

ESTUDIOS  
DE LA FUNDACIÓN

SERIE ANÁLISIS

**PEOPLE MANAGEMENT IN  
MICRO AND SMALL COMPANIES  
- A COMPARATIVE ANALYSIS**

**EMPLOYEE VOICE PRACTICES  
AND EMPLOYMENT RELATIONS**

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Sylvia Rohlfer

Con la colaboración de Carlos Salvador Muñoz  
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## **EXECUTIVE SUMMARY**



## ■ INTRODUCTION

*Micro and small enterprises (MSEs)* are the backbone of the European economy, providing a solid potential source of jobs and economic growth. Despite their crucial role, however, there is a significant gap in our knowledge about *employee voice practices in MSEs*. This is surprising since research indicates that employee voice contributes to the improvement of working life and economic performance, increases the legitimacy of company-based business decisions and helps the utilization of human resources as a significant source of competitive advantage.

Given this knowledge gap we have undertaken a research project aimed at investigating employee voice as relevant to employment relations practices in MSEs. This research is based on various information sources, including a review of the extant research up to 2014; a comparative assessment of the 2009 and 2013 European Company Survey data for Spain, Germany and the UK; and 16 in-depth case studies of commendable practices in micro and small companies in Spain and Germany.

## ■ KEY FINDINGS

Our research findings confirm the specific features of employment relations in MSEs, underlining the *important role of informal relationships* between owner/managers and employees and the *lack of formalized structures and practices* in employee voice, particularly in micro companies.

We compare the *prevalence of employee voice mechanisms* across all firms in the private service sector in Spain, Germany and the UK with those in small firms only. We then demonstrate that general employee representation mechanisms of both types –either those that are provided due to legal requirements or those made available as a result of company-specific discretion– are less *prevalent in small firms*, regardless of their specific country context.

Apart from these size effects between large firms and MSEs, a key conclusion of this study concerns the *differences between micro and small companies* in terms of the main research questions of our study. In Germany and Spain, *consultative practices* are the dominant forms of bilateral employee voice at the company

level by professional service MSEs in our sample. With respect to the degree of *formalization*, formal processes and practices are developed to a greater extent in small companies than in micro companies and are a prerequisite for the development of more consultative employee voice practices that tend to be facilitated through a broader range of practices. In micro companies, by contrast, consultative practices tend to be achieved through the use of informal employee voice practices due to the narrow range of formal employee voice mechanisms. However, these practices remain more fragile and dependent on the owner/manager's prerogative. In fact, our study underlines that informal practices, which have been largely overlooked in research on employee voice, continue to play a significant role in employee voice in MSEs in order to determine workplace related issues at company level, even if employee numbers increase and a broader range of employee voice mechanisms are introduced.

It is important to bear in mind that differences between micro and small companies as well as employee voice practice depend on *internal and external factors* that either facilitate or obstruct employee voice. While some of these factors relate to the specific characteristics of the employment relationship, *i.e.* a participatory management approach, the owner/manager's frame of reference, or a certain degree of employment stability; others are linked to the business model, *i.e.* competitive strategy, direct client contact, or involvement in professional networks and local communities. In particular, the context of the professional private services sector, such as its high degree of specialization, exigent market conditions and the importance of human resources to company success, can also be regarded as important in this respect.

Moreover, the provision of minimum *resources* (usually working time), team work, and trust relations between the owner and workforce encourage the development of employee voice practices at company level in a consultation mode. Legal provisions on general employee representation do have an impact on employee voice at company level although this depends on the specific country and sector context. While relatively weak legal provisions for employee representation at company level in the UK result in a comparatively low level of employee representation mechanisms in firms, stronger legal support for general employee representation results in a comparatively higher uptake of employee representation practices based on legal provisions, particularly in Spain. In addition, sector specific differences, however, exist, as the in-depth research in Spain and Germany demonstrates. The legal thresholds introduced for general legal representation hardly affect practical experience in professional service sector MSEs, an important subsector within services.

Another *business-related factor is the owner/manager's perspectives on work*—its social role and its organization— that does have an influence on employee voice practice. Where legislation does not reach or reaches with difficulty—as in the case of private professional service MSEs— these factors become important. Indeed the involvement of the owner/manager in professional institutions or local networks as well as his/her frame of reference on employment relations, becomes important. While owner/managers do not show an open trade union antipathy, there is a shared

notion that trade union based representation is related to a more confrontational approach in employment relations.

The in-depth case studies in our study yield some light on the *consideration of employee needs* through employee voice, and thereby go beyond the usually adopted approach in extant research. In terms of topics addressed by bilateral employee representation, there are striking differences as well as similarities. Working conditions and questions regarding the organization of work are the most prominent topics addressed by formal practices. The employee's voice is normally considered prior to when decisions are made by the owner/manager, even if they do not lead to mutual decision-making. On strategic issues, however, employees' needs are barely heard and decision-making tends to remain the sole prerogative of the owner/manager, particularly in micro companies.

## ■ POLICY POINTERS AND FUTURE RESEARCH

Our study confirms the assessment that MSEs are not just duplications of large companies on a reduced scale. In particular, our case studies underline that there are noteworthy differences in terms of formality and informality, work organization and decision-making processes, as well as resource availability. This calls not only for more *tailored policies* towards MSEs to be legislated but also for MSE based research that can meaningfully inform evidence-based policy making and help identify programs and practices capable of improving policy-relevant outcomes for MSEs.

In view of the lack of company-specific resources and formalized structures and the importance of employee voice for organizational performance, employee voice practices need to be preserved, strengthened and promoted amongst owner/managers. In contrast to larger companies MSEs require more *external support structures*, information and advice. Such support could come from external bodies such as social security entities, local guilds or company partners (as seen in the German case companies) but more importantly from social partner organizations, including employer associations and trade unions. Owner/managers with positive experience relating to employee voice underline that both employer associations and trade unions can promote an overall collaborative and cooperative spirit and hence provide the impetus for more constructive employee relations, including employee voice practices, across all MSEs.

Our study also highlights the need for stronger integration and strengthening of the *contribution and involvement of MSE owner/managers, and especially employees*, within representative social partner and business organizations that engage in and negotiate on social dialogue at local, regional, national and European levels, and at cross-sector as well as sectoral levels. This includes not only trade union and employer associations but also extends to local chambers of commerce and local guilds.

The findings of our study reveal the need for more *in-depth qualitative and comprehensive quantitative analysis* on employment relations in MSEs, particularly micro companies. Employee voice is regarded, even by micro company-based actors, as a real added value for a business, although this is mainly based on informal approaches. This evidence should be expanded through additional case study research that focuses not only on individual micro firms but also on the good practice experience of encouraging sector-level and/or regional frameworks and contexts. Such investigations could also bring together findings and evidence on how MSEs can address the challenges and risks to employee voice and the good working climate that they presently have. Company growth and the physical expansion of business activity create challenges to the management of employment relations and employee voice practice. Insights on the interplay between business dynamics and employee voice practices therefore call for more longitudinal research enquiries.



**1**

# **INTRODUCTION**



Micro and small enterprises (MSEs) are frequently referred to as the backbone of the European economy, providing a solid potential source of jobs and economic growth. Indeed, the typical enterprise in the European Union is either a micro or a small enterprise, which together account for nearly 98.8% of all enterprises in the EU. The overwhelming majority are micro enterprises (92.4%). In terms of *employment* nearly 30% of employees in the EU work in companies with fewer than 10 employees and half of all employees work in companies with fewer than 50 employees. Moreover, nearly 40% of *total gross value* added produced by businesses in the EU has come from MSEs (Table 3.1).

MSEs not only play a crucial role in the economy of the EU as employers and sources of employment, they also contribute the most to *job creation*. According to a recent study by the European Commission, published in 2012, small and medium sized enterprises (SMEs) provide a vital contribution to the European economy, having been responsible for 85% of the net job growth in the private sector between 2002 and 2010 (European Commission, 2012; de Kok *et al.*, 2011). Within the SME sector, the highest growth rate is found in MSEs, particularly in micro enterprises, which created 58% of total employment growth. Furthermore, MSEs had a much higher employment growth rate (1.7% and 0.7%, respectively) than the large enterprises (0.5%) between 2002 and 2010.

Despite the economic importance of micro and small enterprises, there is a significant knowledge gap regarding employee involvement and subsequent employee relations within this group of firms. This is surprising. Firstly, because the possibility for employees to raise their voice is seen as an *important cornerstone of the values of the European social model* and a central *social right of workers in the EU*, according to the Community Charter of Fundamental Social Rights. Research indicates that employee involvement through established employee representation structures may contribute to the development of increased communication, cooperation and commitment, and to the *improvement of working life and economic performance*. Prolific dialogue between managers/owners and employees may increase the *legitimation of company based business decisions* and create trustful employee relations (Guest, 1987; Tsui *et al.*, 1997).

Secondly, the resource-based view of the firm argues that resource accumulation plays an important role in the entrepreneurial process (Haber and

Reicheil, 2007). *Human resources are a significant source of competitive advantage* and, therefore, have become very significant for firms' productivity and longevity (Endres *et al.*, 2013). Human resource management may provide a vehicle for SME development (Cunningham and Rowley, 2007). There is also significant evidence that small companies tend to be more informal than large corporations regarding the management of their human resources. Research has shown, for example, that companies employing less than a certain number of employees seldom have a human resource manager. Especially in micro firms, the owner or managing director often takes on the people management tasks as well as the everyday work and diverse company responsibilities (de Kok *et al.*, 2011, p. 95). While this does not necessarily have negative effects on the quality of working conditions and employer-employee relations, it has often been characterized by *ad-hoc* responses to acute problems rather than long-term and sustainable strategies for human resource development (Wilkinson, 1999; Marlow and Kitching, 2013).

Regarding the quality of working life of employees, the empirical evidence is not conclusive either. What limited literature there is can be located within a dichotomy of stereotypes. On the one hand, it is said that there are much more harmonious working relationships in SME's than in larger firms since they provide an environment which facilitates communication, provides greater flexibility and results in lower levels of conflict (Wilkinson, 1999). On the other hand, however, it is said that SMEs may have human resource management that is "bleak house" (Sisson, 1993; Bacon *et al.*, 1996). Here flexibility is more akin to instability, better communication is authoritarian and conflict is not low but expressed through more individual means (Cully *et al.*, 1998; Wilkinson, 1999). However, these contradictory views have been questioned (Ram and Holliday, 1993; Hill and Steward, 2000; Bacon *et al.*, 1996; Storey, 2004). As Ram (1991, p. 601) notes, employee relations in SMEs may be "*complex, informal, and contradictory*" instead of simply either pleasant or repressive. Yet the positive perception of job quality amongst workers in small companies, as found by the latest European Working Conditions Survey, is surprising (Storey *et al.*, 2010). De Kok *et al.* (2011) tries to explain this result based on the fact that SMEs score high in relation to the quality of work. Indicators for this aspect of work include features of the environment and conditions under which a worker performs various tasks, such as physical working conditions, health variables and risks of accidents. Available statistics on health and safety at work, however, suggest that SMEs do not score particularly high on these indicators.

Given these results, the main reasons as to why job satisfaction is higher among SMEs than in large enterprises must be related to aspects such as work autonomy and the meaningfulness of the work. Some experts have confirmed that it is particularly the "soft" side of the work relationship that is highly valued by employees in SMEs, such as the working climate, amongst other factors (de Kok *et al.*, 2011, p. 17). Employees not only seem to value the face-to-face relationship in SMEs but also the ways they are treated by the manager/owner:

*“Job satisfaction may also depend on aspects of the enterprise context: Characteristics of the enterprise (or entrepreneur, in the case of SMEs) that affect the well-being of employees, which are not aspects of individual jobs” (de Kok et al., 2011, p. 127).*

This suggests that the management style, as well as the perceptions by managers/owners about the employee-employer relationship, are important in framing actual employee involvement and employee relations between the workforce and the owner/manager. While the existing literature offers only tentative conclusions on the impact of the characteristics of the manager/entrepreneur on these practices in micro and small enterprises, there is a crucial need for solid validation based on systematic, in depth empirical research.

### ■ 1.1. OBJECTIVES OF THE PROJECT

This project aims to fill existing research gaps with regard to employee involvement and employee relations in micro and small companies by developing a comparative analysis amongst private service sector companies in Spain, Germany and the United Kingdom.

We adopt a broad definition for employee involvement in order to capture the various potential forms through which employees can be given a “voice” in MSEs. Not only the degree of formality in employment relations in MSEs is lower than in large organizations, but also MSEs show a greater diversity in terms of variables that are normally seen to influence people management at company level, such as size, management style, age, composition of the workforce, competitive strategy etc. Therefore, we follow Wilkinson *et al.* (2014: 5) who define it “*as the ways and means through which employees attempt to have a say and potentially influence organizational affairs relating to issues that affect their work and the interest of managers and owners*” (Wilkinson *et al.*, 2014: 5).

In order to capture the factor size better, we assume that even *MSEs are not a homogeneous group*. Indeed, our analytical and methodological framework allows us to evaluate whether there are any substantial differences in relation to the functioning and content of employee voice mechanisms and employee relations between *micro and small enterprises*. Micro companies are said to be different from small companies because of the sharing/rotation of workplace activities and the strengths of social ties outside the workplace that shape their internal employee relations and social relations as well as the internal organization (Eurofound, 2014). Hence we incorporate in our cross-country empirical analyses a cross-company study that differentiates between companies that are micro (employing 1 to 9 employees) and small enterprises (employing 10 to 49 employees) whenever possible.

Moreover, SME research indicates that management practices in companies tend to differ according to a firm’s sector affiliations. Studying this requires

researchers to affiliate MSEs to one sector in order to provide sufficient comparability of results. It also implies that we are able to generalize beyond the pool of case companies to other firms in the chosen sector. We have decided, therefore, to focus our analysis on *private service firms*. We therefore exclude public sector firms since owner/managers face different workplace governance issues than those in private firms. Moreover, insufficient data on the public sector is also a considerable concern. Finally, we focus solely on the service sector (the so-called tertiary sector) as it is one of the three economic sectors that is at present not only the largest sector in Western economies but also the fastest-growing sector.

More specifically, the objectives of this project were threefold:

1. Provide a *review of extant research on employee voice in MSEs*. The scope of the review was later broadened to include research on SMEs and not only MSEs since very little research on employee voice existed for the narrower size group of firms.
2. *Map current employee voice practices in all its forms in MSEs in three major economies in Europe, including Spain, Germany and the UK*. To meet this objective, we provide a longitudinal analysis of the 2009 and 2013 data from the European Company Survey. In particular, data from the management questionnaires as well the employee representative questionnaires were analyzed. The aim was to gather and analyze information on trends in employee voice practices that can be found in MSEs in Spain, Germany and the United Kingdom, in terms of their incidence of practices among MSEs across the three countries as well as their determining factors at company level.
3. *Identify and describe a limited number of company cases in Spain and Germany where employee voice mechanisms have worked well*. The case studies therefore better our understanding of the driving forces for the development of employee voice practices at company level in MSEs, including the specific characteristics of employee relations at company level.

## ■ 1.2. METHODOLOGY AND STRUCTURE OF THE REPORT

The methodological approach and analytical tools applied in the project reflect its three broad objectives.

To *review extant research on employee involvement and participation* in SMEs, we content-analyze a valid sample of 58 relevant articles published between 1978 and 2014 in two reference databases that are most commonly used by economics, business, management and sociology researchers. The process of analysis and the main results of the review are documented in the second section of this report.

The third section presents our findings from the *longitudinal analysis on trends in employee involvement practices at company level between 2009 and 2013* based on quantitative data from the European Company Survey. By considering both datasets we are able to identify commonalities and differences in trends across three distinct European countries. We believe that this is the first study to present such results since the 2013 data was only made recently available in June 2015. The aim of this part of the project was to provide an overview on general employee representation for this type of firms. The analysis considers the breakdown of data according to countries, company size and sector affiliation to the private service sector. The surveys contain micro level data from two different perspectives on employee voice practices, as the questionnaires were completed by company managers and employee representatives. The national economics chosen represent a balanced mix of geographic regions within the EU, the distinct significance of MSEs for their respective national economies, and the different legal frameworks of employee voice and different employment relations “models”.

The fourth section reports our findings from the *comparative analysis of good practice*, which was a further novel and major research task of this project. It supplements the longitudinal cross-country analysis by examining a total of 16 firms in *Spain and Germany* with an equal proportion of micro and small companies in each country. Given the findings from the literature review, the *professional service sector* was chosen to be of particular interest for comparison across the two countries due to the economic importance of this sector in European economics and the lack of research on MSEs in this sector. The main objective of the case study analysis was to gather additional information and more qualitative evidence on important research interests.

The fifth and final section of the report summarizes a number of *general conclusions* arising from the three main research components, *i.e.* the literature review on extant research, the cross-country, longitudinal analysis on trends in employee voice and the good practice case studies. We highlight in particular the *specific needs for further research as well as policy pointers*.





**2**

**WHAT DO WE KNOW ABOUT EMPLOYEE  
VOICE IN SMALL AND MICRO  
ENTERPRISES? A REVIEW OF EXTANT  
RESEARCH**



## ■ 2.1. INTRODUCTION

Given the commonly acknowledged importance of smaller companies in national economies it is understandable that a substantial body of empirical research addresses issues of small firm management. Within this body of research there is also a large subset that addresses the creation of sustainable and successful SMEs through the management of their human capital.

Parallel to this, and with respect to its usefulness in an organizational setting, considerable research has been conducted on employee voice. Much of this looks in particular at its relationship with organizational performance, working climate and employee commitment (Richardson *et al.*, 2010, Peccei *et al.*, 2010) as well as with job satisfaction and high performance work systems (Bryson *et al.*, 2007; Wood and Fenton O’Creevy, 2005).

However, despite the well-established stream of research on employee voice in large organizations, Sameer and Özbilgin (2014) observe that research on voice mechanisms in SMEs is largely absent in academic studies. The lack of research on employee voice in SMEs, and particularly MSEs therefore represents a missing link in the theorization of employee voice in different organizational contexts. It also highlights the need for future research endeavors that demonstrate practical implications for the building of relationships between MSE managers and employees, in an effort to help MSEs’ growth and longevity.

Against this backdrop we investigate in this section of our report the empirical evidence on employee voice in MSEs. To do this in a thorough and pragmatic manner we adopt a systematic method of review. Our intent is to develop a reliable knowledge base from which to take stock of extant research, as well as to orient future research. However, with respect to the analysis of extant research on employee voice, the sole focus on MSEs had to be modified. In the preliminary interrogation of the relevant databases our search strings included publications on MSEs only. However, this search resulted in the identification of an insufficiently low number of publications. Hence the filter was extended to include small and medium sized companies (SMEs) in order to contrast research in smaller companies with that in larger organizations. Although such an approach goes beyond the specific focus of our study by not only including MSEs but also including medium-sized organizations, the retrieved

studies do take organizational size as an influential variable into account and pull out the specifics of smaller enterprises as compared to larger ones when it comes to employee voice provisions and practice at company level.

We begin with an overview of the review protocols used and the reasoning behind them. We then introduce the field of research by mapping key aspects in extant research with respect to methodology and subject matter. Since employee voice is a complex phenomenon we then discuss the findings in four themed sections that derive from the previous mapping. We focus (a) on the current thematic strands, (b) the form of company-level voice regimes and argue for (c) an integration of multiple perspectives and for (d) holistic research. Our objective is to assess the relatively small amount of research that has been done so far, as a basis for identifying future lines of research and to inform the research design for our empirical study.

## ■ 2.2. METHOD: RETRIEVING CURRENT RESEARCH

To review the existing literature on employee involvement and participation in small and micro firms, we content-analyze a valid sample of 58 relevant articles published between 1978 and 2014. The following describes the methods we have followed to identify and analyze these works.

### ■ 2.2.1. Sampling procedure

We use criterion sampling (Patton, 1990) to identify a valid sample of employee voice articles. Specifically, we conducted a series of keyword searches in two reference databases: (1) EBSCO's Business Source Complete and (2) ProQuest's ABI-INFORM – complete (Business). These were chosen from amongst others as the databases researchers in areas such as economics, business, management, and sociology most commonly use. Both databases focus explicitly on articles pertaining to the large domain of business studies.

For these two databases, we searched for peer reviewed articles in scholarly journals that met the relevant search criteria and keywords. For ProQuest's ABI/Inform database we were able to limit research results to English, Spanish and German publications whereas in EBSCO's database we did not introduce any language limitations and then later eliminated the articles not written in any of these three languages (stage 1).

From a methodological standpoint, the use of criterion sampling with the search power of these databases has two main advantages. First, it provides a fast and efficient manner to scan millions of articles in thousands of journals. Second, conducting our searches with well-known and widely available databases that include a broad array of journals increases the external validity of our sample – relative to the alternative of manually sifting through a narrower and arbitrary list of target journals.

### ■ 2.2.2. Retrieving current research

Our review follows the protocols outlined for a systematic literature review (see for instance Tranfield *et al.*, 2003; Macpherson and Holt, 2007), but certain methods were refined in the light of the more limited number of papers to be reviewed. Our systematic review involves two processes. First, defining review protocols and mapping the field by accessing, retrieving and judging the relevance of research in relation to employee voice. Second, reporting the findings to identify gaps and inform propositional conclusions as to where our future research might be usefully directed.

#### *Defining protocols*

This review was restricted to published, peer-reviewed, academic articles in English, Spanish or German held within the following databases: ABI/Inform Complete and Business Source Complete.

All the years available in these databases were included in the study. Each database was interrogated by the search strings explained below. Titles, keywords and abstracts were searched where possible, with search date and numbers returned recorded. All searches were carried out on February 12, 2015.

The search terms used were “employee involvement,” “employee participation,” “employee voice,” “employee empowerment,” “employee engagement,” “employee input,” “employee say,” “employee contribution,” “employee influence,” “employee articulation” and “employee collaboration.” These search terms were identified by reviewing the relevant literature and using common terms associated with employee voice (see Dundon *et al.*, 2004; Wilkinson *et al.*, 2014). As Wilkinson *et al.* (2014: 4) note “*employee voice has multiple meanings across disciplines*” and in order to capture employee voice well multiple terms associated with employee choice were chosen (Dundon *et al.*, 2004).

These terms were initially crossed with the search terms “micro firm” and “small firm” and then extended to “SMEs” and “small and medium sized firm” due to the low turnout of retrieved articles in the initial search. Additional search terms capturing the small- and medium sized firm were introduced, such as “nascent firm,” “nascent organization,” “nascent enterprise,” “new business,” “new firm,” “new organization,” “new enterprise,” and “startup.”

For EBSCO Business Source Complete publications, all languages were retrieved but before the first scan for duplications non-Spanish, non-English and non-German publications were eliminated.

The total number of potentially relevant studies retrieved using research strings alone and applying the language restrictions to the retrieved articles in Business Source Complete was 95 for Business Source Complete and 94 for ABI Inform.

At this stage we carried out a first scan, in which duplications within each database were eliminated. This reduced the number of retrieved articles to 81 for

Business Source Complete and to 85 for ABI Inform. The articles were then further reviewed against the exclusion criteria in an iterative process using key word, abstract and title. In this process we reduced the number of relevant articles to 49 in Business Source Complete and to 65 in ABI Inform (114 in total). We then compared the retrieved articles from both databases against each other and eliminated duplications. This reduced the total number of relevant articles to 89.

Table 2.1

### INCLUSION AND EXCLUSION CRITERIA FOR SEARCHES

Inclusion criteria	Reason for inclusion
All sectors	Examine employee involvement across different sectors.
All ages	Cross-reference organizations of differing stages of development/demise.
All SMEs	Examine employee involvement across different SMEs.
Quantitative and qualitative empirical studies	Capture all empirical evidence.
Theoretical papers	Provide the working assumptions, concepts/theoretical underpinnings to be used in the field.
Spanish, English and German language	English language is the dominant academic language; Spanish & German due to country involved and proficiency of scholars.
Exclusion criteria	Reason for exclusion
Foreign languages other than English, Spanish, German	Exclude articles not written in the three languages because scholars do not have proficiency in other language.
Public sector	This does not refer to privately owned firms.

Source: Authors.

During the 2<sup>nd</sup> scan the full text of the identified 89 articles was used to carry out a thorough review by both authors to classify the articles according various categories for mapping the field. This allowed us to build up an overview of the research with regards to nature of research, geographical locations, methods, sectors, types of firms, purpose and practices of employee voice and underlying theoretical perspectives. During this closer reading of the articles, 36 articles were identified that did not fit our concern with employee voice in SMEs, which were not detected through the initial search in key words, abstracts and title applying the inclusion / exclusion criteria. For instance, they related either to public sector entities (e.g. Sheffield and White, 2004;), referred to affiliates of larger organizations (Chakravarthy and Gargiulo, 1998; Sorensensen, Head and Stotz, 1985) were not confined to the SME context (Brighton-Hall and Peters, 2010; Enz and Siguaw, 2000; Kuk, 2003; Arvanitis and Louikis, 2009; Chin, 2013) or were a prologue to a special

issue (Shehann *et al.*, 2013). This large number of further articles to be excluded surprised us and highlights the importance of writing a succinct abstract and title as well as selecting precise key words that provide the reader with a clear indication of the article's relation to a chosen field of study.

At the same time, five articles were added to our list after detecting relevant research referred to in the reviewed articles and which were deemed by both authors as relevant for our concern with employee voice following the inclusion and exclusion criteria. At the end, the full text version of a final total of 58 articles was reviewed.

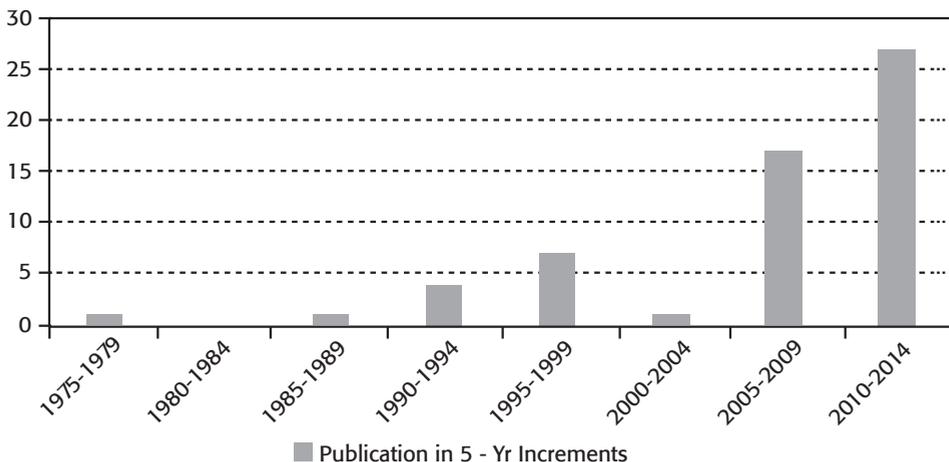
### ■ 2.3. MAPPING THE FIELD

Overall there have been relatively few publications that have examined the incidence of employee voice upon SMEs. Early publications started in the late 70's and varied between 0 and 1 article per year (although 1998 was an exception, with 4 publications) up until the year 2005, when the number of published articles began to increase substantially. Since 2010 there have been between three to six publications per year touching upon this combination of topics.

If we compare the data in five year increments, as per Exhibit 2.1 below, we can perceive the level of growth even more: during the first period there was only one journal article published on this subject, and none during the following five years. Nevertheless there has been a marked increase during the two most recent five year

Exhibit 2.1

#### PUBLICATIONS IN 5-YR INCREMENTS



Source: Authors.

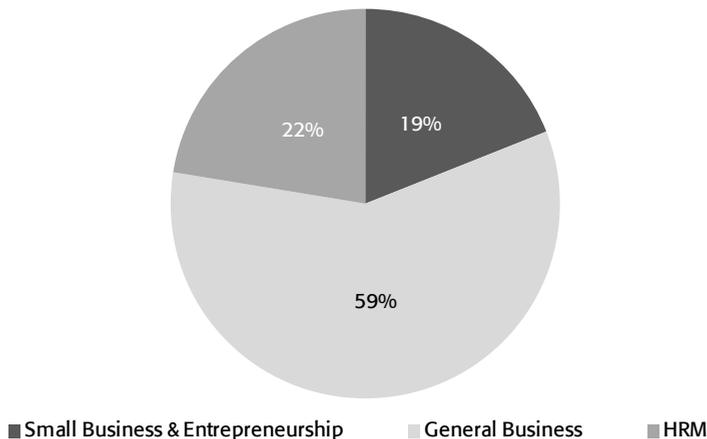
periods, reaching 16 publications from 2005 to 2009, and then 26 publications from 2010 to 2014. The growing research on the topic coincides with the time at which arguments for employee voice were raised with respect to its utility in organisational settings (Gollan, 2007; Gollan and Wilkinson, 2007, Freeman *et al.*, 2007) and the growing number of studies on employee voice, looking into its relationship with organisational performance, working climate and employee commitment (Richardson *et al.*, 2010; Peccei *et al.*, 2010; Pyman *et al.*, 2010; Dundon *et al.*, 2004) and high performance work systems (Bryson *et al.*, 2006; Wood and Fenton O’Creevy, 2005). It is not surprising that SME researchers followed this trend obvious in general management research.

As can be seen in Exhibit 2.2 below, studies combining entrepreneurship with employee voice have been published in a relatively wide variety of journals. The journals have been divided into three main categories: Human Resources Management, Small Business & Entrepreneurship, and what we have termed ‘General Business’ journals, which include business, management, marketing, services, and more specialized topics such as quality and safety.

The distribution of the two main topic areas, human resources and entrepreneurship, is fairly evenly distributed, at 19% for Small Business & Entrepreneurship and 23% for HRM. Beyond that, the remaining 59% falls into the ‘General Business’ category, demonstrating the fairly wide breadth of journals interested in publishing on this subject matter.

Exhibit 2.2

## DISTRIBUTION ACROSS JOURNALS



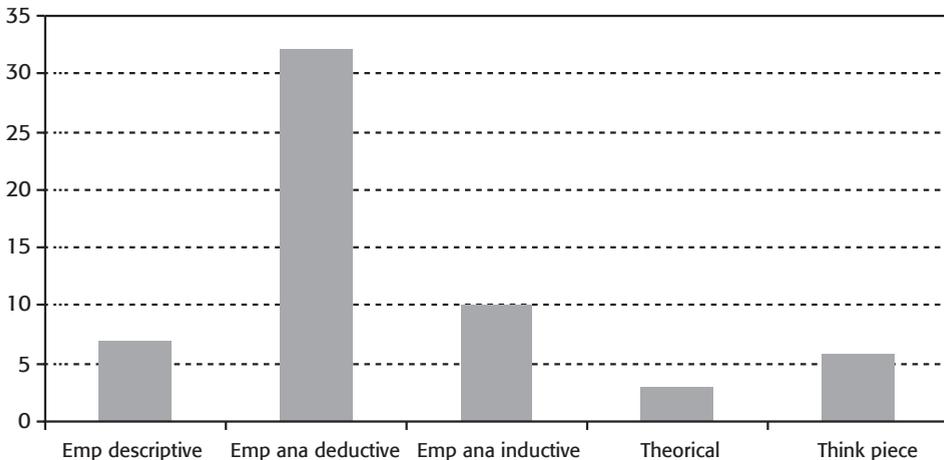
Source: Authors.

Given the scarcity of research on employee voice in small enterprises, it is not surprising that only 10 journals had two or more publications from our sample, and only three journals accounted for three publications each. The three most prolific journals are the Human Resource Management Journal, the International Journal of Human Resources Management, and the Journal of Small Business Management. Close to half (46%) of the journals in our sample are ranked in the Social Sciences Citation Index 2014 and their rankings range from .0345 to 2.598. While Curran and Blackburn (2001) raise concerns about the lack of high quality research in SMEs, we find that existing research on employee voice in SMEs meets the quality standards set by quality journals in the field.

As is illustrated by Exhibit 2.3 below, the majority of the papers analyzed in this exercise are empirical works, at 85%. The other 15% of the papers are divided between think pieces, at 10% and theoretical papers, at 5%. Of the empirical works, 15% are empirical descriptive papers, 65% are empirical analytical deductive, and 20% are empirical analytical inductive. Even though research has therefore moved beyond a solely descriptive approach, given the importance of small enterprises to the overall health of national economies, this is an area that requires more focused and theoretical-grounded research in the future.

Exhibit 2.3

### METHODOLOGY OF PAPERS



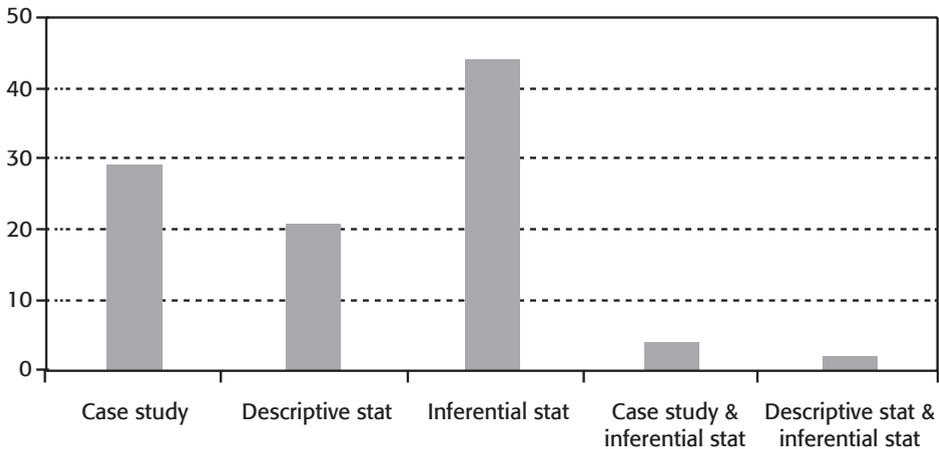
Source: Authors.

The empirical papers were then further analyzed for the following criteria: qualitative/quantitative methodology, analytical technique, unit of analysis, number and type of information sources, sector, longitudinal/transversal, and country focus.

First of all our analysis shows a common trend among researchers, *i.e.* a preference for quantitative research approaches. 23% of the papers can be categorized as qualitative, while another 67 % are quantitative and 10 % are of mixed methods. Going into more detail (Exhibit 2.4) one fifth of empirical studies use descriptive statistics that allow summarizing data in a meaningful way but do not allow researchers to draw conclusions beyond the data that was analyzed or to reach conclusions regarding any hypothesis one might have. The largest part of studies (44%) utilize inferential statistics which by contrast allow researchers to use the sample to make generalizations about the populations from which the samples were drawn.

Exhibit 2.4

### FREQUENCY OF ANALYTICAL TECHNIQUES (PERCENTAGE)



Source: Authors.

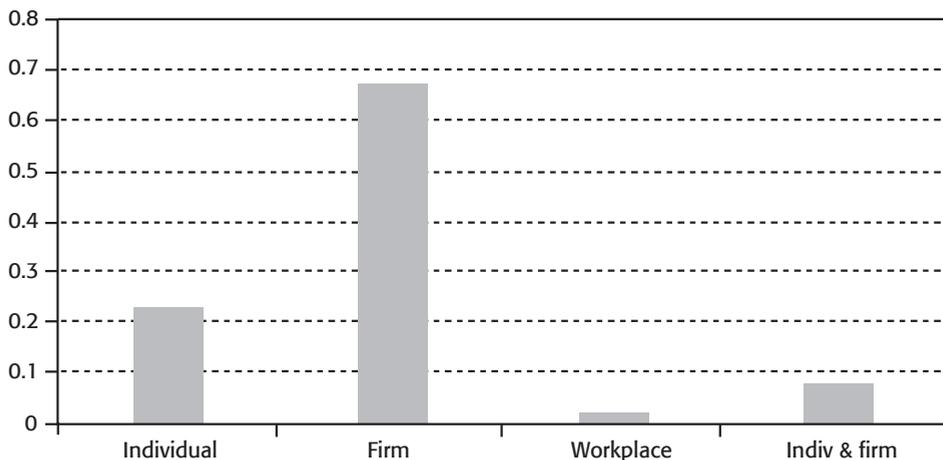
A considerable number of researchers have examined either the way in which EV takes place in organizations or the role that EV mechanisms play in performance, growth, survival or other variables at organizational level. As we can see in Exhibit 2.5 researchers tend to carry out single-level analyses with a focus on the firm level (67%) rather than individual (23%) or workplace level (2%). Studies with a multi-level approach are rare (8%). We highlight the importance of the individual level in particular because at this level the analysis focuses on the processes whereby the small business owner/manager considers, implements and exploits employee voice mechanisms at company level. Moreover, individual level studies would shed light on the effectiveness of employee voice from the perspective of the employee. This is an important element as employee experiences differ across different voice

regimes and also greatly depend on the underlying purpose or motivation behind their use (Pohler and Luchak, 2014). It is this individual level that has not been explored thoroughly enough and calls for further research.

Interrogating for information at the workplace level might also reveal the dynamics among groups of employees that support or hold back the implementation and working of employee voice mechanisms. As Wilkinson *et al.* (2007) in their empirical study show, workers found their own ways of engaging with each other and in three of their case companies employees were much happier to be left alone than to rely on formal management driven voice mechanisms. On this issue, employee voice has not been explored thoroughly enough and would require more workplace level research with information provided from both the owner/manager and the employee sides.

Exhibit 2.5

### UNIT OF ANALYSIS AND ITS FREQUENCY



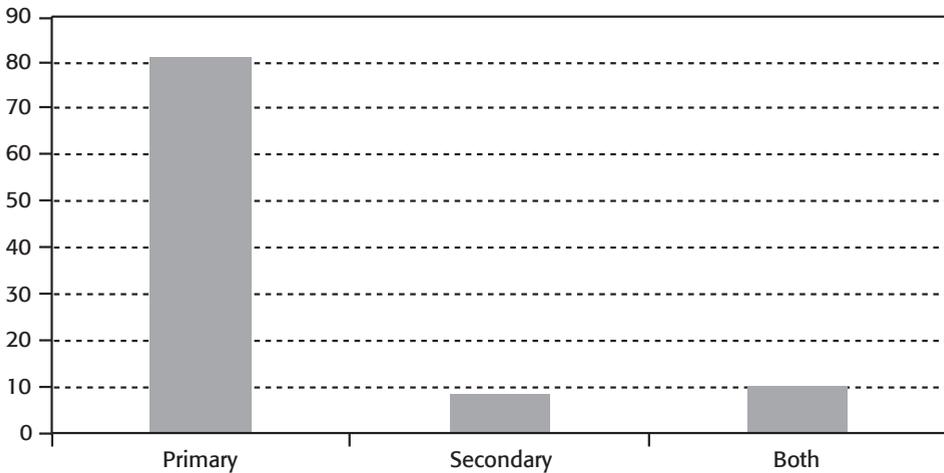
Source: Authors.

In addition, our analysis shows that the majority of empirical studies are also transversal, at 88%, while only 12% are longitudinal. The number and type of information sources vary (Exhibit 2.6). Regarding type of information source, 38 in total, or 81%, of the papers draw from primary sources, while 8% draw from secondary sources, and 11% draw from both primary and secondary sources of information. Furthermore, with regards to number of sources, the great majority, 31 out of 48 empirical papers, draw from only one source. Hence a large majority utilize data collected by the researchers himself/herself for employee voice research and having control about the quality of the data collected, a verification of the same

information hardly happens. We also observe that there is an over reliance on the owner-manager perspective. Our statistics show that two-thirds of those who identifiably provided the information used in the empirical papers were either the owners or were top managers of the firms being studied. While the credibility and validity of this data is restricted and a triangulation, *i.e.* the result of validation of data through cross verification from two or more sources in the study of employee voice phenomenon, we suggest, therefore, that more analysis of different perspectives within these small firms would strengthen the research study.

Exhibit 2.6

## TYPE OF INFORMATION SOURCES BY FREQUENCY



Source: Authors.

The information on country focus is presented in Table 2.2 below. As can be seen, the largest number of empirical papers focus upon Europe, at 44%. The countries covered include Finland, Germany, Greece, Italy, Netherlands, Poland, Spain, Sweden, and the UK, where the latter has produced the most publications, at 9 papers, followed by Germany, at 4. This leads to the conclusion that most publications of this type focus predominantly on the healthier economies within Europe.

The next biggest regional focus is the Americas, consisting of the United States, with 10 papers, and Canada, with one. Australasia amounts to 17% of the total, incorporating Australia, India, Malaysia and Taiwan. The Middle East/Africa region accounts for 10%, and includes Botswana, South Africa, Iran and Turkey. Finally, two papers cover multiple countries, including European countries, which, if added to the Europe total means that Europe accounts for 50% of the total number of empirical

papers. Factors causing the skew towards European-based studies could include that an interventionist EU policy in SME development has stimulated a particular research focus in European Universities. The low number of multiple country studies merits attention. Comparative studies on employee voice in SMEs could help to identify important cultural and country-specific factors, such as legislation, industrial relations contexts, influence of labor markets, and role of trade unions, all of which can facilitate or hinder employee voice in SMEs.

Table 2.2

## NUMBER OF EMPIRICAL PAPERS BY GEOGRAPHICAL FOCUS

By Region	By Country	Number of papers
Single country studies in Australasia (17%)	Australia	3
	India	3
	Malaysia	1
	Taiwan	1
Single country studies in Middle East/Africa (10%)	Botswana	1
	Iran	2
	South Africa	1
	Turkey	1
Single country studies in Americas (23%)	Canada	1
	US	10
Single country studies in Europe (46%)	UK	10
	Finland	1
	Germany	4
	Greece	1
	Italy	1
	Netherlands	1
	Poland	2
	Spain	1
	Sweden	1
Multiple country studies (4%)		2

Source: Authors.

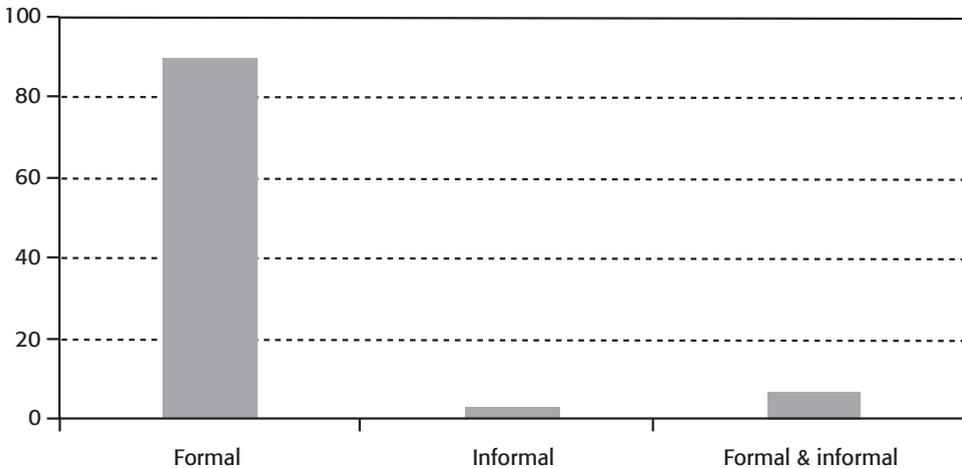
Of the industries studied, there are a number of individual sectors covered, including agriculture, fair trade, food, high growth, metal, telecoms, waste management and services. However, the biggest individual sector is manufacturing, at 29% of the total. In contrast, the majority of the papers cover mixed/multiple sectors, at 44% of the total. Given the growing importance of the service sector

in developed economies, it is surprising that, although mixed sector studies have sometimes included services, only three studies reported solely on the service sector. In addition, and despite the changing structures of developed economies, it is concerning that only one study focused on telecommunications and existing research ignored important sectors such as the culture and media industry, the retail sector, and various others. In terms of single sector studies, research clearly favors manufacturing and does not appear to reflect the structure and diversity of prevailing economies.

Furthermore, the type of employee voice in the total number of papers was analyzed (Exhibit 2.7). Surprisingly there is a clear tendency in research to focus on formal employee voice mechanisms in SMEs despite the current acknowledgement in the literature that employment relations in SMEs are rather informal in nature and depend to a great extent on the managerial prerogative of the manager/owner (EurWork, 1999). This focus might be due to the dominance of quantitative approaches which only allow for an examination of previously known techniques of employee voice, whereas the investigation of informal voice arrangements requires a more in-depth approach such as that realized through case studies.

Exhibit 2.7

### TYPE OF EMPLOYEE VOICE BY FREQUENCY (PERCENTAGE)



Source: Authors.

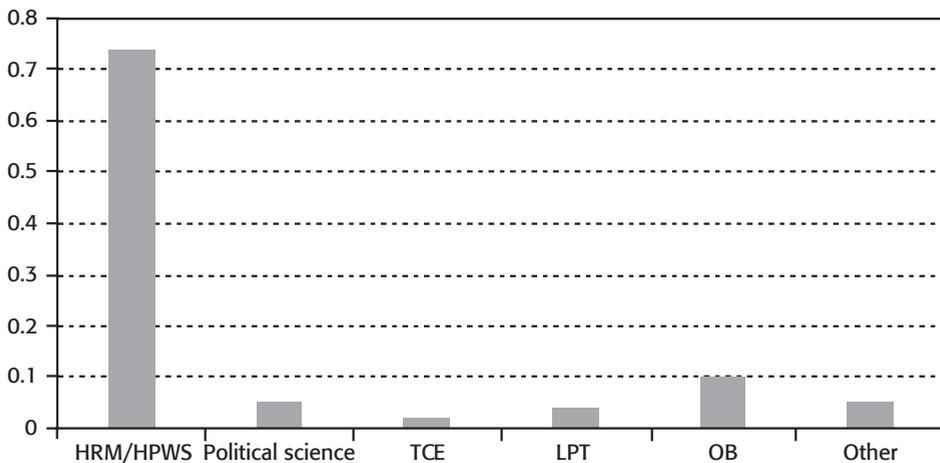
Finally, we have applied the definitions and categories specified in Wilkinson, *et al.* (2014), who first divide the multiple understandings of employee voice into the different theoretical strands used to interpret them. They argue that employee voice can be best understood in its multiple forms by identifying the common factors

and tacit assumptions held by each field. *“Employee voice’ has become an elastic term meaning different things to policy, academic and practitioner actors”* (Wilkinson *et al.*, 2014:3) they state, where *“human resource management, political science, economics, organizational behavior (OB), psychology or law perspectives differ. Scholars in one area often know little of the research, connotations or ideological baggage surrounding voice in other areas”* (Wilkinson *et al.*, 2014, quoting Wilkinson and Fay, 2011:4).

Hence, our total sample of 58 valid papers was sorted by theoretical strand (Exhibit 2.8) and purpose of employee voice mechanism. Nearly three quarter (74%) of papers are based upon a Human Resources Management or High Performances Work Practices theoretical approach, which probably explains the surge of research since mid-2000. Organizational Behavior was the second most important theoretical strand, at 10%. The other theoretical strands include political science (5%), transaction cost economics (2%), labor process theory (4%) and a few ‘other’ cases (5%) which did not fit into any of the previously mentioned categories.

Exhibit 2.8

## THEORETICAL STRAND BY FREQUENCY



Source: Authors.

More challenging, however, was the categorization of employee voice by purpose. Wilkinson *et al.* (2014), state that employee voice can best be understood by its purpose— basically the underlying meanings assigned to the concept of employee voice by each of the theoretical strands that are then used in different ways to justify the importance of employee voice in the first place. An OB centric approach assumes, for example, that individual verbal communication should be

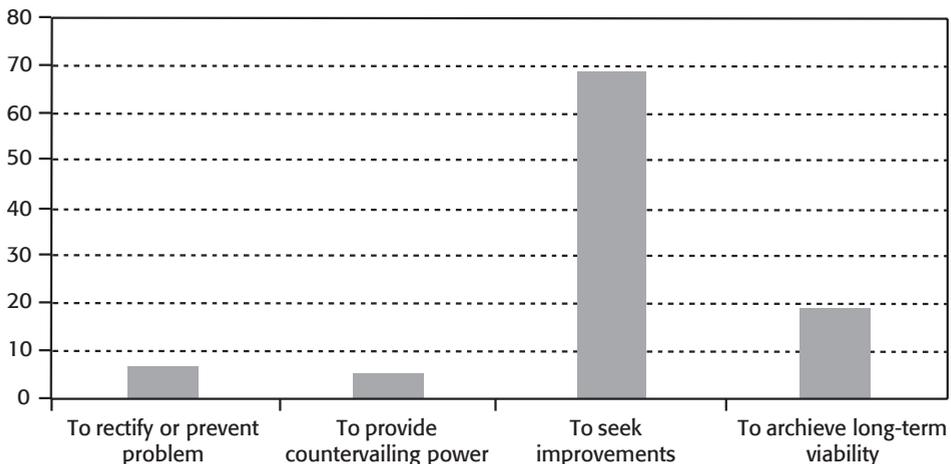
“*constructive to management*” (Wilkinson *et al.*, 2014:4) while other perspectives (Economists, Legal Scholars), see ‘*complaint*’ as central to employee voice.

Wilkinson and colleagues adopted the framework by Dundon *et al.* (2004) that establishes the four main ‘purposes’ of employee voice: “1) *to rectify a problem with management or prevent deterioration in relations (established through complaints and grievance mechanisms)*, 2) *to provide a countervailing source of power to management (established through unions, collective bargaining and industrial action)*, 3) *to seek improvements in work organization, quality and productivity (established through upward problem solving groups, quality circles, attitude surveys, suggestion schemes and self-managed teams)*, and 4) *to achieve long-term viability for organization and its employees (established through partnership agreements, joint consultative committees, and works councils)*” (Dundon *et al.*, 2004; quoted by Wilkinson *et al.*, 2014: 4).

Our analysis shows that, of the total sample of 58 valid papers, employee voice is hardly captured as an articulation of individual employee dissatisfaction with management or as an expression of collective organization (Exhibit 2.9). While some papers capture employee voice to achieve long-term viability via mutuality and cooperative relations, the most common purpose gleaned from these papers on employee voice was that of seeking improvements for the organization, which is also consistent with both the dominant theoretical stance of HRM/HPWS and with the dominantly empirical focus taken by the majority of papers.

Exhibit 2.9

## PURPOSE OF EMPLOYEE VOICE



Source: Authors.

## ■ 2.4. DISCUSSION

The research reported here primarily focuses on the firm level, examining the role employee voice mechanisms play with respect to organizational performance. This is also emphasized through the dominant theoretical strand, *i.e.* the focus on HRM and high performance work practices with a tendency to draw mainly on the owner/manager perspective. While a clear majority of researchers use primary data and attempt to draw implications from their data with respect to the overall population from which the data was drawn we have noted a shortcoming of conceptual papers that help to build a more coherent framework of employee voice in smaller enterprises. Research gaps are clearly identified with respect to other theoretical strands, *i.e.* the conceptualization of employee voice in SMEs that links voice to notions of industrial citizenship and democratic humanism (political science approach) or the analysis of employee voice in a more nuanced way that considers the coexistence of consent and compliance as much as control in the relationship between the manager/owner and the workforce (labor process theory). We have also observed that further contextualization of employee voice has some shortcomings with respect to different country contexts as well as to economic realities in terms of sector choices.

In order to find our way through the complex practices of employee voice, given that they are both multi-level and multi-conceptual phenomenon, we discuss the findings in four themed sections that derived from the content analysis when mapping the field. These include: theoretical strands to investigate employee voice, company-level employee voice regimes; integrating multiple perspectives; and holistic studies. Throughout, our concern is to evaluate how these aspects impact upon employee voice research and present knowledge on employee voice in SMEs, as well as how this paves the way for future research endeavors. There are a number of issues arising from our analysis, summarized in Table 2.3 below.

### ■ 2.4.1. Stimulating research in various theoretical strands

The large majority of papers have studied employee voice in SMEs with an HRM and high performance work systems approach, arguing that it is beneficial for both employer and employee to have a voice mechanism. Employee voice is presented as contributing to higher innovativeness and organizational effectiveness (*e.g.* Kmiecik *et al.*, 2012; Koski *et al.*, 2012; Blume and Gerstlberger, 2007; Schneider *et al.*, 2007). In particular, the literature taking an HPWS approach has emphasized that informing and allowing employees input into work and business decisions can result in better decisions and improved work processes. This links not only to the emphasized criticality of employee involvement for the successful implementation of lean management techniques (emphasized in 14 papers) such as Total Quality Management (Rahman and Tannock, 2005; Ramezani and Gharlegghi, 2013; Huarng, 1998; Gadenne and Sharma, 2009; Brown and van der Wiele, 1998;

Ebrahimi *et al.*, 2013; Fazzari and Mosca, 2009; Dora *et al.*, 2012), Quality Circles (Saleh *et al.*, 1990); Customer Relationship Management (Sontornphthug *et al.*, 2010; Nguyen and Waring, 2013); Process Safety Management (Kearney, 1993) and JIT (Golhar *et al.*, 1990; Chin and Rafuse, 1993), but also to the large number of analyses (14 papers) which treat voice as an important element to improve business performance, in particular innovativeness (Michna *et al.*, 2011; Andries and Czarnitzki, 2014; Uhlaner *et al.*, 2013; Heli *et al.*, 2009; Kmiecik *et al.*, 2012; Blume and Gerstlberger, 2007; Blumentritt *et al.*, 2005), financial performance (Bryson, 1999; O'Regan *et al.*, 2010; Allen *et al.*, 2013) and generally for company growth (Altinay *et al.*, 2008; Schneider *et al.*, 2007). In these studies employee voice serves the business case and is instrumentalized predominately to serve owner/managers' goals rather than to serve employee outcomes.

In the general debate on HRM and performance –with employee voice central to this debate– proponents have emphasized the mutual benefits of performance gain for the organization coupled with benefits for employees (*e.g.* Ramsay *et al.*, 2000). In the context of employee voice in smaller enterprises the extant debate about HRM and performance, however, has mainly centered on the business case ignoring the manifestation for the potential for developmental and humanist approaches to HRM. This calls for research either within the HRM related discussion on employee voice or based on different theoretical strands of literature. The debate on employee voice linked to the HRM literature could develop the notion of employee voice in terms of industrial relations and HRM. The paper by Saini and Budhwar (2008) is worth mentioning as it analyzes employee voice practices within a people management approach in which both a conflictual and consensual potential exists and in which the close and direct employment relationship between the manager/owner and their employees as individuals and as a collective is taken into account. Saini and Budhwar (2008) show that it makes good sense for both employer and employee to have a voice mechanism but from a pluralist frame of reference on employment relations. They conclude that indigenous HR practices, including employee involvement, and paternalist management “*play a key role in preventing the rise of countervailing power against the employer*” (Saini and Budhwar, 2008: 429), demonstrating the role of employee voice in a potentially conflictual employment relationship, which has so far not been sufficiently reflected upon in extant research in small enterprises.

While the HRM/HPWS literature on employee voice in SMEs provides useful insights on the existence and results of employee voice practices, an extension of research into different theoretical strands would shed light on the underlying processes facilitating and governing employee voice at the company level. For instance, an economics approach such as transaction costs economics (TCE) would provide useful insights (Holland *et al.*, 2014), particularly on the link between owner/managers' motivation and the subsequent choice of voice mechanisms. TCE sees workers like customers in a competitive market. If employees demand a voice and they are not heard, they end the working relationship and go somewhere else. Similarly, owner/managers adjust their preferences and select specific voice arrangements depending on the expected cost implications for the firm (Willman

*et al.*, 2014). In practice, managers/owners in smaller firms face greater resource constraints in terms of finances and time availability than larger organizations. The exit of an employee usually creates greater managerial concerns over remaining skill composition and labor in the small firm than in a larger business where the loss of an employee can be more easily offset by the remaining workforce. The implications of costs are also relevant for the type of employee voice regime chosen by the owner/manager: while formal voice arrangements require structured processes and resources, informal voice arrangements are often situation-driven and occur in an *ad hoc* manner through the already happening interaction between owner/managers and employees. Therefore, the TCE approach to voice could spell out further the complexity of the closer relationship between owner/managers and their employees in ways that predict both the emergence of voice in general and, specifically what voice regime might be preferred. The only study in our sample that takes a TCE approach is by Willman, Bryson and Gomez (2006) who model employer choice with specific reference to the choice between voice and no-voice provision. According to the authors, smaller firms are more likely to have no voice and provide in general thinner employer-employee communication channels, *i.e.* no-voice firms seem to do less communicating with respect to formal and informal methods. This single study cannot be seen by any means to be sufficient to fill the research gap in our knowledge, but we hope it can stimulate further studies, perhaps from a cross-national perspective to evaluate whether expected cost implications differ for instance in a UK context, in which no legal provisions for micro and small firms are made and formal employee representation depends largely on the owner/manager initiatives as compared to more regulated contexts, such as Spain and Germany, where legal provisions for employee representation even for micro firms exist.

In fact, micro and small firms do not operate in a communitarian void and are exposed to pressures to adopt employment practices that are at least similar to, if not more attractive than, those found in other firms in labor markets. Micro and small firms, which usually cannot compete on wages for human resources, need to refer to specific employment conditions and practices in order to attract and retain employees. This raises some interesting research questions. First, we need studies that explore (a) the ways in which employee voice practices at company level in small and micro enterprises shape employee outcomes and consequently satisfy employee needs; and (b) the way that employee outcomes feed into organizational outcomes. Some recent research points to potentially fruitful directions for the future. Two studies are worth mentioning with respect to the first focus. The findings from the empirical, OB-oriented study by Bayo-Moriones and Larrazza-Kintana (2009) suggest that the influence of a profit sharing plan on the affective commitment by employees seems to be greater in smaller firms. In particular, they propose that employee involvement mediates the impact of this kind of financial participation on affective commitment. In firms where employees already participate intensively in decision-making through employee involvement mechanisms, an owner/manager has little to gain from the adoption of financial participation because according to their findings employee involvement negatively moderates financial participation

influence on affective commitment. The study by Ebrahimi *et al.* (2013) which is firmly rooted in the HRM literature analyses the impact of employee involvement practices as part of a TQM approach on employee role stressors, such as role conflict, role ambiguity and role overload. They find that employee involvement has a significant and negative relationship with role ambiguity and role overload, *i.e.* employee involvement leads to lower levels of role overload and role ambiguity by the employee.

In terms of the question of how employee outcomes feed into organizational outcomes, Verreyne *et al.* (2011) report on the perspectives of employees on the HR strategies and practices of small firms and their contribution to performance. Their exploratory analysis rooted in the HRM literature shows that successful firms have more highly rated people management processes and work systems are seen by employees as drivers of success (Verreyne *et al.*, 2011: 420-421). In particular, their results reinforce the importance of participation mechanisms to enable and support enhanced firm performance. Firms with effective voice and participation – as rated from the employee side – complemented by robust HR systems, show enhanced organizational performance. These three studies are undoubtedly insufficient and it must be recognized that the available research evidence is fragmented and only partially able to fill the gaps in our knowledge on the causalities between employee voice provisions, employee benefits and organizational performance. But it shows that the HRM researchers on these issues need to stay in touch with relevant new research from a wider variety of disciplinary strands that shed light on this issue. This could not only encourage research on the earlier mentioned issue of the inclusion of multiple perspectives on employee voice provisions, but also bring together employee responses and performance outcomes as a means to explore causal paths from employee voice provisions to performance. While the mainstream research on these issues has been developed through a somewhat polarized debate either emphasizing that employee voice enhances employee's discretion or arguing that it simply means increasing employees' responsibilities and intensifying their work (*e.g.* Harley, 2005), this has not been articulated in the context of SMEs. The range of possible causal paths through which employers are likely to have an impact on employees and their performance will certainly be different and this points to the need for studies that examine the causal paths through which performance outcomes emerge not in a universal way but taking into account the variations in voice practices based on informal vs. formal provisions, the diverse role of owner/managers and the variations in nature and character of employment relations.

#### ■ 2.4.2. Company-level employee voice regimes

Only two studies bring about informal forms of employee involvement by focusing to a greater extent on the manager/owner – employee relationship. The paper by Prati and Prati (2014) conceptualizes relational coordination to facilitate trust, based on relational involvement and multi-directional communication. Claxton

(2014) however, sees informal employee involvement as facilitated through servant leadership by managers that are seen as “*supportive and highly approachable, valuing individuals for who they were and involving them in idea development and decision-making*” (197).

Another four papers investigate both formal and informal voice provisions. The papers by Saini and Gerstleberger (2007) and Verreyne *et al.* (2013) identify informal voice provisions as key to organizational performance but without going into more depth in specifying the ways in which informal participation by employee voice is brought about and how it takes place. The remaining two case study-based papers by Saini and Budhwar (2008) and Wilkinson *et al.* (2007) go further. Saini and Budhwar (2008) demonstrate clearly that in both of their case companies informal practices are supplemented by formal employee voice provisions, in response to employee demands for better respect for their work and role, and to enhance the workers’ self-respect and a sense of belonging to the organization (2008: 428). Wilkinson *et al.* (2007) find that some case companies seek to imitate voice provisions from larger companies but find that formal techniques work against the informal nature of a small social setting and direct working relationships with colleagues. Moreover, employee voice emerges undirected and therefore bypasses management because “*employees found their own ways of engaging with one another rather than contributing towards management plans and objectives*” (Wilkinson *et al.*, 2007: 1290).

These papers show that informal forms of employee voice coexist with formal voice provisions in smaller firms but that fragmented and embryotic research does not tell us in which specific organizational contexts informal voice provisions occur and the nature of the relationship between formal and informal forms of voice. Do they happen in parallel and are they chosen by either owner/managers or employees depending on the situational needs or do they run sequentially to promote topics in a progressive way in bilateral discussions between both sides? Furthermore future research on the purpose of employee voice as well as the orientation of owner/managers in handling employee voice would enrich our understanding of the owner/manager’s current role in the management of closer workplace relations and the challenges they face in doing so informally or formally. For manager-owners such research could highlight the critical requirement for them to develop key skills that enable them to respond effectively to organizational issues. Moreover, the inclusion of informal employee voice is likely to broaden the current dominant articulation of employee voice beyond the seeking of improvement in work organization, quality and productivity and to capture it as an articulation of individual dissatisfaction or the demonstration of mutuality and cooperative relations in a more direct employment relationship. If indeed more nuanced purposes of voice emerge we would argue research needs to recognize a broader range of outcomes to employee voice to be critically assessed, *i.e.* evaluating the exit-loyalty nexus, the owner/manager intentions to marginalize employee needs or the underlying reasons for sweetheart deals (Dundon *et al.*, 2004).

### ■ 2.4.3. Integrating multiple perspectives: at present owner/managers tip the scale

Papers on small firms generally explore the interests, assessments and strategic choices of owner-managers and hence the managerial perspective dominates these studies (Marlow *et al.*, 2010). However, the bias resulting from an exclusive focus on managerial views has been the subject of sustained critique (*e.g.* Macky and Boxall, 2007). There are potential problems with measurement error and the possibility that managerial opinion is not an accurate representation of events (Gerhart *et al.*, 2000; Purcell, 1999) and the current strong reliance on just one source of information limits significantly the validity of data.

The voice of the owner/manager is one of many in employee voice, yet the perspective and interests of the employee rarely exhibit in the prevailing discourses (Ram and Edwards, 2014) and are largely absent in the empirical literature on employee voice in general. It is simply impossible to know from existing owner/manager focused research whether any or all employees experience employee voice practices similar to that experienced by owner/managers (Ramsay *et al.*, 2000). This creates a gap in our knowledge, for instance, about the contributing factors to effective employee voice, and leaves employees with valuable insight into formal and informal voice practices excluded from the research agenda.

In fact, what stands out here is that employees tend to be treated in an instrumental way, *i.e.* as a useful resource to contribute to work processes and facilitate the implementation of lean management practices. However, theory and practice of the role of employee voice at company level can diverge and hence the inclusion of the employee perspective to evaluate the effectiveness and employee experiences with employee voice is vital in future research.

At present the theoretical strand of the HRM/HPWS literature in extant research suggests that employee voice offers employees the opportunity to be involved and to participate in decisions affecting their immediate work environment and processes (Dora *et al.*, 2012; Nguyen and Waring, 2013; Blume and Gerstlberger, 2007). We have seen that a number of articles, examining employee voice practices as a source of competitive advantage, assume that this advantage extends to the employed workforce as well to lower quit rates (*e.g.* Allen *et al.*, 2013). While the understanding of the “business case” for employee voice is important, it is also important to understand it from the employee’s perspective as well. Employees decide on their discretionary behavior, *i.e.* whether or not to actively participate in voice mechanisms provided or to remain silent (Brinsfield, 2014). Hence owner-managers should be concerned about meeting employee’s needs for voice (*e.g.* for instance Verreyne *et al.*, 2011) so that the desired effects of employee voice are accomplished. This requires adopting a multi-channel, multi-stakeholder approach to the study of voice, including the employee’s perspective.

Notable and welcome exceptions are the papers by Saini and Budhwar (2008) and by Verryenne *et al.* (2011). The Verreyne *et al.* (2011) empirical study elicits management and employee perceptions on the HR strategies and practices of small firms and their contributions to performance. In their study the views of the employees were more discriminating and diagnostic than those of owner/managers, emphasizing the importance of adopting broader perspectives on firm performance. Their findings demonstrate that “CEO views appeared to lack insights into the value of informal practices that comprise employment systems” (Verreyne *et al.*, 2011: 422).

Saini and Budhwar’s study takes a less systematic approach than Verreyne *et al.* (2011) with respect to the inclusion of employees. Nevertheless, they take account of the perspectives of employees from different levels in their two case studies in order to crosscheck the reliability of the information provided by different interviewees. Hence studies incorporating the employee view on employee voice practices can have potential theoretical contributions to understand and assess effective formal and informal employee voice systems in small firms.

We also need to thoughtfully question our paradigmatic assumptions—reinforced by the dominance of HRM/HPWS arguments in respect to employee voice—which may unwittingly constrain our thinking. One of these assumptions is that owners/managers would like to have employees enthusiastic to voice their concerns. However, as Donaghey *et al.* (2011) recently pointed out, this is not necessarily the case and owner/managers may even purposely seek silence from employees. Hence, a fertile area for investigation in SMEs may be to examine voice and silence by employees, *i.e.* analyzing when and why employees are unwilling to speak up about important issues and situations that they confront at work and thereby including the potential notion of suppression in employee voice. While there exists a research line in employee voice research in larger organizations rooted in the HRM, IB and OB literature (see Brinsfield, 2014) there is currently no space allocated to such an important workplace issue in smaller firms. None of the studies on employee voice in this review articulated silence as a possible choice by employees provided with employee voice. We recommend that the existing firm level research could extend to related issues such as the organizational “climate of silence,” conceptualized by Morrison and Milliken (2000) which is characterized by “widely shared perceptions among employees that speaking up about problems or issues is futile and/or dangerous” (Morrison and Milliken, 2000: 708). Moving to the individual level the existing HRM/HPWS based studies do not doubt the willingness of employees and presupposes they want to speak up. Arguably, this could be particularly the case in smaller workplaces where owner/managers are involved in the day-to-day operations and are grateful for the issues highlighted by employees. However, some studies in larger firms have found that loyal employees may “suffer in silence” because they are anxious about the potential disruption they may cause when voicing their concerns (*e.g.* Boroff and Lewin, 1997; Rusbult *et al.*, 1988). Employee anxiety can be an issue in SME research, where more direct employee-management relationships develop and often extend to a personal level.

#### ■ 2.4.4. Holistic studies/contextualization

A small number of articles address the combined influence on employee voice provisions steaming from employment systems, organizing structures and national, sectoral and organizational contexts in a holistic matter.

There are a number of studies that focus specifically on particular contexts, such as sectors (e.g. Kelley, 1996; Saleh *et al.*, 1990; Dora *et al.*, 2012; Koski *et al.*, 2009) or countries (Kmieciak *et al.*, 2012; Nguyen and Waring, 2013; Rahman and Tannock, 2005; Gadenne and Sharma, 2009; Ramezani and Gharleghi, 2013; Koski *et al.*, 2009; Temtime *et al.*, 2011; Kahire, 2010; Michna *et al.*, 2011; Sandada *et al.*, 2014; Gilman and Raby, 2013; Cakar and Erturk, 2010; Saini and Budhwar, 2008). A fewer number of studies report on specific aspects in the organizational context, such as human resource management practices (Allen *et al.*, 2013) leadership practices (Papalexandris and Galanaki, 2008); indigenous management practices (Saini and Budhwar, 2008), high – and low performing firms (Verreynne *et al.*, 2011), financial participation provisions (Bayo-Moriones and Larazza, 2009), role of portfolio entrepreneurs (Iacobucci and Rosa, 2010); management attitudes (Helfen and Schuessler, 2008) and various organizational characteristics (Willman *et al.*, 2006; Gabrielsson, 2007) or changing external contexts (Wilkinson *et al.*, 2007). These studies approach the connections between employee voice and specific contexts as being interdependent and advance further “black box” oriented studies. Even though the majority of these studies tend to isolate influential key dimensions in employee voice provisions through statistical analysis, authors often acknowledge how the elements interact. For example, the study by Verreynne *et al.* (2013) demonstrates that important differences emerged between high and low performance small firms on clusters of informal employment practices in a context of participative and mutually supportive cultures. While it became clear that successful firms had more highly rated people management processes and work systems were seen by employees as drivers of success, it was also obvious that these perceptions by employees depended on a small bundle of informal employment practices within a positive organizational culture. However, the studies, most holistic in approach, tend to be case-based. In particular the study by Saini and Budhwar (2008) finds that a set of indigenous practices in their cases are tied up with the employers’ attempts to build a collective-involvement culture in the organization, including direct involvement of the owner, employee consultation and a paternalistic leadership, but that the informality of provisions in the firms had to do with the closed minds of Indian owners rather than the general need to respond to a chaotic competitive environment.

The four case studies analyzed by Wilkinson *et al.* (2007) explain the apparent contradictory patterns in the range and impact of employee voice provisions through the different nature of internal and external factors, respectively relating to management style and social process as well as market characteristics and organizational restructuring.

Table 2.3

## SUMMARY OF RESEARCH FINDINGS ON EMPLOYEE VOICE RESEARCH IN SMEs

Thematic theme	Findings	Research gaps
Landscape of field	<p>Dominance of mixed sector research and on manufacturing in single sector studies.</p> <p>Strong dominance of transversal studies.</p> <p>Strong dominance of use of primary data but little triangulation of data.</p> <p>Firm level is the principal level in research.</p>	<p>Lack of single sector studies on service industries and on sectors that are important in prevailing economies.</p> <p>Lack of research on how and under which conditions employee voice evolves over time.</p> <p>Lack of research that includes multiple sources of information, e.g. the employee point of view.</p> <p>Lack of research investigating the dynamics at workplace level.</p>
Thematic strands	<p>Strong reliance on HRM/HPWS literature that provide insights on the presence and results of EV.</p> <p>Instrumentalization of employees' voice to achieve business objectives.</p>	<p>Lack of research on why owner/managers implement EV and choose specific EV regimes.</p> <p>Lack of research on the developmental and humanist objectives of employee voice.</p> <p>Lack of research on how employee benefits feed into achievement of business objectives.</p>
Company-level voice regimes	<p>Dominance of studies about formal voice provisions</p>	<p>Lack of research on the role of owner/management in management of workplace relations and the challenges they face.</p>
Integrating multiple perspectives: owner/managers tipping the scale	<p>Dominance of owner-employer perspective.</p> <p>Neglect of employee perspective.</p>	<p>When voice or suppression occurs; how suppression is established.</p> <p>What are satisfactory voice mechanisms to create employee outcomes.</p> <p>Investigation of voice and silence.</p>
Holistic research	<p>Employee voice is more complex and influenced by context than portrayed in the HRM-HPWS literature.</p> <p>Lack of comparative research.</p>	<p>There is a need to develop a more integrated framework consolidating extant black-box oriented research.</p> <p>Lack of research that not only shows the idiosyncratic patterns in voice provisions but that determines when specific contextual factors become more important.</p>

Source: Authors.

The cases described by Iacobucci and Rosa (2010) demonstrate the different scope of involvement through ownership in new venture creation and the associated role of the portfolio entrepreneur. The building of entrepreneurial teams depended on situational factors (time and resource availability) as well as existing employee capabilities and attitudes as well as trust developed in the former employment relationship.

What these papers suggest is that the broader situational contexts in which organizational processes are interpreted and played-out are more important than organizational size alone. Employee voice models are more complex and more idiosyncratic than the HRM/HPWS literature portrays. This is reported in all of the research reported here and reflects the potential diversity of employee voice. Ultimately, human resource management systems, leadership, organizational performance, owner/manager's rationale and drivers in the external environment support employee voice provisions in idiosyncratic and complex ways. What the extant research does not tell us is how and when each of these factors becomes more important.

Related to this point is the observed lack of comparative studies in present research. Notable exception is the study by Gilmann and Raby (2013) which adopts a comparative analysis on employee voice as part of high-performance work practices in the UK and France. Another comparative study by Dora *et al.* (2012) covers multiple countries within Europe but does not carry out a comparative cross-country analysis. Gilmann and Raby (2013) convincingly show that the nature of employee voice depends on institutional environments and that attention by researchers must be placed not solely at the organizational level but also at the institutional level, a principle that has so far hardly applied in SME studies.

## ■ 2.5. SUMMARY POINTS

In this section we have reviewed and structured the research carried out over the last four decades on an important topic in the field of small business management: employee voice. This review provides researchers addressing this topic with a clear map of the academic tendencies in these two fields.

Organized around four thematic themes that we derive from the mapping of the field, the limitations found in this review represent future research topics. Without doubt, our literature review of the extant research on employee voice in SMEs gives us a view of the 'state of the art' of knowledge in this field. However, a review of the subject of employee voice, comparing more systematically research on employee voice in large organizations with that in SMEs, could provide a more defined, in-depth analysis revealing the evolution of subjects and themes from the point when research on employee voice in SMEs took off.

We have argued that future research must adopt a multi-channel, multi-perspective approach to the study of employee voice practice at the company

level. The different needs of owners/managers and employees for voice requires research based on different disciplines rather than overly relying on the HRM/HPWS literature. As a consequence, information sources should include the employee and encompass formal and informal employee voice regimes. This requires more in-depth studies and a more balanced mix of case study and survey methods as adopted in our study. Finally, the unregulated nature of employee voice for SMEs in many countries, particularly for MSEs, calls for analyses that evaluate the owner/manager's rationale and the detailed impact of contextual factors since owner/managers have different degrees of unconstrained choice when considering and implementing specific employee voice regimes.





**3**

**EMPLOYEE VOICE PRACTICE IN MICRO  
AND SMALL COMPANIES IN SPAIN,  
GERMANY AND THE UK**



This section of our report presents a comparative analysis of the different contexts for employee voice mechanisms in MSEs. The analysis was carried out for Spain, Germany and the UK, all countries that represent different legal and employment relations contexts for employee voice practice. Key contributions derive from the analysis of the 2009 and 2013 European Company Survey data, focusing specifically on MSEs as compared to all firms in the private services sector.

The structure of this section mirrors its major objectives, which spells out first the contributions MSEs make in each of the three economies, before describing the different legal and employment relations contexts for employee voice. Finally, we provide an assessment of the prevalence of general employee representation mechanisms at the company level and key aspects that drive general employee representation at the company level.

### ■ 3.1. IMPORTANCE OF MICRO AND SMALL COMPANIES IN SPAIN, GERMANY AND THE UK

#### ■ 3.1.1. Existing context

As highlighted earlier, micro and small enterprises (MSEs) are frequently referred to as the backbone of the European economy, providing a steady potential source of jobs and economic growth. Indeed, as the compiled data for 2014 in the summary table below shows, the typical enterprise in the European Union is either a micro or a small enterprise, which together account for nearly 98.8% of all enterprises in the EU. The overwhelming majority are micro enterprises (92.4%). In terms of *employment* nearly 30% of employees in the EU work in companies with fewer than 10 employees and half of all employees work in companies with fewer than 50 employees. Moreover, nearly 40% of *total gross value* added produced by businesses in the EU has come from MSEs (Table 3.1).

MSEs not only play a crucial role in the economy of the EU as employers and sources of employment, they also contribute the most to *job creation*. According to a recent study by the European Commission, published in 2012, SMEs provide a vital

contribution to the European economy, having been responsible for 85% of the net job growth in the private sector between 2002 and 2010 (European Commission, 2012; de Kok *et al.*, 2011). Within the SME sector, the highest growth rate is found in MSEs, particularly in micro enterprises, which created 58% of total employment growth. Furthermore, MSEs had a much higher employment growth rate (1.7% and 0.7%, respectively) than the large enterprises (0.5%) between 2002 and 2010.

More detailed figures show that within Europe the MSEs' importance varies among major economies, such as Spain, Germany and the UK.

In 2014, *Spanish* MSEs provide 60% of all private sector jobs and 46.7% of value added, rates which significantly surpass the EU average. This is largely due to the group of micro enterprises that employ 40% of the Spanish private sector workforce and create nearly 28% of value added. According to the most recent SBA fact sheet for Spain (2014) the most important sectors for SMEs are the wholesale and retail trade, as well as manufacturing and construction, while they are also somewhat prevalent in the so-called knowledge economy, which consists of R&D-intensive industries and knowledge-intensive services.

Similar to Spain, *German* MSEs are important for jobs and added value generation. However, their average company size in Germany is larger than those in Spain and the UK. This means that there are fewer micro enterprises in comparison to the other two countries. The share of employment from German MSEs is more than 7 percentage points below that of MSEs in the rest of the EU. Similarly, the share of employment of micro enterprises is only about two thirds of the EU average. The share of MSEs in value added is also nearly 6 percentage points below what it is in the rest of the EU.

Considering mainly the distribution of SMEs across the German economy, according to the SBA Fact Sheet 2014, it can be noted that German SMEs operate mainly in the wholesale and retail trade sectors (27%). They account for more than a quarter of SME employment (26%) and for 23% of the value added SMEs generate. SMEs in the manufacturing sector generate almost as much value added (22%). This reflects the importance of manufacturing for the German economy in general and for its SMEs in particular. Regarding the importance of the high-tech and medium-high-tech industries for SMEs, Germany surpasses the EU average in terms of value added (8% against 6% in the EU). However, in terms of knowledge-intensive services, these sectors are not significantly more important for German SMEs compared to the EU average (SBA Fact Sheet, 2015).

MSEs generally play a smaller role in the *UK* than in the EU as a whole and in comparison to Spain and Germany. The structure of the UK business economy means that large enterprises are more important than SMEs particularly when it comes to added value and employment creation. They account for a higher share of value added (49%, against an EU average of 41.9%) and a higher proportion of employment (46.7% against 33.1%). More specifically, micro enterprises in particular contribute somewhat less in the UK – their share of employment is nearly

12 percentage points below the EU average and more than 23 percentage points below that of Spain. This is often explained by pointing to the UK's open economy and to its well-developed financial markets, which simplify large-scale M&A and create an attractive location for corporate headquarters (SBA, 2015). Regarding the distribution of SMEs across sectors, the UK manufacturing sector is less important than in the EU as a whole in terms of employment (5 percentage points lower) and value added (6 percentage points lower). Still, it is one of the most important sectors for British SMEs as it provides about 15% of employment and valued added. The distribution of SMEs across the other sectors is comparable to the EU average (SBA, 2015).

Table 3.1

### IMPORTANCE OF MSEs WITHIN EUROPE AND SPECIFIC NATIONAL ECONOMIES

	EU-28	Spain	Germany	UK
Proportion of enterprises by size				
• <b>Micro</b>	92.4	94.4%	81.8%	88.9%
• <b>Small</b>	6.4	4.8%	15.2%	9.2%
• <b>MSE total</b>	<b>98.8</b>	<b>99.2</b>	<b>97.0</b>	<b>98.1</b>
• <b>Medium-sized</b>	1.0%	0.6%	2.5%	1.6%
• <b>Large</b>	0.2%	0.1%	0.5%	0.3%
Proportion of employment by size				
• <b>Micro</b>	29.1%	40.4%	18.7%	17.2%
• <b>Small</b>	20.6%	19.6%	23.6%	19.5%
• <b>MSE total</b>	<b>49.7</b>	<b>60.0</b>	<b>42.3</b>	<b>36.7</b>
• <b>Medium-sized</b>	17.2%	13.3%	20.4%	16.6%
• <b>Large</b>	33.1%	26.6%	37.3%	46.7%
Average annual employment growth rates for 2002 to 2010				
• <b>Micro</b>	1.7%*	0.4%	2.2%	2.4%
• <b>Small</b>	0.7%*	-0.4%	1.3%	0.1%
• <b>Medium-sized</b>	0.5%*	0.4%	1.6%	0.0%
• <b>Large</b>	0.5%*	1.8%	0.2%	0.5%
Total gross value				
• <b>Micro</b>	21.65%	27.7%	15.1%	19.1%
• <b>Small</b>	18.2%	19.0%	18.9%	16.3%
• <b>MSE total</b>	<b>39.85</b>	<b>46.7</b>	<b>34</b>	<b>35.4</b>
• <b>Medium-sized</b>	18.3%	17.5%	20.4%	15.5%
• <b>Large</b>	41.9%	35.8%	45.6%	49.0%
Business creation balance		negative	negative	positive

Note: \* Data for EU-27.

Source: SBA Fact Sheets 2014 for Germany, Spain and the UK; EC 2012; compilation by the authors.

### ■ 3.1.2. MSE development since the economic crisis 2007

Given the importance of MSEs in the EU as a whole and for individual national economies, a few EU-level comparative studies have analyzed SME *development* during the 2007 economic crisis and have also evaluated their role in the recovery and in job creation (de Kok *et al.*, 2011; Eurofound, 2012b). We comment on a few on them to highlight dynamics within the SME sector, focusing specifically on MSEs whenever possible.

While the data displayed in the summary table clearly shows that job creation rates of MSEs outstrip those of larger companies, except in the UK, the Eurofound report on “Restructuring in SMEs in Europe” (2013) also highlights a further feature of employment development in smaller companies compared to large enterprises: not only entry rates by employees but also their exit rates are higher. There is a greater proportion of workers leaving the small company due to dismissals, redundancies or individual decisions. This demonstrates a specific characteristic of SMEs which are forced to adapt to altered economic conditions in order to sustain and remain competitive. Although generally SMEs are viewed as being more flexible, more adaptable and less likely to dismiss staff than larger companies, they also face greater difficulties in economically difficult situations which often require some sort of restructuring. This is mainly due to limitations resulting from size – for example, lower internal flexibility and more restricted resources to mitigate the instant impact of an economic crisis (Eurofound, 2013).

Moreover, a detailed look at enterprise registers for national economies reveals differences in the dynamics of firm’s birth and exit rates and differences in impact of the economic crisis on SME and MSE development.

Considering the business demography in *Spain*, the trend in business startups has been, up until now, substantially influenced by the economic crisis. According to the data by the National Statistics Institute the net balance in the number of active firms has been positive since the year 2000 but it turned negative after its peak in 2008 and has remained so until now, according to the latest available data. The enterprise data by activity situation on the 1<sup>st</sup> of January 2015 shows a net decrease of 33,804 units (INE, 2015). Of the newly registered firms, about 76.4% are individual entrepreneurs with no employees. 22.7% of newly registered units are micro and 0.6% of newly registered units are small enterprises. Only 0.3% of firms are registered with more than 20 employees (INE, 2015). Nevertheless, three service sectors revealed a positive net registration during 2014-15: health; legal and accounting; and administrative and support services. Similar to previous years, most firms that ceased activity in 2014-15 were to be found in construction (-16,140 units) and the wholesale and retail sector (-9,877 units) (INE, 2015).

The performance of *German* SMEs since 2008 has been exceptional compared to most other European economies: they expanded throughout the crisis, particularly focusing on employment creation and added value creation. Considering business dynamics, however, a concerning trend emerges. After a prolonged period of

business creation since 2008, a negative trend in the difference between newly created businesses and business liquidations (-24,000 in 2012; -16,000 in 2013 and -38,000 in 2014) developed since 2012 (IFM, 2014). Common explanations put forward are the favorable economic environment which creates a high demand for qualified employees and which also incentivizes less business creation by the unemployed (BMI, 2015).

The UK economy is growing at a slow but steady pace and this is clearly reflected in the British business economy. Here, both SMEs and large organizations increased their value added between 2009 and 2013 – SMEs by 24% and large organizations by 18%. The growth of SMEs is mainly driven by medium-sized enterprises, showing an increase of about 30%. Since 2010, the UK SMEs have added some 700,000 new jobs, bringing total employment in the sector to almost 10 million in 2013, a 7% increase. The number of SMEs rose in the same period by some 130,000 to approximately 1.8 million (SBA, 2015).

The gradual recovery of the British economy and the SME sector is also reflected by a prolonged, positive trend in business demography in general. Considering the companies register of activity since 2010 and 2014 in particular, a positive balance is observed and the latest exhibits published by Companies House for the end of the financial year 2015 (1 April 2014 to 31 March 2015) show that 585,700 new private companies were registered while 369,500 were dissolved (Companies House, 2015).

### ■ 3.2. THE DIFFERENT CONTEXTS FOR EMPLOYEE VOICE IN MICRO AND SMALL COMPANIES

#### ■ 3.2.1. Regulation on employee voice in micro and small enterprises

When investigating employee voice in micro and small companies, the legal framework for facilitating formal employee representation mechanisms is key. There are usually two types of employee representation at firm level: via elected employee representatives or via workplace trade union representatives elected by the employees. We will refer only to legislation that is relevant for micro- and small enterprises, because in Spain, Germany and the UK the legal framework differs and establishes specific thresholds in terms of workforce size (see Table 3.2).

Apart from the forms of employee representation provided for by law, enterprises are free to establish their own employee voice mechanisms, such as round tables, spokespersons etc. However, these provisions are based on company-specific agreements that depend on the discretionary powers left in the hands of the manager/owner.

#### *Spain*

In Spain, elected works councils are the principal channel of workplace representation for employees. The works councils themselves are dominated by

union members and, in addition to having information and consultation rights, they also bargain on pay and conditions at the company level. They are a purely employee body and there are no members representing the employer (Fulton, 2013).

Workplace representation in Spain has a clear legal basis with provisions that are mainly set out in the 1980 workers statute and the 1985 law on trade union freedom. The law provides for elected representatives from the whole workforce, *i.e.*, even from smaller companies. The right to elect employee representatives (so called *delegates* in firms with less than 50 employees) starts in workplaces with more than 10 employees and they can be elected in workplaces with as few as six people if a majority of employees decide to do so. Nominations come either from unions or from groups of employees (Fulton, 2013).

Works councils have the right to a wide range of information, to be provided on a quarterly basis, about their companies' performance, employment and recruiting practices and organizational decisions, such as subcontracting and sanctions imposed for serious misconduct. They also have consultation rights prior to any action taken by the employer in relation to restructuring, including dismissals, working time reduction and analysis, training, work organization changes, relocation, collective transfer and mergers, and takeover or modification of the enterprise's legal status (Eurofound, 2014: 22) The works council has information rights on economic issues and consultation rights in areas such as restructuring, redundancies and changes to payment systems. It also monitors compliance with labor law. Where bargaining is at the company level, it is carried out by the works council, which has the right to organize industrial action. Legislative changes introduced in 2011 give precedence to company level agreements.

Regarding trade union representatives, there are no specific provisions for companies with less than 250 employees, which means in micro and small companies the union will be present via the elected members of the works council that are union activists. The union's main task is to support its candidates in the works council elections and discuss the policies the works council should endorse (Fulton, 2013).

### *Germany*

As in Spain, works councils are the main form of employee representation at the company level but they have more substantial powers – extending to an effective right of veto on some issues. Similar to Spain, works councils are not a formal union body, but trade union activists normally play an important role within them and this is the body to which they devote their time and energy (Hans Böckler Stiftung, 2015).

There is a clear legal framework in Germany for workplace representation in all but the very smallest companies. Under the Works Constitution Act a works council can be set up in all private sector workplaces with at least five employees.<sup>1</sup> Nominations for works council members come either from unions with members at the workplace or from groups of individual employees.

<sup>1</sup> There is a system of staff councils in the public sector which have a broadly similar structure.

Works councils are not directly trade union bodies, but the unions have a major influence on their operation. Elected representatives tend to be union members. Works councils have the right to invite trade unions to attend meetings, provided a quarter of the members are in favor. In addition, works council members usually attend union-organized training courses. As in Spain, works councils are purely employee bodies. There are no members representing the employer. However, the works council cannot consider just the interest of the employees. Its legal basis is to work together with the employer *“in a spirit of mutual trust ... for the good of the employees and the establishment”* (Fulton, 2013).

While the works council has several co-determination rights as well as consultation and information rights, they do not extend to issues which are addressed in collective agreements – unless the agreement specifically permits the councils to take up such issues (Vogel, 2014). By law, works councils should not become involved in collective bargaining on issues, such as pay or working time, which is carried out by trade unions. However, more recently works councils have started to have a greater role in these issues, as collective agreements include so-called “opening clauses” that permit works council and local management to agree variations to the deal reached by the union and the employers’ association at the industry level under specified circumstances (see subsequent section) (Fulton, 2013).

The law in Germany does not provide a separate statutory structure for union workplace representation in micro and small companies but in practice the members of the works council take over the task of union workplace representation.

### UK

In contrast to Spain and Germany, there is no common structure for employee representation in the UK and only limited legal provisions for employee representation channels in micro and small companies exist. The primary base for both union recognition and/or the establishment of works councils/joint committees has traditionally been through voluntary agreement (Gamwell, 2014). Unions are the most common way that employees are represented and only since 1999 they can legally compel the employer to deal with them, but only if they have sufficient support.

The situation on the provision for employee representation in micro and small enterprises has not been changed by the new legislation, where the EU Information and Consultation Directive was implemented in 2002, as it neither specifies the form that the representation should take nor applies to organizations with less than 50 employees (Hans Böckler Stiftung, 2015).

Considering potential employee representation channels, WERS 2011, a major official survey of UK workplace employment relations that is representative of all workplaces with five and more employees, identified four potentially overlapping forms of employee representation. These were (a) a “recognized union” (a union with which the employer has agreed to negotiation), (b) an on-site representative of

a non-recognized union, (c) a joint consultative committee (a committee made up of managers and employees concerned with consultation rather than negotiation) and (d) a stand-alone non-union representation.

Legislation passed in 1999 provides, for the first time, a legal mechanism to compel employers to recognize unions. Unions must prove to an independent body, the Central Arbitration Committee (CAC) that a majority of employees in a “bargaining unit” (*i.e.* a workplace, several workplaces, or part of a workplace) would like a union representing them. They can do this either by showing that more than half the employees are union members, or by winning support for the recognition of a majority of employees in a ballot, although this must also be equivalent to at least 40% of all employees in the bargaining unit. This legislation only applies to employers with 21 or more employees. Trade union representatives take up the concerns of trade union members only in the workplace and do not represent non-union employees. They have limited information and consultation rights and may carry out collective bargaining (Hans Böckler Stiftung, 2015).

Where unions are not recognized, it is likely that other employee representative structures will only be set up where the employer initiates the process because there

Table 3.2

### SUMMARY OF RESEARCH FINDINGS ON EMPLOYEE VOICE RESEARCH IN SMEs

Country	Employee representatives/Works councils/ joint bodies	Trade union representatives
UK	No legal provisions; depend on employer initiative.	Main representation channel. Right to compel employers to recognize unions in firms with at least 21 employees. Information and consultation rights; involved in collective bargaining at firm level.
Germany	Main representation channel. Right to elect begins in workplaces with at least 5 employees. Information and consultation rights as well as co-determination rights; tend not to be involved in collective bargaining at firm level.	No separate statutory structure for union workplace representation; influence via elected works councils.
Spain	Main representation channel. Right to elect begins in workplaces with more than 10 (of if applicable at least 6) employees (delegates). Information and consultation rights; involved in collective bargaining at firm level.	No separate statutory structure for union workplace representation; influence via elected works councils.

Source: Compilation by authors.

are no legal provisions for non-union employee representatives in firms with less than 50 employees (Fulton, 2013).

A key task for trade union representatives in many workplaces in the private sector is to negotiate on pay and conditions. This is because in the private sector the most important level of collective bargaining, where it continues to exist, is that of the company or individual workplace. In workplaces where unions are recognized, union representatives have the right to receive information from their employer that is needed for collective bargaining purposes.

### ■ 3.2.2. The employment relations context in micro and small enterprises

Apart from the legislative framework that determines employee voice mechanisms at work, the wider employment relations context is relevant as a determinant to employee voice. However, industrial relations in micro and small enterprises is arguably an area about which relatively less is known, compared to that in large organizations. In this section we attempt to give the reader a general understanding of employment relations in micro– and small enterprises by capturing essential aspects in micro and small enterprises: the membership of social partner organizations, collective bargaining and employment and working conditions.

#### *Membership to social partner organizations*

##### **Trade unions**

Only a minority of countries have accurate data on trade union membership among employees of SMEs, let alone micro and small enterprises. However, it is reported from the majority of countries that unionization is thought to fall with company size (Schulte-Wrede, 2014).

Our search retrieved only data for the UK. They show that the proportion of employees who belonged to a trade union in larger workplaces was 33% in 2014, compared with 16% in the micro and small workplaces. About 60% of employees in larger workplaces reported that a trade union was present, compared with 25% in smaller workplaces (BIS, 2015).

##### **Employers' organizations**

Most countries of the EU have specific central organizations representing SMEs' interests. This is the case in Germany, Spain and the UK. In Spain the organization 'CEPYME' participates in collective bargaining of at least some kind, and is represented on bipartite and tripartite advisory and consultative bodies. In *Germany*, by contrast, no central organization has a specific role in SME employment relations. There are a range of bodies that support the interests of SMEs, although employer bodies whose members carry out collective bargaining are more general

employer organizations rather than ones that solely represent SMEs (Eurofound, 2011). The UK does not have SME associations that engage in collective bargaining, although they do have SME representative bodies that support SMEs. This task is taken on by the Federation of Small Businesses. In addition the main employer associations have a separate section for SMEs (Eurofound, 2011).

Information on the characteristics of SMEs that belong to an employer organization is relatively difficult to find. In fact, membership statistics hardly exist and if they do, they show that SMEs are less likely to be members of employers' organizations than larger firms are. Even though employer associations that represent the interests of SMEs in these three countries exist, they do not necessarily represent all, or even a majority of, SMEs (Eurofound, 2011).

### *Collective bargaining*

Little information is available on collective bargaining in SMEs, although if data are available they indicate that collective bargaining is not as widespread in SMEs as in larger organizations and tends to increase by increasing firm size. There are two reasons for this. The propensity of large firms to join employers' associations is significantly higher than that of their smaller counterparts. Likewise, unionization tends to increase with firm size and these aspects matter, particularly in countries with prevalent single-employer bargaining, such as the UK (Traxler and Behrens, 2002). For instance, in the UK, Traxler and Behrens (2002) report that the collective bargaining coverage rate in 2000 is 10% of workplaces with 1 to 24 employees, which rises to 31% if the firms employ more than 25 workers. This compares to an overall higher country wide coverage rate in collective bargaining of 36% (regardless of size).

However, it must be noted that collective bargaining agreements might not be enforced in micro and small firms despite their applicability. In Spain, data for 2014 shows that there have been 2,073 violations of collective agreements reported for 1,831 companies, which affected a total of 66,203 employees. The great majority of employees affected by these collective agreement violations belong to the service sector (74.65%). Breaking down these numbers according to company size, 41.26% of the employees affected belong to medium sized or large organizations. However, most of the companies that have reported derogations from collective agreements (83.40%) are micro and small companies (CEPYME, 2015: 41). Hence in practice, the proportion of employees in micro and small companies covered by collective agreements might be lower than official figures suggest.

### *Employment and working conditions*

With regard to the employment and working conditions that can be found in micro and small companies, and how these differ from those in medium-sized and large firms, it is not easy to offer a general picture. Micro- and small companies differ quite substantially, not just between countries, but also according to aspects such as sector, competitive strategies, and owner management styles, among others.

Research emphasizes the tensions that arise, particularly for owner-managers, in maintaining control whilst also maintaining positive relationships with their employees at work. Moule (1998) and Ram and Edwards (2003) argue that “*negotiations of the balance*” between these two objectives lead to contingent and fluid approaches to the management of employment relations. This also highlights the informal approaches to employment relations that characterizes much of the relationship in micro and small firms, whereby people management is largely “*emergent, flexible and loosely structured ... there is an absence of informed professional HR management ... and contemporary and appropriate HR policies and practices are unlikely to be in place*” (Marlow, 2005: 5).

### ■ 3.3. REPRESENTATIVE SURVEY EVIDENCE ON EMPLOYEE VOICE IN MICRO AND SMALL ENTERPRISES

In this section we assess actual employee voice practice by analyzing the data from the European Company Surveys (ECS) of 2009 and 2013, which are representative large-scale, cross-national surveys among establishments in the European Union. The ECS 2009 and 2013 allow us to capture workplace practices, including employee participation and social dialogue – a focus that is of particular interest for our study. Specifically, we analyze the actual employee voice practice in the case of Spanish, German and British firms. These countries are constituted by distinct employment relations, legal and MSE business contexts. Thus, this allows us to determine if there are any significant cross-country differences in the influence of employee representation among MSEs.

Before presenting the results from the survey analysis, we comment briefly on the key characteristics and methodology of the European Company Survey<sup>2</sup> as well as the key characteristics of our sample used. We then describe the incidence of specific employee voice mechanisms, including their determinants as well as the support received by management and employees in companies with employee voice mechanisms. Country-specific forms of representation are always taken into account in our analysis.

#### ■ 3.3.1. Key survey characteristics and its methodology

For the empirical analysis carried out we use data from the second and third ECS (2009; 2013) that has been developed by the European Foundation for the Improvement of Living and Working Conditions, repeating it every four years across the 27 EU Member States and covering establishments with 10 or more employees from both the private and the public sectors. At the establishment level

<sup>2</sup> More detailed information can be found on the Eurofound ECS Survey web pages. <http://www.eurofound.europa.eu/surveys/ecs/2009/european-company-survey-2009>

human resource managers and employee representatives –where available– were interviewed via telephone about workplace practices, including employee involvement and participation. Given the focus of our study the analysis concentrates on formally established employee representation mechanisms that form a key part in employee voice provisions available to employees.

The use of the 2009 and 2013 ECS survey data not only allows us to carry out a cross-national comparison of workplace practices on formal employee representation in Spain, Germany and the UK, but also to capture trends and changes at workplaces in these countries, examining a few variables. However, the survey design was changed over time, which limits our ability to conduct a longitudinal analysis across all variables. Whenever this occurs, we clearly indicate the existing data limitations.

Furthermore, the 2009 and 2013 ECSs do not allow us to draw conclusions on the use of employee voice mechanisms in micro companies. Companies with nine or less employees are not included in the surveys. However, the data is representative for small companies, *i.e.* firms employing 10 to 49 employees. In addition, the data collected from employee representatives needs to be interpreted with caution due to the fact that it is considerably less likely that employee representatives in smaller workplaces will be encountered. The lower number of observations therefore sets limits on the generalizability of our findings and needs to be interpreted with caution.

Given the specific focus of our report, our sample from the ECS 2009 and 2013 includes 1,759 and 2,635 companies, respectively. These firms, as we have pointed out earlier, *offer private services and are of small size* (10 to 49 employees). Furthermore, we analyze the main characteristics of all types of firms (all firms with 10 or more employees) in order to determine if there are significant differences in the function of the size of the firms. In this context, Table 3.3 shows that the country with

Table 3.3

## DISTRIBUTION OF FIRMS ANALYSED IN THE SAMPLE BY COUNTRIES

Country	Number of Observations		Weight in the sample	
	2009	2013	2009	2013
Germany	475	698	27%	26.5%
Spain	671	880	38.1%	33.4%
United Kingdom	613	1,057	34.8%	40.1%
<b>Total</b>	<b>1,759</b>	<b>2,635</b>	<b>100%</b>	<b>100%</b>

*Note:* Distribution of firms analysed by each survey (European Company Survey) in 2009 and 2013. The last two columns show the weight of each country above the total number of firms analysed in 2009 and 2013.

*Source:* ECS 2009; 2013, and own elaboration.

the greatest proportion of firms analyzed is the UK in 2009 and 2013 with a weight of 34.8% and 40.1%, respectively. Conversely, the country with the lowest weight is Germany, as represented in 2009 and 2013, with only 27% and 26.5% of the sample, respectively.

### ■ 3.3.2. The specific country samples in the national economic contexts

In the case of Spain, out of 1,509 firms in 2009 and 1,474 in 2013, more than 44% and 60% respectively provided private services each year. Within this cohort about half of private sector firms in this sector are of small size (52% in 2009; 46% in 2013), which emphasizes the importance of firms of this size in this sector.

In comparison to Spain, German private service firms are fewer in number, 1,500 in 2009 and 1,470 in 2013, but they still make up a significant part of all enterprises in the German economy (31% in 2009; 48% in 2013). The percentage of small firms within this cohort has slightly declined between 2009 and 2013, from 63 % to 55%.

Meanwhile, the UK shows the highest growth rate of this sector between 2009 and 2013. In 2009 out of the 1,510 firms in UK, 40% of these firms operated in the private service sector. In 2013, this percentage increased significantly to nearly 73% out of 1,501 firms. Within this cohort of private service sector firms, small firms make up about 46% in 2013, which constitutes a decrease compared to 2009, when 53% of firms within the private service sector were of small size.

Therefore, the overall weight of the private service sector has grown significantly in the three countries analyzed between 2009 and 2013. In contrast, and in relation to behavior in the number of small firms, their weight within the private service sector has declined slightly across the three countries.

### ■ 3.3.3. Incidence of specific employee voice mechanisms in MSEs

In this section we describe the occurrence of general employee representation mechanisms in small companies that operate in the private service sector in each country.

#### *Germany*

In the case of Germany, as we can appreciate in Table 3.4a, there are significant differences among the different types of employee voice mechanisms in 2009 and 2013. In particular, the weight of the work council in the case of small firms has decreased between 2009 and 2013 from 11% to 5%. Likewise, this fall is observed for all firms in this sector as the percentage has changed from 26% to 24%. Comparing the weight for this type of employee representation between the two cohorts of firms,

we note that representation via works councils is less important in the case of small firms. The results demonstrate that the weight of the institutional form of employee representation which is provided for by law is lower for small firms. Furthermore, this type of representation has experienced a slight fall between 2009 and 2013.

In contrast, if we focus on company-specific arrangements such as the round table or spokesperson, we observe that the difference between small firms and all firms in this sector is not significant. In these cases, the variable company size has no influence on the prevalence of these two forms of employee representation. It is also noteworthy that in 2009, ad hoc forms of employee representation based on company arrangements are slightly more common in small firms than when compared to all firms in the sector and constitute the most likely form of employee representation in small firms (41%), followed by round table (33%) and spokesperson (13%).

When we consider the presence of a person or committee in charge of health and safety, which is legally provided for in regulation, we note a slight difference between the two types of sizes. When taking this minor form of employee representation, due

Table 3.4a

### INCIDENCE OF SELECTED EMPLOYEE VOICE MECHANISMS PRIVATE SERVICE SECTOR COMPANIES IN GERMANY ACCORDING TO SIZE (PERCENTAGE)

	Firms with 10-49 employees		All firms with 10 or more employees	
	2009	2013	2009	2013
Works council	10.63	5.10	25.68	24.36
Round table	32.56	NA	31.58	NA
Spokesperson	13.29	NA	13.89	NA
Person / committee in charge of representing the employee in issues of health and safety at work	72.09	NA	79.37	NA
No institutional employee representation but with forms of <i>ad hoc</i> employee spokespersons, joint committees or roundtables	41.21	NA	39.82	NA
At least one institutional or company specific form of employee representation	42.19	NA	50.53	NA
At least one institutional or company specific forms of employee representation including H & S person / committee	79.07	NA	84.63	NA

Note: Base = all establishments in Germany that are not in the public sector, that provide private services.

Source: ECS 2009 and 2013; management interviews; NA = data not available.

to its specific and limited focus, into account, the figures rise considerably, with a 72% incidence among small firms, which is slightly less compared to all firms in the private service sector sample (79%).

Finally, when we consider all types of possible employee representation, *i.e.* all possible provisions that are provided for by law and by company-specific arrangements and that are of either permanent or *ad hoc* nature, the weight of this type of representation is the highest in all firms. While this is not surprising we note a size effect, as percentages are slightly lower for small firms compared to all firms in the cohort (79 % and 85% respectively).

### Spain

Similar to the situation in Germany, we observe a company size effect on the various forms of employee representation. In the case of employee delegates, a provision provided for by law, there is less weight in small firms compared to all firms in the sector. Moreover, the data show a downward trend in the incidence of employee delegates between 2009 and 2013. In more detail, this type of employee representation provided for by law has a weight for small firms of 48% in 2009 and 45% in 2013. Likewise, in all the firms this percentage falls from 60% in 2009 to 55% in 2013.

The analysis of data for small firms shows the incidence of the trade union section and the enterprise committee, about which managers were only asked for in the 2013 ECS. These types of general employee representation provided for by law are only present in firms that have at least 50 employees (enterprise committee) or in firms with at least 250 employees (trade union section). However it should be noted that small establishments that are part of a larger organization might reach these thresholds as a combined group and therefore have access to these forms of employee representation.

In these specific situations, and unsurprisingly, we observe a significant size effect in the prevalence of the trade union section and the enterprise committee when comparing small firms with all firms in the sector. Representation via the trade union section is found in 46% of all firms in the sector compared to 34% of small firms. Similarly, in the case of enterprise committee representation, for all firms it presents a weight of 49% compared with 28% for small firms.

The picture of employee representation at company level changes considerably among small and all firms in the sector when including the presence of a person or committee in charge of health and safety. In particular, the significantly increased incidence for this type of employee representation changes from 74% in small firms to more than 80% in all firms.

In contrast to German firms, forms of *ad hoc* provisions for employee representation are significantly less common amongst firms within the sector and we do not note a significant size effect (a 16% and 14% respectively). In fact, the

Table 3.4b

### INCIDENCE OF SELECTED EMPLOYEE VOICE MECHANISMS IN PRIVATE SERVICE SECTOR COMPANIES IN SPAIN BY SIZE (PERCENTAGE)

	Firms with 10-49 employees		All firms with 10 or more employees	
	2009	2013	2009	2013
Delegate	48.29	45.48	59.91	54.77
Trade union section	NA	33.74	NA	46.36
Enterprise Committee	NA	27.87	NA	48.52
Person committee in charge of representing the employee in issues of health and safety at work	74.29	NA	81.37	NA
No institutional employee representation but with forms of <i>ad hoc</i> employee spokespersons, joint committees or roundtables	14.11	NA	16.45	NA
At least one institutional or company specific forms of employee representation including H & S person / committee	79.43	NA	84.95	NA

*Note:* Base = all establishments in Spain that are not in the public sector, that provide private services.

*Source:* ECS 2009 and 2013, management interviews; NA = data not available.

comparatively high proportion of small firms with employee delegates may explain the lower need by firms for ad hoc provisions at company level.

Therefore, in the case of Spanish companies, size has a significant influence in each type of representation, with significant differences between the various forms of general employee representation.

#### *The UK*

Similar to Germany, the institutional form of employee representation in the UK, *i.e.* the trade union representative, is the least common form of employee representation amongst firms in the private service sector, although this is slightly increasing. In more detail, in 2013 this type of representation has a weight in the small and all firms of 8% and 13%, respectively. Similarly, in 2009 the weight is nearly 5% in small firms and 10% in all firms within the sector. Company specific arrangements, such as joint consultative committees, employee forums etc. can be found in about 10% of small firms in 2009 and 2013 and being more prevalent among all firms in the sector (22% and 17% in 2009 and 2013 respectively).

As in the case of German and Spanish companies, the incidence of employee representation changes, when taking into account the presence of a person or committee in charge of health and safety. When taking this minor form of employee

representation into account figures rise considerably, with a nearly 48% incidence among small firms and a 58% incidence considering all firms in the sector. Comparing then across different countries, in the UK the percentage of firms with this type of employee representation is considerably lower compared to Spain and Germany, with more than 20 percentage points of difference (for example in small firms the percentage in Spain and Germany is of 81% and 79%, respectively) .

In fact, size effects on the different types of employee representation are most visible in the UK whereas in Spain and Germany firm size is relevant for a lower number of the distinct forms of employee representation. This may be explained by the limited legal provisions for employee representation channels in micro and small companies, as explained above.

Finally, *ad hoc* forms of employee representation based on company arrangements are more common in all firms than compared to small firms in 2009.

Table 3.4c

	INCIDENCE OF SELECTED EMPLOYEE VOICE MECHANISMS IN PRIVATE SERVICE SECTOR COMPANIES IN THE UK ACCORDING TO SIZE (PERCENTAGE)			
	Firms with 10-49 employees		All firms with 10 or more employees	
	2009	2013	2009	2013
Recognized shop floor trade union representative	4.91	8.32	10.44	13.15
Joint consultative committee, employee forum, equivalent body table	9.82	10.30	21.86	17.03
Person / committee in charge of representing the employee in issues of health and safety at work	47.85	NA	58.4	NA
No institutional employee representation but with forms of <i>ad hoc</i> employee spokespersons, joint committees or roundtables	25.91	NA	31.34	NA
At least one institutional or company specific form of employee representation	13.19	14.26	26.59	23.65
At least one institutional or company specific forms of employee representation including H & S person / committee	50.92	NA	62.32	NA

Note: Base = all establishments in the UK that are not in the public sector, that provide private services.

Source: ECS 2009 and 2013, management interviews; NA = data not available.

The *ad hoc* employee spokespersons, joint committees or roundtables have a weight in all the firms of 31%, in contrast to 26% in small firms. In the case of at least one institutional or company-specific form of employee representation the percentage in all firms and small firms is of 27% and 13%, respectively. Lastly, if the presence of a person or committee in charge of health and safety is included, the percentage of this type of representation is at 62 in all firms *versus* 51 in small firms.

### ■ 3.3.4. Empirical analysis of the determinants of incidence on voice mechanism

In this section, we analyze the factors that determine the different types of employee voice mechanisms according to data from the European Company Surveys (ECS) of 2009 and 2013. Specifically, the aim is to try to answer the follow questions:

- *Does foreign or domestic ownership influence the incidence of formal legal or voluntary employee participation mechanisms?*
- *Does the existence of temporary agency workers, staff with fixed-term contracts or freelancers explain differences in the incidence of the different forms of employee representation?*
- *Does the proportion of employees in high-skilled jobs explain differences in the incidence of the different forms of employee representation?*
- *Does the existence of trade union members explain differences in the incidence of the different forms of employee representation?*
- *Does the preference by management of consulting directly with their employees influence the incidence of the different forms of employee representation?*
- *Do cooperative relationships between management and employee representation have an influence on the incidence of the different forms of employee representation?*
- *Does membership in an employer association influence the incidence of having at least one of the formal legal or voluntary employee participation mechanisms?*
- *Does the proportion of employees with open ended contracts influence the incidence of having at least one of the formal legal or voluntary employee participation mechanisms?*
- *Does management in companies with formalized employee representation believe that employee representation helps in a constructive manner to find ways to improve workplace performance?*

- *Does management in companies with formalized employee representation believe that the involvement of employee representation often leads to delays in important management decisions?*

To answer the above questions, we have conducted an econometric analysis using a *probit model* with country fixed effects, regressing each type of employee representation as a function of each determinant's business characteristics, such as ownership structure, employment structure and managerial preferences.<sup>3</sup> *i.e.*, the specification of the model is the following:

$$Type_{it}^* = \beta' factor_{it} + \gamma' country_{it} + u_{it}$$

*Type* it is a linear function of the explanatory variables. *Factors<sub>it</sub>* is a set of variables of the business characteristics (ownership structure, employment structure and managerial preferences that characterize the firms analyzed). With the aim of controlling for country effects we introduce a set of dummy variables (*Country<sub>it</sub>*), where the reference category is the firms located in Germany. These variables take the value of one if one firm is located in Spain or United Kingdom and zero otherwise. Lastly, *u<sub>it</sub>* is a stochastic error term.

First of all, we examined the factors that might affect the selected employee voice mechanisms in the private service sector for the year 2009. In this context, we consider two types of employee representation: a) incidence of at least one institutional or company specific form of employee representation (*Voice<sub>Ait</sub>*); and b) the incidence of having at least one institutional or company specific form of employee representation and simultaneously a person or committee representing the employee in issues of health and safety at work (*Voice<sub>Bit</sub>*). The estimations of the incidence of the different factors on the probability of each voice mechanism are shown in Table 3.5 below.

Equation (1) in Table 3.5 analyzes the different types of representation as a function of the type of ownership (*Ownership<sub>it</sub>*), that is, if the firm has domestic ownership, foreign or approximately equal parts domestic and foreign ownership. The results of this equation (1) show that this factor is not significant in either type of representation. Overall, these results suggest that the ownership of the firms is not an important factor in determining the institutional or company specific form of employee representation. Nevertheless, it should be pointed out that there are some differences among countries as is reflected in the significant coefficients of the dummy variables Spain and the UK.

The influence of the different types of work arrangements, such as temporary agency workers, staff with fixed-term contracts and/or freelancers, on the incidence

<sup>3</sup> As is pointed out by Greene (2003) the results of the estimations with probit and logit models are practically the same. The difference between the two econometric specifications lies basically in the form of the accumulative distribution function. In this sense, the probit model assumes a normal accumulative distribution function, while the logit model assumes a logistical accumulative distribution function.

of general employee representation is shown in equation (2) of Table 3.5. These results add evidence that firms mainly with fixed-term contracts ( $Overtime_{it}$ ) have a significant positive effect on the incidence of institutional or company specific forms of employee representation. Specifically, the results suggest that the dominance of staff with fixed-term contracts increases the probability of employee representation without an H&S committee at company level. It should be noted that in the case of British firms the effect is smaller as the coefficient of the dummy variable,  $UK_{it}$ , is negative and significant. Lastly, in the cases of small firms this effect is smaller as is reflected in the negative and significant coefficient of the dummy variable,  $small_{it}$ . Thus, the incidence of this factor depends on the geographical location of the firm.

Regarding the share of high-skilled workers ( $High\_skilled_{it}$ ), equation (3) in Table 3.5 shows the incidence of this factor on the probability of employee representation. In this equation, we note that this factor has significant negative impact only in the case of institutional or company specific forms of employee representation without considering H&S representation. Therefore, as the percentage of workers in the company with high-skills increases, the probability of employee representation decreases. It should be noted that this effect is higher for Spanish firms and lower for the British firms compared to German firms. Overall, the effect is minor for small firms.

Regarding the factor that indicates the proportion of trade union membership among employees ( $Trade\_union_{it}$ ), we can examine its significance only for the case of having at least one institutional or company specific form of employee representation but without considering country effects, due to the small number of observations. In this context, equation (4) in Table 3.5 shows that the proportion of employees that have trade union membership has a negative and significant effect on the probability of employee representation without an H&S committee. Thus, as the percentage of employees with trade union membership increases, the probability of employee representation decreases. In this case, the effect is the same for all firms regardless of their size.

Equation (5) in the same Table 3.5 shows the results of the estimation of the incidence of preference by management to consult directly with their employees ( $Directly_{it}$ ) on employee representation. As in the last case, we can estimate the equation only for employee representation without an H&S committee and without considering country effects. The results obtained suggest that the preference by management to consult directly with their employees does not have significant influence on the incidence of general employee representation.

Finally, with regard to the 2009 survey, we have examined if certain perceptions held by management influence the incidence of employee representation. These perceptions refer (a) to the belief that employee representation helps in a constructive manner to find ways to improve workplace performance ( $Performance_{it}$ ); and (b) to the belief that the involvement of employee representation often leads to delays in important management decisions ( $Delays_{it}$ ). Equations (6) and (7) show that

neither of these two factors has a significant incidence on the two types of employee representation. We also note that the effect of each factor is independent of firm size.

Secondly, we focus our analysis on the possible factors that might explain the incidence of selected employee voice mechanisms in the private service sector in 2013. Unlike the ECS 2009, in the 2013 ECS survey we consider each type of employee representation that is either institutional or company specific but without taking into account the person or committee in charge of representing the employee on issues of health and safety at work (*Voice<sub>it</sub>*). The 2013 survey does not provide information about this specific form of employee representation.

Firstly, we analyze the possibility that the firm's membership in an employer association (*Association<sub>it</sub>*) influences the incidence of general employee representation. As we can observe in equation (1) in Table 3.6 below, this factor is positive and significant. Thus, a firm's membership in an employer organization increases the probability of employee representation. It should be noted that this effect is minor for small firms, as it is reflected in the negative and significant coefficient of the dummy variable, *Size<sub>it</sub>*. Lastly, this factor is less important in the case of Spanish firms.

Another factor to be analyzed is whether the manager's preference for consulting directly with employees (*Directly<sub>it</sub>*) influences the probability of general employee representation. In this case, due to the low number of observations by country, the country effects are excluded in the analysis. As equation (2) shows in Table 3.6 below, this factor has a significant and negative effect on the probability of employee representation. Therefore, the results suggest that the preference of a manager for consulting directly with employees reduces the probability of general collective employee representation.

In the case of the earlier mentioned manager's beliefs about employee representation and delays in decision-making (*Delays<sub>it</sub>*) and employee representation and the improvement of workplace performance (*Performance<sub>it</sub>*), the country effects are also excluded in this analysis. In both cases, the results of the estimation of equations (3) and (4) presented in Table 3.6 suggest that these factors have no significant impact on the incidence of employee representation. Nevertheless, it should be highlighted that with respect to management beliefs about employee representation and workplace performance this is even less significant for small firms.

Lastly, we examine the influence of having employees with an open-ended contract (*Open\_ended<sub>it</sub>*) on the probability of employee representation. As is shown in equation (5) in Table 3.6 this factor has no significant effect on the voice mechanism analyzed. Nonetheless, the effect is even less significant for small firms. Overall, for this factor we can note that there are differences between the Spanish and German firms, as the coefficient of the Spain dummy variable is positive and significant.

Table 3.5

## INCIDENCE OF DIFFERENT FACTORS ON VOICE MECHANISMS (ECS 2009)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Voice_A	Voice_B	Voice_A	Voice_B	Voice_A	Voice_A	Voice_B
	Voice_A	Voice_B	Voice_A	Voice_B	Voice_A	Voice_A	Voice_B
Owiership	0.019	0.038					
Overtime		0.195**					
High skilled			-0.085***	-0.035			
Trade Union				-0.295			
Directly					-0.201		
Delays						-0.076	-0.630
Performance							-0.092
Small	-0.703***	-0.629**	-0.731**	-0.584**	-0.733**	-0.650**	-0.584
Spain	0.169**	-0.063	0.082	-0.205	0.204**	-0.044	0.127
United Kingdom	-9.23E-01***	-8.38E-01***	-9.23E-01***	-8.17E-01***	-8.74E-01***	-8.11E-01***	
Constant	4.40E-01***	1.34E+00**	4.28E-01**	1.45E+00**	7.08E-01**	1.58E+00***	3.29E+01***
N	1,759	1,759	1,186	1,186	1,738	1,738	305
II	-1,042.248	-857.211	-720.180	-547.612	-1,025.352	-846.196	-22.244
R <sup>2</sup> Pseudo	0.137	0.105	0.123	0.081	0.140	0.104	0.128
					0.006	0.007	0.091
					1.72E+00**	3.19E+00**	1.79E+00**
					619	640	640
					-94.437	-104.883	-22.076
							-105.588
							0.003

Notes: Results of the estimation of equation for the incidence of different types of ownership on voice mechanisms based on ECS 2009 survey.  $Representation_{Ait}$  ( $Representation_{B_{it}}$ ) is a dummy variable that takes the value of one if at least one institutional or company specific form of employee representation exists (including health and safety at work) and zero, otherwise.  $Owiership_{it}$  is a dummy variable that takes a value equal to one if the ownership is domestic and zero if not.  $Overtime_{it}$  is a dummy variable that takes a value equal to one in the cases that predominate fixed-terms contracts, and zero if not.  $High\_skilled\_jobs_{it}$  is a continuous variable that includes the percentage of workers with skills in the workforce.  $Trade\_Union_{it}$  is a continuous variable that includes the percentage of workers belonging to a trade union.  $Directly_{it}$  is a dummy variable that takes a value equal to one if the manager prefers to consult directly with workers, and zero otherwise.  $Performance_{it}$  takes a value equal to one in the cases in which the manager agrees that the ways to improve workplace performance has incidence on voice mechanisms, and zero otherwise.  $Delay_{it}$  takes a value of one in the cases in which the managers' opinion is favorable regarding whether this factor determines the possibility of voice mechanisms in the company, and zero if not.  $Small_{it}$  is a dummy variable that takes the value of one if the firm has between 10 and 49 employees. Finally, we include a set of country dummy variables. \*\*\* Significant at 1%, \*\* Significant at 5%, \* Significant at 10%.

Source: Authors.

Table 3.6

## INCIDENCE OF DIFFERENT FACTORS ON VOICE MECHANISMS (ECS 2013)

	(1)	(2)	(3)	(4)	(5)
	Voice_A	Voice_A	Voice_A	Voice_A	Voice_A
Association	0.772***				
Directly		-0.511**			
Delays			0.236		
Performance				-0.318	
Open_ended					-0.032
Small	-0.747***	-0.524***		-0.616***	-0.826***
Spain	1.178**				1.170**
United Kingdom	8.80E-02				-6.40E-02
Constant	-6.42E-01***	2.358***	1.86E+00***	2.23E+00***	-1.24E-01
N	2,545	1,010	1,024	1,030	2,635
ll	-1,271.586	-169.758	-183.294	-179.765	-1,403.851
R <sup>2</sup> Pseudo	0.248	0.062	0.054	0.059	0.200

Notes: Results of the estimation of equation for the incidence of different types of ownership on voice mechanisms in ECS 2013.  $Repre\_A_{it}$  is a dummy variable that takes a value of one if at least one institutional or company specific form of employee representation exists and zero, otherwise.  $Asocciation_{it}$  is a dummy variable that takes a value equal to one if the company is a member of an employers' organization, and zero otherwise.  $Directly_{it}$  is a dummy variable that takes a value of one if the manager's preference is to consult directly with workers, and zero otherwise.  $Delay_{it}$  takes the value of one in cases in which the managers' opinion is favorable regarding whether this factor determines the possibility of voice mechanisms in the company, and zero if not.  $Performance_{it}$  takes the value of one in cases in which the manager agrees with whether the ways to improve workplace performance has incidence on voice mechanisms, and zero otherwise.  $Open\_ended_{it}$  is a continuous variable defined according to the percentage of employees which have an open ended contract.  $Small_{it}$  is a dummy variable that takes the value of one if the firm has between 10 and 49 employees. Finally, we include a set of country dummy variables. \*\*\* Significant at 1%, \*\* Significant at 5%, \* Significant at 1%.

Source: Authors.

### 3.4. SUMMARY POINTS

While micro and small enterprises play a crucial role in the three national economies examined, the relevant employment relations and legal context do differ as the cross-country comparison shows, which is partly observed in the empirical analysis of the representative survey data.

A first finding of empirical descriptive analysis of the 2009 and 2013 for the three countries shows that company size influences the occurrence of general employee representation in firms in the private service sector.

Taking the three countries together, Spain stands out with the highest percentage of all, especially in small firms in private services having forms of employee representation that are provided for on a legal basis (employee delegate vs. the works council in Germany and the trade union representative in the UK).

Nevertheless, it should be emphasized that in all countries the legally provided form of a person or committee in charge of representing the employee in health and safety issues is the most prevalent one. However, one needs to bear in mind that this constitutes a rather minor form of employee representation due to its narrowed focus on health and safety issues only. Considering the 2009 data, the difference is strongest in Germany where only about 30% of firms have at least one institutional or company specific form of employee representation. Nevertheless approximately 84% of these indicate that they have at least one of these provisions when including the health and safety person or committee.

When not only institutional and company specific arrangements but also *ad hoc* provisions for employee representation are taken into account, the picture of employee representation in small companies changes considerably. In comparison to the UK and Spain, German small firms make considerably greater use of such *ad hoc* provisions, with a weight in 2009 and 2013 of 41% and 39%, respectively. Conversely, in 2009 this type of employee representation for small firms represents in Spain 14% and in the UK 13%. This trend between the different types of representation can also be observed when considering all firms in this sector across the countries analyzed.

Considering the results from the econometric analysis of the ECS 2009 survey, the results suggest that only the predominance of employees with fix-term contracts, the percentage of workers with high skills in the firms and the percentage of workers that belong to a trade union, have significant effects on the incidence of general employee representation. In particular, the predominance of employees with fixed-term contracts positively affects the existence of these voice mechanisms. Conversely, the percentage of workers with high skills in the firms and the percentage of workers that belong to a trade union have a negative effect on the incidence of general employee representation. It should be highlighted, that in any case the influence of these factors is significant when the representation of health and safety issues at work is considered. Likewise, in the case of the factors analyzed for ECS 2013, the results suggest that only the fact that the firms belong to an employers' organization and that the manager's preference is to consult directly with employees have a significant effect on voice mechanisms. In particular, membership in employers' organization has a positive effect on the incidence of employee representation at firm level. On the other hand, the preference of managers for consulting directly with workers has a negative effect on the existence of voice mechanisms.

Finally, it should be noted that in both analyses the incidence of most of the factors depends on the geographical location and the size of the firm. In particular, the factors analyzed have a minor effect in the case of firms with 10 to 49 workers compared to all firms in the private service sector.



**4**

**GOOD PRACTICE EXPERIENCE: EVIDENCE  
AND LESSONS LEARNT FROM THE CASE  
STUDIES IN SPAIN AND GERMANY**



## ■ 4.1. INTRODUCTION

### ■ 4.1.1. Objectives and methodology

Apart from providing an overview of research and of mapping extant knowledge on employee voice in micro and small enterprises, this study also aims to identify and describe MSEs where employee voice has worked well and to analyze the drivers for its success. Thus, one element of this study has been to carry out a more limited amount of in-depth fieldwork in two EU economies. This has resulted in the identification and elaboration of eight case studies each in Spain and Germany, which serve to illustrate current practices as well as the value added from employee voice at the company level, highlighting the challenges involved.

The main purpose of the MSE case studies was to describe practical examples and experience and to analyze the specific internal and external drivers of success. By extending existing research through these in-depth case studies we have been able to identify novel variables that drive employee voice in service sector MSEs. These include the owner/manager's frame of reference in employment relations; client contact issues; and the owner/manager's involvement in professional networks and local communities.

In terms of analytical tools and methods this case study analysis has relied upon face-to-face interviews with at least one owner of each respective firm and a brief questionnaire that was filled out before the interview. Whenever possible (depending on the access granted) questionnaires were distributed to employees as well (see Annex).

All interviews were carried out by the principal researcher, based on semi-structured interview guidelines, and were supplemented (whenever possible) by written material and information provided by owner/managers, as well as by our own secondary research. In addition, the principal researcher was usually able to observe the working premises before or after conducting the interviews. This constancy in our data collection process supports a coherent and appropriate interpretation of the data, due to our consistently obtained knowledge about these firms and working contexts.

Interviews with owner/managers focused on the following main topics:

- General information about the company (thus complementing information that had already been made available before the interview through the questionnaire).
- Perceptions, main interests and motives of the actors with regard to employee voice.
- Elements, forms and structures of employee voice in practice.
- Assessments regarding sustainability, key drivers and factors of success.
- Assessment of the owner/manager's frame of reference on employment relations.

To round out the overall picture of a specific case and to develop a more balanced view on the practical experience within the company, whenever the opportunity was granted, data from individual employees through a questionnaire administered in each case to the entire workforce was collected. To increase the response rate by employees, participation in a prize draw was offered, with the chance to win 20€ vouchers for Amazon. In Germany, as a result, access was granted in three small companies and with reasonable response rates, ranging between 14% and 27% of the respective workforce at company level. In Spain, no access to employees could be agreed with owner/managers. In fact, we noted substantial national differences in the willingness to participate in research. Apart from a general reluctance by employees to participate, due to common factors such as time pressure, fear of being identified, or lack of interest, we saw a greater reluctance in Spain by owner/managers to facilitate access to employees as well as by employees to participate. This seems, however, to be a rather common phenomenon since a similar tendency is reported for the fieldwork carried out for the European Company Surveys of 2009 and 2013 (Eurofound, 2010: 90; Eurofound, 2015: 152).

#### ■ 4.1.2. Case study sample

In order to describe practical examples and experience and to analyze the specific drivers of recommendable employee voice practices, we have selected some positive examples of employee voice. This means that employment relations as well as the outcomes of employee voice are regarded by the owner/manager of these companies as positive and beneficial in terms of economic performance and work processes.

- Our country sample consists of Spain and Germany and therefore represents two different regions within the EU, corresponding to different strengths of the national economy, different frameworks of employment relations as well as differences with regard to the presence and share of micro and small companies within the economy and for employment in general (see details in chapter 3.1).

- One of the selection criteria for the company sample was ‘evidently recommendable practice in employee voice,’ meaning a mode of practice that ‘stands out from the crowd’. In practice that meant including only firms that practiced a bilateral mode of employee voice, *i.e.* that went beyond a one-way or unilateral communication in which the owner/manager provided information to the workforce. In determining this characteristic, the researchers relied heavily on an exchange with regional and local professional organizations (Chambers of Commerce and guilds) that in most cases were selected according to suggestions that came from employers who know firms with employee voice practices in place (so called *snowball principle*).
- While we aimed for an equal share of micro and small companies in our sample of cases, a further criterion was applied that the sample should include firms with at least two years of operation in order to ensure that owner/managers have had sufficient practical experience with employee voice practices and their specific outcomes.
- Though our sample of cases cannot be regarded as in any way representative, it reflects a variety of firms within the service sector, a sector that is known to contain a high share of MSEs in both countries. Moreover, it is a sector of the economy which has gained importance in Europe, in terms of economic wealth and employment creation.
- Finally, our sample consists of “unpublished, newly generated cases” by the principal researcher, in other words, companies that have not been analyzed and described in other case studies, in order to ensure the novelty of our study.

It should be noted that our case study sample had to be adjusted several times in terms of country and company selection and that the identification of companies was more difficult than expected. While we had initially planned to contact regional social partner organizations to identify possible case companies, we later noted that they were hardly in a position to do so. Particularly when it came to micro companies, the identification of potential cases was extremely difficult. This illustrates the weak coverage of this size company group not only by representative organizations but also through various databases and other documentation. Hence, the decision was made to identify an initial set of companies through the Chambers of Commerce and local guilds that appeared to be in closest contact to these companies.

We also noted a different research culture in the Spanish context, where the Spanish companies were far more skeptical about contributing to this research than their German counterparts.

It was originally planned to extend the case study analysis to UK based MSEs. However, given the experienced difficulties in identifying suitable MSEs willing to participate in research in Germany and Spain, as well as the limited time scale of this study, it was decided to restrict the comparative research to Spain and Germany. In

Table 4.1

## THE GERMAN MSE CASES AND THEIR KEY CHARACTERISTICS

Feature	Tax Consultancy Co	Dental Co	Farm technology Co	Education Co	ICT Consultancy Co	Car north Co	Car south Co	Construction design Co
Industry	Assessor fiscal	Personal health care services	Farm technology and construction metal work	Educational services	Consulting and development firm for information and communication technology	Private cars: sales, repair and servicing	Private cars: sales, repair and servicing	Construction sector: design & execution of construction work
Nature & intensity of competition	Local - regular	Local - regular	Local - high	Local - regular	National - high	Local - high	Local - high	Regional - high
Sales volume	1 m to 4.9m	500.000 to 999.000	1 m to 4.9m	Less than 100.000	1 m to 4.9m	More than 5m	--	1 m to 4.9m
Employment size	Small - 28 employees	Micro - 7 employees	Micro - 7 employees	Micro - 1 employee	Small - 20 employees	Small - 30 employees	Small - 21 employees	Small - 15 employees
n sites	2	1	1	2	1	1	1	1
Age	1981 (34)	1959 (56)	1987 (28)	1994 (21)	1999 (16)	1966 (49)	1955 (60)	1981 (34)
Range formal EV techniques	Wide - consultation	Narrow - consultation	Narrow - information	Narrow - information	Wide - consultation	Wide - consultation	Wide - consultation	Narrow - consultation
Reliance on formal/informal EV	Preference for informal, parallel	Stronger reliance on informal, parallel	Stronger reliance on informal, parallel	Stronger reliance on informal, parallel	Stronger reliance on informal, parallel	Informal assists formal; parallel	Equal importance, parallel	Strong reliance on informal; parallel
Incidence of employee voice practices								
Formal voice practices	Introduced over time	Within the last 5 years; initiated by employees	Encouraged by owner	Encouraged by owner	Encouraged by key mgmt. team	Encouraged by owner	Encouraged by owner	Encouraged by owner

Table 4.1 (continued)

THE GERMAN MSE CASES AND THEIR KEY CHARACTERISTICS

Feature	Tax Consultancy Co	Dental Co	Farm technology Co	Education Co	ICT Consultancy Co	Car north Co	Car south Co	Construction design Co
<b>Downward communication</b>								
Regular workfor- ce meetings	√	√ (4 per year)	√ (ad hoc)	√ (2 per year)	√ (2-4 per year)	√ (6 per year)	√ (monthly)	√ (6 per year)
Regular team briefings	√	√ (ad hoc)	√ (ad hoc)	X	√ (every 1-2 months)	√ (monthly)	√ (5 per year)	√
Email-Intranet	√	X	X	X	√	√	X	X
Management chain	√	X	X	X	√	X	X	X
Notice Board	X	X	X	X	X	X	√	X
Newsletters	√	X	X	X	√	√ (3 per year)	√ (monthly)	X
<b>Upward problem solving</b>								
Suggestion Schemes	X	X	X	X	√	X	X	X
Attitude surveys	√	X	X	X	√	X	X	X
<b>Financial participation</b>								
Performance- related pay	√	√	X	X	√	√	√	X
Profit-related pay	X	X	X	X	√	X	X	X
Share schemes	X	X	X	X	X	X	X	X
<b>Representative participation</b>								
Joint consultative committees	X	X	X	X	X	X	X	X
Unions	X	X	X	X	X	X	X	X
Totals	7	3	2	1	9	5	5	2

Source: Author.

Table 4.2

## THE SPANISH MSE CASES AND THEIR KEY CHARACTERISTICS

Feature	Fitness Co	Consultancy banks Co	IT service Co	Hiring Co	Energy Co	Consultancy Co	Recreation Co	Economic consultancy Co
Industry	Fitness & rehabilitation services	Advisory & consultancy services for banks	IT services	Technology driven hiring services	Energy supply company & associated services	Business consultancy & advisory services	Recreational services for kids	Business consultancy services
Nature & intensity of competition	Local - regular	International - high	National - high	Global - regular	International (Iberian peninsula) - high	International (Iberian peninsula) - high	Local - low	National - high
Sales volume	Less than 100,000	100,000 to 249,000	1 to 4.9 m	500,000 to 1 m	5 m or more	1 to 4.9 m	Less than 100,000	1 to 4.9 m
n employment	Micro - 2 employees	Micro - 9 employees	Small - 49 employees	Small - 38 employees	Small - 16 employees	Small - 15 employees	Micro - 6 employees	Small - 18 employees
n sites	1	1	2 (Madrid & Barcelona)	5 (Madrid, Berlin, London)	1	2 (Madrid & Lisbon)	1	1
Age	2013 (2)	2012 (3)	2010 (5)	2011 (4)	2007 (8)	2002 (13)	2010 (5)	1999 (16)
Range formal EV	Non existent	Moderate - consultation	Wide - consultation	Wide - negotiation	Moderate - consultation	Wide - consultation	Moderate - consultation	Narrow - bilateral consultation / discussion
Reliance on formal/informal EV	Informal only	Stronger reliance on informal; intuitive use	Stronger reliance on formal; parallel	Equal importance: parallel	Stronger reliance on informal, parallel	Equal importance; parallel	Stronger reliance on formal; parallel	Strong reliance on informal, parallel
Incidence of employee voice practices	Introduced by owner	Introduced by owner from the beginning	Introduced by owners since 2013	Introduced over time by owners	Introduced over time by management	Introduced since the beginning by mgt.	Introduced over time by owner / requested by EE	Introduced since the beginning by owners

Table 4.2 (continued)

THE SPANISH MSE CASES AND THEIR KEY CHARACTERISTICS

Feature	Fitness Co	Consultancy banks Co	It service Co	Hiring Co	Energy Co	Consultancy Co	Recreation Co	Economic consultancy Co
<b>Downward communication</b>								
Regular workforce meetings	X	√ (weekly)	√ (4 per year)	√ (bi-weekly)	√ (yearly or when necessary)	√ (monthly)	X	√ (yearly)
Regular team briefings	X	√ (weekly)	√ (2 per year) virtual team meetings	√ (weekly)	√ (daily)	√ (weekly)	√ (monthly)	X
Email-intranet	X	X	X	√	X	X	√	X
Management chain	X	X	X	√	X	√	X	X
Notice board	X	X	X	X	X	X	X	X
Newsletters	X	X	√	√	X	X	X	X
<b>Upward problem solving</b>								
Suggestion schemes	X	X	√	√	X	X	X	X
Attitude surveys	X	X	√	X	X	X	X	X
<b>Financial participation</b>								
Performance-related pay	X	√	X	√	√	√	√	√
Profit-related pay	X	√	X	√	√	√	√	√
Share schemes	X	X	X	√	X	X	X	X
<b>Representative participation</b>								
Joint consultative committees	X	X	X	X	X	X	X	X
Unions	X	X	X	X	X	X	X	X
<b>Totals</b>	<b>0</b>	<b>4</b>	<b>6</b>	<b>9</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>3</b>

Source: Author.

terms of analysis, the comparative analysis still allows us to describe commendable employee voice practice in two countries with different contexts and dynamics in MSEs development and to identify context specific drivers for employee voice.

On this basis the researchers selected a final sample of company-based cases that were analyzed between the end of June and the beginning of November 2015. Table 4.1 and 4.2 provide an overview of the MSEs participating.

#### ■ 4.2. ELEMENTS OF EMPLOYEE VOICE IN PRACTICE ACROSS THE TWO COUNTRIES

As explained earlier in this report, employee voice is understood for the purpose of this study to be *'the ways and means through which employees attempt to have a say and potentially influence organizational affairs relating to issues that affect their work and the interests of managers and owners'* (Wilkinson *et al.*, 2014: 5). We consider this definition to be sufficiently broad for us to explore the multiple meanings of the concept of employee involvement, allowing for various permutations of well-known formal as well as the incorporation of informal forms of employee voice.

It is important to note, however, that employee voice contrasts with forms of purely one-way or unilateral communication and dialogue. An example of this would be the provision of information and instructions by management to employees with no opportunity for employees to share their opinion or ideas. Employee voice is a two-way communication and provides relevant employees with the opportunity to “voice” opinions and take some control, based on information provided by managers/owners and in the expectation that owner/managers will provide responses to the opinions expressed by employees.

Although the precise boundaries between the different dominant forms of employee voice are fluid, employee voice can be characterized on the following four key aspects: its associated influence, its scope of topics, its degree of formalization and the resources available for it (Wilkinson *et al.*, 2010; Wilkinson *et al.*, 2007).

First, employee voice can be characterized by an ascending extent of employee *influence*. The bilateral mode can range from simple bilateral communication to information and consultation rights for employees to negotiations between employees and owner/managers. Second, for employees to be able to have a voice on certain issues, the *topics* of communication with the employer have to be defined. This can range from work related issues to strategic issues. Third, to carry out communication processes there may be a need for employees to be able to collaborate and to discuss their own positions and interests. Their ability to do so depends on the degree of *formalization* of employee voice mechanisms. Finally, the incorporation of voice from employees requires *resources* such as space and time.

These case studies are examined in their specific country context and from a comparative perspective in light of these four aspects for the characterization

of employee voice. The evidence is presented by differentiating first between the three different degrees of influences in employee voice and then by describing key similarities and differences, particularly in terms of topics covered, degree of formalization and resource provision. We finally comment on the internal and external drivers of employee voice.

#### ■ 4.2.1. Employee voice practice in Germany

##### *Influence: employee voice as bilateral communication at company level*

When considering formal employee voice mechanisms only, two of the three micro companies in the sample fall within the category of employee voice that is characterized by bilateral discussion and exchange. However, by also taking into account informal approaches to employee voice, only one of the micro firms remains in this category. This may indicate that more *ad hoc* and situation-driven solutions regarding employee voice are the more common form for companies with fewer than 10 employees, which enables them to move beyond purely bilateral discussions and exchange towards a consultative approach of employee voice. As a common feature, all German micro-companies have a narrow range of formal mechanisms of employee voice and show a reliance on the informal forms which may allow for limited consultative employee voice but at the discretion of the employer on predominantly work-related issues.

At present employee voice in its formal form tends to be initiated and driven by the owner/manager in the micro companies. In the cases of FARM TECHNOLOGY CO and DENTAL CO, a new culture of employee voice was initiated after an ownership change of the company required a reorientation of business strategy aimed at the expansion of business activity. The growing number of employees called for an orientation towards a stronger participation-oriented form of employment relations between owner/manager and employees. At EDUCATION CO employee voice was initiated around the physical expansion of the business into a second and third location at similar times.

If *structures* exist, they are established on the basis of *ad hoc* decisions and depend on concrete needs. Formal bilateral discussions are often arranged outside normal working hours by staff (FARM TECHNOLOGY CO; EDUCATION CO) and only at DENTAL CO did we find more regular formal forms of employee voice. In fact, the micro companies in our sample rely predominantly on informal relationship with their employees. At all micro companies the owners continue to be directly involved in work processes and daily contact with staff is used to address work-related issues in a situation and needs driven approach that allows employees to raise specific topics. At FARM TECHNOLOGY CO this has resulted in a consultative influence through informal employee voice. However, it implies that the consultative form is more fragile, depending on the prerogative of the owner/manager due to the lower degree of formalization.

*“Workplace related issues are continuously discussed along the way. This is done here and there during work. We are in permanent contact with our employees; they enter here and we are also always at the workshops. [...] We are a small firm and the employees want to have a say and to be involved. If you always take the decision or if you tell them how to do things, and you don’t ask them they are quickly crossed” (FARM TECHNOLOGY CO).*

With respect to the concrete *formal forms* of employee voice the range of techniques was limited in all three micro companies (1 to 3 practices in total). In contrast with informal employee voice the formal form is characterized by clearly defined processes, scope and contents, as well as responsibilities and roles on behalf of the employees. Regular meetings with all employees were the most common form of formal employee voice even though the boundaries between informal and formal forms of employee voice are blurred and owners even stressed the casual character of these formal meetings that usually take place outside working hours (EDUCATION CO; FARM TECHNOLOGY CO).

In all micro companies, the employer/owner also has the last word when it comes to the provision of *resources* such as time off for employees to meet. And here, as for example the cases of FARM TECHNOLOGY CO and EDUCATION CO illustrate, the line between one-way and two-way communication is not always clear when, in most cases, it is the owner/employer who defines the agenda of employee voice at company level.

*“At some point you need to take a decision and say “We are going to do it this way.” We tell them directly that it is going to be this way. I talk then with the employees immediately. We don’t say “we meet at 2 at the workshop and talk about this.” We can’t do this because of time constraints. As you see, clients always stop by and talk to us or the telephone rings. This would not work.” (FARM TECHNOLOGY CO).*

This is not to say that owner-managers at these micro-companies would not like to move beyond the narrow range of formal employee voice but time constraints (FARM TECHNOLOGY CO) and the lack of seeing a business rationale for more employee voice (DENTAL CO) are mentioned as a hurdle.

*“At the beginning, when we took over, we considered having more employee participation. But somehow there is never anything of it. Because we lack the time. The day is so short and suddenly the end of the working day arrives and then that was it again.” (FARM TECHNOLOGY CO).*

*“If I were to see it as a necessity, which is also to my advantage, I would then certainly not mind introducing more employee involvement.” (DENTAL CO).*

In terms of *legally specified structures* of employee voice at company level, none of the micro companies in the sample have works councils, although the national threshold (five employees) allows for that. Particularly from the perspective of the owner/manager in the three micro-companies, this is explained by the comparatively good working conditions and dialogue culture within the company. This means that a

works council is not needed. Thus, and interestingly, the existence of works councils or trade union representation at company level is associated with conflict situations or polarization between employers and employees, problematic working conditions and other negative factors (DENTAL CO; FARM TECHNOLOGY CO; EDUCATION CO).

The *topics* addressed are generally not clearly defined. Bipartite dialogue and discussion is driven by situation-related needs, joint interests and initiatives that may come from either side, with owners taking the predominant role in agenda setting. Topics are always restricted to workplace related issues only. Participation and dialogue-oriented corporate cultures, at least in the three micro cases, result from the need to have a motivated team and workforce and the need to gain a competitive advantage based on their employees. The topics discussed through this formal form of employee voice relate in all cases to workplace issues. The organizational rationales given for voice in all three micro-companies were the improvement of organizational work processes (FARM TECHNOLOGY CO) and the improvement of staff morale (EDUCATION CO; FARM TECHNOLOGY CO).

*“We are a small group and we see each other every day. So you don’t really need so many big things. You give them as a thank-you gift. Around Christmas and in the summer you invite them for lunch. You sit down and begin a dialogue.”* (EDUCATION CO).

*“We go to the fair in Hannover, which is every two years. On the bus journey we talk and when we are there we ask “what do you think about this machine or about those? Should we give it a try?” There we test the opinion of our employees. This is our company trip! It was already introduced by the previous owner and we still continue with it.”* (FARM TECHNOLOGY).

When it comes to *strategic issues* to be addressed through formal employee voice practices, topics addressed were clearly defined by the owner/managers in all the micro cases we studied. This indicates that issues that are clearly in the interest of the employer, such as investment decisions, extension of business activities, ownership changes in the business etc. are addressed predominantly via the direct information of employees. Here, the line between one-way and two-way communication is not always clear because, in all cases, it is the owner-employer who first defines the time and the strategic aspects on the agenda.

More importantly, discussion only takes place once the owner-manager has made the decision to do so and has already given early input. Therefore the opportunity for employees to inform the decision by the owner/manager is usually not provided (EDUCATION CO). At FARM TECHNOLOGY the input by employees is occasionally looked for but it depends on the discretion of the owner-manager who will need to see a clear advantage from this work process (e.g. later responsibility taken by employees for this area) and this provision does not follow a systematic and regular approach and remains restricted to the informal form of employee voice.

### *Influence: employee voice as information and consultation*

Formal employee voice mechanisms in the form of information and consultation are found in all the small companies, showing that they tend to have a wider range of formal EV techniques in place compared to the micro companies. This may indicate that formal solutions of employee voice resulting in information to and consultation with employees are intentionally looked for by owner/managers that employ more than nine employees. All cases of small firms are characterized by a mode of formal dialogue and consultation that is two-directional and in which employees have the opportunity to voice their opinion and interests prior to decision-making by the employer. Micro companies tend to have more limited formal forms of employee voice and only one out of the three micro companies has been observed to have a consultative approach based on formal employee voice.

The main characteristics of these cases are described below.

In contrast to the bilateral discussion type of employee voice these cases are characterized by a greater degree of *formalization* of employee voice, *i.e.* structured processes of information and consultation on jointly defined matters that are brought into play on a regular basis. Four out of five small companies had implemented a broader range of employee voice practices, with regular workforce meetings, regular team briefings and the use of a newsletter amongst the most popular practices. In terms of *resources*, time and space is provided during the regular working time of the employee by the owner/manager in all small companies. On the employees' side in particular there is a need for time allowance in order to attend the meetings, *i.e.* this must be facilitated during working time. A clear dedication by the owner/manager to the consultative type of employee voice was evident in that working time is set aside to facilitate consultation of employees during working time. Surprisingly, there is no trade union membership in any of these firms which seems to indicate that employees have the basic competences and skills in order to assess the information provided by the employer and to carry out effective consultation. In the three companies in which we collected employee opinion, the majority of employees (ranging between 66% and 100%) indicated that information was provided by the owner/manager in good time and quality. It indicates that trade union organization may not be a crucial element in employee voice for effective information and consultation practice in professional services. Furthermore, the use of formal channels to facilitate a consultative type of employee voice is more frequent in small companies than in the micro-companies, since it requires processes and facilitation of opinion building within the workforce (*e.g.* employee meetings, delegating/electing a spokesman).

Employee voice that serves as information and consultation was encouraged and defined by the owner/manager and/or employees and not by law. This was in spite of the fact that all of these small companies surpass the minimum requirement for works council representation, which was not established in any of the cases. This becomes most obvious in the two cases where the owners/managers state explicitly that their rationale for information and consultation is "*to give employees a voice*"

which is strongly influenced by owner ideas such as responsibility and teamwork and a belief that employee voice needs to be learned and experience by employees early on (TAX CONSULTANCY CO; DENTAL CO).

In four company cases CAR SOUTH CO, CAR NORTH CO, CONSTRUCTION DESIGN CO and DENTAL CO, a new culture of information and consultation was initiated after a generational change in the ownership of the company, when a younger generation took over the family business (CAR NORTH CO) or became involved (CAR SOUTH CO; CONSTRUCTION DESIGN CO; DENTAL CO). A similar development happened in the case of FARM TECHNOLOGY CO and ICT TECHNOLOGY CO when the company was taken over by new owners or a new chief executive manager joined.

In the case of the small company CONSTRUCTION DESIGN CO, the more limited use of employee voice practices can be associated with the physical distance between the formal working places of the company offices. And here, as for example also mentioned in the cases of EDUCATION CO and TAX CONSULTANCY CO, the physical distribution of business locations or workplaces creates challenges to the integration of the business, the information distribution to employees and their inclusion in discussion. However, the physical distance of working locations appears not to be a hurdle for employee voice in companies in which employees experience a higher degree of responsibility and freedom about their working tasks (ICT TECHNOLOGY CO).

Even though formal employee voice in form of information and consultation was found in one micro-company, it remained more limited compared to small firms that showed this type of employee voice. While we note a more consultative form of employee voice going beyond a purely discussion mode at DENTAL CO, it must be said that at this company, employees have the responsibility to organize work processes and issues (e.g. working time) with each other and that the topics for a more consultative form only arise when problems are noted by the owner, are not resolved by the employees themselves or relate to suggestions for improvement in work processes. In these cases, the employees are consulted prior to a decision which is ultimately taken by the owner.

The orientation toward greater participation rights of employees was established in line with the *dedicated attempt* of the owner-manager to serve as: 1) a “best in class” case in terms of working conditions (CAR NORTH CO, CAR SOUTH CO, ICT TECHNOLOGY CO), 2) the acknowledgement that at least some employees want to be involved (CAR NORTH CO, CAR SOUTH CO; TAX CONSULTANCY CO) 3) that it is important for a good working climate (TAX CONSULTANCY CO; CAR SOUTH CO, CAR SOUTH CO; ICT TECHNOLOGY CO; CONSTRUCTION DESIGN) and 4) that it helps organizational performance (ICT TECHNOLOGY CO; TAX CONSULTANCY CO; DENTAL CO). In addition, positive orientation and high motivation by employees about employee voice are evident in two of the cases, where employees actively requested the introduction of employee voice techniques (TAX CONSULTANCY CO via employee survey; DENTAL CO via informal conversation).

*“I have searched for options. What can we perhaps offer that sets us apart from the others. It will take some time until other companies will do the same. But certainly not all. And then you have something that sets us apart from other companies.”* (CAR NORTH CO).

In contrast to the rather *ad hoc* and situation-driven employee voice that we found in the micro companies, the consultative type of formal employee voice is characterized by clearly defined responsibilities and roles on behalf of the employee’s interests. This is illustrated by the knowledge of nearly all employees in these companies about the existence and their use of available employee voice practices. Moreover, in two small companies, individual employees are named to channel and voice employee opinion (CAR SOUTH CO – elected employees *that serve as ‘mouthpiece’*; TAX CONSULTANCY CO – *office principal*).

In the majority of cases no representative forms were used and direct and individual forms of employee information and consultation were established. This is in line with the expressed preferences by the manager/owners to deal with employees directly and to have trusting relationships with their employees. However, in two small companies with the larger number of employees, specific structures are established to facilitate the direct communication between employees and owners. At TAX CONSULTANCY CO and CAR SOUTH CO formal spokespersons are established to channel and voice the concerns of individual employees. At CAR NORTH CO the consultation with informally identified “*endorsers of opinion*” is sought to test the already determined ideas by the two owners.

At the same time, it is evident that the informal form of employee voice remains important even in small companies, which is situation driven and *ad hoc*. Employees tend to rely on the *informal form* of employee voice in order to raise issues that are more delicate and cannot be raised through formal and publicly shared discussion (e.g. TAX CONSULTANCY CO: problems with other employees; higher workload, unequal treatment; ICT TECHNOLOGY CO; CONSTRUCTION DESIGN CO). While all owners in our sample stated that they prefer to connect directly with employees, often it is also the preference of the owner/manager (TAX CONSULTANCY CO; ICT TECHNOLOGY CO) to deal with workplace related issues on an informal base due to their long experience in employee management, as the following exemplary quotes indicate.

*“For me the informal form is paramount because I have here a direct connection with the employee. I like this better. I have a direct connection and then I realize immediately ... I belong to this type of people that have developed an instinct for specific types of situations and I follow this instinct often. So that I can say “In this situation, I know in which direction the conversation will go.” This is crucial for me.”* (TAX CONSULTANCY CO).

*“The owner is not the guy for that [formal employee voice]. He knows his engineers; he has worked together with hundreds of engineers over the last 10 years, in which he was at company X. I think he knows their ways very well.”* (ICT TECHNOLOGY CO).

In all companies, informal forms of employee voice continues to play a role in information and consultation practices although their relevance shows significant differences. While in the majority of companies formal and informal forms of employee voice are seen by the owner/manager to run parallel (ICT TECHNOLOGY CO, CAR NORTH CO, CAR SOUTH CO, CONSTRUCTION DESIGN CO), some owner-managers stress the independence between these forms (CONSTRUCTION DESIGN, CAR SOUTH CO) while others underline that the informal forms support the formal forms of employee voice (CAR NORTH CO, ICT TECHNOLOGY CO). Moreover, in all companies, size remains an important factor which continues to facilitate the day-to-day contact with employees through the continuing involvement of the owner/manager in the operations of the business. Considering the micro companies, we note that the lower number of employees facilitates a consultative form of employee voice through informal mechanisms. With increasing complexity and employee numbers, one small company made use of informally identified “endorsers”, i.e. employees that were seen to be able to raise their opinion with the owners as well as to share their opinion with fellow employees who would be inclined to follow this opinion (CAR NORTH CO).

*“We [the owners] decide about issues. And the next step is of course to talk about this with a few employees. These can be various employees and they do not have to reflect hierarchical positions in the firm. In a small firm such as ours you have a good idea who are the “endorsers” and the “endorsers” that are open to new initiatives. I know my employees. It is most of the time the elderly generation that blocks new initiatives. [...] If we notice that everyone is against this initiative, then we will not implement it. It would not have any effect. [...] The opinion by employees does influence us. If we get feedback saying “forget about this; it is crap.” Then we would not implement it. If we get feedback that the majority of employees would be positive about the issue, then we will certainly go ahead. We would then refer to the formal mechanisms and discuss the concrete form the issue would take. But the policy decision needs to be taken beforehand. If I go via the formal mechanisms all the way, to discuss this with employees, not all of them participate and if there is a poll, then there are 2/3 for the initiative and 1/3 against it. Those who were against the initiative, will always be unhappy. If I don’t have the formal poll than I don’t have these official figures or evidence that perhaps only a tiny majority was in favor of the new initiative. This makes the difference.”* (CAR NORTH CO).

In addition, the *greater responsibility by employees for working tasks* and the therefore required undirected communication among employees to organize and manage work seems to facilitate more informal forms of consultative employee voice. At three companies – ICT TECHNOLOGY CO, TAX CONSULTANCY CO and DENTAL CO – employees experienced a higher degree of freedom to decide on work related issues within the limits set by the manager-owner and independent communication processes between employees themselves. At ICT TECHNOLOGY CO this communication among employees that is not directed by supervisors is encouraged through the SCRUM technique which requires all employees to stand up for 10 minutes every day together and to provide answers to two basic

questions “What have I done yesterday? What will I do today?” *“Employees need to be short and everyone listens. This has helped communication enormously.”* These cases illustrate that work settings influenced by teamwork and responsibility may experience a higher relevance from informal practices of information and consultation in employee voice, allowing the owner/manager and employees to respond to acute needs and situations.

Finally, the *competitive strategy* of gaining a competitive advantage through flexibility is another determining factor for the informal form of employee voice. In the majority of companies the respective market demands require quick responses by the companies and informal, situation-driven based employee voice appears to allow for quicker responses in business action:

*“We chose to use the informal way because of the window of opportunity of 3 months. There was not an official announcement for initiating the program. [...]. The decision for a new area of business activity was developed through the project. We all knew that there was this project offer. This was during the pre-Christmas period. I can remember this well. The project came in on the 22<sup>nd</sup> or 23<sup>rd</sup> of December for 125,000 Euros and we could announce this to employees before Christmas and then after Christmas we all had to work on this. Because we had only three months’ time to build the system. That was the start signal for this new area of business activity.”* (ICT TECHNOLOGY CO).

It is worth noting that with respect to the specific and popular, formal employee voice form of regular company meetings open to all employees, the blurry boundaries between formal and informal forms are evident. In the majority of small firms these meetings happen outside working hours and in a more casual setting with the explicit aim by owner/managers of improving the cohesion among employees and ultimately the working climate (TAX CONSULTANCY CO; CAR SOUTH CO).

Moreover, the establishment of formal employee voice is an *incremental process* in which informal practices for consultation turn into more formalized routines upheld by the employer and known by employees. This incremental process seems to be triggered not by the passing of time and accumulated experience by managers but rather by the increasing complexity in the functioning of the company that requires more formalized approaches. For example the habit by the owner of one case company of going through the office at fixed times in the morning and in the afternoon to greet employees and to ask about issues related to tasks became formalized. This was in a context in which the introduction of a flextime system created a feeling by the owner *“that the control is slipping out of my hands and everyone is going their own way”* (TAX CONSULTANCY CO). Using the informal process of walking around allowed the owner to retain direct contact with employees during the launch of the flextime system. At ICT TECHNOLOGY CO, the routine of one of the key managers to talk with the outside working employees while visiting respective clients at their company premises developed into a more formal routine of meetings between direct supervisor and employees.

In terms of *topics* for consultation, in all cases the formation and consultation type of formal employee voice at the company level is restricted to workplace related issues and does not extend to strategic issues. All cases display work organization and business models that are characterized by an orientation towards high quality and teamwork with motivated members as well as towards having a sense of responsibility for the whole team. This implies that issues related to work organization rank high amongst the topics addressed by employee voice, irrespective of the specific form it takes.

Despite this, when it comes to topics addressed, there are significant differences between the different forms of employee voice. Topics addressed in companies with a narrower range of employee voice and a strong reliance on informal forms of employee voice bilateral discussion processes are very much driven by needs and concrete tasks, and are therefore situation-related and *ad hoc*. At the small companies with a broader range of formal employee voice practices, there is at least a certain portfolio/catalogue of topics in the information and consultation type of employee voice, including for instance training issues, working climate, working time issues, and work organization. For example, at TAX CONSULTANCY CO, the working climate is an important mutual issue which is addressed through the various techniques of employee voice. In addition, seating arrangements and working time issues are an important consideration. At ICT TECHNOLOGY CO the remuneration of overtime and travel allowances are hot topics among the owner/managers and employees. At DENTAL CO there is continuous communication and adjustments of working hours, often in response to personal needs amongst the employees themselves.

Information and joint consultation on strategic issues remains generally very limited in these cases and is generally not seen as conducive to organizational performance as the example quote below indicates.

*"I have tested strategic issues occasionally with employees. But the problem is that if you don't present the topic in a concrete and fully understandable manner, it creates many rumors. There is too much talk. Employees waste too much time in the single offices about "these unlaid eggs." They talk about them and this only leads to misunderstandings and insecurity. I can't recommend this nowadays. I don't do this any longer. If I talk nowadays with employees, then I have taken the decision. I have tried it, but it did not lead to the goal."* (TAX CONSULTANCY CO).

In the case company CAR NORTH CO information and consultation in a bilateral way took place with respect to the construction of a new building. While the decision *per se* about the construction work remained with the two owners, the use of some space in the new building was altered when employees suggested assigning a new sitting area for them rather than creating additional storage space. In this case the decision by the owners was reversed due to an initiative by the employees.

### *Influence: Employee voice as negotiation and joint decision making*

Among the German case companies there was not a single case of negotiation and joint decision making. Even though regular and formalized information and consultation practices were established in the small companies this has not developed over time into a negotiation and joint decision-making type of employee voice. This type would require the will by the manager/owner to share his/her prerogative. However, in all small companies the owners expressed their ultimate decision making right to carry all risk associated with the business.

### ■ 4.2.2. Employee voice practice in Spain

#### *Influence: Employee voice as bilateral communication at company level*

None of the Spanish MSEs in our sample practices employee voice in a pure mode of bilateral communication at company level, although we found that two companies in our sample are probably somewhere between employee voice as bilateral communication and consultation (FITNESS CO and ECONOMIC CONSULTANCY CO). These two companies have either no formal or very limited employee voice mechanisms in place.

In both cases, employee voice is initiated and driven by the owner/manager in these two companies. In the case of FITNESS CO, the role of the owner/manager is most obvious as the absence of any formal employee voice mechanisms is justified by the personal preference for an informal approach and the felt inexperience with formal forms of employee voice.

*“Because I don’t have experience with it, for me this would be something new as well. And I don’t feel comfortable with a formalized approach. I don’t like to say ‘OK, we meet at 4pm and discuss this and this and that’. I am more comfortable to speak with my employees informally, when the occasion arises.” (FITNESS CO).*

By contrast at ECONOMIC CONSULTING CO, the relatively privileged market position may explain why the owner/manager does not see a need for a wider range of formal forms of employee voice practices. An existing contract for service provision with one of the top 50 Spanish companies ensures stability and a steady stream of income for this small company. It also serves to level the pressure by the market that is generally characterized by a high degree of intense national competition. Hence there is less need to drive business performance through a wider range of employee voice mechanisms.

In both companies the owner/managers determine the *resources* provided. While at FITNESS CO no resources are provided, at ECONOMIC CONSULTANCY CO resources are based on the budget for financial participation and the time resources required during working hours.

Only at one case company did formal structures exist. They were regular but largely based on financial participation (ECONOMIC CONSULTANCY CO). This is generally seen in the employee voice literature as providing a rather different form of the others forms of voice whereby employees have a monetary stake or benefit from their work (Wilkinson *et al.*, 2010). Financial participation usually has its greatest benefits when embedded in an overall approach of participative management (Kalmi *et al.*, 2004), which however, appears to be rather fragile at ECONOMIC CONSULTANCY given the narrow range of employee voice practices. In fact, both companies rely predominantly on an informal relationship with their employees. At both companies, the owners/managers continue to be directly involved in work process and daily contact with staff is used to address work-related issues immediately in a situation and needs-driven approach that allows employees to raise specific topics in an *ad hoc* manner. At both it resulted in a consultative influence by employees through informal employee voice although it remains restricted to job related issues only. Similar to the cases in Germany, it implies that the consultative approach is much more fragile, if it exists at all, and depends on the prerogative of the owner/manager due to the lack of, or the low degree of, formalization as well as the form of formal participation chosen.

As seen in the German cases, the range of formal forms of employee voice based on bilateral communication is very limited (between zero and three mechanisms used), with the yearly regular meeting with all employees as well as financial participation being the employee voice mechanisms used.

In terms of legally specified structures of employee voice, out of the two companies, only ECONOMIC CONSULTANCY CO meets the legal threshold (six employees) that would allow for such structures. From the perspective of the owner/manager, however, the good working climate and the possibilities by employees to influence informally their work and working context does not require the introduction of institutionalized forms of employee voice.

In both cases of employee voice practices as bilateral communication the topics addressed are not clearly defined. Situation-related needs, joint interests and initiatives that may come from either side drive bipartite dialogue and discussion. In both cases, a dialogue-oriented culture developed in the organizations, resulting from a need to have motivated employees (both companies), to facilitate teamwork (ECONOMIC CONSULTANCY CO) and to gain competitive advantage based on employees (both companies). However, at ECONOMIC CONSULTANCY CO the fine line between two-way and one-way communication is not always clear, when it is largely the owner/manager who defines the agenda in the yearly meeting with all employees.

When it comes to *strategic issues* to be addressed through formal voice practices, the topics are clearly defined by the owner/manager in these two cases. While at FITNESS CO only informal forms of employee voice are used to allow not only for information but also for employee opinion prior to decision-making by the

owner/manager, at ECONOMIC CONSULTANCY CO a formalized approach exists, but this only allows employees to obtain information on strategic issues.

### *Influence: employee voice as information and consultation*

Formal employee voice in form of information and consultation are found in five of the remaining MSEs in our sample. These companies tend to have a wider range of formal employee voice mechanisms (between four and six) in place compared to the Spanish MSEs with a bilateral discussion mode in employee voice. In fact, the MSEs are characterized by a mode of formal dialogue and consultation that is two-directional and in which employees have the opportunity to voice their opinion and interests prior to decision-making by the owner/manager. As in the German case, size appears to be influential when determining the range of employee voice mechanisms practiced. The micro companies tend to have fewer employee voice practices (up to four) in place than the small companies (up to six).

The main characteristics of these cases are described below.

Similar to the German MSEs, companies using employee voice as information and consultation are characterized by a greater degree of *formalization*. All of the Spanish companies have implemented a broader range of formal employee voice practices, with regular workforce meetings and regular team briefings being amongst the most popular ones. In contrast to the German cases, all Spanish MSEs had financial participation mechanisms in place. In fact, owner/managers in half of the MSEs using employee voice as information and consultation emphasized the strong benefits of financial participation for organizational performance and motivation (CONSULTANCY BANKS CO; CONSULTANCY CO; ENERGY CO) as well as employee retention (ENERGY CO).

*“We have done this with the idea to improve paid salaries and to increase the variable proportion as a stimulus and in order to increase the loyalty of employees to our organization. They are young, the salaries are not very high, they learn rapidly and, well, we have a certain level of labor turnover. And for this we do it... In order to have a certain level of retention amongst our employees. We introduced these mechanisms in 2014, we announced it and they gave their opinion on it and I think it was well received by them even though it was finally decided by management”* (ENERGY CO).

*“Every year, they not only have the opportunity to earn their performance related pay but also the opportunity to guarantee that the flexible part becomes part of their fixed salary the following year. This is the greatest motivator you can have. If we give you this amount of variable pay this year, the following year you have this as your base salary. This is an unfettered form of motivation. It means that people in projects are able to work 12 to 13 hours or whatever is necessary”* (CONSULTANCY CO).

In terms of *resources*, time and space in all companies is provided during the regular working hours by the owner/managers to the employees. Apart from setting aside meeting time, the financial budget for financial participation is also provided by

the manager/owner, clearly showing the dedication of the owner/managers towards employee voice practice.

As in Germany, none of the Spanish companies have employees, who are trade union members. This seems to indicate that trade union support is not needed in these type of firms in order to adopt a consultative style of employee voice. When asked, nearly all owner/managers commented on the higher skill sets required by employees in order to assess the information provided by the employer and to stand up to management if needed.

In all Spanish case MSEs employee voice as information and consultation was encouraged and defined by the owner/manager and not provided due to legal requirements even though all small companies surpass the minimum requirements of representation via 'delegates' (section 3). In fact, the dedication by owner/managers appears to be driven largely by business arguments rather than by an attempt *'to give employees a voice.'* The orientation towards greater participation rights for employees is established in all Spanish MSEs to improve organizational performance, to enhance business awareness amongst their employees and to enhance employee engagement. To improve staff morale (four out of five) to develop an open culture and to enhance relations with employees were also mentioned by four out of five owner/managers. Enhanced decision-making or giving employees a voice are seen as less important by them. Similar to the German owner/managers, compliance with regulation, external sector pressure and union avoidance is not mentioned by any of the owner/managers as a rationale for the introduction of employee voice.

It is also notable that the physical distance of working locations appears not to be a hurdle for employee voice in companies, as three out of the five companies had at least two different working locations. In fact, the owner/manager at IT SERVICE CO mentioned that at present virtual meetings are regularly held amongst area employees and management and other virtual meetings will be introduced on a regular basis in 2016 to be held amongst employees at the same job levels in order to raise common aspects related to job and work activities. Moreover, and similar to the German case of ICT TECHNOLOGY CO, the physical distance of working locations appears not to be a hurdle for employee voice in companies in which employees experience a higher degree of responsibility and freedom about their working tasks (CONSULTANCY CO).

While in Germany we observed some incidences of representative forms of employee voice (at CAR SOUTH CO, TAX CONSULTANCY CO, CAR NORTH CO), at none of the Spanish MSEs was this approach found. Again, this is in line with the expressed preferences by all owner/managers to deal with employees directly (except IT SERVICE CO) and of having trusting relationships with their employees.

At the same time, it is evident that the informal form of employee voice remains important regardless of the size of the company. However, owner/managers differ in the importance they attribute to formal and informal arrangements. In two companies

each, owner/managers put a strong reliance either on formal or informal employee voice mechanisms while owner/managers in another company give equal importance to either form. What is common in all the MSEs we examined is that informal and formal forms are seen to run in parallel rather than sequential, *i.e.* their application depends on the concrete issue that is subject to consultation and the perceived needs of the organization. Interestingly, in two out of the five cases with a consultative mode of employee voice owner/managers explicitly mention that it is they who decide on the type of employee voice to be used, depending on their intuition (CONSULTANCY BANKS CO) or on the perceived needs (CONSULTANCY CO).

*“But within these organizational structures we are more like a family. The project managers are always with the consultants in the project. Hence the communication with them is more fluid. And also it is on a daily basis. [...] the two forms – the formal and informal – are needed. None is more important than the other. Each form is based on distinct needs: they run parallel rather than sequential.”* (CONSULTANCY CO).

As found in the German case companies, a common characteristic is that employees have a greater responsibility over working tasks and the therefore required undirected communication among employees to organize and manage work seems to facilitate more informal forms of consultative employee voice. Two companies –CONSULTANCY CO and ENERGY CO– put at least equal or greater emphasis on informal forms of employee voice. Here employees experience a higher degree of freedom to decide on work related issues within the set limits by the owner/manager supported by communication amongst employees themselves. By contrast, in the two companies that put a greater emphasis on formal forms, employees had more limited responsibilities over their working tasks.

Finally, the *competitive strategy* of gaining a competitive advantage through flexibility is another determining factor to preserve informal forms of employee voice. In all MSEs the respective market demands require a quick response by the companies and informal, situation-driven employee voice appears to allow for a quicker response in business actions.

We also observed that in some of the Spanish case companies the establishment of formal employee voice is an incremental process. While we only note in one case (RECREATION CO) that informal practices for consultation turned into more formalized routines, owner/managers in other MSEs tend to identify new practices that they deemed to be appropriate for their concrete work contexts and which were introduced little by little and eventually modified over time (IT SERVICE CO; ENERGY CO).

*“We said ‘Let’s figure out some formal ways’ and much was by trial and error. The bi-weekly meetings we kept it at the beginning as weekly and then we realized it was too much. There is not enough staff that teams get to do in one week. [...] and we noted that by doing it bi-weekly people were paying more attention, because it was more diverse staff.”* (HIRING CO).

Similar to the German SMEs, in terms of *topics* for consultation in the majority of cases the information and consultation type of formal employee voice at company level is restricted to workplace related issues and does not extend to strategic issues (IT SERVICE CO; ENERGY CO; RECREATION CO). In these cases and similar to the German MSEs, the firms display work organization and business models that are characterized by an orientation towards quality and motivated employees that have a sense of responsibility for the whole team. It implies that issues related to work organization rank high amongst the topics addressed by employee voice, regardless of the specific form it takes.

In two cases, however, we observe greater influence: the opportunity by employees to provide opinion prior to decisions on either workplace related or strategic issues (Consultancy CO) and joint decision making when it comes to workplace related issues and the opportunity by employees to provide an opinion in strategic issues before a decision is made by the owner/manager (CONSULTANCY BANKS CO). Also at RECREATIONAL CO the manager/owner states joint decision-making with respect to strategic issues. In all cases, however, the greater influence by employees in strategic issues remains restricted to immediate questions such as the evaluation of business opportunities to be observed rather than extending to strategic decisions in which the owner/manager assumes greater risk, *i.e.* investment decisions. While at CONSULTANCY CO and CONSULTANCY BANKS CO the owner/managers underline the existing, prolonged experience of employees that allows for such extended influence, at RECREATIONAL CO the owner/manager underlines that the joint decision on strategic issues remains the right of only one employee, who is involved in all major parts of the business and who has been an employee from very early on.

*'The principal employee is A. And with her, yes, I involve her actively in the process to get to a common decision. Because she is as much as I am involved in the business. When I thought to introduce the workshops for businesses I spoke with her and between us we decided on it. The actors, on the other side, only obtain information on such strategic issues, I don't ask them about their opinion before deciding on it. [...] In other occasions I decide on my own, those that are 100% strategic. If I were to open a franchise, I would consider this on my own and decide on this. This is an economic aspect and the investment is something I need to make.'* (RECREATION CO; own translation).

Despite this, when it comes to topics addressed in relation to workplace related topics, there are significant differences between the different forms of employee voice. For the German cases, topics addressed in the companies with a narrower range of employee voice and strong reliance on informal forms of employee voice bilateral discussion processes are very much driven by needs, concrete tasks and therefore situation-related and *ad hoc* (ENERGY CO; CONSULTANCY BANKS CO). At companies with a broader range of formal employee voice mechanisms, there is at least a certain portfolio/catalogue of topics in the information and consultation type of employee voice, including for instance training and development, work organization

and working climate. For example, at IT SERVICE CO, the working climate and training and development are important mutual issues which are addressed through various techniques of employee voice. At CONSULTANCY CO remuneration and working time issues are recurrent important issues.

*Influence: employee voice as negotiation and joint decision making*

Similar to the German cases, the vast majority of companies in our sample does not practice employee voice based on negotiation and joint decision-making. Even though regular and formalized information and consultation practices are established in the majority of Spanish MSEs this has not developed over time into a mode of employee voice that allows for negotiation and joint decision-making. In the German MSEs the owner/managers express their ultimate decision-making right because they carry all risk associated with the business.

An exception is provided by the Spanish small company HIRING CO which displays the broadest range of formal employee voice mechanisms (9 in total) amongst all German and Spanish case MSEs. From the perspective of the owner/manager, employees are involved in joint decision making in respect to strategic issues as well as workplace related aspects.

AT HIRING CO, this type of employee voice is based on a stable practice of information and consultation even though they are introduced on a voluntary basis by the owner/managers and not according to legal provisions. It is solidly rooted in an organizational model that is based on a participative and innovation driven organizational culture with a clear dedication by the owner/managers to a participative management approach.

*“At the beginning, formal involvement was completely irrelevant because we were very small and this would have only slowed us down. Because you can be very agile by being just a few people. The bigger you become the more relevant it becomes because it is also about the functioning of the company. The informal involvement has its relevance for maintaining a certain culture. As you become bigger, formal communication becomes more important for the culture of the company and for the sake of innovation. But informal communication also remains very important. Here much of the communication we do is still informal. We have these touch points that are formal ways of doing it, the bi-weekly or the weekly meetings, the newsletter, the blog and the e-mail, when there is an important update on the company. But in-between everything is informal.”* (HIRING CO).

Similar to some German cases, the owner/manager emphasizes the need to lead by example in order to make employee voice work.

*“We want them to participate more and we give them the means to do so and the channels to do it. We also lead by example. Whenever someone communicates something to us, we really pay attention. We really make an effort to take notice.”* (HIRING CO).

In addition, the synergy effects of having a larger variety of employee voice options are mentioned by the owner/manager to bring about the benefits to the business, even if it relates to strategic issues as the quote underlines.

*“We try that they are involved because they want to and not because we force them. So, we try to create a culture where everyone feels as if they were and owner of this company. This is why we give them shares. But it is in everything. They know that they can take decisions and they see that they are making decisions and they are working out. They are encouraged to do so more and they feel more like owners of the company. The new business line, that now generates the biggest part of revenues for our business, was not an idea of management. It was an idea of our people in engineering. So we take any idea that comes out and test it. If it works out, it works out.” (HIRING CO).*

#### ■ 4.2.3. Internal factors of influence

With regard to internal factors of influence for employee voice, it should be remembered that this sample consists of positive examples for employee voice. This means that workplace and employment relations and the outcomes of employee voice are seen by the owner-manager as positive and beneficial in terms of economic performance and work organization.

The German and Spanish case study analysis identified a number of common features and patterns that should be regarded as important internal factors of influence for commendable employee voice at company level.

Table 4.3

#### OVERVIEW OF KEY INTERNAL FACTORS OF INFLUENCE OF EMPLOYEE VOICE PRACTICE IN MICRO AND SMALL COMPANIES

General internal factors supporting employee voice at company level

- + Participatory management approach
- + Frame of reference in employment relations
- + Orientation towards a business model and competition strategy that is based on quality of services and not on competition on the basis of prices and costs (only)
- + Certain degree of employment stability and relatively low employee fluctuation
- + Owner/manager actively involved professional networks and institutions as well as local communities
- + Direct client contact

Internal factors that support a more structured and formalized practices of employee voice

- + Size, *i.e.* small companies compared to micro companies are more likely to adopt a wider range of formal employee voice practices

Source: Author.

### *Management style*

A more participatory and team-based, approach that is driven through by the owner/manager of the company is a key internal factor. In nearly all cases (apart from two German DENTAL CO and TAX CONSULTANCY CO– and one Spanish companies –RECREATION CO–, where employees asked for a greater participation as well), the owner/managers have been the major and often only internal driving force for this type of management approach.

At three German firms (CAR SOUTH CO, CONSTRUCTION DESIGN CO and CAR NORTH CO) – all locally rooted family-based firms that have been in business for a long time and over three generations – the evolution of a more participatory and dialogue-oriented management approach took place in the context of a change of ownership and generational change. Even though the founders and previous generations already adopted a participatory approach to the management of the business, the generational change included a change in leadership and the management of the company, leading to changes in employee voice practices.

A participatory and dialogue-oriented management style may also be linked very closely to a specific business model. In all German and Spanish cases, firms competed on the quality and flexibility of the professional services provided and not on competition based on prices and costs (only).

There are also remarkable similarities in terms of management style and work climate and employment relations at company level. Owner/managers at all German and Spanish firms perceived a good if not very good working climate and employment relations and a solid base of trust in their employees. Moreover, the majority of employees in the three case companies, in which employee could be asked, reported to trust the owner/manager as well (ranging from 66% in one company to 100% in another company). In all cases owner/managers were committed to communications with their employees and nearly all of them stated that the direct involvement of their employees helps to improve workplace performance (12 out of 16) as well as the implementation of change (13 out of 16). It is important to note that in all German and Spanish MSEs, the informal forms of employee voice continued to play an important part. Hence this facet of employee voice depends therefore strongly on the prerogative of the owner/manager and his/her management style and the held frame of reference in employment relations.

### *Frame of reference in employment relations*

Apart from the general management style exercised by the owner/manager, we analyzed the frame of reference in employment relations held by owner/managers. It constitutes a private assessment by the owner/manager and is “used to guide and evaluate behaviors, outcomes and institutions” (Budd and Bhawe, 2008: 96), which “in turn determines subsequent behavior” (Fox, 1966: 2, cited by Budd and Bhawe, 2008).

In fact, there are remarkable similarities amongst the owner/managers in our sample on how they saw the employment relationship. All of them preferred to consult directly with their employees and the large majority of them saw trade unions to have neither a role in the running of the business at present nor a potential role in the future. These owner/managers often referred to the employee profile and their skill set which would allow them to present their interests to the owner/manager. Interestingly the majority of owner/managers did not show a direct trade union antipathy but there was a shared notion among owner/managers that trade union based representation is related to a more confrontational approach in employment relations or, in more positive terms, such representation “*stands up to management.*”

*“When could there be a situation in which the trade unions were relevant for the small Enterprise? I think it is when the employee refers to trade unions when he fights with the employer. It’s like turning to the last resort.”* (FITNESS CO).

Despite this similarity, owner/managers in the sample do not fit neatly into any of the four traditionally distinguished frames of reference on the employment relationship (Budd and Bhava, 2006). Nevertheless, it is clear that the *radical perspective* is irrelevant for them as a lens to guide and evaluate behaviors. Owner/managers in our sample did not assume an opposing interest between them and their workforce and perceived little scope for accommodation within existing capitalist society.

Unsurprisingly perhaps, owner/managers in our sample showed the greatest agreement with characteristics of a *unitarist perspective* on the employment relationship. They assume an overall unity of interest between employees and employers with the shared belief that treating employees will improve the firm’s bottom line and *vice versa*. It means that if for instance, a request by employees were to be made for union recognition, this would trouble an owner/manager. Consequently, they have little sympathy for independent representation of employee interests through unions as it the case in our sample. None of the MSEs in our sample had legally established structures of employee voice or institutional forms through trade unions in place. In fact, all owner/managers in our sample agreed that employee voice in relation to workplace issues helps to align the interests between employees and the employer and they provided on a voluntary basis the resources needed for employee voice.

Some intersections were found with the *egoist* and the *pluralist perspective*. Regarding the former there was a shared agreement by nearly all owners/managers in the sample that trade unions interfere with discipline in the market but there was less agreement on the view that owners should have complete control rights over the workplace. With respect to the pluralist perspective, there was a common point of view amongst nearly all owner/managers that employers and employees interact as unequals in the labor market. However, even though owner/managers in our sample acknowledged a power imbalance between employers and employees, half of them did not see trade unions as a mechanism to level the playing field between employees and the employer.

### *Business models and work organization*

Even though the cases in the sample cover a broad range of economic activities and thus occupational profiles and working conditions, we find a number of common characteristics regarding business models, economic strategies, the organization of work and the quality of working conditions.

With regard to competitiveness and strategies to maintain and improve their competitive position in local and national markets, all companies are following a “high road strategy.” In other words, the business model and competitive advantages are based on aspects such as quality, flexibility, and user or client satisfaction rather than solely on price factors.

This is particularly evident in cases that operate in a highly competitive market with strong pressures on costs, such as the craft sector case of CONSTRUCTION DESIGN, in the cases of CAR NORTH CO and CAR SOUTH CO and in the case of ICT TECHNOLOGY CO, CONSULTANCY BANKS CO, ENERGY CO, CONSULTANCY CO, ECONOMIC CONSULTANCY CO and IT SERVICE CO. All these companies are faced with increased competition due to sector-level restructuring (concentration trends, increase of one-person companies) and in particular competition on costs (larger companies as well as one-person companies). CONSTRUCTION DESIGN CO pointed out that they are exposed to increasing competition from companies that are able to offer products and services at a lower cost level which is achieved mainly by size (one-person companies in which *self-exploitation is not forbidden*) as well as labor costs/wages (employing foreign, unqualified workers). ICT TECHNOLOGY CO, CONSULTANCY CO, CONSULTANCY BANKS CO and ENERGY CO mentioned the competition by large well-established companies and CAR NORTH CO explicitly mentioned the globalization of the sector through the provision of products and services via the Internet.

It is important to note that the “high road” approach towards competitiveness as an economic success is linked to certain characteristics that also include employment relations and working conditions. The case study revealed in the majority of German and Spanish companies that there is a continuous search for improvements in work processes and an opinion that employees should be actively involved to improve services and work task issues (TAX CONSULTANCY CO, CAR SOUTH CO, CAR NORTH CO, DENTAL CO; ICT TECHNOLOGY CO, HIRING CO, RECREATION CO, FITNESS CO, ENERGY CO). This was particularly strong in companies that gave considerable task responsibility to employees and encouraged employee discussion among themselves.

This notion of team-based work organization, however presupposes a solid degree of loyalty and motivation as well as mutual trust and respect. The active involvement of the owner in the daily work of the company also appears to be crucial (DENTAL CO, CAR SOUTH CO, CAR NORTH CO, TAX CONSULTANCY CO; ICT TECHNOLOGY CO; FARM TECHNOLOGY CO, RECREATION CO, FITNESS CO, HIRING CO, CONSULTANCY CO) as it help to develop personal trust based

relations with individual employees and ensures a sound understanding of the work content and processes that employees carry out. In fact, all owner/managers in Germany and Spain reported that they trust their current employees. However, this becomes with increased size more difficult to maintain and the wider range of formalized employee voice practices and the formalization of previous informal practices are illustrations of an active attempt by owners-managers to uphold the direct contact and trust-based relations with employees.

In all German and Spanish case companies the owner/managers saw employees as a key factor for gaining a competitive advantage. Moreover, in more than half of all MSEs, researchers had a clear feeling that *“what is good for the company is also good for the employees”* is an accepted point of view. In nine companies, also the opposite is true – owners and manager are committed to the idea that good working conditions, including pay levels that at least match the sector standard, make a “motivating work environment”, and eventually result in loyal and engaged employees that contribute significantly to the high quality of products and services (TAX CONSULTANCY; CAR SOUTH CO; ICT TECHNOLOGY CO; CAR NORTH CO; HIRING CO, RECREATION CO, FITNESS CO; CONSULTANCY CO; IT SERVICES CO).

#### *Level of employment stability and employee turnover*

Another common characteristic of the sample companies with commendable employee voice practices is the high levels of employment stability and low levels of staff fluctuations.

The percentage of employees with more than 2 years of employment with the employer and with permanent employment contracts are considerably high and demonstrate a high level of employment stability. In particular, four of the German MSEs (DENTAL CO, TAX CONSULTANCY CO, CAR NORTH CO and CAR SOUTH CO) reported extremely high levels of seniority among their members of staff.

At the same time employment stability appears to be a two-sided sword. In some of these companies, employees with long seniority with the company are seen as particularly valuable in employee voice practices (CONSTRUCTION DESIGN CO; TAX CONSULTANCY CO; DENTAL CO) while owner/managers in other companies saw them at the same time as making changes to employee voice and that implementing a more participative approach to management through them would be more problematic (CAR NORTH CO and CAR SOUTH CO).

#### *Involvement and organization in professional networks and institutions as well as in local communities*

Though perhaps not a necessary precondition, the involvement and representation of the owner/managers and their companies in networks at local and regional levels and professional organizations and institutions, as well as employer-sponsored bodies responsible for specific topics (such as training consultant for a specific region), is a further common characteristics of companies with bilateral employee voice mechanisms in German and Spanish MSEs.

Perhaps the most intensive involvement in craft chambers and guilds and other local and regional organizations is found in the German cases (DENTAL CO; TAX CONSULTANCY CO; CONSTRUCTION DESIGN CO; CAR NORTH CO; CAR SOUTH CO). These companies are actively involved in the respective local craft guilds (*Innungen*). In particular, the owner of DENTAL CO has an arbitration role in the context of conflicts between apprentices and owner/managers for apprentices; the co-owner at CAR NORTH CO acts as a vice-director for the local craft guild and the co-owner at CAR SOUTH CO was a long-serving member at the local craft guild. These local craft guilds are voluntary organizations of companies representing specific trades or groups of trades. They also fulfil some function of employers' organizations and provide a broad range of services for companies ranging from legal and business support consultancy.

Another relevant factor is the long tradition of involvement in local communities – all have been well-known local companies for many generations and have certain “reputations” as respected employers within their local communities (DENTAL CO, CAR NORTH CO, CAR SOUTH CO). This is seen in their close relations with local society by sponsoring the local football clubs (DENTAL CO); director and trainer of the local youth football club (CAR NORTH CO); directing the local choir (DENTAL CO), and being active members of the local town council (CAR SOUTH CO). The owners whose businesses operate in local markets perhaps see this as an important factor.

*“Another advantage I have is the degree of recognition that I have as well as the reputation with the respective client groups.”* (EDUCATION CO).

Among the Spanish firms the involvement in professional networks and institutions is also notable although here the emphasis is on involvement in educational institutions to provide experience and expertise to future and potential small business owners/managers (CONSULTANCY CO, ENERGY CO, HIRING CO, CONSULTANCY BANK CO).

#### *Affiliation to employers' and trade union organization*

None of the companies in our Spanish or German sample, is represented and organized in employer organizations. Neither is the employee side in any of the MSEs characterized by trade union membership.

In fact, none of the owner/managers in our sample perceived at present a benefit of trade union membership by their employees and there is no active cooperation by these owner/managers with regional trade union organization.

#### *Client contacts*

Another factor at present not mentioned in the extant literature but apparent in our Spanish MSEs is the influence of client demands that drives the frequency of employee voice practices (FINTESS CO; RECREATION CO; CONSULTANCY BANK CO). Client requests to report on project progress is one determining factor at

CONSULTANCY BANK CO for the frequency of the formal meetings with employees on a weekly basis.

*“The client is on the top of the project. The client doesn’t want surprises. Hence they shorten every time the contact intervals with me. Every time more. Therefore, I need to schedule our internal meetings accordingly”* (CONSULTANCY BANK CO).

The direct and significant client contact of employees is also mentioned by other owner/managers (RECREATION CO; FITNESS CO) as an argument for the introduction of employee voice. Unmotivated and unsatisfied employees would be directly experienced by their clients and would have a detrimental effect on business performance. Hence for the creation of a motivating working environment employee voice mechanisms are seen as an important element.

*“FITNESS CO is a place in which if there is no communication and if there is not a good working climate things will not turn out. The clients note this right away.”* (FITNESS CO; own translations).

At HIRING CO the type of major client group has led to the explicit participation of a particular employee group that resembles the client characteristics to a great extent.

*“Because since our biggest business is “XXX”, where we source engineers, software engineers, it is very important to us that everything that we do that is reflected outside of HIRING CO, outside of “XXX”, is engineer friendly. Therefore, anything we do in marketing, anything we do in design of the product, all these things, is given to our software engineers for them to give us their take on it. If they like it, if they dislike it. .... At the end of the day “XXX” is the biggest business of HIRING CO. So we try to cater to software engineers by taking always the opinion of our own software engineers into account.”* (HIRING CO).

#### ■ 4.2.4. External factors of influence

With regard to formalized practice of EV at company level, the comparative review in the previous section III considers the different national contexts as well as practice among MSEs in Spain, Germany and the UK. It has illustrated the significant differences between countries in terms of the coverage of MSEs by institutions of employee interest representation.

It indicates that national frameworks of employment relations should be regarded as a crucial external factor that influences employee voice at company level. As external factors of influence on EV are very much shaped by national framework conditions, the following section describes the results of the study separated by country.

##### *Spain*

In contrast to Germany, the influence of external factors that are conducive or detrimental to employee voice are less observed in the Spanish MSEs in our sample.

With respect to external factors, parallels are drawn to similar *known companies* in which employee voice mechanisms do not exist (FITNESS CO) or at least have not been established due to legal provisions (HIRING CO).

*“We have clients like Facebook, Dropox and so on but the majority of companies we work with have 30 to 100 people, something like that. We have not seen so far a single company that works with trade unions. [...] The bigger you are the most likely you are to have a trade union. But in these companies they have a different type of employee. They have a type of employee that doesn’t need trade unions. First, they don’t see themselves as separate to the company and their culture. But it is also not the guy that waits for governments or social policies to resolve their life.”* (HIRING CO).

This is despite the fact that the European Company Survey data for 2009 and 2013 indicates the relative high prevalence of legal employee representation mechanisms in Spain compared to the other two countries considered (tables 3.4)

Another important and recurrent aspect mentioned was the current state of the *Spanish labor market*, making well-qualified employees available to the MSEs, which were usually difficult to recruit and to retain. However, owner/managers were well aware of an eventual future turning point in the Spanish labor market and therefore offer terms and conditions at work that are attractive to employees, so *“that they would not start looking for alternative employment options”* (CONSULTANCY BANKS CO). This is particularly seen in the greater number of Spanish companies offering financial participation as well as other employee voice mechanisms to create a motivating work environment (CONSULTANCY BANK CO; CONSULTANCY CO; ENERGY CO RECREATION CO).

### *Germany*

The case studies mirror some of the particularities of employment relations in German micro- and small companies in that none of the German MSEs had any legally defined employee voice mechanisms in place. Although the threshold for setting up a works council is as low as five employees, this low hurdle, together with a simplified election procedure to set up a works council, was introduced to stimulate the development of formalized representation structures in MSE. Nevertheless, the prevalence of works councils in micro- and small companies is still very low. Analysis of the representative European Company Survey data confirms that in 2009 (2013) only 10.63% (5.1%) of small service firms had a works council established (see section 3).

Despite the low level of implementation of legally defined structures and processes for employee voice owner/managers from our case companies pointed to a few aspects in the German employment relations systems that they considered conducive for the implementation of employee voice practices.

Important and recurrent aspects mentioned were actual trends in the *German labor market*, which is generally characterized by low unemployment combined with the difficulty to find qualified employees. In fact, owner/managers in all German case companies reported difficulties to find qualified employees and 6 out of 8 companies

reported that they had initially implemented and at present were using employee voice in order to reduce labor turnover. Two owner/managers wanted to attract explicitly new employees by providing options for employee voice (CAR NORTH CO; CAR SOUTH CO).

Moreover, the German *collective bargaining systems* continues to be influential to determine terms and conditions at work at company level. Though in Germany there is a clear trend for decentralization of collective bargaining and an erosion of the coverage of companies by collective bargaining agreements (see previous section), owner/managers still orient their practice towards the sector-specific collective agreements on pay. Half of the MSEs in our sample (CAR NORTH CO, CAR SOUTH CO, CONSTRUCTION DESIGN CO, FARM TECHNOLOGY) confirmed that they orient their pay levels according to the relevant collective bargaining agreements, apart from taking into account what competitors were paying. This is relevant as studies on the low coverage of works councils in Germany underline that the initiative for the establishment of works councils in most cases comes from the employees' side and often in situations of conflict with the management on pay or working conditions (e.g. Schlömer-Laufen and Kay, 2012). As illustrated by extant research on the German case but also confirmed by our case study results, owner/managers do not see a clear benefit or even the need for employees to establish a works council. They regard the company specific levels of pay that follow the collective wage agreements as sufficient and therefore not causing enough of a concern amongst employees that would need to be addressed through the establishment of a works council.

*“At the moment we don't have employees that are trade union members. But if I start to go against the collective agreements, then I drive by force our employees into the trade union organization. [...] Formal employee representatives is not what we have at the moment. And I am quite happy about this. I don't want to have them. You are quickly pushed into a strict regulatory framework about what you can do and what you can't do. And then you depend to a great extent on the people in the works council, in other words, how the relationship is between the works council and management.”* (CAR NORTH CO).

Another important finding from the analysis for this report is that the *cooperation/collaboration* of the companies with organizations at various geographical levels and not only the company level must be regarded as a crucial factor, particularly when it comes to available resources and support for company-based structures and practices. At CAR NORTH CO, one of the owners referred to initiatives by social security entities that would work with a team of employees, without the involvement of the owner-manager, to seek improvements at the workplace. Also the owner/manager had taken part in sessions on the range of employee engagement techniques offered by company partners and to identify those that could be implemented at the small firm. At CONSTRUCTION DESIGN CO, the owner referred to seminars offered by the local guild that were aimed at smaller companies on specific people management related topics, including employee retention in which techniques for employee motivation and engagement were explained.

### ■ 4.3. SUMMARY POINTS ON EMPLOYEE VOICE PRACTICE IN GERMANY AND SPAIN

In Germany and Spain, consultative practices are the dominant forms of bilateral employee voice at company level by the professional service MSEs in our sample. With respect to the degree of formalization, formal processes and practices are developed to a greater extent in small companies than in micro companies and are a prerequisite for the development of more consultative employee voice practices that tends to be facilitated through a broader range of practices. In the micro companies, by contrast, consultative practices tend to be achieved through the use of informal employee voice practices due the narrower range of formal employee voice mechanisms. However, these practices remain more fragile and depend on the owner/manager prerogative. In fact, informal practices, which have been largely overlooked in research on employee voice, continue to play a significant role in employee voice in MSEs in order to determine workplace related issues at company level even if employee numbers increase and a broader range of employee voice mechanisms are introduced. In fact, we note an incremental development from informal towards formal practices encouraged by company growth.

In terms of topics addressed by employee voice and outcomes achieved by bilateral communication and discussion, information and discussion and negotiation and cooperation, there are striking differences as well as similarities in our sample of cases.

In all companies, irrespective of their size and form of employee voice, working conditions and questions regarding the organization of work were perhaps the most prominent topics addressed by formal employee voice practices at the company level. It hardly extends to strategic issues.

While it needs to be noted that companies with a positive experience with employee voice are represented in our sample, it is clear that the provision of minimum resources (working time), team work, and trust relations between the owner and workforce encourage the development of employee voice practices at company level in a consultation mode. Interestingly, neither legally specified structures nor trade union support are considered a driver for employee voice at company level in micro and small companies. While at companies with bilateral discussion resources remain rather scarce, employee voice as a mode of information and consultation requires concrete resources specified according to company needs and to the interests of the owner/manager. In none of the companies were resources at company level provided because of legal regulations or depending on workers' interests.

Although more limited conclusions can be drawn with respect to employee voice as a mode of negotiation and joint decision making, it is clear that such practice are based on an extensive range of practices. Voice extends from workplace related issues to strategic aspects of the business, and owner/managers continue to make use of informal and formal forms of employee voice.

Table 4.4

### THREE BROAD TYPES OF EMPLOYEE VOICE MECHANISMS AND KEY CHARACTERISTICS IN MSEs

	Structures	Topics	Degree of formalization	Resources	Case MSEs
Bilateral discussion	Limited range of formalized structures; Company specific arrangements not defined by law	No defined catalog of topics; Predominantly defined by owner/ manager; Restricted to workplace issues	Strong reliance on informal practices	On discretion by owner/ manager; tend to be <i>ad hoc</i> and situation driven; outside working hours	<u>Micro firms:</u> FARM TECHNOLOGY CO, EDUCATION CO; FITNESS CO <u>Small firm:</u> ECONOMIC CONSULTANCY CO
Information and consultation	Broad range of formalized structures; company specific arrangements not defined by law	Catalog/ portfolio of topics (training, working climate, working time, work organization); mainly on workplace issues; May be extended to immediate strategic issues (business opportunity evaluation)	Interplay between formal and informal Tend to run parallel rather than sequential Incremental process towards formalization	According to company arrangements; on discretion by owner/ manager	<u>Micro firms:</u> DENTAL CO, CONSULTANCY BANKS CO <u>Small firms:</u> CAR NORTH CO, CAR SOUTH CO, TAX CONSULTANCY CO, ICT TECHNOLOGY CO, CONSTRUCTION DESIGN, RECREATION CO, CONSULTANCY CO, ENERGY CO, IT SERVICE CO
Negotiation	Extensive range of formalized structures; company specific arrangements not defined by law	Catalog and portfolio of topics; Workplace related and strategic issues	Interplay between formal and informal; equal importance; parallel	According to company arrangements; on discretion by owner/ managers	<u>Small firm:</u> HIRING CO

Source: Author.

It is important to bear in mind here that differences between micro and small companies as well as employee voice practice depend on *internal and external factors* that either facilitate or obstruct employee voice. While some of these drivers relate to specific characteristics of the employment relationship, *i.e.* a participatory management approach, the owner/manager's frame of reference, or a certain degree of employment stability; others are linked to the business model, *i.e.* competitive strategy, direct client contact, or involvement in professional networks and local communities. In particular, the context of the professional private services sector, such as its high degree of specialization, exigent market conditions and the importance of human resources to company success, can also be regarded as important in this respect.



**5**

## **OVERALL CONCLUSIONS AND POLICY POINTERS**



## ■ 5.1. MICRO AND SMALL COMPANIES AS A TOPIC OF RESEARCH

A key issue that emerges from this literature review is that *knowledge about employee voice* as it pertains to specific aspects of employment relations practice in SMEs, and in MSEs in particular, is at present very limited. The unique characteristics that MSEs have in aspects of the close relationship between employees and owner/managers, and the role they play in influencing the owner/manager to shape company specific practices, have hardly been addressed in research on employee voice and its implications. Moreover, this review also reveals that research is mainly rooted in an HRM/HPWS literature that serves the business case and is instrumentalized predominately to serve owner/managers' goals rather than to serve employee outcomes, thereby neglecting the more complex realities of work.

Moreover, this literature review exposes that, in respect not only to comparative data and analysis but also with respect to key sectors in European national economies, insights are very limited. Our study therefore occupies a prominent position in that it carries out a *cross-country analysis* of an under researched, though important, sector in European economies, *i.e.* it focuses on *private service sector* firms. This study is based on quantitative and qualitative data gathered from the European Company Surveys of 2009 and 2013 and by the principal author's own investigation of 16 case studies and their commendable practice experiences. Moreover, the employees' perspective on employee voice practice is included, although it remains more limited due to the reported data restrictions and access problems.

While most studies focus on SMEs in general, they repeatedly put forward generalized conclusions for MSEs and do not differentiate the specific size groups of either companies with up to nine (micro) and between 10 and 49 (small) employees. Similarly, there has been little comparative research on the role of different forms of employee voice in MSEs at company level. The analysis of the ECS data clearly shows that *company* size is an influential variable to explain differences in the incidence of employee voice practice and that these differences are country specific. Moreover, the case study data confirms that the existence of informal forms of employee voice and their interplay with formal forms requires consideration in research on employment relations practices in MSEs and employee voice practices in particular.

Research on MSEs is also beset with specific hurdles ranging from the *availability of representative data* to the generation of in-depth case study data. Regarding the

latter, and based on our own research experience, there is weak coverage of MSEs not only by representative organizations but also by the various databases and by other sources of documentation. This lack makes it difficult to identify MSEs via social partner organizations, all sources that are commonly used by social science researchers in the field. MSE researchers are better advised to approach lower level organizations, e.g. local chambers of commerce and guilds that are in closer contact to them. In addition, the quality assurance of data in order to increase the validity of findings remains challenging. *Data triangulation* through the incorporation of different perspectives other than the managerial one remains difficult. Employees in MSEs fear to be singled out when participating, which impacts not only their willingness to participate but also increases the risk of response bias. Employee representatives could be an additional source of information on the employee perspective in employee voice practices, but these do often not exist in MSEs as demonstrated by the ECS data and evident in our 16 case study companies. In our study appropriate measures were taken to address these methodological problems as reported in chapter 4.

Finally, and regarding our earlier point, academic research is not particularly helped when well established European-wide surveys that would allow for a comparison among different countries decide to change the questionnaire designs in-between data collection points. It hampers attempts by researchers to carry out *longitudinal research* analysis on a cross-country basis. To rely alternatively on nationally based surveys such as the Workplace Relations Surveys in the UK, or the Linked Employer-Employee Data from the IAB in Germany is to be beset with methodological and conceptual difficulties that render cross-country research less attractive and limits its comparability and utility. As a consequence, financing institutions as well as the academic community consulted and involved in survey designs should bear in mind the importance of facilitating longitudinal research enquiries.

## ■ 5.2. COMPARATIVE ANALYSIS OF REGULATION, EMPLOYMENT RELATIONS AND EMPLOYEE VOICE PRACTICE

Turning to the results of our empirical analyses, a first conclusion of this study is that company *size effects* on employee voice practice exist. Comparing the incidence of employee voice mechanisms across all firms in the private service sector in Spain, Germany and the UK with those in small firms only, general employee representation mechanisms either provided for by legal provisions or by company-specific arrangements are less prevalent in small firms in all the countries considered.

Apart from size effects between large firms and MSEs, another key conclusion of this study concerns the differences between micro and small companies in terms of the main research questions of the study. In Germany and Spain, consultative practices are the dominant forms of bilateral employee voice at company level by the professional service MSEs in our sample. With respect to the degree of

*formalization*, formal processes and practices are developed to a greater extent in small companies than in micro companies and are a prerequisite for the development of more consultative employee voice practices that tend to be facilitated through a broader range of practices. In micro companies, by contrast, consultative practices tend to be achieved through the use of informal employee voice practices due to the narrow range of formal employee voice mechanisms. However, these practices remain more fragile and dependent on the owner/manager's prerogative. In fact, informal practices, which have been largely overlooked in research on employee voice, play a significant role in employee voice in MSEs. These help to determine workplace related issues at company level even if employee numbers increase and a broader range of employee voice mechanisms are introduced. We note an incremental development from informal towards formal practices encouraged by company growth.

It is important to bear in mind here that differences between micro and small companies as well as employee voice practice depend on *internal and external factors* that either facilitate or obstruct employee voice. While some of these drivers relate to specific characteristics of the employment relationship, *i.e.* a participatory management approach, the owner/manager's frame of reference, or a certain degree of employment stability; others are linked to the business model, *i.e.* competitive strategy, direct client contact, or involvement in professional networks and local communities. In particular, the context of the professional private services sector, such as its high degree of specialization, exigent market conditions and the importance of human resources to company success, can also be regarded as important in this respect.

While it needs to be noted that companies with a positive experience with employee voice are represented in our sample, it is clear that the provision of minimum *resources* (usually working time), teamwork, and trust relations between the owner and the workforce, encourage the development of employee voice practices at company level in a consultation mode. Interestingly, neither legally specified structures nor trade union support are considered a driver for employee voice at the company level in MSEs. While companies with bilateral discussion resources remain scarce, employee voice as a mode of information and consultation requires concrete resources specified according to company needs and to the interests of the owner/manager. In none of the companies were resources at the company level provided, because of legal regulations or depending on workers' interests. As a matter of fact, the in-depth research in Spain and Germany demonstrates that the legal thresholds to be introduced for general legal representation hardly affect practical experience in MSEs.

However, the particular sector context, *professional* private sector services as a subsector within private sector services can explain the distinct tendencies observed in the comparative survey evidence on Spain, Germany and the UK. It demonstrates that *legal provisions* on general employee representation do impact on employee voice in private sector firms, although being country specific. The relatively weak

legal provisions for employee representation at company level in the UK result in a comparatively low level of employee representation mechanisms in firms within the private professional service sector. In contrast, stronger legal support for general employee representation results in a comparatively higher uptake of employee representation practices based on legal provision, particularly in Spain.

Apart from regulations, other *business-related factors and owner/manager's perspectives on work* – its social role and its organization – have an influence on employee voice practice. Where legislation does not reach or reaches with difficulty – as in the case of MSEs with professional employees – these factors become important. Indeed the involvement of the owner/manager in professional institutions or local networks as well as the frame of reference on employment relations held become important – at least in the 16 case companies analyzed. While owner/managers in our sample do not show an open trade union antipathy, there was a shared notion among them that trade union based representation is related to a more confrontational approach in employment relations. Moreover, the owner/manager's involvement in local employer's associations or their integration in professional institutions seems to favor the development of a bilateral dialogue inside MSEs.

A clear result of the study in this context is, as legal-based employee representation processes are rarely found in most MSEs – particularly in the UK and Germany – the need for *local, regional and/or professional support* is much greater in micro and small companies than in larger ones. In fact, the case study evidence from the German MSEs reveals that the cooperation and collaboration with organizations at various geographical levels, and not only the company level, can be regarded as a crucial factor, particularly when it comes to available resources and support for company-based structures and practices. Local guilds, social security entities and business partners play a supportive role in the case studies.

Our study yields some light on the *consideration of employee needs* through employee voice, and hence goes beyond a simple HRM/HPWS approach. In terms of topics addressed by employee voice and outcomes achieved by bilateral communication, discussion, information, negotiation and cooperation, there are striking differences as well as similarities, as our 16 case studies reveal. In all companies, irrespective of their size and form of employee voice, working conditions and questions regarding the organization of work were perhaps the most prominent topics addressed by formal employee voice practices at the company level. On these issues employee's voice is normally taken into account prior decisions are made by management, which may even lead to mutual decision-making. On strategic issues, however, employees' needs are hardly heard and decision-making tends to remain the prerogative of the owner/manager, particularly in micro companies.

### ■ 5.3. POLICY POINTERS AND FUTURE RESEARCH

This study, and in particular the review of the literature and research evidence, has shown that there is a significant gap between current knowledge on employee

voice and with it the nature of employment relations in MSEs on the one hand, and the increasingly significant role of MSEs for employment and job creation on the other. In fact, our analysis of the quantitative and qualitative data confirms the existing assessment that MSEs are not just duplications of large companies on a reduced scale. In particular, the case studies confirm that there are noteworthy differences in terms of formality and informality, work organization and decision-making processes as well as resource availability. This calls not only for more *tailored policies* towards MSEs to be passed but also for MSE based research that can meaningfully inform evidence-based policy making and help identify programs and practices capable of improving policy-relevant outcomes for MSEs.

In view of the lack of company-specific resources and formalized structures and the importance of employee voice for organizational performance as commonly emphasized by practitioners, policy makers and academics, employee voice practices need to be preserved, strengthened and promoted amongst owner/managers of MSEs. This finding has an important effect on European and national level debates on determining an appropriate administrative burden for smaller enterprises. This study, and particularly the interviews with owner/managers at the MSE level, revealed that the existing regulation on employee representation provisions cannot be regarded as a particular burden. In fact, survey data from 2009 and 2013 reveal that company specific forms of employee representation, rather than forms based on legal provisions, are the more prevalent ones amongst Spanish, German and UK firms. But despite this, the special feature of MSEs, in contrast to larger companies when it comes to time, financial as well as other resources, results in a greater need for *external support structures*, information and advice. Such support might come from external bodies such as social security entities, local guilds or company partners (as seen in the German case studies) but more importantly from social partner organizations, including employer associations and trade unions. In particular, five owner/managers in the Spanish and the German MSEs suggest that the social partner organizations do not only have a role to negotiate and agree collective bargaining agreements and thereby determine terms and conditions at work but also to promote an overall collaborative and cooperative spirit between both sides of industry and therefore to provide the impetus for more constructive employee relations, including employee voice practices.

This study has also demonstrated that MSEs are not a homogeneously sized group when it comes to employment relations and employee voice. As the case studies show, micro companies are different from small companies because of the often more limited scope of formal employee voice practices and the stronger reliance on informal practices, which in turn shapes their internal labor and social relations as well as their internal organization. Considering the general lack of research and evidence on employment relations and working conditions in micro companies in particular, these features need to be explored further. It also calls for a greater need for stronger integration and strengthening of the *contribution and involvement of MSE owner/managers, and especially employees*, within representative social partner and business organizations that engage in and negotiate on social dialogue

at local, regional, national as well as European levels, both at the cross-sector and the sectoral level. This includes not only trade union and employer associations but also extends to local chambers of commerce and local guilds, as we have seen in our case study companies.

In terms of future research needs, the findings of this study, and in particular the findings of the literature review and case study analysis, reveal the need for more *in-depth qualitative and comprehensive quantitative analysis* on employment relations in MSEs, particularly micro companies. As the analyses of the six micro company cases in our sample show, employee voice is regarded even by these company-based actors as a real added value for employers, although this is mainly based on informal approaches. This evidence should be expanded by additional case study research that focuses not only on individual micro firms but also on the good practice experience of encouraging sector-level and/or regional frameworks and contexts. Such investigation could also bring together findings and evidence on how MSEs can address the challenges and risks to employee voice and the good working climate that they presently have. In particular the case study MSE owner/managers comment that company growth and the physical expansion of business activity create challenges to the management of employment relations and employee voice practice. Insights on the interplay between business dynamics and employee voice practices therefore calls for more longitudinal research enquiries.



**6**

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**7**

**ANNEX**



## ■ ANNEX 1. QUESTIONNAIRE FOR OWNER / MANAGER

**I will first start by asking a few questions about the company, TO better understand the firm context in which employee voice happens**

*Please provide an answer that is to the best of your knowledge by writing in the blank space or indicating agreement with a cross. If you don't know, please state accordingly.*

**Is this firm a single, independent company or do you belong to another company / organization?**

Independent firm	
Belong to another company (provide name)	
Don't know	

Is your firm part of the private sector or the public sector?

Private sector	
Public sector	
Don't know	

What is the firm's legal status? \_\_\_\_\_

When was the firm founded? \_\_\_\_\_

Is your firm a member of any employer association?

Yes (specify)	
No	
Don't know	

**With how many people did the company start and how many people do you employ at present?**

*Please include all employees that are formally based in this firm, regardless of whether they are physically present or carry out their work off of the premises. Each*

*employee is counted as one person, regardless of whether they are working full-time or part-time.*

	Number of employees ....
at present	
in 2014	
in 2013	
in 2012	
in 2011	
in 2010	

**How many of your present employees are trade union members?** \_\_\_\_\_

**How many years has this firm been in operation, regardless of any changes in the ownership structure?**

Number of years in operation ...	_____ Years
Don't know	

**Who founded the firm and has there been any changes in its ownership structure since its foundation? If there have been any changes please explain the changes that have taken place in the firm's ownership structure up to the present day.**


**What is the main activity of the firm?**


**Tell me about your competitors. Who are they? How competitive is the market?**


**Is there a competitive advantage that you have against your competitors?  
In other words, how do you stand out in the market?**


**From your point of view, are your employees important for you to gain a competitive advantage in the market?**

Yes	
No	
Don't know	

**If so, are all employees equally important or are some employees more important than others in gaining competitive advantage? Please specify group(s) of employees.**


**Do you have growth expectations for the firm?**

Yes	
No	
Don't know	

**If so, please state your growth expectations.**


**What was your sales turnover<sup>4</sup> per year (in Euros)?**

Sales turnover ....	2010	2011	2012	2013	2014
Less than 100,000€					
100,000€ – 249,000€					
250,000€ – 499,999€					
500,000€ – 999,000€					
1m €– 4.9 m €					
5m € or more					

<sup>4</sup> Sales turnover is the total amount of products and/or services sold within 12 months.

**Do you have a department responsible for people management?**

Yes	
No	
Don't know	

**If not, who is responsible for people management?** \_\_\_\_\_

**Do you recognize trade unions?**

Yes	
No	
Don't know	

**If so, for which purposes?**


**Do you have any employee representatives in your firm?**

Yes (how many?)	
No	
Don't know	

**If so, who elects these employee representatives: management, trade unions, entire workforce, parts of your workforce?**


**Are employees in this firm covered by a collective wage agreement?**

Yes	
No	
Don't know	

**If so, please specify.**

All employees	
Groups of employees (state below):	
•	
•	
•	
•	

Could you please tell me for this firm, the number OR percentage of employees, who ....

	Number OR percentage of employees
... have a permanent ( <i>i.e.</i> open-ended) contract?	
... are female?	
... are older than 50 years of age?	
... have a university degree?	
... work part-time, that is less than the usual full-time arrangements?	

Here, I would like to ask questions about the employee voice arrangements in your firm.

For the focus of our study we define **employee voice** as the ways and means through which employees attempt to have a say and potentially influence organizational affairs relating to issues that affect their work and the interests of managers and owners.

Which of the following forms of formal employee voice currently exist in your firm? Do you have ...

Employee voice practices	Yes	No	Don't know	If your answer is yes, how frequently do you use them?
Regular workforce meetings				
Regular team briefings				
E-mail/intranet				
Management chain				
Notice board				
Newsletter				
Suggestion schemes <sup>5</sup>				
Attitude surveys				
Performance-related pay				
Profit-related pay				
Share schemes				
Joint consultative committees				
Trade unions				
<i>Other distinctive practices (specify below)</i>				

<sup>5</sup> A collection of ideas and suggestions from the employees, voluntary and at any time, traditionally by means of a "suggestion box."

**Which of the forms of employee voice that currently exist in your firm are the three most commonly used?**

- 
- 
- 

**When did you introduce these formal employee voice mechanisms?**

\_\_\_\_\_

**Who initiated their introduction (*management, trade unions, employee representatives, your workforce*)?**


**Could you let me know whether or not it is common practice for employee representatives and/or trade unions to address STRATEGIC ISSUES that are...**

... informed by manager/owner?	
... asking them to give their views ahead of a decision?	
... involving them in joint decision making with the manager/owner?	

**Could you let me know whether or not it is common practice for employees to be directly involved in STRATEGIC ISSUES that are directly...**

... informed by a manager/owner?	
... asking them to give their views ahead of a decision?	
... involving them in joint decision making with the manager/owner?	

**Could you let me know whether or not it is common practice for employee representatives and/or trade unions to be directly involved in WORK-RELATED ISSUES that are ...**

... informed by a manager / owner?	
... asking them to give their views ahead of a decision?	
... involving them in joint decision making with the manager/owner?	

**Could you let me know whether or not it is a common practice for employees to be directly involved in WORK-RELATED ISSUES that are directly...**

... informed by management?	
... asking them to give their views ahead of a decision?	
... involving them in joint decision making with the manager/owner?	

**Please tell me – based on your experience - whether you agree or disagree with the following statements.**

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Not applicable
I prefer to consult directly with employees						
The firm has a clearly defined people management strategy						
The involvement of <u>employees</u> often leads to considerable delays in important decisions						
The involvement of <u>employee representation</u> often leads to considerable delays in important decisions						
Workgroup cohesiveness <sup>6</sup> among employees is high						
Employees have a strong occupational identity <sup>7</sup>						
The employee representatives can be trusted						
Our employees can be trusted						
People management issues are dealt with on an <i>ad hoc</i> basis						
The involvement of employees helps us in a constructive manner to find ways to improve workplace performance						
The involvement of employees in important changes leads to more commitment of the staff in the implementation of changes						
The involvement of employee representation helps us in a constructive manner to find ways to improve workplace performance						
The involvement of employee representation in important changes leads to more commitment of the staff in the implementation of changes						

<sup>6</sup> A group is in a state of cohesion when its members possess bonds linking them to one another and to the group as a whole.

<sup>7</sup> Degree to which an employee's self-image is attached to his/her career.

**What were the INITIAL reasons that you started with formal employee voice mechanisms in your firm? (Needs definition or examples)**

*Please tick the reasons that apply to your firm. You can provide multiple answers.*

<i>Reasons</i>	
To improve organizational performance	
To improve staff morale	
To enhance business awareness	
To enhance employee commitment	
To develop open culture	
To reduce staff turnover	
To improve the relationship with employees	
To enhance organizational decision-making	
To give employees a voice	
To comply with employment regulation	
To respond to external sector pressure	
To avoid trade unions	
For other reasons (specify in the space below)	

**AT PRESENT what do you hope to get out of formal employee voice?**

*Please tick the reasons that apply to your firm. You can provide multiple answers.*

<i>Reasons</i>	
To improve organizational performance	
To improve staff morale	
To enhance business awareness	
To enhance employee commitment	
To develop open culture	
To reduce staff turnover	
To improve the relationship with employees	
To enhance organizational decision-making	
To give employees a voice	
To comply with employment regulation	
To respond to external sector pressure	
To avoid trade unions	
For other reasons (specify in the space below)	

**To finish the questionnaire I have a few questions about the overall climate in your firm.**

**Considering the current situation in your firm, ...**

	Very good	Good	Neither good nor bad	Bad	Very bad
How would you rate the general work climate among employees in your firm?					
How would you rate the financial situation of your firm?					
How would you rate the current relationship between you and your employees?					

	Improved / increased	Worsened / decreased	Remained about the same	Don't know
Since the beginning of 2010, the financial situation of the firm has .....				
Since the beginning of 2010, the general work climate in this firm has .....				
Since the beginning of 2010, labor productivity in this firm has .....				
Since the beginning of 2010, the amount of goods/services produced by this firm has ....				

**Do you encounter any of the following problems at your establishment currently? (Yes; no; don't know)**

	Yes	No	Don't know
High levels of sick leave			
Difficulties in finding employees with the required skills			
Difficulties in retaining employees			
A need to reduce staff			
Low motivation of employees			

## ■ ANNEX 2. QUESTIONNAIRE FOR EMPLOYEES

To start with we would like to ask some questions about your situation at work in this firm

Please provide an answer that accords to the best of your knowledge, by writing in the blank space or putting a tick ✓ in the box next to the answer of your choice.

**Does your work involve dealing with customers directly?**

Yes	
No	
Don't know	

**On the whole, is your pace of work dependent, or not, on....**

	Yes	No	Don't know	Not applicable
Work by colleagues				
Direct demands from customers				
Numerical production targets or performance targets				
Direct control by the manager/owner				
Automatic speed of a machine or movement of a product				

**Would you say that your work requires at least one year learning on-the-job so that tasks can be fulfilled competently?**

Yes	
No	
Don't know	

**For each of the following statements please select the response which best describes your work situation...?**

	Always	Most of the time	Sometimes	Rarely	Never	Don't know	Not applicable
Your colleagues help you							
Your managers help and support you							
You have a say in the choice of your working partners							
You are involved in improving the work organization or work processes							
You are consulted before targets for your work are set							
You have enough time to get the job done							
Your job gives you a feeling of work well done							
You are able to apply your own ideas in your work							

You know what is expected of you at work							
Your job involves tasks that are in conflict with your personal values							
You get emotionally involved in your work							
You experience stress in your work							
You can influence decisions that are important for your work							
If you make a mistake in your work, it could cause a financial loss to the firm							

**In general, the manager/owner ...**

	Yes	No	Don't know
Provides you with feedback on your work			
Respects you as a person			
Is good at resolving conflict			
Is good at planning and organizing the work			
Encourages you to participate in decisions related to your job			
Encourages you to participate in decisions related to strategic plans (business targets, plans for investment, plans to expand activities, etc.)			

**For the purpose of our study we understand employee voice as the ways and means through which employees attempt to have a say and potentially influence organizational affairs relating to issues that affect their work and the interests of management and owners. We continue by asking a few questions about the ways of communicating in your firm.**

**In this firm, does the manager/owner use the following ways to communicate with employees?**

	Yes	No	Don't know	Not Applicable
Meetings during work hours				
Meetings outside work hours				
Disseminate information through newsletters, notice boards, website, e-mail etcetera				
Engage in discussions through social media or in online discussion boards				
Disseminates information through trade unions				
Disseminates information through employee representatives				

If other formal or informal ways of communicating, please specify:

**In the last 12 months, has the management/owner provided you with any information on the following issues?**

	Yes	No	Don't know	Not applicable
The present financial situation of the firm				
The future financial situation of the firm				
The present employment situation of the firm				
The future employment situation of the firm				
The introduction of changes to the workplace (e.g. organization of work processes, working time arrangements, etc.)				
Strategic plans with regard to the firm (e.g. business targets, plans for investments, plans to expand activities, etc.)				

Thinking about all the information management/owner has provided you with in the last 12 months, did you usually receive it in good time?				
And, in general, was the quality of the information satisfactory?				

**In the last 12 months, were any major decisions taken by the management/owner in the following areas?**

					If major decisions were taken by management, were you...		
	Yes	No	Don't know	Not applicable	Informed by management/owner	Asked to give your view ahead of the decision	Involved in joint decision making with management/owner
The organization of work processes							
Working time arrangements							
Restructuring matters							
Recruitment and dismissal							
Business target							
Investment areas							
Expansion of firm activities							

**In the areas mentioned above were employee representatives or trade unions....**

Informed by management/owners	
Asked to give their views ahead of the decision	
Involved in joint decision making with management/owner	
Don't know	
Not applicable	

**Would you say employees at this firm have no direct influence, some direct influence or a strong direct influence on management/owner decisions?**

No direct influence	
Some direct influence	
Strong direct influence	
Don't know	

**Would you say trade unions and/or employee representatives at this firm have no influence, some influence or a strong influence on management/owner decisions?**

No influence	
Some influence	
Strong influence	
Don't know	
Not applicable	

**Would you say that in order to have a say and a potential influence on organizational affairs informal communication with the manager/owner is more important than raising issues in formal ways?**

Yes	
No	
Don't know	

**What issues related to your work and its conditions would you raise informally with the manager/owner?**


**What issues related to your work and its conditions would you raise in a formal way?**


**In general there are several ways in which employees can have a say and potentially influence organizational affairs relating to issues that affect their work and the interests of management and owners. Which one of the following exists at present at your firm?**

	Yes	No	Don't know	If your answer is yes, how frequently do you use them under normal circumstances?
Regular workforce meetings				
Regular team briefings				
E-mail/intranet				
Management chain				
Notice board				
Newsletter				
Suggestion schemes <sup>8</sup>				
Attitude surveys				
Performance-related pay				
Profit-related pay				
Share schemes				
Joint consultative committees				
Trade unions				

*Other distinctive practices, please specify and state frequency:*


**Please tell me – based on your experience - whether you agree or disagree with the following statements.**

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Not applicable
The manager/owner prefers to consult directly with individual employees						
The firm has a clearly defined people management strategy						
I would like to see more formal ways to raise issues with management						
I might lose my job in the next 6 months						
I am willing to speak up in formal meetings to raise work issues						
I am mainly interested in the economic rewards from the job						

<sup>8</sup> The collection of ideas and suggestions from employees, voluntary and at any time, traditionally by means of a "suggestion box."

I prefer to resolve work related issues by talking with my colleagues rather than discussing them with the management/owner						
My job offers good prospects for career advancement						
I trust the manager/owner						
The employee representation in our firm can be trusted						
I feel "at home" in this firm						
I have very good friends at work						
I always try to do my best at work						
The direct involvement of employees has improved the outcome for working conditions in this firm						
The direct involvement of employees has made the decision-making process unnecessarily complicated						
The direct involvement of employees in discussions on strategic plans reflects common practice in this firm						
The direct involvement of employees in discussions on workplace issues reflects common practice in this firm						
People management issues are dealt with on an ad hoc basis						
The management/owner values the work of employees						
	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Not applicable
Rather than raising issues in a formal forum, I will speak directly with the manager/owner						
Through the day to day relations with the manager/owner I have input into decisions over my work						
As an employee I would like to have a greater say on workplace matters (organization of work processes, working time arrangements, job content, etc.)						
As an employee I would like to have a greater say on strategic plans (business targets, plans for investment, plans to expand activities, etc.)						
If I were to lose my current job, it would be easy for me to find a job at a similar salary						
Meaningful work is at least equally important to me as the economic rewards from work						

**To finish the questionnaire I have a few questions about the overall climate in your firm. Considering the actual situation in your FIRM ...**

	Very good	Good	Neither good nor bad	Bad	Very bad
How would you rate the general work climate in your firm?					
How would you rate the current relationship between employees and the management/owner?					

	Improved/increased	Worsened/decreased	Remained about the same	Don't know
Since the beginning of 2010, the general work climate in this firm has .....				
Since the beginning of 2010, the relationship between employees and the management/owner has .....				

**Please provide some statistical information about yourself.**

**What is the name of the company you work for at present?**

\_\_\_\_\_

**Are you a trade union member?**

Yes	
No	
Don't know	

**Are you male or female?** \_\_\_\_\_

**How many years have you been in this company (in years)?** \_\_\_\_\_

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