CORPORATE GOVERNANCE AND EMPLOYMENT RELATIONS

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by

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Abstract
Using the 2004 United Kingdom Workplace Employment Relations Survey (WERS 2004), this paper examines the impact of corporate governance on HRM practices and employment relations outcomes within organizations in the UK. The analysis suggests that when a remote external stake-holder is assigned dominance, particularly in the case where their liability is limited and the organization is large, the conditioning of managerial commitments on the requirements of the dominant stake-holder has the potential to undermine the effectiveness of the HRM system in achieving its objectives.

JEL Codes: J24, J53, L21, L23, M12, M5

Keywords: corporate governance, human resource management, stakeholding, employment relations, work and employment relations survey

*A data Appendix with additional results is available from Sue Konzelmann at the School of Management and Organizational Psychology, Birkbeck, University of London, Malet Street Bloomsbury, London WC1E 7HX. Tel: +44(0)20 7631 6799, Fax: +44(0)20 7631 6769, *e-mail:* s.konzelmann@bbk.ac.uk. The computer program used to generate the results is SPSS.

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INTRODUCTION

A central debate in corporate governance revolves around the question of how best to deliver optimal economic performance and distributional justice within organizations. This debate has highlighted the possibility that the prioritization of shareholder interests in public companies may undermine their ability to perform effectively over the long-term (Wilkinson 2003). Yet studies otherwise critical of the role of shareholders have shown that it may be possible to overcome this 'governance constraint' by such means as: effectively 'managing' the company's relationship with its shareholders to encourage them to take a longer-term perspective on their relationship with the organization; institutional investor activism to promote the long-term performance of the organization and hence the value of its shares; and the use of block-holding ownership and insider control to encourage a more stable system of stake-holder relationships within the firm (Armour, Deakin and Konzelmann 2003; Deakin, Hobbs, Konzelmann and Wilkinson 2002).

To understand the relationship between corporate governance and long-term organizational performance, it is necessary to examine more closely the role that stake-holder relationships might play; and within this, given the centrality of those between employees and managers, the contribution of human resource management (HRM) and employment relations. There is a substantial HRM literature that finds a positive link between employment relations and organizational performance;[i] but how performance is enhanced by HRM is not well understood (Delery 1995; Truss 1991). Part of the problem is that organizational performance depends upon a wide range of factors that are not directly influenced by – but might themselves have an influence on – HRM. Thus, a consideration of how HRM might influence organizational performance requires an acknowledgment that there are essentially two inter-linked determinants of performance: (1) the ability of the organization to effectively operate within its external environment; and (2) the ability of the HRM system to deliver the outcomes it is designed to achieve in support of the firm's objectives. The focus of this study is on the latter.

In recent years, with growing interest in the relationship between corporate governance and employment relations, a body of literature has emerged that finds patterns of relationship that vary across national productive systems (Gospel and Pendleton 2005; Jacoby 2005). For example, the market-oriented Anglo-American system is one in which the governance of public companies is directed towards dispersed-shareholder ownership and outsider control. In this context, the HRM function has traditionally been exposed to market pressures and has needed to react to stock market requirements; and this has been reflected in relationships between managers and employees. By contrast, the governance of continental European and Japanese corporations is characterized by dominant block-holder share ownership and insider control, which provides greater security for internal stake-holders (managers and employees) and a closer identification with the organization and its objectives. In this context, HRM plays a more pro-active role. Nevertheless, despite common features, there is also evidence of diversity across organizations within national systems (Gospel and Pendleton, 2005).

Other strands of research into corporate governance and employment relations within organizations in the United Kingdom (UK) have identified patterns associated with alternative forms of corporate governance and the ways in which they prioritize stake-holder interests (Konzelmann, Conway, Trenberth and Wilkinson 2006). Building on this research, we investigate the interrelationship between corporate governance form and employment relations within organizations in the UK. The empirical analysis is based on the 2004 UK Workplace Employment Relations Survey (WERS 2004), which permits examination of establishments operating under alternative forms of corporate governance including: public sector organizations; listed public limited companies (PLCs); unlisted PLCs and private limited companies; partnerships and self-proprietorships; and organizations serving their membership or the public interest.[ii] Section two explores the interrelationship between corporate governance, stake-holder relations and organizational performance. Section three examines these relationships and their effects in the UK, using WERS 2004. Section four concludes.

CORPORATE GOVERNANCE, STAKE-HOLDER RELATIONS AND HRM WITHIN ORGANIZATIONS

Corporate governance regulates the ownership and control of organizations (Berle and Means 1932). It sets the legal terms and conditions for stake-holder relationships, and in so doing influences their incentives and, potentially, their willingness to work together. Cooperation is important because it makes effective the necessary diffusion of responsibility for production, process improvement and innovation. It also serves to secure the commitment of stake-holders to the objectives of the organization, and to making fully available their skills, knowledge and experience.

However, it does not follow from the centrality of co-operation for production and managerial efficiency that all of the interests of managers and workers are shared. While they clearly have common interests in the present and future prosperity of their organization because this forms the basis of their income and employment security, interests diverge with respect to distribution of the organization's income because what one receives the others cannot have. Further, as the flow of income available for distribution is a joint product of the activity of all those involved in production, there is no objective method by which the contribution of any individual can be identified and suitably rewarded. In such circumstances, it cannot be assumed that workers will readily accept that the terms and conditions of their employment should be determined by management as part of the HRM package, premised on shared responsibility for production. Nevertheless, both sides can be expected to have a shared interest in securing an agreement, which by recognizing the legitimacy of the other side's interests helps to secure their joint future. The ability to achieve these objectives, and in so doing to release the full potential of collective enterprise, can therefore be considered a productive factor.

Ideally, securing effective cooperation is a central purpose of HRM in its role in enhancing organizational performance (Guest 1997 and 2001; Konzelmann 2003). But the ability to resolve the distributional conflict inherent in the employment relationship will depend not only upon the income the organization has available; it will also depend upon the weight that managers are required to give to the different income claimants as determined by the form of its corporate governance. By conditioning managerial commitments on the requirements of a dominant stake-holder group, corporate governance may have an impact on the effectiveness of HRM practices and, as a consequence, on the organization's ability to achieve effective cooperation. This is particularly the case when it compromises the commitments that managers need to make to those stake-holders such as employees upon which it most depends for performance delivery (Wilkinson 2003; Konzelmann et. al. 2006).

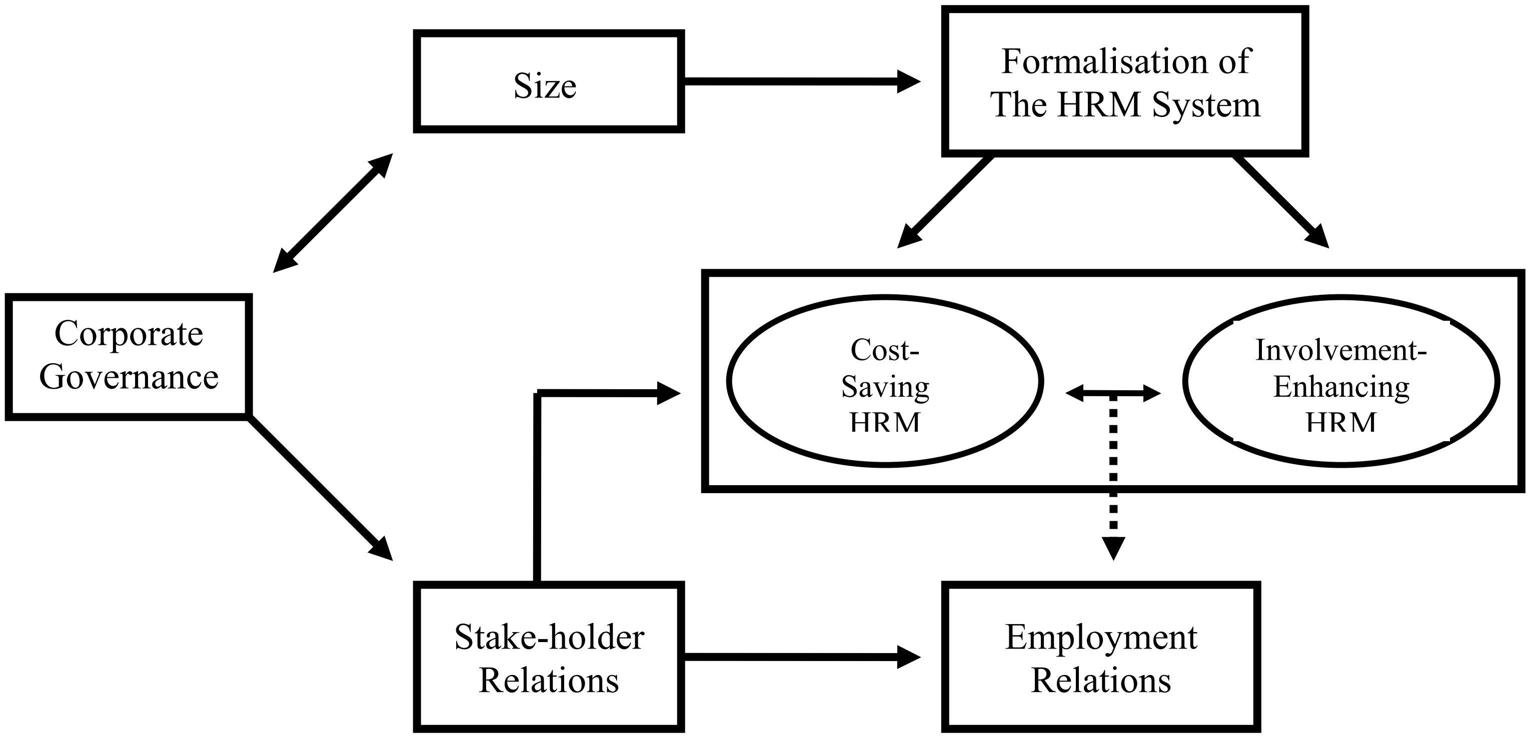
In considering the effects of corporate governance on stake-holder relations, HRM policy and outcomes and organizational performance, it is useful to distinguish between *internal* and *external* stake-holders, as determined by their involvement in the organization's productive activities. Managers and workers directly employed by the organization and fully engaged in its productive activities, for example, are completely internal, whereas agency and other forms of temporary workers, suppliers, customers, communities, shareholders and the government are to varying degrees more external. The significance of the distinction between internal and external stake-holders lies in the level and continuity of commitment each needs to make to ensure the success of the organization, and, in turn, the importance to the stake-holder's well-being of pecuniary and non-pecuniary reciprocation of that commitment by the organization. For example, there is a high level of mutual dependency between the organization and its directly employed managers and workers; and the success of the organization depends very much upon the commitment of these internal stake-holders while they, in turn, rely on the organization for their present and future income, job satisfaction and employment prospects. By contrast, at the other extreme, shareholders in listed PLCs (as stake-holders) have no direct role to play in the productive activities of the organization. Moreover, their well being is unlikely to be exclusively or even mainly dependent on any single organization. Therefore, the degree of mutual dependency and commitment between the organization as a producer and its shareholders can be expected to be low.

However, the degree of commitment the organization is required to make to each of its stake-holder groups is not only determined by mutual dependence in production. In a highly competitive product market (or in one with highly concentrated buyer power), for example, a supplier might be required to prioritize the interests of customers to the neglect of those stake-holders it depends upon in production. More directly related to the purpose of this paper, the form of corporate governance may require managers to rank the distributional priorities of the organization's stake-holders in ways that could compromise their commitment to the workforce, and in so doing, undermine the interests of the organization as producer.

It follows from this that the further the dominant stake-holder is from direct and continuous involvement in the organization's production of goods and/or services, the more difficult it may become for internal stake-holders to implement and maintain strategies capable of securing long term operational effectiveness. In organizations with a dominant external stake-holder, such as shareholders or the state, the requirement that management prioritizes such interests may reduce their ability to give the necessary weight to the interests of internal stake-holders; and this will make it more difficult to secure their commitment to organizational objectives. The demands of the dominant stake-holder could therefore impact on HRM practices developed and implemented by internal stake-holders, and on the achievement of their objectives. In the public sector, for example, the objectives of the government, acting as the agent of the users of public services and the taxpayers are twofold: (a) to meet demand for high quality services and (b) levels of taxes that taxpayers find acceptable. The ability to accomplish the first of these objectives requires the full commitment of internal stake-holders (i.e. public sector workers), but this may be impeded by the fiscal stringency resulting from governmental tax policy designed to meet the second objective. In listed PLCs, the placing of shareholder interests first may condition management to give priority to dividend pay-outs and short-term share value appreciation, achieved by concentrating on cost cutting and labor force downsizing to the neglect of the longer-term interests of the business. By contrast, in organizations for which corporate governance designates an internal stake-holder as dominant, such as partnerships and self-proprietorships, the resolving of distributional disputes will depend mainly on the managers and employees who have most to gain from working together to secure long-term organizational viability.

But corporate governance not only structures and conditions stake-holder relationships, it can also be expected to affect and be affected by the size of the organization and the establishments it operates. This, in turn, will have consequences for the formality of HRM systems, which together with organizational objectives and stake-holder relationships will influence both the HRM practices adopted and the resulting system of employment relations. Figure 1 provides a useful illustration.

Figure 1
Corporate Governance, Size and HRM



As discussed above, the form taken by corporate governance can be expected to have an influence on stake-holder relations and consequently on employment relations not only directly; it can also be expected work together with the objectives of organizations in shaping the HRM practices adopted, and especially the balance between cost-saving and involvement-enhancing practices. For example, the greater the emphasis on price as opposed to quality and service-based competition, the greater the likelihood of a bias towards more cost-saving HRM practices and antagonistic employment relations, which themselves become embedded in the products or services produced. When there is also a strong emphasis on quality and service, involvement-enhancing HRM approaches may be needed to temper the adverse consequences of more exploitative HRM practices. The balance in HRM practices can also be expected to influence employment relations, with the more exploitative practices undermining such outcomes as job satisfaction, organizational commitment and the quality of employee/management relationships.

Corporate governance is also likely to impact HRM and employment relations through its influence on size. Certain forms of corporate governance, such as listed PLCs, facilitate large size by making possible by the acquisition large amounts of equity finance with the attendant dispersion of risk while the attraction of large firms to stock market investors reinforces and encourages this form of governance. At the other end of the spectrum are organisations like partnerships and self-proprietorships, in which the high level of risk borne by partners and self-proprietors puts a constraint on their size. Firm size can be expected to have an impact on the degree of formalisation of the HRM system. In general, larger firms use formal HRM practices more extensively as a way of organising work to recapture some of the benefits of worker involvement lost by Taylorist forms of work organization that evolved with increasingly large sized organizations (Konzelmann et. al. 2006). By contrast, in smaller firms, there are fewer impediments to the ability to deliver the outcomes expected from the effective use of HRM – i.e., high levels of employee autonomy, self-supervision and responsibility for production – without necessitating the adoption of formal HRM systems and practices.

Corporate governance is therefore likely to have both a direct impact on employment relations and an indirect effect through its influence on the nature of the bundles of HRM practices adopted.

Corporate Governance and Stake-holder Dominance in WERS 2004

The WERS 2004 survey grouped corporate governance forms into twelve categories: self-proprietorships and partnerships (including limited liability partnership); private limited companies; public limited companies; companies limited by guarantee; trusts/charity; body established by Royal Charter; co-operatives, mutuals and friendly societies; government limited companies, nationalised industries and trading public corporations; public service agency; other non-trading public corporations; quasi-Autonomous national government organizations (QUANGOs); and local/central government (including NHS & local education authority)

Self proprietorships are owned and operated by a single individual, who is fully liable for the debts of the business but who also has the right to all of the profits generated. In *partnerships,* one or more people own the business and share the profits; and each partner is personally liable for any debts that the business might incur. A *limited liability partnership* is similar to an ordinary partnership, except that that the liability of each partner is limited to the amount of money the partner has invested in the company. In each of these types of organization, sole proprietors or partners are the dominant stake-holders. They are insiders in that they are directly involved in managing and are likely to be reliant on the business for a substantial part of their income. Moreover, as they usually have unlimited liability for the debts of their business, their business and personal finances are closely interdependent. This is less so for limited liability partnerships, although it is to be expected that partners in these firms have a substantial financial commitment to the business and carry significant risk.

Unlike self-proprietorships and partnerships, *limited liability companies* exist in their own right, distinct from the shareholders who own them; and corporate finances are clearly separated from the personal finances of their owners. Shareholders have an entitlement to the company's residual income (i.e. that remaining when all other income claims have been satisfied) but they have no liability for the debts of the company, although they may lose the money invested. Limited liability companies can be either private or public. *Private limited companies* can have one or more shareholders but they cannot offer shares for sale to the public. *Public limited companies* (PLCs) must have at least two shareholders; they can offer shares for sale to the public, although they may or may not be listed on the stock market. In limited liability companies shareholders are the dominant stake-holders, and managers are legally required to manage on their behalf. However, the limits to shareholder liability means that they are less financially 'tied in' to their companies than sole-proprietors or partners, although this will importantly depend on the extent of the dispersion of share ownership. The degree of shareholder 'tie in' will also depend on whether the companies whose shares they hold are listed on the stock exchange, a well-organised market for shares which provides a ready shareholder exit from companies.

Companies limited by guarantee (CLGs) have neither shareholders nor shares. They have members, called guarantors, who undertake to contribute should the company need it. CLGs cannot distribute profits and these are generally reinvested. Common examples of CLGs include clubs, membership organizations and charities. The membership or beneficiaries are the dominant stake-holders, and the managers are required to act on their behalf.

A *trust* is an organization in which ownership of property to hold and manage for the benefit of a third party is vested in trustees, who cannot benefit from the trust. A *registered charity* is required to devote its resources to charitable activities as specified in its rules approved by the Charity Commission. For both trusts and charities, beneficiaries are the dominant stake-holders, and the trustees or managers are required to act on their behalf.

Royal charters are granted by the monarch to give special status to incorporated bodies. The four hundred or so royal charter organizations in the UK include cities; the British Broadcasting Company (BBC); theatres including the Royal Opera House, Theatre Royal and Drury Lane; Britain's older universities; professional associations; and charities. Most royal charters are now granted to professional institutions and to charities. In these bodies, the consumers, members, citizens, or beneficiaries are the dominant stake-holders, and the management boards are required to act on their behalf.

Co-operatives (co-ops) are associations of persons who join together to carry on an economic activity of mutual benefit. They can include housing cooperatives, worker cooperatives and consumer cooperatives. In housing cooperatives, for example, residents own shares in the legal entity which owns a group of homes. Each member typically has a lease agreement with the co-op, and the co-op's rules typically provide tenure for its residents; expulsion generally requires a substantial majority vote of the members. A *Mutual* is a commercial organization owned by its members. Examples include building societies and some life insurance companies. *Friendly societies* (sometimes called a mutual societies, benevolent societies or fraternal organizations) are mutual associations, composed of people who join together for a common financial or social purpose. Cooperatives, mutuals and friendly societies are all forms of common ownership in which the members are the dominant stake-holders. Of these, worker co-operatives are the only example of corporate governance where workers have a degree of stake-holder dominance. However, people who work for co-operatives are not necessarily members of the co-operatives (including possibly the managers). As a group, the co-operators in worker co-operatives are the dominant stake-holders with rights to the residual income. The individual employment contact of members is with the co-operative, although cooperative membership may condition employment relationships. As owners, individual worker co-operators are financially 'tied into' their place of work in much the same way as members of partnerships.

The *public sector organizations* identified by WERS include government limited companies, nationalized industries, trading public corporations, public service agencies, non-trading public corporations, QUANGOs, and local and central government organizations (including the NHS & local education authority). In operational terms, the government, as regulator and paymaster, is dominant in public sector organizations, its authority being backed-up by statutory powers. However, this dominance is conditional on electoral support, which provides incentives for political parties to commit themselves to low taxation and high levels of public service. As a result, taxpayers and users of public services can be regarded as the ultimate dominant stake-holders in public sector organizations. However, the interests of tax payers and users of public sector services may conflict: the former demanding to pay as little as possible and the latter wanting high levels of good quality services[iii]. Faced with these contradictory claims, government tends to use its dominance to bridge the resulting resource gap by intensifying work relative to pay in the public sector. In effect, the fiscal deficit is offset by a real resource levy on public sector workers extracted by public sector managers. This role as auxiliary tax collector helps explain why financial managers and other non-clinical administrators in the NHS are so unpopular with the frontline staff (Wilkinson, et al. 2006).

Using the corporate government forms identified in WERS 2004, we created composite categories based on commonalities of dominant stake-holders, liability for debts or dependence on returns derived from long-term organizational performance, and their level of commitment to the organization. These composite corporate governance forms include public sector organizations; listed PLCs; unlisted PLCs and private limited companies; companies serving the interests of owner-members or the public (i.e., CLGs, trusts, charities, bodies established by royal charter, cooperatives, mutuals and friendly societies); and partnerships and sole proprietorships.

Corporate Governance, Size and HRM

Table 1 outlines characteristics of the types of corporate governance form identified in our study and the influence they are likely to have on organizational objectives and the dominant view of human resources within the firm.

TABLE 1: Corporate governance and Human Resources in the Anglo-American System

Type of Organization And Median Est. Size	Dominant Stake-holder	Liability of Dominant Stake-holder for Debts of the business	Commitment of Dominant Stake-holder to the Organization	Agent Acting on Behalf of Dominant Stake-holder	Vulnerability of Agent to Requirements of Dominant Stake-holder	Primary Organizational Objective	Dominant View of Human Resources
Public sector organizations (138 employees)	Customers / Taxpayers (external)	No direct liability	High (due to reliance on service)	Government	Continuous and high (market for votes)	High quality / low price products for customers produced at low cost for customers / taxpayers	Central to accomplishment of potentially competing quality, price and cost objectives
Listed PLCs (167 employees)	Shareholders (external)	Limited liability	Low (due to liquidity of stock market)	Management	Continuous and high (Market for corporate control)	Short-term shareholder value	Cost to be minimized Resource to be exploited
Unlisted PLCs & Private limited companies (48 employees)	Shareholders (external)	Limited liability	High (because cannot sell shares)	Management	Low (but managers can be sacked)	Long-term shareholder value	Productive resource contributing to long-term performance objectives
Organizations serving the interests of owner-members or the public (76 employees)	Owner-members, beneficiaries or the public (internal)	Limited liability	High (due to reliance on service)	Management	Low (but managers can be sacked	Long-term economic performance and institutional viability (profitability and sustainability)	Central to accomplishment of long-term performance objectives and institutional viability
Partnerships & self-proprietorships (20 employees)	Partners & Self-proprietors (internal)	Unlimited liability	Very high (due to reliance on income & unlimited liability)	None or dominant partner	None (or low if there is a dominant partner)	Long-term economic performance and institutional viability (profitability and sustainability)	Central to accomplishment of long-term performance objectives and institutional viability

In the *Public sector*, organizations tend to be large, with a median establishment size of 138 employees in WERS 2004. The commitment of customers (who are also taxpayers) to the organization is likely to be high, due to their reliance on the products or services provided. Acting on behalf of customers, the pressure on the government to deliver of high quality at low taxes is substantial and continuous, enforced in the market for votes, with responsibility being delegated to the managers of public sector organizations. Where public services have been privatized, there is a shift in responsibility for the delivery of government objectives to the managers of large private sector companies that may easily find themselves having to meet the often competing demands of two dominant external stake-holders: those of their shareholders for high dividends and share price appreciation and those of government appointed regulators for acceptable levels and quality of services provision. Faced with these dilemmas, managers of public sector organizations and ex-public sector PLCs have incentives to deploy high-involvement HRM practices to achieve acceptable levels and quality of provision, and cost-cutting HRM strategies to keep costs within restricted budgets or the demands of shareholders. The contradictory pressures on the workforce have been shown to have a negative effect on the morale and job satisfaction of public sector workers. (Burchell et. al. 1999; Wilkinson, et. al. 2006).

Listed PLCs tend to be large firms, with a median establishment size in WERS 2004 of 167 employees. Shareholders' commitment to the organization tends to be low and detached, based on the number of shares they hold and the importance they assign to the income stream generated by dividends and share value appreciation. Managers, as the agents of shareholders, are subject to high and continuous pressure to deliver short-term financial results and continuous improvements in the value of the company's shares. In this context, like any other productive factor, human resources are likely to be viewed as a resource to be exploited and a cost to be minimized. Thus, given the large size of these establishments and the pressure to deliver continuous gains in short term shareholder value, we would expect to see extensive use of formal HRM practices, with a bias towards the cost-saving approaches.

Unlisted PLCs and Private Limited Companies are relatively small firms, with a median establishment size in WERS 2004 of 48 employees. Because shareholders cannot access the stock market to sell their shares, they have a relatively high level of commitment to the organization and are more likely to view that relationship as longer-term than do the shareholders of listed PLCs. Managers act in the interest of shareholders but since the primary organizational objective is long-term shareholder value, employees are likely to be viewed as a productive resource, contributing to the achievement of long-term performance effectiveness. We would therefore expect to see, where formal HRM practices are in use, a bias towards the more involvement-oriented approaches.

Organizations serving the interests of owner-members or the public in WERS 2004 have a median establishment size of 76 employees. The commitment of owner-members, beneficiaries or the public to the organization can be expected to be high, due to membership and reliance on the goods or services provided. Management acts as their agent in pursuit of long-term economic performance and institutional viability. In this context, employees are likely to be viewed as central to the accomplishment of the organization's objectives, although their distributional interests will be secondary to those of the dominant stake-holders. In this sector, the larger sized firms can be expected to adopt formal HRM practices; and we would expect a balance in practices between the cost-saving and involvement-enhancing approaches.

Partnerships and Self-proprietorships are very small organizations, with a median establishment size in WERS 2004 of 20 employees. The organizational commitment of partners or self-proprietors can be expected to be high, due not only to their unlimited liability but also their reliance on the business for income and employment security. The primary organizational objective is profitability and sustainability, with employees central to the realization of this objective. But the small size of these firms suggests that it is unlikely to find extensive use of formal HRM practices to achieve the employment relations outcomes believed to contribute positively to organizational performance.

In short, corporate governance can be expected to influence the dominant view of human resources and hence the nature of the HRM practices implemented and employment relations outcomes realized. This is in large part a consequence of the influence of corporate governance on stake-holder relations and the vulnerability of internal stake-holders to the requirements of the dominant stake-holder. But enterprise size can also be expected to play a significant role both independently and in conjunction with the form taken by corporate governance.

EMPIRICAL ANALYSIS: CORPORATE GOVERNANCE AND HRM IN THE UK

WERS 2004 is a representative sample of workplaces in Britain. It involved interviews with managers having responsibility for employee relations issues, interviews with worker representatives, and surveys completed by more than 20,000 employees. For purposes of the analysis here, public sector organizations; listed PLCs; unlisted PLCs and private limited companies; companies serving the interests of owner-members or the public; and partnerships and self-proprietorships are compared, together representing 2,284 workplaces (589 in the public sector, 453 listed PLCs, 906 unlisted PLCs and private limited companies 204 companies serving the interests of owner-members or the public and 132 partnerships and self-proprietorships).

Appendix Table A presents in greater detail the variables used in the empirical analysis below, showing how composite variables were constructed from management and employee responses to WERS 2004 questions, how these were coded for purposes of creating the composite variables and how the items were aggregated. Significance levels are based on a One Way Analysis of Variance comparing the corporate governance forms for each of the HRM practice and HRM outcome variables. The statistical analysis and all later regression analyses are conducted at the level of the workplace (N = 2,284 for analyses drawing solely on manager responses; N = 1,733 when drawing on manager responses and employee responses). Employee responses are aggregated to the level of the workplace by taking the arithmetic mean from employees surveyed at that workplace. On average, 13 employees were surveyed from each workplace. Appendix Table B presents the correlations between the study variables.

The five category variables of corporate governance (public sector organizations; listed PLCs; unlisted PLCs and private limited companies; companies serving the interests of owner-members or the public; and Partnerships and Self-proprietorships) were converted into dummy variables, and the omitted dummy variable was unlisted PLCs and private limited companies. Therefore, in the regression analyses, the effects of the other corporate governance forms are relative to unlisted PLCs and private limited companies.

Composite variables for HRM practices from the employees' survey include consultation and information sharing; work pressure; the amount of training and level of managerial encouragement to develop skills; the influence employees had over their job; and job security. Of these, a positive coefficient for work pressure would suggest a cost-saving HRM approach while a positive coefficient for the other variables would represent involvement-enhancing HRM. Composite variables for HRM practices from the managers' survey take account of managerial commitment to strategic HRM; an indicator of managerial hierarchy; the quality of recruitment and selection; individual performance appraisals; the use of share options; and indicators of more involvement-enhancing approaches including consultation and information sharing; employee involvement; training; work organization and job design; the level of control employees have over their work,; and job security.

It was possible to create a wide range of composite variables for Employment Relations Outcomes from the Employees' Survey, including psychological job stress; work pressure; job satisfaction; the quality of management/employee relations; organizational commitment; and trust. From the managers' survey, however, only a limited number of HRM outcomes variables could be constructed; these include whether managers could trust their employees not to take unfair advantage, how they rated their relationship with employees and their perception of employees' commitment the values of the organization. Other indicators of employment relations outcomes were constructed from questions about quit rates and working days lost through sickness or other forms of absence; and levels of disputes, individual grievances, and sanctions.

To investigate more closely the separate effects of corporate governance form and establishment and organizational size on HRM practices and HRM outcomes, we conducted two sets of regression analysis. In the first model, corporate governance, establishment and organizational size are used to predict HRM practices and outcomes. In the second model, HRM practices are added to corporate governance and size to predict HRM outcomes. In each regression, corporate governance form is introduced in step 1 and size is entered in step 2. In the second regression model, HRM practices are entered in step 3. The results are summarized in Tables 2 and 3.

Corporate governance, size and HRM practices

Table 2 summarizes the regression results for the model in which corporate governance and size are used to predict HRM practices, from the perspective of managers and of employees. Unless stated otherwise, all reported standardized regression coefficients (betas) reported in the text are significant at $p < 0.001$ level.

TABLE 2 : Corporate governance, establishment and organization size as predictors of HRM practices: Management and employee questionnaires

	Management questionnaire										
HRM Practices:	Commitment to HRM	Hierarchy	Selection & induction	Training	Work orgn & job flexibility	Influence in work	Job security	Consultation committees	Consultation est & orgn	Consultation staffing	Consultation targets
	Standardised Beta Coefficients										
Corporate governance form											
Public sector	0.22***	0.11***	0.18***	0.21***	0.09***	0.14***	0.09***	0.29***	0.21***	0.19***	0.13***
Listed PLCs	0.37***	-0.00	0.21***	0.22***	0.07**	-0.06*	-0.03	0.37***	0.27***	0.11***	0.19***
Unlisted PLCs[1]	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*
Owner-member firms	0.14***	0.04	0.08***	0.09***	0.05*	0.11***	-0.01	0.09***	0.10***	0.10***	0.02
Partner & self-proprietorships	-0.10***	-0.01	-0.07***	0.02	-0.01	0.05*	0.01	-0.10***	-0.11***	-0.04	-0.11***
Size											
Establishment size	-0.04*	0.19***	0.37***	-0.02	0.05*	-0.11***	-0.03	0.23***	0.14***	0.28***	0.05*
Organization size	0.46***	-0.04	0.19***	0.22***	0.02	-0.07**	0.06*	0.28***	0.22***	0.03	0.22***
	Adjusted R-square										
CG form	0.16***	0.01***	0.06***	0.06***	0.01***	0.03***	0.01***	0.18***	0.11***	0.04***	0.06***
CG form and Size	0.30***	0.04***	0.25***	0.09***	0.01***	0.05***	0.01***	0.32***	0.18***	0.11***	0.10***

	Management questionnaire					Employee questionnaire				
HRM Practices:	Consultation: e'ee views	Employee involvement	Performance Appraisals	Performance based pay	Share options	Consultation	Work pressure	Training	Influence in work	Job security
	Standardised Beta Coefficients									
Corporate governance form										
Public sector	0.37***	0.32***	0.32***	-0.41***	-0.11***	-0.05	0.35***	0.29***	-0.13***	-0.05
Listed PLCs	0.21***	0.16***	0.23***	0.11***	0.52***	-0.02	0.09***	0.08***	-0.13***	-0.13***
Unlisted PLCs[1]	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*
Owner-member firms	0.14***	0.08***	0.14***	-0.18***	-0.04*	0.03	0.05*	0.14***	0.08**	-0.01
Partner & self-proprietorships	-0.05**	-0.07***	-0.03	-0.09***	-0.06***	0.09***	-0.06*	0.10***	-0.01	0.09***
Size										
Establishment size	0.08***	0.33***	0.13***	0.09***	0.00	-0.32***	-0.05*	-0.10***	-0.02	-0.14***
Organization size	0.21***	0.10***	0.19***	0.13***	0.19***	0.02	0.07*	0.09**	-0.20***	-0.04
	Adjusted R-square									
CG form	0.14***	0.10***	0.11***	0.22***	0.34***	0.01***	0.12***	0.07***	0.04***	0.03***
CG Form and Size	0.18***	0.23***	0.17***	0.24***	0.36***	0.10***	0.12***	0.08***	0.07***	0.05***

[1] 'Unlisted PLCs' is the omitted dummy variable. *** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$

Considering the managers' viewpoint first, operating in the public sector was positively associated with all HRM practices (beta ranged from 0.09 to 0.37), relative to the omitted dummy variable of unlisted PLCs and private limited companies, with the exception of performance related pay and share options for which public sector establishments were negatively related (beta = -0.41 and – 0.11 respectively). Public sector establishments were most strongly (i.e., beta > +/-0.30) associated with consultation (managers seek and respond to employee views), employee involvement, individual performance appraisals, and performance-based pay (negative association). Listed PLCs were positively related to 12 out of the 16 HRM practices (beta ranged from 0.11 to 0.52); and these establishments were most strongly (i.e., beta > 0.30) associated with managerial commitment to HRM, consultation involving committees, and the use of share options. Owner-member firms were positively associated with 10 out of the 16 HRM practices (beta ranged from 0.08 to 0.14) and negatively related to performance related pay (beta = -0.18). Partnerships and self-proprietorships were positively related to none of the HRM practices and negatively related to 8 out of the 16 HRM practices (beta ranged from -0.06 to – 0.11). Inspection of the adjusted R squares shows that the extent to which corporate governance forms explain HRM practices ranges widely, from 0.01 (proportion of employees in supervisory positions, work organization and job flexibility and job security) to 0.34 (provision of share options).

Considering the employees' views of HRM practices, there were fewer indicators of HRM practices in the employees' questionnaire, 5 in total. In these models, belonging to the public sector was positively associated with work pressure (beta = 0.35) and training (beta = 0.29) and negatively related to influence over work (beta = -0.13). The public sector had by far the strongest relationships with both work pressure and training. Listed PLCs were positively associated with work pressure (beta = 0.09) and training (beta = 0.08), and negatively related to influence over work (beta = -0.13) and job security (beta = -0.13). Owner-member firms were positively associated with training (beta = 0.14) and had a small positive relationship with influence over work (beta = 0.08, $p < 0.01$). Partnerships and self-proprietorships were positively associated with consultation (beta = 0.09), training (beta = 0.10) and job security (beta = 0.09). Employee ratings of HRM practices therefore reveal an interesting contrast to manager ratings; recall that manager ratings for these establishments were generally negative. Inspection of the adjusted R squares shows that the extent corporate governance forms explain HRM practices ranges from 0.01 (consultation) to 0.12 (work pressure).

When establishment and organization size are considered, from the perspective of managers, the majority of coefficients are significant and positive, suggesting that the larger the establishment and the larger the organization, the greater the use of formal HRM practices, regardless of the form of corporate governance. The exception is employee control over their jobs, which has a negative association with establishment and organization size (beta = -0.11 and -0.07, respectively). From the viewpoint of employees, the results are largely negative. Establishment size is negatively associated with consultation (beta = -0.32), training (beta = -0.10) and job security (beta = -0.14); and organization size is negatively associated with control over work (beta = -0.20). The importance of the size variables in determining the relative formality of HRM practices is evident in the substantial increase in the R squares for the vast majority of HRM practices when size is introduced into the regression models. The exceptions are, from the viewpoint of managers, work organization and job design, job security, performance-based pay and share options, for which size does not increase the R square; and work pressure from the perspective of employees.

Corporate governance, size and employment relations outcomes

Table 3 summarizes the regression results where corporate governance, size and HRM practices are used to predict employment relations outcomes.

Considering the regressions for outcomes based on the responses of managers, public sector establishments were positively associated with trust, employee commitment to the organization, absenteeism, and disputes (beta ranges from 0.08 to 0.15); and the public sector had a small negative association with the quality of employee-management relations (beta = -0.05, $p < 0.05$). Listed PLCs returned the most negative set of associations with HRM outcomes, being positively related to absenteeism (beta = 0.09) and disputes (beta = 0.17), and having small negative associations with the quality of employee-management relations (beta = -0.06, $p < 0.05$) and employee commitment to the organization (beta = -0.06, $p < 0.05$). Owner-member firms were positively related to trust (beta = 0.09) and employee commitment to the organization (beta = 0.10). Partnerships and self-proprietorships were positively related to the quality of employee-management relations (beta = 0.08) and negatively related to disputes (beta = -0.10).

TABLE 3
HRM Practices as a predictor of HRM outcomes: Management and Employee perspectives on HRM outcomes

	Management Perspective					**Employees' Perspective**					
HRM Outcomes:	Trust	E'ee-mgmt relations	Commit-ment	Absences	Disputes	Job stress	Work pressure	Job satisfaction	E'ee-mgt relations	Commi-tment	Trust
	Standardised Beta Coefficients										
Corporate Governance Form											
Public sector	0.09***	-0.05*	0.09***	0.15***	0.08***	0.16***	0.19***	-0.08**	-0.11***	0.03	-0.09***
Listed PLCs	0.04	-0.06*	-0.06*	0.09***	0.17***	0.09***	0.04	-0.16***	-0.08**	-0.11***	-0.10***
Unlisted PLCs[1]	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*	*Ref.*
Owner-member firms	0.09***	-0.02	0.10***	0.02	0.03	-0.03	0.00	0.06*	-0.01	0.15***	0.02
Partner & proprietorships	0.04	0.08***	0.03	-0.01	-0.10***	-0.10***	-0.00	0.10***	0.13***	0.09***	0.13***
Size											
Establishment size	-0.07**	-0.24***	-0.13***	-0.01	0.72***	0.04	-0.02	-0.14***	-0.35***	-0.11***	-0.35***
Organization size	-0.04	-0.04	-0.09**	0.11***	0.03	.09**	0.06	-0.18***	-0.04	-0.17***	-0.07*
HRM Practices: Management responses											
Commitment to HRM	0.01	0.07*	0.08**	0.06	-0.02	-0.05*	-0.01***	-0.01	-0.01	-0.05*	-0.01
Hierarchy	0.01	0.02	0.04	0.00	0.01	0.03	0.02	0.03*	0.02*	0.01	0.01
Selection & induction	0.05	-0.04	-0.00	-0.05	0.04*	0.01	-0.03	-0.02	-0.03	-0.01	-0.03**
Training	0.04	0.01	0.07**	0.06	0.01	0.02	0.04	0.01	-0.01	0.03	-0.00
Work orgn & job flex	-0.02	0.08**	0.05	-0.02	0.00	0.01	0.02	-0.02	-0.01	-0.00	-0.01
Influence in work	0.06*	0.05*	0.09***	-0.10***	-0.05**	-0.01	-0.05*	0.00	0.02	0.03	0.01
Job security	-0.02	0.03	0.04	0.01	0.02	0.01	0.01	-0.01	-0.01	-0.03	-0.01
Consult committees	0.02	-0.00	0.02	0.00	-0.01	-0.02	0.03	0.01	-0.04**	0.06**	-0.02
Consult: est & org	0.01	-0.01	-0.01	-0.02	0.00	0.04	-0.00	-0.01	-0.02	0.01	-0.03*
Consult: staffing	0.02	-0.01	0.03	0.00	0.06**	0.02	-0.01	0.00	0.01	0.01	0.02
Consult: targets	0.01	0.00	-0.00	0.07*	0.05**	0.02	0.04	-0.03*	-0.02	-0.02	-0.04**
Consult: e'ee views	0.07*	0.05	0.12***	0.03	-0.03	0.01	0.00	-0.02	-0.00	0.01	-0.01
Employee involvement	-0.03	0.00	0.00	0.00	0.03	-0.00	-0.09***	-0.01	-0.02	-0.01	-0.02
Perf appraisals	0.02	-0.03	-0.06*	-0.00	-0.01	0.08***	0.02	-0.05***	-0.03*	-0.07***	-0.04***
Perf related pay	-0.04	-0.02	0.06*	-0.02	0.03	0.08***	-0.04	-0.03	-0.00	0.01	-0.01
Share options	0.02	0.02	-0.01	-0.04	-0.04	0.01	-0.04	-0.04*	0.03	-0.03	0.00
HRM Practices: Employee responses											
Consultation	0.21***	0.31***	0.21***	-0.08*	-0.13***	-0.22***	0.07*	0.39***	0.74***	0.40***	0.77***
Work pressure	0.04	0.01	0.02	-0.01	-0.06***	0.49***	0.50***	-0.10***	-0.05***	-0.00	-0.07***
Training	0.01	0.02	-0.01	0.00	0.01	0.08***	0.01	0.17***	0.05**	0.18***	0.06**
Influence in work	0.01	-0.04	0.02	-0.04	0.01	-0.10***	-0.04	0.30***	0.04**	0.19***	0.03*
Job security	0.05	0.04	0.06*	0.03	0.01	-0.21***	0.14***	0.30***	0.07***	0.21***	0.07***
Adjusted r-squares	0.09***	0.19***	0.16***	0.04***	0.54***	0.42***	0.29***	0.73***	0.76***	0.56***	0.81***

[1] 'Unlisted PLCs' is the omitted dummy variable.   *** p < 0.001; ** p < 0.01; * p < 0.05.

Considering HRM outcomes from the perspective of employees, public sector establishments were generally associated with negative attitudes. There were negative relationships between being in the public sector and the quality of employee-management relations (beta = -0.11) and trust (beta = -0.09; note a reverse relationship to that found from the managers perspective); and there were positive associations with psychological stress (beta = 0.16) and work pressure (beta = 0.19). Negative attitudes were also generally the case for listed PLCs, where there were negative associations with job satisfaction (beta = -0.16), organizational commitment (beta = -0.11) and trust (beta = -0.10) and a positive association with psychological stress (beta = 0.09). Owner-member establishments were positively associated to organizational commitment (beta = 0.15). Partnerships and self-proprietorships by far reported the most positive attitudes. There were positive associations with job satisfaction (beta = 0.10), the quality of employee-management relations (beta = 0.13), organizational commitment (beta = 0.09) and trust (beta = 0.13) and a negative association with psychological stress (beta = -0.10).

When size is considered, from the perspective of managers, establishment size is significant and positively associated with disputes (beta = 0.72) but negatively related to the quality of employee-management relations (beta = -0.24) and organizational commitment (beta = -0.13). Organization size is significant and positively associated with absences (beta = 0.11). These patterns are even stronger from the viewpoint of employees, where establishment size is overwhelmingly significant and negatively associated with job satisfaction (beta = -0.14), the quality of employee-management relations (beta = -0.35), organizational commitment (beta = -0.11) and trust (beta = -0.35). Organization size is significant and negatively related to job satisfaction (beta = -0.18) and organizational commitment (beta = -0.17).

HRM Practices and Employment Relations Outcomes

When HRM practices are added to the model, the regressions from the perspective of managers are not very strong in terms of their R-square, aside from the model for disputes, which has an R-square of 54 percent. In this model, after controlling for corporate governance and size, the most significant and strongest of the HRM practices is the employees view that they are *not* being consulted (beta = -0.13). This variable is consistently significant and positive in predicting the existence of trust (beta = 0.21), the quality of employee / management relations (beta = 0.31) and organizational commitment (beta = 0.21). Because the other models for employment relations outcomes from the perspective of managers are weak in terms of the R-square and do not contain many significant relationships in the contribution made by including

HRM practices, we now turn to the models predicting employment relations outcomes from the viewpoint of employees.

In these models, what is immediately apparent is the power in terms of the R-square for all but the work pressure (R-square = 29 percent) and to a lesser degree psychological job stress (R-square = 42 percent) models. By contrast, the models for trust, the quality of employee / management relations, job satisfaction, organizational commitment and psychological job stress are all exceptionally strong, with R-squares of 81, 76, 73 and 56 percent, respectively. In each of these models, the HRM practice variables from the viewpoint of employees are overwhelmingly significant, with the same sign across the models. The strongest of these HRM practice variables in terms of the value of the beta coefficient is the consultation variable, which ranges from 0.39 to 0.77. In general, employees report a high level of trust, a high quality of employee / management relationships, and a high level of job satisfaction and organizational commitment when they are consulted (beta = 0.77, 0.74, 0.39 and 0.40, respectively), trained (beta = 0.06 [$p < 0.01$], 0.05 [$p < 0.01$], 0.17 and 0.18, respectively), have influence over their work (beta = 0.03 [$p < 0.05$], 0.04 [$p < 0.01$], 0.30, 0.19, respectively), feel that their jobs are secure (beta = 0.07, 0.07, 0.30, 0.21, respectively), and have sufficient time to do their jobs (beta = -0.07, -0.05, -0.10 and -0.00 [p non-significant], respectively). In the model for psychological job stress, it is clear that employees feel psychological stress at work when they are not consulted (beta = -0.22), are not given control over their work (beta = -0.10) or job security (beta = -0.21), and when they do not have sufficient time to do their jobs (beta = 0.49).

CONCLUSIONS

Within organizations, corporate governance imposes a structure on stake-holder relationships that has the potential to undermine the ability and willingness of managers and employees to fully commit themselves to each other and to the organization and its objectives. In so doing, corporate governance may impede the effectiveness of the HRM system in achieving its strategic potential. This is particularly the case when a remote external stake-holder is assigned dominance. When large size is also a factor, there may be additional challenges to achieving the outcomes that HRM is ideally designed to deliver (i.e., job satisfaction, organizational commitment and a high quality of employee / management relationships). In this case, increased formalisation of the HRM system and the use of involvement-enhancing HRM practices may help to overcome these challenges, but only if employees perceive them to be a form of empowerment in their work.

It was hypothesised that by virtue of the dominance assigned to a remote stakeholder group and their large size, listed PLCs and public sector organizations would have incentives to make use of formal HRM practices, with a possible bias towards cost-saving approaches in the listed PLCs and involvement-enhancing HRM in the public sector. The reverse was hypothesised for partnerships and self-proprietorships, with unlisted PLCs and organizations serving owner-members or the public located somewhere in between.

These hypotheses were borne out in WERS 2004, where managerial responses indicated extensive use of formal HRM practices in public sector organizations and listed PLCs, less so in owner-member firms and a notable absence of formal HRM practices in partnerships and self-proprietorships (Table 2). Public sector organizations made use of all of the HRM practices we examined, aside from performance-based pay and share option schemes, which were unique to Listed PLCs. But public sector employees disagreed with their managers on the question of whether they were given influence and control in their work and job security (although the latter was not statistically significant). In listed PLCs, we found evidence that all of the HRM practices in our study were being deployed, aside from extensive supervision and providing employees with influence and control over their work or job security, findings that were also supported by employee responses. Most of these formal HRM practices were also being used in owner-member firms, but the relatively lower regression coefficients suggest a lower propensity to make use of these practices than in the listed PLCs or public sector. However, both managers and employees in owner-member firms reported that employees were given influence and control over their work. In partnerships and self-proprietorships, there was little evidence of formal HRM practices; however, managers reported that employees were given influence and control over their work; and from the viewpoint of employees, these establishments were providing job security, consultation and training.

Considering the relationship between corporate governance and employment relations outcomes in WERS 2004, in public sector establishments and listed PLCs, employee job satisfaction, organizational commitment, trust and quality of employee / management relations were low while job stress and work pressure were high. This contrasts sharply with outcomes in partnerships and self-proprietorships (Table 3, Step 1). From the viewpoint of both managers and employees, the added challenge imposed by size was evident in the models for job satisfaction, quality of employee / management relations, organizational commitment and trust (Table 3, Step 2). These findings are not surprising when the evidence from WERS 2004 with respect to the relationship between HRM practices and employment relations outcomes is taken into account. Here we found that employees feel less job stress, greater job satisfaction, more committed to the organization and a higher level of trust and they highly rate the quality of employee / management relationships when they are being consulted, given sufficient time to do their jobs, appropriately trained, given control over the way they perform their work and job security (Table 3).

When these findings are brought together with the analysis of the relationship between corporate governance and HRM practices, the outcomes generated in the various corporate governance forms are what we might have predicted. From the perspective of employees, the predominant HRM practices in the public sector and listed PLCs did *not* give them influence and control over their work, job security or enough time to perform their jobs (Table 2). So it is not surprising that job satisfaction, organisational commitment, trust and the quality of employment relations were low. By contrast, in organizations serving the interests of owner-members or the public, although employees tended to feel that they did not have sufficient time to do their jobs, they felt that they *did* have influence and control over their work; and in partnerships and self-proprietorships, employees were being consulted, given enough time to perform their jobs, adequate training and job security. Thus, there are lessons that might be learned in terms of the HRM practices that are most likely to deliver desirable employment relations outcomes in organisations operating under alternative forms of corporate governance. But what is perhaps most interesting is the fact that despite the *absence* of formal HRM practices in partnerships and self-proprietorships, it would appear that as a consequence of their relatively small size and high degree of mutuality of interests in the long-term performance of these establishments, employees are *experiencing* the employment relationship in a way that generates the positive outcomes that formal HRM is ideally designed to deliver.

Notes

[1] See Guest, 1997, for an overview.

[2] These include companies limited by guarantee, trusts and charities, bodies established by royal charter, and cooperatives, mutuals and friendly societies.

[3] For the individual this conflict is between their roles as taxpayers and users of public sector services.

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Appendix Table A

Composite Variable	Question	Response	Variable Code
Employee Questionnaire			
	HRM Practices		
Variable name	Measurement items	Rating scale	Significance level *
Consultation & info sharing	Arithmetic mean across 7 items: How good are managers at keeping employees informed about: 1. Changes in the way organization is run 2. Financial matters, including budgets and profits How good are managers at keeping employees informed about: 3. Changes in staffing 4. Changes in the way you do your job How good are managers at: 5. Seeking views of employees or representatives 6. Responding to suggestions from employees or representatives 7. Allowing employees or reps to influence decisions Managers here: 8. Are sincere in trying to understand employees' views	5 (very good) to 1 (very poor) 5 (strongly agree) to 1 (strongly disagree)	.000
Work pressure	Single item: I never seem to have enough time to get my job done	5 (strongly agree) to 1 (strongly disagree)	.000
Training	Arithmetic mean across two items: 1. Apart from health & safety, how much training have you had, organized by employer 2. Managers here encourage people to develop skills	1 (none) to 5 (10 days or more) 5 (strongly agree) to 1 (strongly disagree)	.000
Influence over work	Arithmetic mean across four items: How much influence do you have over: 1. Tasks you do in your job 2. Pace at which you work 3. How you do your work 4. Order in which you carry out tasks	4 (a lot) to 1 (none)	.000
Job Security	Single item: I feel my job is secure in this workplace	5 (strongly agree) to 1 (strongly disagree)	.000
	HRM Outcomes		
Psychological job stress	Arithmetic mean across four items: 1. I worry a lot about my work outside working hours How much time has your job made you: 2. Tense 3. Worried 4. Uneasy 5. Calm (reverse scored) 6. Relaxed (reverse scored) 7. Content (reverse scored)	5 (strongly agree) to 1 (strongly disagree) 5 (all of the time) to 1 (never)	.000
Work pressure	Single item: My job requires that I work very hard	5 (strongly agree) to 1 (strongly disagree)	.000

Job satisfaction	Arithmetic mean across 8 items: How satisfied are you with: 1. Sense of achievement from work 2. Scope for using initiative 3. Influence over job 4. Training you receive 5. Amount of pay you receive 6. Job security 7. Work itself 8. Involvement you have in decision-making	5 (very satisfied) to 1 (very dissatisfied)	.000
Quality of employee-management relations	Single item: How would you describe relations between managers & employees here?	5 (very good) to 1 (very poor)	.000
Organizational commitment	Arithmetic mean across 3 items: 1. I share many of the values of my organization 2. I feel loyal to my organization 3. I am proud to tell people who I work for	5 (strongly agree) to 1 (strongly disagree)	.000
Trust and confidence in management	Arithmetic mean across four items: Managers here: 1. Can be relied upon to keep promises 2. Are sincere in trying to understand employees' views 3. Deal with employees honestly 4. Treat employees fairly	5 (strongly agree) to 1 (strongly disagree)	.000
Management Questionnaire			
	HRM Practices		
Managerial commitment to strategic HRM	Count across 5 items: 1. High level manager or director at separate establishment responsible for personnel or employment relations matters 2. Employment relations representative on Board 3. Workplace employment relations issues of employee development, job satisfaction, diversity, and staff forecasts covered by formal strategic plan 4. Employment relations manager involved in preparation of plan 5. Investor in People award	1 (Yes), 0 (No)	.000
Hierarchy	Single item: % non-managerial employees with supervisory responsibility	7 (all) to 1 (none)	.000
Recruitment, selection & induction	Count across 3 items: Does the establishment conduct: 1. Personality and aptitude tests 2. Performance and competence tests 3. Standard induction program for new employees	1 (Yes) 0 (No)	.000
Training	Count across 4 items: 1. % employees given off-the-job training 2. Number of days training received 3. % employees trained to do jobs other than their own 4. Performance appraisals used to determine training needs	1 (60%+), 0 (< 60%) 1 (1 week or more), 0 (less than 1 week) 1 (40%+), 0 (< 40%) 1 (Yes) 0 (No)	.000
Organization of work & job flexibility	Count across 4 items: 1. We ask employees to help in ways not specified in their job descriptions 2. % employees doing jobs other than own 3. Degree of variety in employees' work 4. % employees involved in formal teams	1 (strongly agree or agree), 0 (otherwise) 1 (20%+), 0 (< 20%) 1 (a lot) 0 (< 'a lot') 1 (80%+) 0 (< 80%)	.000

Employee influence over work	Arithmetic mean across 3 items: 1. Degree of discretion in work 2. Degree of control over pace of work 3. Degree of involvement in decisions over how work is organized	4 (a lot) to 1 (none)	.000
Job security	1. Employees expect long-term employment security 2. Is there a policy of guaranteed job security or no comp. redundancies for all employees at this workplace?	1 (strongly agree, agree), 0 (otherwise) 1 (Yes), 0 (No)	.000
Consultation & info sharing: Committees	Count across 5 items: 1. Meetings between management and entire workforce 2. Meetings between supervisors and employees 3. Consultation committees (management and employees) 4. Higher level consultation committees 5. European Works Council	1 (Yes), 0 (No)	.000
Consultation & info sharing: Establishment & organization	Count across 3 items: Does management regularly share information with employees about: 1. Internal investment plans 2. Financial position of establishment 3. Financial position of organization	1 (Yes), 0 (No)	.000
Consultation & info sharing: Staffing & redundancies	Count across 3 items: 1. Does management regularly share information with employees about staffing plans? 2. If redundancies, did you consult with employees or their representatives? 3. If redundancy proposal was withdrawn, did you consult?	1 (Yes) 0 (No)	.000
Consultation & info sharing: Targets	Count across 2 items: 1. Are targets (sales, costs, profits, productivity, quality. turnover, satisfaction, etc.) set in consultation with employees or employee representatives? 2. Are employees or representatives informed of targets?	1 (Yes) 0 (No)	.000
Consultation & information sharing: Managers seek & respond to employee views	Count across 4 items: 1. Those at the top are best placed to make decisions about this workplace 2. Decisions at this workplace are made without consulting employees (reverse scored) 3. We do not introduce changes w/out first discussing implications with employees 4. Formal survey of employee views in 2 yrs	1 (strongly agree, agree) 0 (otherwise) 1 (Yes) 0 (No)	.000
Employee involvement in introducing & implementing change	Count across 2 items: 1. If management introduced change, what type of involvement did affected employees have in introducing & implementing it? 2. Problem solving groups, quality circles & continuous improvement groups	1 (they decided, negotiated, or consulted), 0 (were informed, or had no involvement) 1 (Yes), 2 (No)	.000
Performance appraisals	Count across 2 items: 1. Formal job evaluation scheme 2. % non-management employees subject to performance appraisals	1 (Yes), 2 (No) 1 (All), 0 (< all)	.000

Performance related pay	Count across 7 items: 1. Pay linked to formal job evaluation 2. Payment by results or merit 3. % non-management employees receiving performance related pay 4. Profit related pay 5. % non-management employees receiving profit related pay 6. Pay linked to org/workplace performance 7. Pay linked to org/workplace productivity	 1 (Yes), 0 (No) 1 (Yes), 0 (No) 1 (All), 0 (< all) 1 (Yes), 0 (No) 1 (All), 0 (< all) 1 (Yes), 0 (No) 1 (Yes), 0 (No)	.000
Share options related pay	Count across 2 items: 1. % non-management eligible for share options plan 2. % non-management employees participating in plan	1 (All), 0 (< all)	.000
HRM Outcomes			
Trust	Single item: Given the chance, employees try to take unfair advantage of management	1 (strongly agree) to 5 (strongly disagree)	.000
Quality of employee-management relations	Single item: How would you rate the relationship between management and employees	5 (very good) to 1 (very poor)	.000
Employee commitment to the organization	Single item: Employees are fully committed to the values of this organization	5 (strongly agree) to 1 (strongly disagree)	.000
Absenteeism	Single item: % work days lost through employee sickness or absence		.000
Disputes, grievances & sanctions	Count across 10 items: Occurrence over the past year: 1. Collective dispute over pay or conditions 2. Individual grievances 3. Formal verbal warning 4. Formal written warning 5. Suspension with or without pay 6. Deduction from pay 7. Dismissal 8. Internal transfer 9. Have employees had these sanctions applied to them? 10. Has employee or ex-employee made application to an Employment Tribunal?	1 (Yes); 0 (No)	.000

* Significance level based on one way analysis of variance (ANOVA) comparing corporate governance forms for each HRM system, HRM system performance and organizational performance variable.

Appendix TABLE B: Zero-order correlations between study variables

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
1 Public sector																										
2 Listed PLCs	-.29																									
3 Unlisted PLCs	-.48	-.40																								
4 Partnerships & self-proprietorships	-.15	-.12	-.20																							
5 Owner-member firms	-.18	-.16	-.25	-.08																						
Employee responses																										
6 Consultation	-.06	-.02	.01	.10	.03																					
7 Work pressure	.32	-.01	-.22	-.12	-.02	-.13																				
8 Training	.23	-.04	-.24	.03	.06	.54	.16																			
9 E'ee influence in work	-.11	-.10	.10	.01	.13	.33	-.03	.16																		
10 Job security	-.02	-.13	.06	.11	.02	.40	-.06	.19	.21																	
Management responses																										
11 Commitment to HRM	.10	.30	-.28	-.19	.05	.01	.16	.25	-.15	-.07																
12 Hierarchy	.10	-.04	-.06	-.03	.02	-.02	.09	.10	.04	.01	.09															
13 Selection & induction	.11	.16	-.18	-.13	.02	-.12	.11	.16	-.11	-.19	.33	.12														
14 Training	.12	.15	-.22	-.05	.02	.07	.16	.39	-.06	-.01	.36	.08	.24													
15 Work org & job flex	.06	.04	-.08	-.04	.02	.02	.14	.14	.03	-.03	.13	.09	.14	.35												
16 E'ee influence in work	.13	-.12	-.08	.03	.09	.19	.16	.24	.22	.08	.03	.06	-.02	.13	.23											
17 Job security	.09	-.05	-.03	.00	-.02	.00	.02	.01	-.05	.20	.07	.00	-.02	.03	.01	.03										
18 Consult. committees	.18	.29	-.29	-.19	-.02	-.11	.19	.18	-.13	-.18	.46	.11	.42	.34	.19	.01	-.01									
19 Consultation: est & org	.13	.21	-.21	-.19	.02	-.02	.15	.14	-.07	-.11	.34	.08	.31	.24	.18	.09	.03	.40								
20 Consultation: staffing	.15	.04	-.15	-.09	.05	-.09	.13	.09	-.03	-.15	.19	.11	.27	.17	.13	.13	-.04	.30	.28							
21 Consultation: targets	.09	.16	-.12	-.15	-.03	.02	.12	.18	-.10	-.08	.33	.05	.25	.25	.12	.03	.02	.32	.34	.21						
22 Consultation: e'ee view	.29	.09	-.28	-.14	.04	.02	.15	.22	-.10	-.04	.33	.06	.29	.28	.16	.14	.02	.37	.33	.24	.26					
23 Employee involvement	.27	.06	-.22	-.14	.00	-.16	.12	.08	-.10	-.14	.26	.14	.32	.22	.15	.05	.04	.41	.32	.27	.21	.29				
24 Performance appraisals	.23	.11	-.28	-.11	.05	-.01	.18	.29	-.01	-.10	.35	.08	.34	.40	.12	.08	.04	.39	.28	.22	.22	.30	.28			
25 Perf. related pay	-.40	.27	.22	-.03	-.11	.00	-.05	-.04	-.03	-.13	.12	-.03	.11	.12	.09	-.03	-.04	.14	.14	.07	.15	-.03	.03	.09		
26 Share options	-.25	.57	-.13	-.11	-.10	-.02	.03	-.01	-.07	-.13	.24	-.02	.17	.17	.07	-.06	-.04	.26	.20	.05	.16	.09	.10	.16	.29	

* Rows 1 to 5 and 11 to 26 reported by managers, N ranges from 2295 to 2284. For $r > 0.05$; $p < 0.05$, $r > 0.06$, $p < 0.01$; $r > 0.07$, $p < 0.001$.

** Rows 6 to 10 reported by employees, N ranges from 1733 to 1726. For $r > 0.05$, $p < 0.05$; $r > 0.06$, $p < 0.01$; $r > 0.08$, $p < 0.001$.