)	3 (5.88%)	1 (12.50%)	4 (28.57%)	5 (50.00%)	12 (16.00%)	4 (22.22%)	
Only primary (qualitative)	12	18.75%	2 (4.76%)	0 (0.00%)	1 (12.50%)	1 (7.14%)	0 (0.00%)	3 (4.00%)	8 (44.44%)	
Only primary (surveys + qual)	13	20.31%	4 (9.52%)	0 (0.00%)	0 (0.00%)	1 (7.14%)	3 (30.00%)	3 (4.00%)	3 (16.66%)	
Primary and secondary	8	12.5%	0 (0.00%)	2 (3.92%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	3 (4.00%)	3 (16.66%)	
Empirical settings										
Single-country study	154	83.69%	35 (83.33%)	46 (90.19%)	7 (87.50%)	13 (92.85%)	9 (90.00%)	60 (80.00%)	18 (85.71%)	
Multiple-country study	30	16.30%	7 (16.66%)	5 (9.80%)	1 (12.50%)	1 (7.14%)	1 (10.00%)	15 (20.00%)	3 (14.28%)	
Research setting										
Liberal market economies	129	64.17%	30 (65.21%)	43 (81.13%)	0 (0.00%)	7 (43.75%)	2 (20.00%)	60 (68.96%)	11 (50.00%)	
Coordinated market economies	47	23.38%	13 (28.26%)	5 (9.43%)	8 (100.00%)	7 (43.75%)	2 (20.00%)	17 (19.54%)	6 (27.27%)	
Emerging economies	8	3.98%	1 (2.17%)	2 (3.77%)	0 (0.00%)	1 (6.25%)	0 (0.00%)	4 (4.60%)	3 (13.63%)	
Transition economies	10	4.97%	1 (2.17%)	0 (0.00%)	0 (0.00%)	1 (6.25%)	6 (60.00%)	3 (3.44%)	1 (4.54%)	
Global representation	7	3.48%	1 (2.17%)	3 (5.66%)	0 (0.00%)	0 (0.00%)	0 (0.00%)	3 (3.44%)	1 (4.54%)	
Total number of studies	184			81		24		79		

*Note:* The percentages presented in the table refer to the number of papers published in each category. In certain instances, such as for data analyses and research setting, we coded more than one category (e.g., some articles encompass both cross-sectional and longitudinal analyses), resulting in a total that exceeds the overall number of papers.

12 studies exclusively relied on qualitative methods (18%), 13 articles combine surveys and interviews or observational data (20%), and 8 studies (12%) combine primary and secondary sources.

## 5 | A Multilevel Analysis of the Literature

In the following section, we review and synthesize the literature through a multilevel contingency framework. Our layered model outlines individual-, firm-, and country-level antecedents, moderators, and outcomes, with the goal of uncovering the most salient patterns in EO, FP, and DM research.

### 5.1 | Research on Antecedents

#### 5.1.1 | Individual-Level Antecedents

At the individual level, research on antecedents has typically tried to understand workers' preferences for entering into or investing in ownership arrangements, along with identifying factors that influence their financial behavior. Articles in this cluster have invariably focused on stock options, profit-sharing, and ESOPs.

In these studies, a major challenge for researchers is to disentangle the effect of individual traits or heuristics from other exogenous factors on which employees heavily rely on. Among studies exploring antecedents to employees' financial behavior, Ouimet and Tate (2020b) show how external events (like negative financial shocks) may induce risk-averse employees to update their portfolio choices and to increase option exercises. Pendleton and Robinson (2023) similarly report that both individual risk preferences and the depth of stock price lows are jointly informative when it comes to employees' decisions to sell or retain stock upon exercise. These findings point to loss aversion as the dominant heuristic, showing that employees respond more strongly to negative events than positive ones.

Alternatively, some scholars have explicitly analyzed the role of more manifest characteristics. Research has shown how certain employee traits may independently impact their perceptions of ownership and financial behaviors. For example, Florkowski and Schuster (1992) suggest that women tend to be better inclined to FP. Similarly, when analyzing option exercise behaviors, studies report that men exercise faster than women (e.g., Carpenter, Stanton, and Wallace 2019), but women tend to make better choices (e.g., Agnew 2006). Among studies exploring job demographics, Hallock, Salazar, and Venneman (2004) report that higher salary, tenure, and education level positively correlate to the quality of financial choices and satisfaction with a plan.

The extent to which employees feel part of an organization that genuinely champions EO also informs and interacts with their cognitive profile. For example, some studies note that perceptions of managerial commitment and/or corporate culture, and the presence of collective ideals, attitudes, or values are all important antecedents (e.g., Caramelli and Carberry 2014; Hochner and Granrose 1985).

In sum, scholars have studied a wide range of personal traits and attitudes. Results show that employees generally exhibit risk aversion, with women being more risk-averse and cautious than men. Furthermore, higher levels of skills and education have been found to be correlated with more informed financial decisions, which in turn influence employee satisfaction. One potential implication of these findings is that more skilled or educated employees may disproportionately benefit from ownership, thereby deepening inequalities within different segments of the workforce.

#### 5.1.2 | Firm-Level Antecedents

Prior research investigated a range and mix of internal enabling factors and external pressures as firm-level antecedents to EO. Several studies sought to understand the role of ownership or governance mechanisms as potential solutions to agency problems. We identify three agency-based rationales: monitoring, entrenchment, and risk avoidance. Examples of articles falling into either one category include investigations into EO's capacity to mitigate monitoring costs (e.g., Kroumova and Sesil 2006; Pendleton 2006), its potential to counteract takeover threats and short-term pressures (e.g., Useem and Gager 1996; Black, Gospel, and Pendleton 2007), and the ability to infuse firms with immediate equity capital when facing cash flow constraints—emphasized by the tax-qualified nature of some plans (e.g., Bergman and Jenter 2007; Core and Guay 2001; Kruse 1996).

All in all, we have detected four broad types of firm-level motives: (a) incentive effects, (b) attraction and retention, (c) backdoor financing, and (d) defensive strategies. For instance, Core and Guay (2001) suggest that companies use options to both attract and retain employees, as well as to provide incentives. In contrast, Oyer and Schaefer (2005) argue that small option grants and periods of high stock volatility may dilute quickly the motivational impact, whereas the benefits of employee sorting and retention endure over the longer run. However, both studies agree on the role of ownership grants as a means of internal finance. Similarly, Zhang (2006) discovers that options can serve as a covert form of equity financing for overvalued firms, while Babenko and Tserlukevich (2009) show that stock options are mostly used by firms with greater potential tax benefits. Another driver beyond incentives relates to the defensive role of ownership. Within this stream, Useem and Gager (1996) suggest that managers—under the threat of a takeover—try to modify company ownership by replacing institutional investors with employee shareholders. Call, Kedia, and Rajgopal (2016) report similar evidence for firms facing financial misconduct, where stock options are granted to employees to thwart the risk of whistleblowing. In both cases, self-interested managers “bribe” employees by granting them shares (Useem and Gager 1996).

Other key antecedents relate to a firm's characteristics or shareholders' base. Using a sample of Danish firms, Gregorić and Poulsen (2020) show that companies with employee directors are larger and older and have a more firm-specific human capital and higher union density. Alternatively, Mullins, Brandes, and Dharwadkar (2016) model the differential

adoption of human resource practices on investors' time horizons and find that family owners are more inclined to adopt these practices compared to institutional investors. A final pool of studies models adoption on internal firm governance, such as the presence of a family CEO (as seen in Mullins 2018) or the positive effect of impression management through chief executives' discourse (e.g., Li, Shi, and Dasborough 2021), while just a few explored specific firm and industry characteristics. Among those, Wang, He, and Mahoney (2009) study ESOPs' antecedents and consequences and show that positive productivity effects are contingent on the specificity of a firm's resource base.

In sum, the literature on firm antecedents has been dominated by finance scholars adopting an agency perspective. Whether serving as a deterrent or a remedy, some studies seem to reflect how the use of FP harbors managerial benefits often hinging on utilitarian interests rather than on a genuine commitment to employees' well-being. This opens several avenues for debate as to whether employee FP is designed to prioritize managerial interests above employees' ones.

### 5.1.3 | Country-Level Antecedents

Extant research is mostly silent on how the national context influences either the adoption or the functioning of EO. While researchers started to broaden their investigations in both scope and samples, only a handful of recent studies have explored the role of formal and informal institutions as antecedents of EO.

For example, some studies have explored the influence of the national institutional context (such as the presence of tax incentives and the efficiency of the stock exchange) on the allocation of ownership rights to employees. By using data from selected European countries, Ligthart, Poutsma, and Brewster (2022) find that country-level variables are more important than HRM strategies in affecting both the diffusion and the characteristics of FP. Similarly, Croucher et al. (2010) underline that FP is more common in LMEs, than in CMEs, due to a greater emphasis on shareholder value creation.

A few studies have also acknowledged the impact of informal institutions, chiefly, national culture (Hofstede 2001). Schuler and Rogovsky (1998) find that share ownership plans are more commonly observed in countries characterized by higher individualism, lower uncertainty avoidance, and reduced power distance. Similarly, Bova and Vance (2019) underline that in countries with high uncertainty avoidance, options are exercised earlier. Then, Oehmichen, Wolff, and Zschoche (2018) find that positive workgroup attitudes toward an ESOP complement the impact of weak host country institutions on foreign subsidiary employees' participation in ESOPs.

In sum, macro environments can act as significant enablers or veto players for the implementation and success of ownership plans. This accounts for a substantial portion of the unexplained variance across firms and studies. Although the embedded nature of institutional structures makes them hard to change, virtuous policies could play a crucial role.

## 5.2 | Research on Outcomes

### 5.2.1 | Individual-Level Outcomes

Early studies examine attitudes in terms of power perspectives related to employees' expectations of control. A major point of interest at the time centered on understanding whether EO was viewed by workers as a financial incentive or a mechanism of control (Alutto and Belasco 1972; French 1987). These works generally document that a workers' decisional participation lower than desired or expected may decrease their satisfaction and their commitment to the organization. Long's (1979, 1978b, 1981) analysis on the discrepancy between actual and desired organizational influence after conversion to EO shows that EO has little impact on their long-term influence. Similarly, Hammer and Stern (1980) find no decisive evidence of workers' preference for involvement in company matters. Long (1981) shows that the key factor behind declining motivational patterns is the 'disillusionment' or frustration experienced by employees when their expectations of control do not align with their actual influence. This issue is also supported by French and Rosenstein (1984), who report stronger identification effects for employees with lower expectations of control. Along these avenues, Klein (1987) tested three different views—the intrinsic, the instrumental, and the extrinsic satisfaction model—and found support for both the instrumental and the extrinsic one.

Despite its breadth, research investigating how employee FP and participation in DM jointly shape attitudes is still unsettled. Buchko (1992, 1993) finds that employees involved in deferred ESOPs do not appreciate the extrinsic rewards in the short term, while major effects on attitudes come usually from more immediate benefits, such as the increase in participation. Studies on worker cooperatives are similarly positive. Obradovic, French, and Rodgers (1970), and later Oliver (1984), observe higher satisfaction and commitment among workers when the levels of decisional participation are higher. Differently, Bayo-Moriones and Larraza-Kintana (2009) unveil how participation negatively moderates the relationship between profit-sharing and commitment, downplaying their presumed complementarity. Further complicating the picture, Ogbonnaya, Daniels, and Nielsen (2017) found U-shaped curvilinear effects between profit-related pay and three measures of employee attitudes.

While the literature typically leans toward stronger support for synergistic effects, our findings hint at the simultaneity of both substitution and complementarity *among* various mechanisms and *across* them. Explored mainly through sociopolitical lenses, these studies put the discrepancy between actual and expected control at the nexus of their debates.

### 5.2.2 | Firm-Level Outcomes

A theoretical discussion has developed around the question of whether and to what extent allocating one or both ownership rights to employees yields superior firm outcomes. Several scholars began to address this question by testing a number of hypotheses on a quite diverse range of outcomes. In reviewing the literature, we identify three nonexclusive thematic clusters.

These encompass studies examining (a) performance, (b) agency problems, and (c) employee turnover and/or wages.

Despite a substantial body of literature seeking to answer this question, two recent meta-analyses on the relationship between EO and firm performance show that results are slightly positive, yet frequently insignificant (O'Boyle, Patel, and Gonzalez-Mulé 2016; Doucouliagos et al. 2020). Within our sample, we identify (a) studies finding a direct positive link (e.g., Lin and Sesil 2011; Sesil et al. 2002), (b) studies finding small or null effect sizes (e.g., K. Kim and Patel 2020; Liu, Chen, and Wang 2016; Ginglinger, Megginson, and Waxin 2011), and (c) studies embracing broader contingency or complementarity theses to explain or substantiate performance variations (e.g., Blasi, Freeman, and Kruse 2016; Guedri and Hollandts 2008; K. Kim and Patel 2021; Pendleton 2010; Yoon and Sengupta 2019).

Interestingly, certain performance studies delve into the notion of 'prudent' levels of EO and representation. Among studies on DM, Fauver and Fuerst (2006) show that employee representation on the board has a positive impact on firm value up to a certain optimal threshold, beyond which these positive effects tend to wane. Instead, Faleye, Mehrotra, and Morck (2006) found decisive evidence of a consistent negative link. Notably, their labor voice indicator is negatively significant for performance, with the coefficient showing increasing negativity as the minimum stake of labor control is raised. Gleason et al. (2021) report a similar tradeoff, with workers using their control and voting rights to maximize their payroll incentives over and above their monitoring duties. When divorced from a share in a firm's returns, these works show how excessive representation can turn firms into a "country club" for workers (Fauver and Fuerst 2006, 681), where employees lobby in favor of policies maximizing their fixed and residual equity claims (Jensen and Meckling 1979).

Other studies added further nuance by simultaneously exploring EO and DM. Guedri and Hollandts (2008) find that the relationship between EO and performance has an inverted U-shape and that employee board representation has no significant moderating effect. Ginglinger, Megginson, and Waxin (2011) equally find curvilinear effects, but with some evidence of complementarities between EO and employee representation on the board. Overall, these studies underline that beyond a certain optimal threshold, both EO and representation may become ineffective and curb firm performance.

A significant number of studies has explored agency conditions, indicating that firms may implement ESOPs through 401(k) plans to insulate management from the corporate control market (Beatty 1995; Gordon and Pound 1990; Rauh 2006). For example, Chaplinsky and Niehaus (1994) find that nonmanagerial employees may be tempted to negotiate higher reservation prices with potential bidders and, hence, may thwart hostile attempts. Masulis, Wang, and Xie (2020) find similar support for management-worker alliance theory (Pagano and Volpin 2005). Separately, they also find that firms equipped with robust HR practices more negatively correlate with shareholder acquirer returns, emphasizing that employee support for management depends on receiving sufficient benefits in return, that is, workers must be "enticed" (Useem and Gager 1996). Babenko, Du, and Tserlukevich (2021) find that, for target firms with stock

options, M&As can represent a chance to trim excess employee compensation and, eventually, restore it at competitive market levels, which favors shareholders of target firms with heightened takeover premiums. Lastly, there is compelling evidence highlighting that EO is an internal mechanism for promoting good governance, in alignment with positive agency theory (Jensen and Meckling 1976; Misangyi and Acharya 2014). For instance, Bova, Dou, and Hope (2015) and more recently Birkhead (2023) demonstrate that EO correlates with enhanced transparency and decreased corporate misconduct. In summary, the implicit contractual nature of the worker-management relationship allows managers to strategically leverage EO as a defensive mechanism to mitigate endogenous and exogenous firm risks.

Among other variables, employee turnover and employee wages have been frequently explored. Gerhart and Trevor (1996) find greater employment stability for firms with a profit-sharing plan, consistent with some earlier micro and macroeconomic findings (e.g., Balkin and Gomez-Mejia 1987; Kruse 1993). Similarly, Kurtulus and Kruse (2018) demonstrate that FP may curb unemployment during firm-level upsets or economy-wide shocks. However, several studies have shown how firms' ability to achieve positive employee results in the long run is rooted in the way each mechanism is designed. For example, Aldatmaz, Ouimet, and Van Wesep (2018) find that unvested employee stock options are able to retain employees only until these options vest, after which turnover increases by an amount which levels off any former reduction. E. Kim, Maug, and Schneider (2018) note that under a system of parity codetermination, entrenched employees receive protection from job layoffs during industry downturns, yet, at the cost of reduced wages.

Overall, research on outcomes has generated a dearth of findings and themes. While HR outcomes are generally supported, firm-specific outcomes remain unsettled. Performance is by far the most contentious region which we believe is approaching empirical but not theoretical saturation. However, when significant effects are observed, results tend to be more positive than negative (Blasi, Conte, and Kruse 1996). As a result, most studies embrace broader contingency or complementarity theses to explain the said equivocal findings.

## 5.3 | Moderating Effects

### 5.3.1 | Moderating Effects in Studies on Individual Behaviors

Pierce, Kostova, and Dirks (2001) noted how "ownership, in its actual and perceived state, is associated with certain rights" (302). The emergence of a complementarity thesis moved scholars closer to examining the role of several important boundary conditions for the emergence of positive emotional states among workers.

Among firm-specific moderators, HR policies and organizational culture garnered significant attention. In a comparative case study, Basterretxea and Storey (2018) identified managerial commitment to EO as a crucial moderator. They found that when managers actively support and champion the ownership model, employee satisfaction and productivity are generally

positive. Along these lines, Blasi, Freeman and Kruse (2016, 70) noted that “what is critical to the complementarity story is that (...) the combination of shared capitalism with workplace practices/culture has a stronger impact than when these are used separately.”

The moderating role of participation and extent of involvement is at the crux of the ownership–attitudes relationship. Studies have equally supported Klein (1987) instrumental and extrinsic satisfaction models. Long (1980) discovered that a larger gulf between actual and desired control interrupts the causal chain between EO and behavioral outcomes. Similarly, Long (1982) found that employees with high job involvement reported significantly greater job satisfaction and a higher likelihood of staying with the firm compared to their more decisionally deprived counterparts. Other studies examined whether pay system efficacy is reinforced by the value employees place on compensation. Hammer and Stern (1980), along with French and Rosenstein (1984), suggested that the moderating role of pay, or extrinsic, satisfaction outweighs the benefits of higher control. Sweins and Kalmi (2008) similarly found that profit-sharing satisfaction positively mediates the relationship between pay knowledge and commitment.

With a number of studies including moderators or non-linear effects, existing research is clear in stating that the motivational channel of individual mechanisms should not be overplayed. While there seems to be solid evidence in favor of FP’s positive impact via HR strategy outcomes, the role of decisional participation remains particularly unsettled. Surprisingly, the dearth of studies remains still undecided if and how EO and participation in DM effectively work together to maximize their joint payoff.

### 5.3.2 | Moderating Effects in Firm Performance Studies

Scholars exploring performance outcomes have successfully broken a cycle of stagnant empirical results by paying close attention to the impact of contingencies. Based on our review, there seem to be three highly recurrent themes.

A first moderator we frequently observe in performance studies relates to the characteristics attached to each EO mechanism, that is, broad versus narrowly based, deferred versus not deferred (e.g., Han et al. 2020; Ittner, Lambert, and Larcker 2003). A second one revolves around the moderating effect of board-level employee representation. While employee representation on board appears value-enhancing for several firm proximal outcomes (e.g., Nekhili, Boukadhaha, and Nagati 2021), some studies report mixed or inconclusive effects depending on both the type of employee representatives or the extent of representation (e.g., Guedri and Hollandts 2008; Robinson and Wilson 2006).

Third, several studies have explored the instrumental value of HR practices, with mixed results. Yoon and Sengupta (2019) find that the productivity gains from EO are maximized when there are complementary HR practices (e.g., training and early promotion opportunities). Further, Blasi, Freeman, and Kruse (2016) report similar evidence of strong complementarities effects among HR strategies, positive workplace

culture and group incentive pay systems. Kalmi, Pendleton, and Poutsma (2005) find, instead, no evidence of complementarities between employee FP and either (direct or indirect) forms of participation. They conclude that FP appears to work in a mutually exclusive fashion, as surmised by the substitution hypothesis (Kruse 1993).

Another fairly common boundary condition that has been explored is firm size. As numerous employee firms transfer risk-bearing capacity to employees through FP, the dilution of shares among employees fosters shirking behaviors, which pose a challenge as group size increases and effective monitoring becomes impractical (Kang and Kim 2019; E. Kim and Ouimet 2014). Lastly, at the meso level, scholars have found evidence supporting the positive moderating role of high industry growth and instability in the relationship between EO and performance (e.g., K. Kim and Patel 2021).

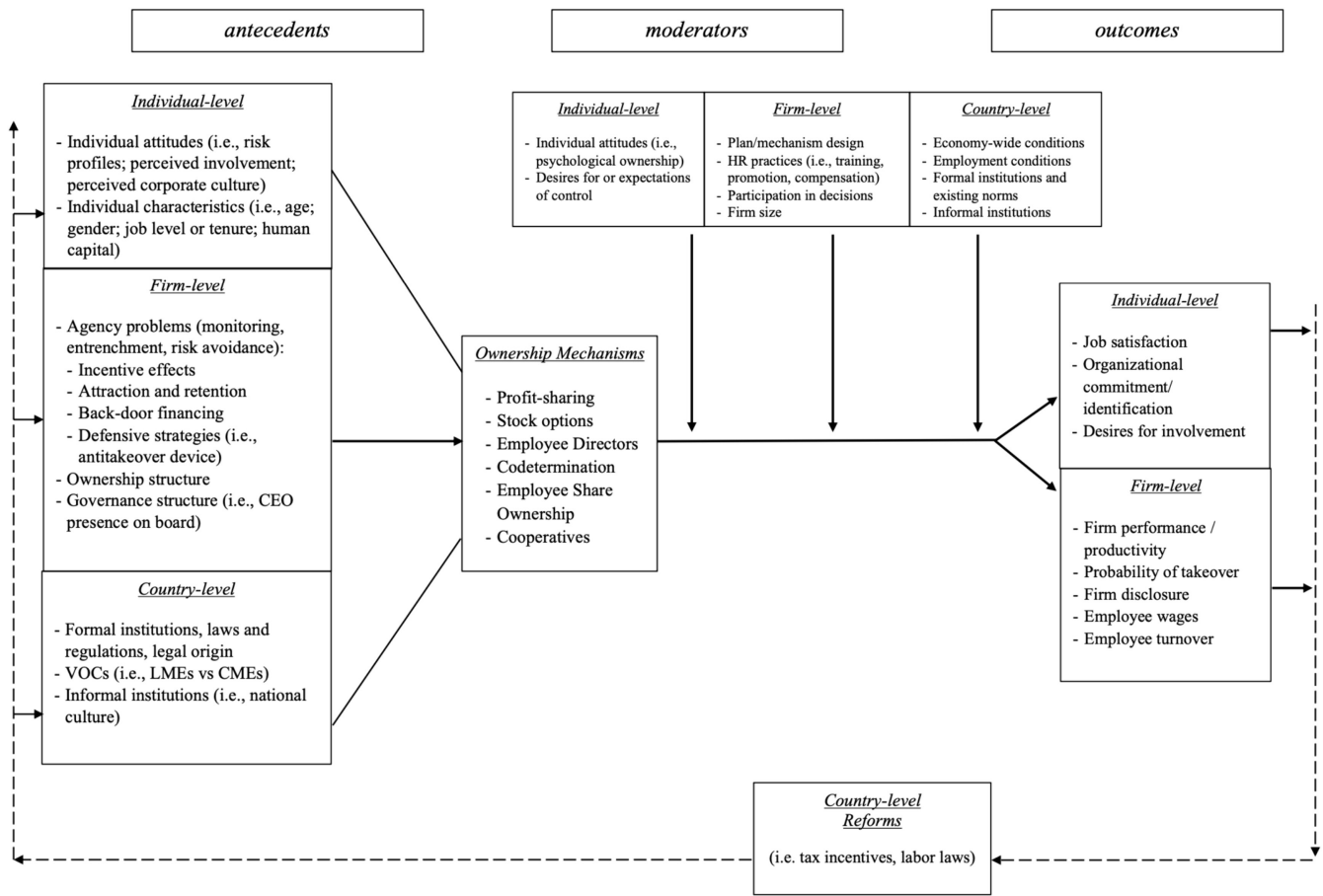
Decades of research have revealed how closely intertwined ownership mechanisms and external contingencies are. For example, Kang and Kim (2019), and later K. Kim and Patel (2020), acknowledged some performance variation across different macroeconomic conditions (i.e., recessions or shocks). Prince, Prince, and Kabst (2020) find instead that national cultural values affect the performance success of financial incentives. As per formal institutional drivers, Ichniowski and Shaw (1999) compare the US and Japanese share capitalism models, finding more positive performance results for Japanese firms.

Overall, there is sufficient evidence to believe that the effectiveness of ownership is closely linked to plan design and to the normative expectations of the institutional environments where individuals and firms operate (Suddaby, Bitektine, and Haack 2017). The fact that several performance studies in this field are often context free explain some inconsistency in findings.

## 5.4 | A Multilevel Contingency Framework

Given the fragmentation of ownership combinations, current theoretical efforts to unravel the ownership bundle have failed to present a framework capable of bridging certain enduring conceptual divides. In this review, we proposed that the topic shall be addressed by simultaneously considering three key domains, EO, financial, and decisional participation, which have occasionally overlapped and occasionally diverged one from another.

Our findings illustrate that researchers have found unique results about the phenomenon, leading to a situation where they often fail to effectively engage with one another. As it is evidenced by our content analysis, the desired effects of ownership mechanisms are thought to occur as the outcomes of *fit* combinations between the expressions of each mechanism within an organization, and the inclinations of individuals. To help research move through such an expansive topic, we developed a contingency framework indicating the most salient antecedents, moderators and outcomes explored so far, while blending different levels of analysis (Figure 2). Since each level contains a particular set of determinants or processes, integrating them



**FIGURE 2** | Integrating prior research: toward a multilevel contingency framework.

has the potential to offer a more complete understanding of their contextual effects. We believe that juxtaposing theory and evidence from our three domains could navigate research closer to “examining corporate governance practices within a holistic context” (Aguilera et al. 2008, 479).

Overall, we were able to detect some common themes. Broadly, the EO context is characterized by managerial self-interest as a primary driver (i.e., EO as a corrective or preemptive tactic), motivated by incentives, retention, liquidity, or defensive strategies. Behavioral effects are significant, which leads us to the microfoundations of our model. A number of studies incorporating individual and cognitive traits as both antecedents and moderators suggest that the independent motivational impact of individual mechanisms should not be overemphasized. We find more positive than negative, though often negligible, performance results, and a contested terrain of intervening variables. As Figure 2 shows, most moderators explored so far are firm-specific, including variables related to plan design, HR policies, organizational culture, and firm size. Important exceptions include individual-level moderators such as participation in DM and psychological ownership, and less often country-level ones such as macroeconomic shocks or institutions. Relatedly, despite researchers’ efforts to embrace new approaches and explore various moderators, a one-dimensional perspective on the country context has caused them to hit a roadblock. Results from our review clearly indicate the informative role of institutions and emphasize the

need for researchers to make greater strides in isolating their impact (Busse, Kach, and Wagner 2017).

In taking stock of extant research, our contingency framework introduces a layered and dynamic approach, suggesting a circular feedback whereby, as each set of relationship prompts changes at the individual and firm level, those outcomes yield, over time, to the emergence or sophistication of country-level reforms (e.g., codetermination laws or tax incentives are both subsumed under this label) which loop back into the dynamics of adoption in subsequent rounds (see the dashed line in Figure 2). At the same time, the existence of a clear legislative or tax framework might push more firms to establish a plan or more workers to enter into a plan. Altogether, the long-run cumulative effect of this mimicking process might yield to profound changes among and across individuals, firms and countries.

## 6 | Discussion

Our interdisciplinary review enriches our understanding of the literature on EO, FP, and DM. Overwhelmingly, we observe a research area that is moving toward dialogue and cross-fertilization across different fields, domains and levels. With the latter in mind, this final section presents suggestions to further investigate the EO construct, to better analyze the role of contextual variables, and to broaden methodological choices.

## 6.1 | Unraveling the EO Construct

In alignment with Tannenbaum (1983, 236), our review states that “ownership is not a simple concept.” Given the complex and entangled nature of the construct, we invite scholars to analyze it in more depth. As ownership rights may be allocated or restricted variously (e.g., Ben-Ner and Jones 1995; Rousseau and Shperling 2003), it may be useful to further explore how they are divided or disaggregated among employees to understand their effective degree of participation to economic returns and/or their degree of influence on DM. Empirical evidence has in fact emphasized that a formal allocation of (one or both) ownership rights does not necessarily correspond to a substantial participation to the economic return and/or a real influence on decisions for the employees.

Second, the literature highlights that the allocation of both ownership rights to employees may generate either substitutive, null or complementarity effects (e.g., Bayo-Moriones and Larraza-Kintana 2009; Kalmi, Pendleton, and Poutsma 2005; Kato and Morishima 2002). Standalone FP can work well when a country's national culture emphasizes the importance of extrinsic motivation, where financial markets are efficient and employees perceive incentives as financially rewarding. In absence of these conditions, divorcing equity incentives from participation in decisions may elicit some negative behaviors, like free-ridership or frustration, unless they are balanced by participatory HR practices (e.g., Blasi, Freeman, and Kruse 2016; Coyle-Shapiro et al. 2002; Robinson and Wilson 2006). Likewise, board-level employee representation may produce positive effects even when it is divorced from ownership, but only until a certain threshold. When worker representatives are not residual claimants, an excessive labor representation could introduce some agency problems as employees may be tempted to maximize their benefits at the expense of company performance (Faleye, Mehrotra, and Morck 2006; Fauver and Fuerst 2006). Accordingly, EO of both rights appears a superior solution to the polar allocation of either residual control or return rights, but, still, within certain conditions. Empirical evidence indicates, in fact, that when employees have the full control of both rights, companies may face some governance problems (e.g., Richter and Schrader 2017). For example, research on worker cooperatives underlines that employee-owned companies should address serious challenges concerning, for example, the resistance of managers to delegate control (Bourlier-Bargues, Gond, and Valiorgue 2024) or employees inclination to maximize their benefits (Basterretxea, Heras-Saizarbitoria, and Lertxundi 2019). In short, future studies should better investigate if and how the complementary or substitutive relationship between the two ownership rights influences employee attitudes and firm outcomes and how corporate governance and HR participatory practices can favor the emergence of positive effects.

Third, a recent stream of research emphasizes the importance of analyzing ownership competence (Foss et al. 2023), shifting the focus of research from the incentive effects associated with ownership to owners' competences applied to DM. According to this view, ownership competence includes the matching competence (right to use), the governance competence (the right to appropriate), and the timing competence (the right to transfer). Some prior studies show that EO leads

to different strategic decisions compared to shareholder ownership. For example, studies on worker cooperatives indicate that these companies struggle to combine their economic and social dimension in relation to various business decisions like the compensation of employees working abroad (Bonache and Zárraga-Oberty 2020) or the governance of subsidiaries (Bretos, Errasti, and Marcuello 2018). Moreover, studies on employee participation in decisions suggest that worker directors tend to promote more monitoring (Fauver and Fuerst 2006), more responsible DM (Lin, Schmid, and Xuan 2018), and a pro-stakeholder orientation (e.g., Adams, Licht, and Sagiv 2011; Kochan and Rubinstein 2000; Van den Berg, Grift, and Van Witteloostuijn 2011). Building on this perspective, we encourage future studies to explore how EO may act as a governance mechanism, its potential to substitute or complement board monitoring and resource dependence role, and its subsequent impact on firm outcomes.

## 6.2 | Toward a Better Understanding of Contextual Moderating Variables

Our review underlines that the literature on EO is disseminated across various streams of research that are partially disconnected among them, yielding equivocal results. Several scholars (e.g., Blasi, Freeman, and Kruse 2016) underline that these mixed findings may be explained by the presence of contextual moderating variables that interact with EO at the individual, firm, and country levels. By integrating these contextual variables into their theoretical models and adopting proper methods, scholars may better investigate how they moderate the influence of EO on individual behavior and firm outcomes.

First, at the individual level, it would be useful to further analyze whether perceptions of ownership, either as a pure financial investment or as piece of ownership of the firm (including the right to influence key decisions), vary across employee types. The literature divides on this issue. On one hand, some scholars argue that employees' financial orientation and satisfaction with share returns may undermine their interest in DM (e.g., French and Rosenstein 1984; French 1987). On the other hand, other scholars contend that the effectiveness of EO may be compromised if employees are frustrated by the gap between their expected and actual influence on decisions (e.g., Klein 1987; Long 1981). To reconcile these perspectives, Pierce, Rubinfeld, and Morgan (1991) suggest that both formal and psychological ownership can help explaining individual and group outcomes. Therefore, future research should further develop theoretical models and empirically test hypotheses concerning the interaction between formal and psychological ownership, as well as how employees' extrinsic view of ownership influences this relationship. To illuminate the gap between formal allocation and substantial influence, researchers might creatively use rich qualitative methods (such as participant observation or ethnographic studies).

Second, the literature shows that two important moderating variables at firm level are firm size and HRM practices. Organizational size is a boundary condition for creating an effective employee participation in DM, as large company size may imply higher managerial centralization and expertise

(Onaran 1992), that may hinder democratic processes especially in cooperatives (Bretos, Errasti, and Marcuello 2018). Likewise, the literature on FP suggests that the dilution of shares among a large number of employees levels off presumed incentive effects and fosters shirking behaviors (Kang and Kim 2019). Additionally, HRM practices can significantly moderate the effects of EO (Kruse and Blasi 1995). Both EO and HR practices aim to influence worker behaviors and attitudes, potentially creating complementary or substitutive relationships. Empirical studies indicate that well-developed HR practices positively moderate the relationship between EO and employee attitudes (e.g., Kato and Morishima 2002; Kurtulus and Kruse 2018). However, members of cooperatives may contrast the adoption of some professional human resource practices (like individual assessments or short-term incentives), which, in turn, undermines their positive effects (Basterretxea, Heras-Saizarbitoria, and Lertxundi 2019). In sum, future research may further explore the direct and indirect influence of firm size and HRM practices on EO and its impact on individual behaviors and firm outcomes.

Third, the literature has more recently highlighted that moderating variables may also operate at the country level. A first key variable is GDP trend, as recession periods or financial shocks may affect employment levels through increased layoffs, or change employees' risk profiles and inclination toward EO. For example, during economic downturns, EO may contribute to stabilize employment relationships and generate positive externalities for the national economy (K. Kim and Patel 2020; Kurtulus and Kruse 2018). In addition, economic recessions may also promote an active engagement of employees, particularly of the least experienced ones, by favoring their exercise of options, sale of restricted stocks, and participation in EO plans (Ouimet and Tate 2020a). Beyond national economic conditions, also country-level formal and informal institutions play a relevant role. Specifically, weak institutions—together with work-group behavior—may influence foreign subsidiary employees' participation in ESOPs (Oehmichen, Wolff, and Zschoche 2018). Moreover, some cultural traits—like uncertainty avoidance and social trust (e.g., Kang and Kim 2019) or performance orientation, in-group collectivism, and uncertainty avoidance (Prince, Prince, and Kabst 2020)—may moderate the influence of EO or FP on firm performance. Based on these promising results, we encourage scholars to build theoretical frameworks taking into consideration the role of national institutions and to test their hypotheses using multi-country samples.

### 6.3 | Employing Research Methods Aimed at Unpacking the Role of Boundary Conditions

The bulk of research either has qualitatively investigated EO in one or few companies using rich primary data collected through interviews, surveys, or participant observation (e.g., Basterretxea, Heras-Saizarbitoria, and Lertxundi 2019; Bonache and Zárraga-Oberty 2020) or has tested theoretical predictions on large firm samples using secondary data from archival sources or databases (e.g., Fauver and Fuerst 2006; Lin, Schmid, and Xuan 2018). These two types of studies have the merit to provide complementary lenses (i.e., qualitative and quantitative), but new methodological perspectives could

significantly move future scholarship beyond current knowledge. For example, as previous studies show that time may influence the effects of EO (e.g., Kato and Morishima 2002; Onaran 1992), we encourage scholars to investigate the effects of EO longitudinally. This would effectively allow scholars to better understand the delay between the allocation of (one or both) ownership rights and its impact on individual or organizational outcomes in the short and in the long run. Moreover, longitudinal approaches would allow scholars to analyze the life cycle of employee-owned companies (like cooperatives) to better understand the triggering events that may lead or prevent their degeneration (e.g., Basterretxea, Heras-Saizarbitoria, and Lertxundi 2019). Finally, a longitudinal perspective could effectively guide scholars in developing deeper knowledge on the pathways enabling or hindering the coexistence of hierarchical structures and democratic participation in employee-owned companies (French 1987).

Next, we encourage scholars to improve the rigor of quantitative studies in various ways. With the literature denoting that the presence of EO does not guarantee any significant effect *per se*, scholars may adopt more nuanced operationalizations that go beyond simple dummy variables indicating the presence of a particular type of mechanism (e.g., ESOP), for instance, calibrating variables in terms of the degree of employee participation to financial results or key decisions. A second method which we believe would similarly accommodate such theory-development is NCA (Aguinis, Ramani, and Cascio 2020; Dul 2016). Grounded in the logic of causal necessity, NCA identifies cause(s) that make an effect necessary rather than purely conjunctural. By identifying bottlenecks, NCA would allow scholars to uncover which is the minimum required level of employee participation to financial results and/or in DM that generates a positive impact on their attitudes and firm outcomes (Hauff et al. 2021).

Moreover, previous studies on the allocation of ownership rights to employees suggest that several variables play a moderating role at multiple levels (e.g., French and Rosenstein 1984; Toscano 1983). They include individual-level variables like the profile of employees (e.g., their income, wealth or risk preferences); company-level variables like the characteristics of the plan (e.g., the reasons behind its adoption and its technical features), the organizational size, or the HRM practices; and country-level variables, like corporate or tax law, the efficiency of financial markets, and the national culture. While we identify only two multilevel studies within our sample, we see great merit in this approach, which has allowed authors to develop dynamic path models where institutional and firm factors interact in a complementary or substitutive fashion. Thus, multilevel modeling may be a promising option for researchers aiming to capture micro-, meso-, and macro-level dynamics and to develop nested theoretical frameworks (Zattoni and van Ees 2023).

Our findings hint at a simultaneity of both substitution and complementarity effects, in particular, between employee FP and participation in decisions (e.g., Kato and Morishima 2002; Kalmi, Pendleton, and Poutsma 2005), between participation in decisions at the top and at the bottom of the company (e.g., Gregorič and Poulsen 2020), and between EO and HR

practices (e.g., Kurtulus and Kruse 2018). However, neither our review nor regression methodologies can adequately capture such combinatorial recipes. To appropriately consider these joint effects, future studies should develop nested or configurational theoretical models using fsQCA (Fiss 2007; Fiss 2011; Ragin 2000, 2008). Calibrating variables through continuous fuzzy scales can assist scholars to quantitatively and semantically distinguish the construct both *in kind* and *in degree* across its three domains (Vis and Dul 2018).

In summary, adopting these methods can help scholars better understand whether and how the two ownership rights (i) substitute or complement each other, (ii) interact with contextual factors at various levels, and (iii) ultimately produce the desired outcomes.

## 6.4 | Practical Implications

Our work aims to provide insightful implications for practice. First, our results reveal that EO, FP, and DM yield overall positive effects on employee attitudes and firm outcomes, but the magnitude (and sometimes also the sign) of these effects is contingent upon the configuration of various moderators. Thus, we recommend practitioners to tailor the specific characteristics of EO plans based on various boundary conditions. Second, our review highlights that, beyond certain thresholds, the allocation of one or both ownership rights may lead to unintended effects and negatively impact individual attitudes and company outcomes. As a consequence, we invite boards of directors and top managers to prevent these inconveniences, for example, by designing good governance and participatory human resource practices aimed at preventing these negative effects.

## 6.5 | Limitations

We must recognize some limitations to our review. First, our sample includes only articles published in top journals according to the ABS journal list. As this selection method rules out other types of publications (like lower ranked journals or book chapters), our sample may partially neglect the potential contribution of scholarly works published in these outlets. For this reason, we invite scholars to adopt different criteria of selection as to expand our sample by including additional type of publications. Second, we selected a wide set of search criteria and an extended time period that led us to identify 184 empirical articles focused on the investigated topic. However, despite our effort to conduct a broad investigation, our identification criteria may have led us to ignore potentially relevant papers. As a result, future studies could extend our results by using a different set of keywords and analyzing a different sample of articles. Third we acknowledge that we explored EO from a corporate governance perspective. Thus, although our sample includes empirical articles from various disciplines, our approach may have led us to overlook some specific aspects that might be particularly relevant for other disciplines. Therefore, we encourage scholars from diverse research traditions to analyze this literature adopting their complementary theoretical and methodological perspectives.

## 7 | Conclusion

Practitioners and scholars alike have recently emphasized that employees' competencies and skills are perhaps the most critical assets for firm success. Our systematic and interdisciplinary review indicates that allocating either or both ownership rights to employees can enhance their attitudes, leading to positive spillovers on company outcomes. Additionally, it also underlines the significance of different allocations of return and control rights, and the non-linearity of the presumed empirical linkages. Based on our findings, we advocate for further scholarly investigation into the EO construct, by analyzing various configurations of ownership rights, exploring the moderating role of several boundary conditions, and adopting a broader set of methods.

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### Conflicts of Interest

The authors declare no conflicts of interest.

### Data Availability Statement

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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