

# Chapter 11

## The Impact of Employee Share Ownership on Governance and Company Performance: A Psychological Mediation Analysis

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### **ABSTRACT**

*This study investigates the impact of employee share ownership (ESO) on company performance and governance, focusing on the mediating role of psychological factors. Using SOMFY Tunisia as a case study, we analyzed data from 50 employees participating in an ESO plan. Results indicate that ESO significantly positively influences employee engagement, job satisfaction, and perceptions of governance. These psychological factors, in turn, mediate the relationship between ESO and company performance. Employee-shareholders demonstrate higher commitment, leading to improved individual performance and active participation in company projects. Furthermore, ESO positively impacts overall employee satisfaction, fostering a more participatory corporate culture. These findings suggest that ESO is a strategic tool for enhancing organizational performance by positively influencing employee attitudes and behaviors. However, limitations due to sample size and context should be considered, and further research is needed to generalize these results.*

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## 1. INTRODUCTION

Employee share ownership has emerged as a prominent strategy in contemporary organizations, offering the potential to align employee and organizational goals. While the concept has been widely studied, the underlying mechanisms linking employee share ownership to firm performance remain relatively under-explored. This study seeks to address this gap by examining the mediating role of psychological factors.

Specifically, we investigate how psychological factors, such as perceived ownership, job satisfaction, engagement, and involvement, mediate the relationship between employee share ownership and organizational performance. By operationalizing these psychological constructs, we aim to develop a more nuanced understanding of how ownership structures psychologically transform employee behaviors and organizational dynamics. Granting employees a stake in the company, employee share ownership can foster a more participatory governance structure, influencing decision-making processes and potentially improving organizational outcomes. This transformative potential extends beyond mere financial participation, suggesting a profound reshaping of organizational culture and employee-organization relationships.

This research contributes to the literature by providing a comprehensive understanding of the complex interplay between employee share ownership, psychological factors, and organizational performance, offering valuable insights for both researchers and practitioners. The remainder of this chapter is structured as follows:

This chapter is structured as follows: Section 2 provides a comprehensive literature review, critically examining the theoretical foundations of employee share ownership and situating our research within the broader academic discourse. Section 3 details the methodological approach, offering a rigorous exposition of our research design, including data collection strategies, variable operationalization, and analytical frameworks. In Section 4, we present a detailed analysis of empirical results, critically interpreting our findings and comparing them with existing scholarship. Section 5 concludes the chapter by synthesizing key insights, highlighting theoretical contributions, and discussing potential practical implications for organizational research and management practice.

## 2. BACKGROUND AND CONTEXT

Employee share ownership (ESO) has emerged as a prominent tool in contemporary corporate governance, experiencing a surge in popularity in recent years. This practice, once considered marginal, has now established itself as a rapidly expanding global phenomenon, becoming an essential element in the growth models of many developed countries (Baker & Kahn, 2020). ESO involves granting employees shares

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