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**Article**

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## Share ownership in a retail firm: an exploratory study of employee perceptions

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The job performance of employees of South African firms is often viewed as poor, particularly in respect of productivity. Managers are at times perplexed that some employees work hard and are efficient while others underperform. In this study we explore the concept of job performance and potential means to improve the job performance of employees in a retail environment. Share ownership by employees and encouraging them to identify with the organization (organizational commitment) as means of enhancing job performance are the foci of the study. Contrary to expectations it was found that share ownership does not influence job performance directly. In other words, employees who own shares are not better performers than those who do not own shares. Share ownership does, however, reduce the propensity to resign. Share owners are thus more likely to remain with the firm than those who do not own shares. It was also found that share ownership did not influence organizational commitment. Encouraging employees to join the firm's employee share ownership scheme will thus not enhance identification with the firm. The empirical results have shown however, that there is a positive relationship between organizational commitment and job performance. At least for this sample of retail employees, job performance can be enhanced by encouraging them to accept and identify with the firm's goals, values and objectives (organizational commitment). At the same time their propensity to resign and leave the firm will be reduced. To enhance organizational commitment (and thus job performance), two approaches could be used. By providing employees with interesting, challenging jobs and regular feedback on job performance, they will become more committed to the organization. Secondly, by encouraging feelings of group cohesion among employees, positive perceptions and attitudes toward the organization as a whole will grow. Positive feelings about both the job itself and co-workers can thus enhance job performance in a retail environment and reduce the harmful impact of labour turnover.

Die werksprestasie van werknemers in Suid-Afrikaanse ondernemings word dikwels as swak bestempel, veral ten opsigte van produktiwiteit. Bestuurders kan soms nie begryp waarom sekere werknemers doeltreffend is en ander onderpresteer nie. In hierdie studie word werksprestasie in 'n kleinhandelomgewing ondersoek, asook die maniere waarop dit verbeter kan word. Die klem val op aandeelenaarskap en organisatoriese toewyding (organizational commitment) as moontlike faktore wat verhoogde werksprestasie in die hand kan werk. Anders as wat verwag is, is daar bevind dat aandeelenaarskap nie 'n direkte invloed op werksprestasie het nie. Werknemers wat aandele in 'n onderneming besit, is dus nie noodwendig beter presteerders as hul kollegas wat nie aandele besit nie. Daar is wel bevind dat aandeelenaarskap 'n laer arbeidsomset tot gevolg sal hê. Werknemers wat aandele besit in die onderneming waarvoor hulle werk, is dus geneig om langer aan te bly as diegene wat nie aandele besit nie. 'n Verdere bevinding van die studie is dat aandeelenaarskap nie 'n uitwerking het op organisatoriese toewyding nie. Deur werknemers aan te moedig om aandele in die onderneming te koop, sal dus nie bydra tot 'n groter mate van identifisering met die onderneming se doelstellings, waardes en beginsels nie. Die empiriese resultate van die studie het egter getoon dat daar 'n positiewe verband is tussen organisatoriese toewyding en werksprestasie. Alhoewel die bevindinge nie veralgemeen kan word nie, kan daar ten minste van hierdie steekproef afgelei word dat werksprestasie van kleinhandelwerknemers verhoog kan word deur hulle aan te moedig om die organisasie vir wie hulle werk, se doelstellings en waardes te aanvaar en daarmee te identifiseer. Terselfdertyd sal dit die neiging tot bedankings verminder. Twee benaderings kan gevolg word om organisatoriese toewyding en daarmee gepaardgaande werksprestasie in die hand te werk. As werknemers interessante, uitdagende betrekkings beklee en hulle op 'n gereelde basis terugvoer ontvang rakende hulle werksprestasie, sal hulle meer toegewyd raak teenoor die onderneming. Tweedens sal positiewe persepsies en houdings teenoor die onderneming in die geheel groei as gevoelens van groepsamehorigheid onder werknemers aangemoedig word. Positiewe gevoelens oor sowel kollegas as die werk self sal dus werksprestasie in 'n kleinhandelomgewing teweegbring en terselfdertyd die-nadelige uitwerking van 'n hoë personeelomset verminder.

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### Introduction

A study by the Economic Advisory Services Department on the restructuring of the South African Economy (The Normative Economic Model) identified productivity as one of the key variables if efforts to improve the economic prospects of the country are to be successful. To improve productivity in an economy characterized by an absence of foreign investment, inadequate domestic savings, and unacceptable levels of poverty will, according to Reserve Bank President Chris Stals, '... test the government, the entrepreneurs and the workers of South Africa to the extreme' (Stals, 1993).

Labour productivity in South Africa is often described as particularly poor. Due to its harmful influence on production and inflation, it is cited as one of the main reasons why South African firms often cannot compete successfully on interna-

tional markets. Whilst South Africa's GDP *per capita* declined by 3.2% during 1989-1990, that of Botswana grew by 5%, Germany by 4.5%, Japan by 3.2%, and Australia by 1.6% (National Productivity Institute, 1992).

The growing concern in South African business circles about poor productivity coincided with a period during the 1980s when labour unions and extra-parliamentary political organizations attacked the free enterprise system. The free enterprise system, they argued, was exploitive in the sense that employees were not afforded the opportunity to share in the fruits of their labour. In addition, they alleged, it entrenched the political system of apartheid by converting the economic superiority of Whites into political domination (Maller, 1988: 30-31).

In reaction to these allegations and the continuing decline in productivity, some business firms investigated the possibilities of allowing employees to share in the success of the firms they worked for. One option was employee share ownership schemes. The philosophy on which employee share ownership schemes is based is that employee share ownership will enhance the employee's perception of his or her job and organization. The positive sentiments will translate into improved job performance and productivity and, eventually, profitability (Maller, 1988: 3). The latter will be to the long term advantage of the employees, the owners of the firm, the community in which it functions, and eventually to the advantage of the entire country.

In this study the point of departure was that labour productivity and job performance will only be enhanced if employees really want to enhance them. In other words, employees must be motivated to improve their job performance. The question may be posed whether improved motivation can be realized through share ownership? Two of the questions that were addressed were:

- Can job performance be enhanced and labour turnover (or propensity to resign) be reduced through share ownership?
- Can the perceptions employees have of their jobs (job characteristics) and their organization (organizational commitment) be influenced through share ownership?

Poor labour productivity implies that a scarce resource is not optimally used. This study investigated organizational effectiveness and job performance as measures of the extent to which the labour resource is utilized.

### **Nature of employee share ownership schemes**

According to Lemmer (1990), there is often a wide gap between management aims and employee expectations, and it requires mutual efforts to bridge these differences, in the interest of mutual survival. In the highly competitive business world in which both parties operate, there is no room for the conflicts of the past. Instead, a change both in worker commitment to the firm and employer commitment to the people who are joined with management in the battle for survival, would go a long way to ensure the achievement of the objectives of both parties.

Employees understandably are concerned with their own survival. In the absence of sufficient interaction with management and with little interchange when negotiating service conditions, employees could easily feel demotivated. They may be in a routine of working to fulfil increasing demands without recognizing the need to improve their own contribution to the process of business. This is one of the reasons why South Africa's productivity and performance have been poor. The attitude has developed, particularly among Black employees, that they do not share in the fruits of their labour and that their contribution does not really matter. Lemmer (1990: 2) points out however, that by contributing more, an employee acquires legitimate rights to share in the benefits derived from mutual efforts. One way in which this could be achieved is through employee share ownership schemes.

### **Types of employee share ownership schemes**

Employee share ownership schemes (ESOPs) differ from profit sharing schemes in three important respects. Firstly, participants in the employee share ownership scheme own a portion of the company. Profit sharing does not imply ownership (Leoka, 1990: 18). Secondly, employee share ownership schemes pay benefits in company shares rather than in cash. A third difference is that the company's contribution is not necessarily linked to profits (Blinder, 1990).

An employee share ownership scheme is often (for example in the USA) a tax-qualified, employee-benefit scheme designed for investment in employer shares (Chang, 1989: 9). According to Block (1990) an employee share ownership scheme is a qualified retirement plan which can be used to provide employee share ownership and, at the same time, advance a number of other objectives. The basic idea behind any ESOP is that ordinary shares (or convertible preferred shares) are distributed to the accounts of employees and eventually passed on to them at retirement or departure from the firm.

In the USA, according to Chang (1989), a sponsoring company forms a tax-qualified ESOP trust which borrows funds from a lending institution to buy shares from the sponsoring employer. Lending institutions usually require that the sponsor company formally guarantee to make yearly contributions to the trust to service the loans. Contributions made to the trust by the company will be fully tax deductible after some years, enabling the company effectively to pay off a loan (both interest and principal amount) with pretax income.

The shares purchased by an ESOP are initially held in a 'suspense account' and, as the debt is paid, the shares are allocated among participants' accounts. Generally an individual employee's account is credited, based on a proportion of the employee's compensation to the total compensation of all plan participants. The employee receives the shares when he leaves the company or retires. ESOPs require no contributions from employees, unlike other equity-based employee-benefit plans, such as employee share-purchase plans that offer shares at a discount to employees.

There are many ways in which organizations involve their employees in the ownership of shares and the methods used are largely governed by each organization's specific objectives for ESOPs. A few examples that are commonly found in South African organizations are share allotments, special share offers, and phantom shares (a detailed description of the nature of each falls outside the scope of this study).

Irrespective of the type of ESOP, they all establish a formal link between the fortunes and success of the firm and the individual employee's economic well-being.

There are many reasons why South African firms offer shares to employees. Leoka (1990) and Maller (1988) suggested the following as some of the important reasons:

- Some companies will offer employees a stake in order to fulfil their need for a sense of belonging to the company. This emanates from the belief that employees become motivated when they own a piece of the company they work for.
- Shares may be offered to employees in order to enhance productivity. Share ownership is seen as a good way of

sharing the correlation between enhanced effort and income.

- ESOPs may be introduced as a way of addressing the negative perception among some employees in South Africa that all the profits unfairly go to management and directors although workers are those who are directly involved in the production process.
- Some companies use share schemes to retain key staff. Senior executives in marketing and production and key personnel such as design engineers may, for example, be offered shares in addition to other executive benefits. The objective is to ensure their continued employment in the company.
- In recent years, some South African companies have introduced employee share schemes as an industrial relations exercise to avoid the spread of socialist and anti-capitalist tendencies among employees. Others have introduced these schemes in the hope that they will reduce unionization, strikes and stay-aways.
- It is quite possible that the most enlightened reason for introducing an ESOP is to increase the workers' income while broadening the base of the remuneration package. In South Africa a large portion of dividend income is tax-free and some enlightened companies have decided on share schemes as a means of improving employee incomes.

The ESOP gives employees an opportunity to be, at least partially, owners of the firm. As a result employees have some ownership rights, such as representation, and ultimately, some of the firm's wealth will be shared with them. When properly developed, these ownership schemes should be able to elicit stronger commitment, identification, morale and initiative from employees. Again, management assumes that employees will work harder when they feel that they will benefit from their efforts, rather than someone else. Managers may also begin to re-evaluate many of their traditional assumptions about the employees' role in the firm. Managers might be more willing to trust employees to act in the firm's best interests. Such trust is often lacking in unsuccessful attempts to introduce greater employee involvement in decision making (Smith, Lazarus & Kalkstei, 1990: 38).

### **Success requirements of an employee share ownership scheme**

Pierce & Furo (1990: 37-42) suggest that the advantages of an employee share ownership scheme cannot be taken for granted. They identify seven essential components. The first is the rights that flow from ownership. These rights include the right to share in the well-being of the firm, including its financial success. Other rights encompass the right to information, and the right to exercise influence over the owned object.

A second essential component is that employees must experience a psychological experience of owning something. Without this component the desired firm-employee bond will not materialize. Thirdly, management must be committed to the idea of employee ownership as this commitment will influence the actual nature of the scheme, its daily operation and how it is experienced by employees. In the fourth instance the scheme must be designed in such a manner that

the rights of employees (equity, information and influence) are not infringed. A fifth component is that the scheme must be seen as legitimate. A sixth component is that employees must have a propensity to an emotional and affective response to ownership. The final component is management's motives for introducing such a scheme. An employee share ownership scheme initiated and implemented for the wrong reasons is doomed to fail.

Leoka (1990) largely concurs with these sentiments when he lists the following requirements:

- Sincerity: a company must be sincere in its desire to share its success with its employees.
- Education: potential participants should be properly informed about the mechanics of an ESOP, its objectives and the expected advantages for all concerned.
- Participation: an ESOP should contribute to efforts to allow employees to participate in decision making which affect their daily working activities.

In the final analysis however, according to Rosen & Quarry (1987), the value of an ESOP will be judged on its influence on the firm's performance.

In this study we will analyse the effect share ownership, as an intervening variable, has on two job outcomes: individual job performance and propensity to resign. In addition organizational commitment is also modelled as an intervening variable in Figure 1. The impact a number of selected job perceptions modelled as antecedents have on the intervening variables, is empirically evaluated.

In addition, the study will also investigate whether employee shareholders differ from non-shareholders in their job performance, their commitment to the organization, and their likelihood to leave the company.

### **Potential advantages of employee share ownership schemes**

The introduction of employee share ownership schemes reportedly has resulted in considerable advantages for business firms and participating employees. The most direct advantage for firms is the effect ESOPs have on profitability.

#### **Profitability**

Rosen & Quarry (1987), in a study of American companies, have reported that firms with ESOPs have grown much faster than those without the scheme. This is particularly true if it is combined with a programme of employee-participation (Rosen & Quarry, 1987; Pierce & Furo, 1990: 38).

Fitzroy & Kraft (1987) examined the influence of profit sharing rather than share ownership and found a positive relationship with profitability. Maller (1999: 25) believe that the success of the cash-and-carry building material retailer Cash-build can to some extent be ascribed to its employee share ownership scheme.

#### **Job satisfaction**

It is often suggested that employees who are shareholders will report relatively higher levels of job satisfaction (Pierce & Furo, 1990: 36). Oliver (1990), however, contends that the research findings concerning the relationship are inconsistent.

### Motivation

Pierce & Furo (1990: 36) speculate that employees who are shareholders will exhibit higher levels of work motivation. Kruse (1984) and Long (1987), however, did not find empirical support for this view.

### Group cohesion

Pierce & Furo (1990: 36) suggest that employees who are shareholders will report higher levels of group cohesion. Group cohesion has generally been found to enhance performance (Harvey & Brown, 1992).

### Productivity

Cable & Wilson (1989) compared the productivity of profit-sharing and non-profit-sharing firms and reported a positive differential of between 3% and 8%. They point out, however, that profit sharing as such will not necessarily increase productivity directly. Profit sharing leads to other organizational changes that increase productivity indirectly.

Fitzroy & Kraft (1987) and Jones & Svejnar (1985) examined the influence of profit sharing rather than share ownership and found a positive relationship with productivity. According to Jones & Svejnar (1985) the same applies to share ownership.

Klein (1987: 327–328) suggests that previous research has shown that the effect of group or organization-wide benefit plans on individual productivity has been minimal. The reason is that the performance-outcome expectancy is too low – a view shared by Maller (1988: 15).

### Absenteeism

Pierce & Furo (1990: 38) speculate that employees who are shareholders will be absent from work less often – a point of view confirmed by the empirical findings of Wilson & Peel (1991: 464). Interestingly they found that employee share ownership was a far better predictor of voluntary turnover than profit-sharing.

### Job performance

Pierce & Furo (1990: 38) argue that employees who are shareholders will be better performers due to their relatively higher levels of motivation. Jones & Svejnar (1985) feel that share ownership and profit-sharing introduce a degree of peer group pressure to enhance performance and their empirical findings support this contention.

Attempts to link ESOPs to economic performance indicators such as productivity (especially causally) are, however, generally difficult due to the multitude of factors which can exert an influence. These factors include technological changes and improved management (Horwitz, 1990: 109).

### Organizational commitment

Pierce & Furo (1990: 36) and Oliver (1990) both argue that, theoretically, employees who are shareholders should be more committed to their organizations than those who are not shareholders. Long (1987: 759) found that share ownership exerted a significantly positive influence on organizational commitment (measured by a single-item scale). In addition, the body of literature reviewed by Oliver (1990: 515) seems

to confirm this contention. Oliver (1990) pointed out, however, that cause and effect cannot be assumed.

Three of these potential advantages, job performance, group cohesion, and organizational commitment, were modelled in this study.

### Modelled outcomes of organizational commitment

Organizational commitment is generally associated with positive outcomes that are advantageous to the firm. Two outcomes have been included in this study, namely job performance and propensity to resign.

#### Job performance

Despite the intuitively appealing contention that committed employees should be better job performers, this contention has scarcely been confirmed by empirical findings. Most researchers have reported only a partial and often weak positive influence on performance (Mowday, Porter & Dubin, 1974; Porter, Crampon & Smith, 1976; Steers, 1977: 53; Wiener & Vardi, 1980). DeCotiis & Summers (1987: 460), for instance, found that organizational commitment exerted a positive but statistically insignificant influence on performance.

Despite these inconclusive findings, Chonko (1986: 25) and Mowday, Porter & Steers (1982) believe that a positive relationship between organizational commitment and performance can be expected.

#### Propensity to resign

Research has indicated that propensity to resign is a good predictor of actual turnover. Bluedorn (1982: 141) reported that organizational commitment reduces this intention. The empirical results reported by Steers (1977:52) and DeCotiis & Summers (1987: 461) support this view. In other words, employees who are committed to their organizations will exhibit a lower propensity to resign (Johnston, Parasuraman, Futrell & Black, 1990: 337).

### Modelled antecedents

Besides the impact of share ownership and organizational commitment on job performance and propensity to resign, the influence of the following antecedents were also considered.

#### Job characteristics

Heckman & Lawler (1971) suggest that there are five core dimensions of job characteristics that are related to employees' reactions to their jobs. The five are variety, autonomy, task significance, task identity and feedback. Empirical research has demonstrated that these intrinsic job characteristics can have a positive influence on an employee's work attitudes in that they can serve as sources of motivation. The following job characteristics were included in this study, namely: skill variety, autonomy, task identity and performance feedback.

Skill variety is the degree to which a job allows employees to undertake a wide range of options in their work. It refers to the use of different activities, skills and talents (Milkovich & Glueck, 1985: 100). Task identity refers to the extent to which employees do an entire task or piece of work from start to finish, complete projects, and can identify with the results of

their efforts. Autonomy refers to the extent to which employees have a say in scheduling their work, and freedom, independence and discretion to do what they want on the job. Performance feedback is the degree to which employees receive information as they are working that reveals how well they are performing on the job (Milkovich & Glueck, 1985: 100).

To summarize: it has commonly been found that positive perceptions of job characteristics (or job scope) are positively related to job outcomes such as organizational commitment and performance (Buchanan, 1974; Marsh & Mannari, 1977; Steers, 1977; Stevens, Beyver & Trice, 1978). Such job characteristics as autonomy, challenge and significance may increase the behavioural involvement of employees in their job and thus increase their perceived responsibility (Mowday, Porter & Steers, 1982: 59). Enriched jobs thus enhance positive job outcomes.

### Personal importance

Personal importance can be defined as feelings of importance to the firm's mission and goals. Perceptions of personal importance thus refer to the extent to which employees think that they are needed and play an important role in the realization of the firm's objectives. Buchanan (1974) and Steers (1977) both found feelings of personal importance to the firm and being considered a valuable member of a firm enhanced positive job perceptions such as organizational commitment.

### Group cohesion

Group cohesion is largely determined by commonality of attitude, behaviour and performance (Gibson, Ivancevich & Donnelly, 1988: 287). Group cohesion refers to the extent that a group, in this case consisting of employees, co-operates and co-ordinates its working efforts to realize objectives (Miner & Luchsinger, 1985: 164). Group cohesion has generally been found to enhance group performance (Harvey & Brown, 1992) and productivity (Robbins, 1992).

### Role ambiguity

Schultz (1982: 445) describes role ambiguity as a situation that arises when the employee's work role (the scope and responsibility of the job and what others expect of him or her), is so poorly structured as to be uncertain and ill-defined. This occurs when a person is not sure exactly what to do in executing job-related activities. Role ambiguity also may prohibit an individual from experiencing a sense of accomplishment, because the individual is unclear about what ought to be accomplished (Rowland & Ferris, 1982: 402). The impact of role ambiguity on job outcomes have generally been negative (Johnston *et al.*, 1990; DeCotiis & Summers, 1987; Michaels, Cron, Dubinsky & Joachimsthaler, 1988; Glisson & Durick, 1988; Dubinsky & Mattson, 1979).

### Role conflict

When conflicting job demands are placed on an employee from two legitimate sources and the complete satisfaction of both is not possible, such an employee experiences what is known as role conflict (Popenoe, 1983: 84). Role conflict thus occurs if an employee is subjected to two sets of

expectations (for example a manager and a client) and it is impossible to satisfy both.

Role conflict generally exerts a negative impact on job outcomes (Dubinsky & Mattson, 1979: 81; DeCotiis & Summers 1987: 459; Michaels *et al.*, 1988: 379; Glisson & Durick 1988: 70; Morris & Sherman, 1981: 518).

All the hypothesized relationships described above are depicted in the conceptual model in Figure 1. To empirically evaluate the proposed model was the primary objective of this study.

### Objectives

In broad terms, the study is likely to throw some light on the question of whether co-ownership of a company influences the job perceptions, organizational commitment and eventually the job performance of employees.

The job performance and level of organizational commitment of a group of employees who own shares in the company they work for will be compared with that of employees of the same company who are not share owners. The influence of variables which may impact on the organizational commitment of the two groups will also be compared.

In addition an attempt will be made to determine whether role considerations, selected job perceptions and job characteristics exert an influence on the job performance, organizational commitment and propensity to resign of both shareholders and non-shareholders. In other words, the study will consider whether highly committed employees are indeed better performers and more likely to remain with their firms (as measured by their propensity to resign) as is often suggested in the literature. To investigate these objectives, a number of hypotheses were considered.

### Hypotheses

The null hypotheses which will be addressed in this study are:

- H0<sup>1</sup> Share ownership does not influence job performance in a retail firm
- H0<sup>2</sup> Share ownership does not influence propensity to resign in a retail firm
- H0<sup>3</sup> Organizational commitment does not influence job performance in a retail firm
- H0<sup>4</sup> Organizational commitment does not influence propensity to resign in a retail firm
- H0<sup>5</sup> Share ownership does not influence organizational commitment in a retail firm
- H0<sup>6</sup> Share ownership does not influence job perceptions as measured by perceptions of job characteristics, personal importance and group cohesion in a retail firm
- H0<sup>7</sup> Share ownership does not influence role considerations in a retail firm
- H0<sup>8</sup> Job perceptions, as measured by perceptions of job characteristics, personal importance and group cohesion, do not influence organizational commitment in a retail firm
- H0<sup>9</sup> Role considerations do not influence organizational commitment in a retail firm

The modelled relationships are depicted in Figure 1.

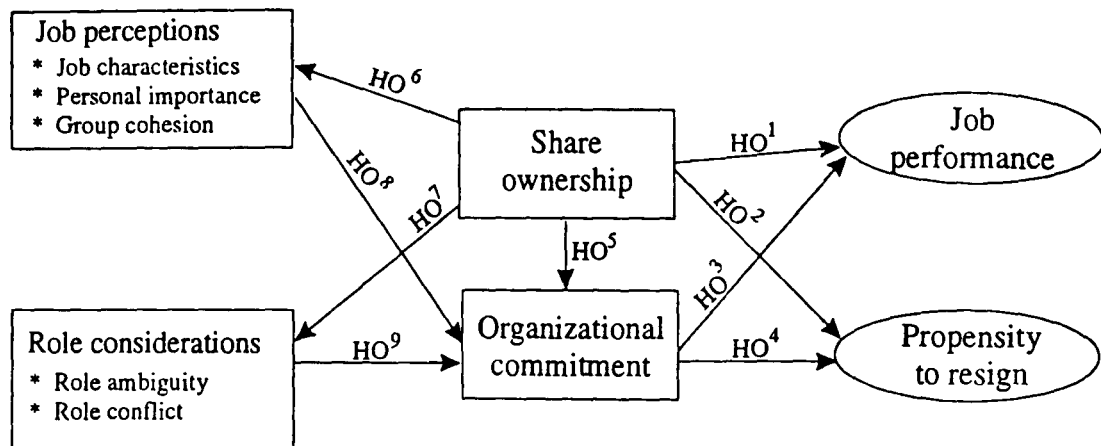


Figure 1 The modelled relationships

## Methodology

### Sample

A sample of employees from a national retailing chain was surveyed. Questionnaires were mailed to a national random sample of one thousand employees at all organizational levels. Company records were used as sampling frame. Half of the sample consisted of share owners and the other half of those who did not own shares.

In total, 224 (22.4%) useable questionnaires were returned after one follow-up. Table 1 describes the respondent group in demographic terms and reveals a fairly even frequency distribution of respondents among the various categories, or a distribution pattern which could be expected given the nature of the sample and the company involved.

### Measuring instruments

With the exception of two (personal importance and job performance) measuring instruments whose validity and reliability have been confirmed were used to measure the variables included in the study.

Respondents evaluated their own performance on a self-developed scale measuring general job performance. It consists of three items linked to a five-point Likert-type scale (see Appendix A). To measure organizational commitment the short version of the Mowday, Porter & Steers (1982) Organizational Commitment Questionnaire was used. The reliability and validity of the instrument were proved by both the developers of the scale and during subsequent studies (Curry, Wakefield, Price & Mueller, 1986; Pierce & Dunham, 1987). Role conflict was measured by means of an eight-item questionnaire adapted from the original instrument developed by Rizzo, House & Lirtzman (1970). Only the eight items with factor loadings greater than 0.5 in the original study were retained. Role ambiguity was measured with a five-item instrument from the same researchers. The cut-off point of factor loadings for items to be retained was 0.4 in this instance.

Personal importance was measured with a self-developed scale (see Appendix A). Propensity to resign was measured with a three-item scale developed by Bluedorn (1982). Group cohesion was measured on Seashore's five-item index of group cohesiveness.

Share ownership was determined by a question requiring a dichotomous yes/no response. Klein (1987: 320) has expressed criticism of past studies which used share ownership as an individual level independent variable. Klein (1987: 324) argues that it is rarely appropriate to compare shareholders and non-shareholders, as ownership is seldom a question of choice. Many schemes automatically include employees after one year of service. As the size of the share-holding is largely determined by tenure and/or salary increases, this renders studies which investigate the relationship between size of share ownership and ESOP satisfaction worthless as they fail to evaluate ESOP characteristic effects.

In the company where the fieldwork for this study was done, ownership is, however, voluntary as Table 1 confirms. Table 1 shows that 54.1% of the respondents did not own shares.

### Statistical methods

The objective of the first phase of data analysis was to assess the internal reliability of the measuring instruments used. This was done by calculating the Cronbach alpha values of each instrument, using the computer programme SPSS (Bryman & Cramer, 1990).

The second phase of the statistical analysis evaluated the discriminant validity of the various instruments used to measure the constructs under consideration. For this purpose the factor analysis procedures of the computer programme BMDP4M (Frane, Jennrich & Sampson, 1990) was used.

During the third phase the influence of the independent variables on the dependent variables specified in the model depicted in Figure 1 were evaluated via multiple regression and analysis of variation procedures available on the statistical package SAS (SAS Institute, 1988).

### Empirical results

The empirical results are reported as each of the sequential phases of statistical analyses set out above were completed. The initial phase involved the antecedents (job characteristics, role conflict and ambiguity, personal importance and group cohesion), which were measured by means of ordinal-scaled instruments.

**Table 1** Demographic composition of respondent group

Gender		n	%
Gender	Male	111	45.5
	Female	<u>133</u>	<u>54.5</u>
		244	100.0
Age	20-29	68	27.9
	30-39	98	40.0
	40-49	53	21.7
	50+	<u>25</u>	<u>10.3</u>
		244	100.0
Qualifications	Std 9 or lower	147	60.2
	Matric	77	31.6
	Matric + dip/degree	<u>20</u>	<u>8.2</u>
		244	100.0
Tenure	0-5 years	86	35.3
	6-10	93	38.1
	11-15	36	14.7
	16+	<u>29</u>	<u>11.9</u>
		244	100.0
People in household	Only me	14	5.7
	2-3	64	26.2
	4-5	89	36.5
	6-7	46	18.9
	8+	<u>31</u>	<u>12.7</u>
		244	100.0
People in household earning own income	Only me	116	47.5
	2-3	106	43.4
	4+	<u>22</u>	<u>9.1</u>
		244	100.0
Method of payment of salary/wage	Monthly	97	39.7
	Weekly	<u>147</u>	<u>60.3</u>
		244	100.0
Share ownership	Yes	112	45.9
	No	<u>132</u>	<u>54.1</u>
		244	100.0

### Internal reliability of the ordinally-scaled antecedents

#### Variety

The initial Cronbach alpha value for variety was 0.5848, but the removal of item 3 (VAR3), improved the coefficient to 0.6584. This improvement led to the exclusion of VAR3 from subsequent statistical analysis.

#### Performance feedback

The items measuring performance feedback yielded a Cronbach alpha coefficient of 0.7140, which is regarded as adequate for subsequent statistical analysis.

#### Autonomy

The initial coefficient for autonomy was 0.2755. Removing the item AUTO3 improved the value to 0.6223, which is

regarded as sufficient for the retention of autonomy in the hypothesized model.

#### Task identity

The initial coefficient for task identity was 0.2834. Removing the item TASK3 improved the value to 0.5688, which is regarded as sufficient for retaining the variable (Nunnally, 1978).

After the removal of the above-mentioned three items (VAR3, AUTO3 and TASK3) the Cronbach alpha value of the entire job characteristics scale was 0.8316 (compared to 0.7605 prior to removal).

#### Role conflict

Role conflict returned a satisfactory Cronbach alpha value of 0.8657.

#### Role ambiguity

The role ambiguity scale returned a Cronbach alpha value of 0.4367 which is regarded as inadequate for further analysis (Nunnally, 1978). The Cronbach alpha coefficient did not respond to the successive removal of various items. As a result this construct was removed from the model subjected to empirical evaluation (Figure 2).

#### Group cohesion

The Cronbach alpha coefficient for the group cohesion scale was 0.7410. Removing items COHI and COH2 improved the Cronbach alpha of the instrument to 0.8456.

#### Personal importance

The Cronbach alpha value of the personal importance scale was 0.4065, which was regarded as inadequate for further analysis. As the Cronbach alpha coefficient did not respond to the successive removal of various items, personal importance was removed from the model subjected to empirical evaluation (Figure 2).

### Discriminant validity of the ordinally-scaled antecedents

Factor analysis is a statistical technique which reduces a large number of variables (or items) to a smaller number of factors which are linear combinations of the original variables. It is done in such a manner that each factor captures as much information as possible from the original data set (Parasuraman, 1991: 757). In other words, a factor analysis provides a more parsimonious set of factors with little loss of information. Factor analysis is also used to assess the discriminant validity of a measuring instrument. A factor analysis allows questionnaire items that are correlated to 'load' on separate factors and in this way identify separate underlying dimensions or constructs. The items that respondents perceive as related (correlated) will load on a separate factor, identifying this as a dimension or construct that is different from all others. Respondents thus 'discriminate' among the various factors.

Discriminant validity is a form of construct validity which refers to the extent to which a construct is not associated with other constructs on a theoretical basis (Parasuraman, 1991).



A factor analysis procedure was used to assess whether individual items are separate measures of the underlying dimensions they are supposed to measure. The computer programme BMDP4M (Frane *et al.*, 1990) was used by specifying maximum likelihood as the method of factor extraction and a Direct Quartimin oblique rotation of the original factor matrix (Jennrich & Sampson, 1966).

The intention was to assess the ability of individual items to measure the overall construct. It is indicated in Table 2 that it was not necessary to remove any additional items from the scale prior to subsequent statistical analysis as all the individual items expected to measure job characteristics, role conflict and group cohesion loaded as expected.

It is shown in Table 2 that respondents did not regard the individual underlying dimensions of job characteristics (variety, feedback, autonomy and task identity) as separate dimensions. In other words, respondents view job characteristics as a single construct and this is reflected as such in Figure 2.

The various antecedents (job characteristics, role conflict, group cohesion) and the individual items regarded as measures of each are summarized in Table 3.

#### Internal reliability of organizational commitment and the outcomes

The internal reliability of the organizational commitment scale, as well as the scales measuring the outcomes modelled in this study, were also considered via the calculation of Cronbach alpha coefficients.

**Table 2** Rotated factor loadings: antecedents<sup>(1)</sup>

	Factor 1	Factor 2	Factor 3
	Job characteristics	Role conflict	Group cohesion
VAR2	<b>0.590</b>	0.072	-0.026
FEED1	<b>0.654</b>	-0.005	0.122
AUTO1	<b>0.655</b>	-0.013	0.067
VAR1	<b>0.527</b>	0.128	0.005
TASK1	<b>0.512</b>	-0.022	-0.053
FEED3	<b>0.624</b>	-0.064	0.096
AUTO2	<b>0.657</b>	-0.150	-0.007
FEED2	<b>0.601</b>	0.049	0.027
TASK2	<b>0.550</b>	-0.012	-0.049
RC1	0.111	<b>0.413</b>	0.058
RC2	0.156	<b>0.463</b>	-0.077
RC5	-0.023	<b>0.606</b>	-0.063
RC8	-0.026	<b>0.647</b>	-0.252
RC3	0.011	<b>0.614</b>	-0.033
RC4	-0.064	<b>0.494</b>	0.078
RC6	0.011	<b>0.600</b>	0.095
RC7	-0.120	<b>0.358</b>	0.040
COH3	-0.009	0.039	<b>0.777</b>
COH4	0.046	0.036	<b>0.894</b>
COH5	0.057	-0.057	<b>0.722</b>
EIGEN VALUES	3.400	2.442	2.124

1. Loadings > 0.35 were considered significant.

**Table 3** Empirical factor structure: antecedents

Antecedents	Individual items
Job characteristics	Items: VAR1, VAR2, FEED1-3 AUTO1, AUTO2, TASK1, TASK2
Role conflict	Items: RC1-RC8
Group cohesion	Item: COH3, COH4 & COH5

#### Organizational commitment

The organizational commitment scale realized a Cronbach alpha value of 0.8657.

#### Propensity to resign

The propensity to resign scale returned a Cronbach alpha value of 0.9170.

#### Performance

The self evaluation of performance scale returned a Cronbach alpha coefficient of 0.5642, which was regarded as sufficient for further analysis.

#### Discriminant validity of organizational commitment and the outcomes

To assess the discriminant validity of the organizational commitment scale, and its associated outcomes as modelled in Figure 1, the data was again factor analysed. The computer programme BMDP4M (Frane *et al.*, 1990) was used by specifying a maximum likelihood as the method of factor extraction and a Direct Quartimin oblique rotation of the

**Table 4** Rotated factor loadings: organizational commitment and the outcomes<sup>(1)</sup>

	Factor 1	Factor 2	Factor 3
	Organizational commitment	Propensity to resign	Performance
OC2	<b>0.667</b>	0.056	0.044
OC5	<b>0.798</b>	-0.005	0.038
OC8	<b>0.592</b>	-0.017	0.056
OC3	<b>0.540</b>	0.007	-0.141
OC6	<b>0.518</b>	0.075	0.188
OC9	<b>0.746</b>	0.001	-0.045
OC1	<b>0.747</b>	0.043	-0.084
OC7	<b>0.699</b>	0.122	0.038
OC4	<b>0.430</b>	0.144	0.070
PERF1	0.295	-0.126	0.190
PERF2	-0.072	0.012	<b>0.970</b>
PERF3	0.043	0.069	<b>0.360</b>
RESIGN1	0.127	<b>0.760</b>	-0.000
RESIGN2	-0.001	<b>0.990</b>	0.070
RESIGN3	0.025	<b>0.861</b>	0.026
EIGEN VALUES	3.889	2.366	1.295

1. Loadings > 0.35 were considered significant.

original factor matrix (Jennrich & Sampson, 1966). The resulting factor matrix (Table 4) shows that all the items regarded as measures of organizational commitment loaded on the first factor.

The second factor was termed propensity to resign and all three items expected to measure the construct loaded as expected. The third factor consisted of two of the three items expected to measure job performance. As item PERF1 did not reach the cut-off point of 0.35, it was excluded from subsequent analysis.

On the basis of the results of the internal reliability and discriminant validity tests, the individual items which were regarded as measures of organizational commitment and the two modelled outcomes (job performance and propensity to resign) are summarized in Table 5.

### An empirical evaluation of the theoretical model

In this study, when appropriate, a regression procedure was used to assess the influence of the different variables on each other as modelled (Figure 2). Regression analyses were used to evaluate the influence of organizational commitment on the two outcomes of job performance and propensity to resign. Regression analysis is an appropriate technique when both the dependent variable (for example organizational commitment) and the independent variables (for example the modelled antecedents) are measured on ordinally scaled instruments. The results of the empirical evaluation of the proposed model is summarized in Table 6 and graphically depicted in Figure 2.

To investigate the influence of share ownership on different dependent variables, a series of analysis of variance tests were conducted using the computer programme SAS (SAS Institute, 1988). In each instance share ownership was the independent variable (nominally scaled) while the dependent variables were ordinally scaled data. As the independent variable (share ownership) is nominally scaled, share ownership was converted to a dummy variable.

It is shown in Table 6 that share ownership does not enhance job performance directly. In other words, employees who own shares are not better performers than those who do not own shares and  $H_0^1$  is thus accepted.  $H_0^2$  is, however, rejected. Share ownership does reduce the propensity to resign. Share owners are thus more likely to remain with the firm than those who do not own shares.

The ANOVA model reveals that share ownership explains 11.1% of the variation in propensity to resign.

In Table 6 the results of the multiple regression analysis is shown which evaluated the influence of organizational commitment on the two outcomes considered in this study, namely job performance and propensity to resign. In both instances the influence of organizational commitment is

**Table 5** Empirical factor structure: organizational commitment and outcomes

Constructs	Individual items
Organizational commitment	Items: OCI-OC9
Propensity to resign	Items: RESIGN1, RESIGN2, RESIGN3
Performance	Items: PERF2 & PERF3

**Table 6** Regression analyses and ANOVA results

	Significance	Hypothesis
<b>Dependent variable: Job performance</b>		
Independent variables		
Share ownership	N.S.	$H_0^1$
Organizational commitment	$p < 0.01$	$H_0^3$
<b>Dependent variable: Propensity to resign</b>		
Independent variables		
Organizational commitment	$p < 0.01$	$H_0^4$
Share ownership	$p < 0.01$	$H_0^2$
<b>Dependent variable: Organizational commitment</b>		
Independent variables		
Job characteristics	$p < 0.01$	$H_0^8$
Role conflict	N.S.	$H_0^9$
Group cohesion	$p < 0.01$	$H_0^8$
Share ownership	N.S.	$H_0^5$
<b>Dependent variable: Job characteristics</b>		
Independent variable		
Share ownership	$p < 0.05$	$H_0^6$
<b>Dependent variable: Group cohesion</b>		
Independent variable		
Share ownership	N.S.	$H_0^6$
<b>Dependent variable: Role conflict</b>		
Independent variable		
Share ownership	N.S.	$H_0^7$

strongly positive ( $p < 0.01$ ; a high propensity to resign was scored 1 and a low propensity was scored 5). In other words the more committed respondents are, the better they perform. Also, the more committed employees are, the less likely they are to resign from the firm. Both null hypotheses ( $H_0^3$  and  $H_0^4$ ) are thus rejected in favour of the alternate hypotheses.

Organizational commitment accounts for 13.2% of the variation in job performance and 24.2% in the propensity to resign from the company.

It is interesting to note that the variable share ownership does not influence the organizational commitment of employees. Share owners are thus not more committed to their firm than non-share owners.  $H_0^5$  is thus accepted.

According to Table 6 share ownership has a significant influence ( $p < 0.05$ ) on the job characteristic perceptions of the respondents. This implies that respondents who are members of the share ownership scheme perceive their jobs more favourably than those who do not own shares in terms of variety, autonomy, feedback and task identity.  $H_0^6$  is therefore rejected in respect of job characteristics.

An analysis of variance procedure was also used to assess the influence share ownership has on group cohesion. It is shown in Table 6 that there is no relationship ( $p > 0.05$ ).  $H_0^6$  is thus accepted in respect of group cohesion. Share ownership, however, explains less than 1% of the variation in group cohesion.

The ANOVA model revealed that share ownership explains only 2.6% ( $R^2$ ) of the variation in job characteristic perceptions.

It is also shown in Table 6 that share ownership does not exert an influence on role conflict ( $p > 0.05$ ).  $H_0^7$  is thus accepted in respect of role conflict. In addition, share ownership cannot be regarded as a good predictor of role conflict as it explains less than 1% of the variation in role conflict.

It is shown in Table 6 that two of the antecedents modelled for empirical evaluation in this study (Figure 2), job characteristics (variety, performance feedback, task identity and autonomy) and group cohesion exert a significant influence on organizational commitment at the 1% level of significance.  $H_0^8$  is thus rejected in respect of job characteristics and group cohesion. In both instances the influence is positive. The more favourably respondents perceive their jobs (job scope), the more committed they are to the organization. Similarly, those who believe that they work in a cohesive working environment characterized by friendship and mutual support, are relatively more committed.

Role conflict, according to Table 6, does not influence organizational commitment and hypothesis  $H_0^9$  is thus accepted.

### Managerial implications

The empirical results have shown that, at least for this sample, the job performance of retail employees can be enhanced by encouraging them to accept and identify with the firm's goals, values and objectives (organizational commitment). At the same time their propensity to resign and leave the firm will be reduced.

Although not specifically tested, the finding that share owners exhibit a higher level of organizational commitment and a lower propensity to resign, does not contradict the side-bet theory proposed by Becker (1960). The theory questions whether employees remain with an organization because they are committed to it, or because of the 'investments' made (pension schemes and other long-service benefits) and the reluctance to relinquish them.

To enhance organizational commitment (and thus job performance), two approaches could be used. By providing employees with interesting, challenging jobs and regular feedback on job performance, employees will become more committed to the organization. Secondly, by encouraging feelings of group cohesion among employees, positive perceptions and attitudes toward the organization as a whole will grow. Positive feelings about both the job itself and co-work-

ers can thus indirectly enhance job performance and reduce the harmful impact of labour turnover in a retail environment.

Contrary to expectations, this study found that share ownership did not influence organizational commitment. Encouraging employees to join the firm's employee share ownership scheme will thus not necessarily enhance identification with the firm.

Organizational commitment, however, does lead to positive organizational outcomes for the retail firm involved in this study. Organizational commitment can be enhanced by providing employees with interesting, stimulating jobs, and encouraging feelings of cohesion with co-workers.

To summarize: this study has shown that share ownership is not a means of manipulating organizational commitment or job performance. Share ownership's only significant influence was the reduction in the propensity to resign.

Maller (1988: 15) argues that the ability of share ownership to impact on worker loyalty and productivity is limited by the absence of a direct association between share price movements and company performance. In addition it appears as if the introduction of ESOPs have not been accompanied by any meaningful participation of employees in decision making affecting their daily work. This limitation violates one of the basic requirements of the successful introduction of ESOPs (Leoka, 1990). The true benefits of ESOPs will only be realized if it is combined with a programme of employee participation (Rosen & Quarry, 1987; Pierce & Furo, 1990: 38).

Maller (1988: 30) points out, however, that trade unions in South Africa pride themselves in their independence from management. Participation in decision making will erode their traditional role of opposing management. Although management-union distrust in South African labour relations is deep-rooted (Maller, 1988), the long-term success of ESOPs will largely be determined by the extent to which trust is established: management's trust to involve employees in meaningful decision making and the union's believing that they can participate to the benefit of all without sacrificing their independence.

### Limitations of the study

One limitation of the study was that the fieldwork was conducted within the confines of a single company. The findings of this study can thus not be generalized to all retail environments.

A second possible limitation is the use of regression analyses to analyse the data. It is possible to use a maximum likelihood approach to test the theoretical model, which would permit measurement error and structural relations for the model to be estimated simultaneously. Although the facility is available on computer programmes such as LISREL and RAMONA this analysis technique was not used in this study. Instead multiple regression analyses and analysis of variance procedures were used to test the relevant hypotheses. There are disadvantages to using regression analyses procedures (as is the case in this study) instead of a structural equation analysis procedure. For instance, the former assumes that all of the hypothesized relationships are linear, it ignores potential relationships among independent variables, and it disregards errors of measurement.

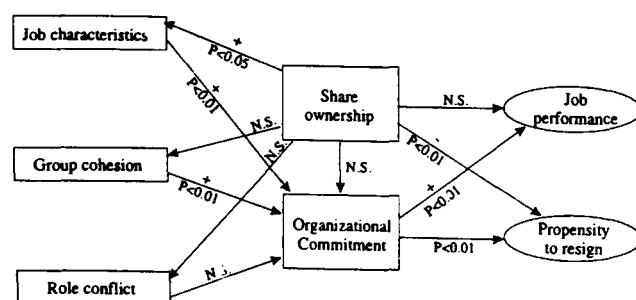


Figure 2 Final model and empirical results

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**Appendix A**

**Job performance**

Considering all the things I am responsible for, I do my job very well	1	2	3	4	5	6	7
I'm successful in my job	1	2	3	4	5	6	7
My job performance is above average	1	2	3	4	5	6	7

**Personal importance**

I should be part of higher level decision making with regard to the activities of my department	1	2	3	4	5	6	7
If I'm not at work my department's job performance will be reduced	1	2	3	4	5	6	7
If I resign I ought to be consulted on a suitable replacement	1	2	3	4	5	6	7

Note: 7 = 'strongly agree'; 1 = 'strongly disagree'