

UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

DAMJAN VOJE

**THE INFLUENCE OF SOCIAL CAPITAL ON BEHAVIOUR OF FIRMS:
THE CASE OF SLOVENIA
AND COUNTRIES OF WESTERN BALKAN REGION**

DOCTORAL DISSERTATION

LJUBLJANA, September 2013

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AUTHORSHIP STATEMENT

The undersigned Damjan Voje, a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), declare that I am the author of the doctoral dissertation entitled THE INFLUENCE OF SOCIAL CAPITAL ON BEHAVIOUR OF FIRMS: THE CASE OF SLOVENIA AND COUNTRIES OF WESTERN BALKAN REGION, written under supervision of Prof. Janez Prašnikar, Ph.D.

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VPLIV TEMELJNIH DELEŽNIKOV NA OBNAŠANJE PODJETIJ: PRIMER SLOVENIJE IN DRŽAV ZAHODNEGA BALKANA

Povzetek

Disertacija proučuje korporativno upravljanje v Republiki Srbski, Albaniji in Sloveniji v okviru sposobnosti podjetij, da pridobijo prednosti iz vzajemnega delovanja notranjih deležnikov, t.j. delavcev, managerjev in lastnikov. Egoistično obnašanje sicer spodbuja konkurenco med skupinami, vendar njihovih interesov ni mogoče uresničiti brez sodelovanja. Ta dilema se rešuje s pogajanjem, kjer izid določa skupen cilj (podjetja). Pri tem sta mogoča dva nasprotujoča si izida. Če so lastniki (managerji) prevladujoči nosilci odločitev, se podjetje obnaša neoklasično kapitalistično in maksimira dobiček. V nasprotnem primeru imajo prevladujočo vlogo v korporativnem upravljanju delavci, pri čemer je podjetje delavsko upravljano in maksimira dohodek na zaposlenega.

Republika Srbska je pred desetletjem uveljavila liberalne reforme na trgu dela. Koncentrirano lastništvo je postalo prevladujoča lastniška struktura. Analiza je razkrila dve izrazito različni skupini podjetij. V prvi skupini je večina delavcev včlanjenih v sindikat, v drugi pa ne. V prvi skupini smo v nekaj primerih zasledili sodelovanje med podjetji in sindikatom, vendar so razvidni tudi znaki izkoriščevalskega obnašanja s strani sindikatov. Sodelovanje med podjetjem in sindikatom lahko prinese dodano vrednost in izboljša učinkovitost. Če pa sindikat izkorišča svoj monopolni položaj, lahko to predstavlja oviro za razvoj nadaljnega sodelovanja. To pomeni, da so institucionalne podobnosti z jugoslovanskim sistemom še vedno prisotne in da vplivajo na ravnanje posameznih podjetij. Druga skupina podjetij nakazuje drugačno pot razvoja z dvema različnima podskupinama. Večina podjetij v prvi podskupini maksimira dobiček s prevladujočo vlogo lastnikov in managementa ter manj izobraženo delovno silo. Ta oblika je najmanj produktivna in najverjetneje je, da se bodo v tako obliko preoblikovala mnoga od privatiziranih podjetij. Druga podskupina daje večji poudarek vse bolj pomembnim človekovim kognitivnim sredstvom managementa in jedrnih delavcev. Ta podjetja so se razvila pod vplivom tehnoloških sprememb in so najbolj produktivna v vzorcu.

V primeru Albanije je razvoj korporacij ključnega pomena za okrepitev izvoznega potenciala države, a je trenutno omejen predvsem zaradi počasnega korporativnega prestrukturiranja in pomanjkanja strateške usmerjenosti, kar lahko povežemo z odnosi med deležniki v podjetju. Albanske korporacije se delijo na dve homogeni skupini, od katerih ena skupina vključuje večja, bolj izvozno usmerjena in manj produktivna podjetja, druga pa manjša in produktivnejša podjetja, ki so usmerjena v domači trg. Večja podjetja bodo morala nositi večji del bremena internacionalizacije. Glede na to, da večja albanska podjetja prodajajo več na tujih trgih kot majhna podjetja, so prva na pravi poti k doseganju tega cilja. Vendar pa smo ugotovili, da prevladujoč način delovanja velikih podjetij vključuje jedro skupino zaposlenih v spremstvu velikega števila tako imenovanih obrobni delavcev, ki so v večini primerov

slabo usposobljeni in tudi brez veljavnih delovnih pogodb. Lastništvo je v teh podjetjih večinoma koncentrirano, saj imajo v njih veliko moč pri upravljanju managerji in lastniki, delavci pa majhno. Če želijo albanska podjetja rasti in dvigniti svojo produktivnost, da bi bila konkurenčna na tujih trgih, bodo morala dvigniti zavest o pomembnosti sodelovanja med deležniki. Okrepitev položaja delavcev pri upravljanju bo postala neizogibna, trenutno najverjetnejši nosilci te spremembe v prihodnosti pa so majhna podjetja. Ta so se razvila samostojno, odnosi v njih pa pogosto temeljijo na medsebojnem spoštovanju in sodelovanju med lastniki, managerji in delavci.

Za razliko od primera Albanije so delavci v Sloveniji ohranili precejšnjo raven udeležbe pri upravljanju, saj so se tu ohranile številne delavske institucije. Ko smo analizirali podjetja, smo jih najprej razdelili na dve skupini, in sicer na podlagi izvozne usmerjenosti. Nadalje sta v obeh skupinah dve jasni in med seboj različni podskupini, kjer eno odlikujejo inovativne aktivnosti na višji ravni in bolj razvit genetski material kot v drugih. Obnašanje podjetjih smo opazovali v obdobju pred krizo (2005–2008) in po njej (2009–2011), ko so bila podjetja prisiljena v prilagajanje plač in zaposlitvene strukture.

Čeprav imajo delavci v Sloveniji precejšnjo pogajalsko moč, ki se je po krizi še dodatno povečala, dajejo podjetja na splošno poudarek obema, tako plačam kot zaposlovanju. Ugodnejša ekonomska klima pred krizo je manj inovativnim podjetjem s slabše razvitim genetskim materialom omogočala, da so delovala na tujih trgih. Delavci, nenaklonjeni tveganju, so v takih podjetjih svojo pogajalsko moč usmerili predvsem v presežno zaposlovanje. Manj inovativna podjetja s slabše razvitim genetskim materialom, ki delujejo na bližnjih trgih, zaposlujejo delavce bolj naklonjene tveganju, kar pomeni, da so bolj pripravljeni menjati varnost zaposlitve za večje plače. Delavci v bolj inovativnih podjetjih z bogatejšim genetskim materialom kažejo v primerjavi s prejšnjima dvema skupinama manjšo udeležbo pri upravljanju v obdobju pred in po krizi.

Po pregledu vseh držav, ki smo jih vključili v raziskavo, lahko sklepamo, da obstajajo različne ravni udeležbe delavcev v korporativno upravljanje podjetij in različne ravni vplivov na uspešnost v odvisnosti od okolja. Če delavce pri pogajanjih podpirajo zunanje institucije (sindikati), lahko sodelovanje med podjetji in sindikati prinese dodano vrednost, pod pogojem da se sindikati ne obnašajo egoistično ali da niso pod političnim vplivom. Po drugi strani pa morajo biti tudi podjetja aktivna pri razvoju genetskega materiala, da bi lahko dosegla raven produktivnosti, ki jo zahteva trg. Če delavci nimajo podpore zunanjih institucij, imajo lahko kljub temu vpliv na upravljanje z razvijanjem medsebojnega spoštovanja in sodelovanja, kar ima pozitiven učinek na poslovanje. Podjetja, ki pri poslovanju ne upoštevajo delavcev, so se izkazala za manj uspešna.

Ključne besede: korporativno upravljanje, Zahodni Balkan, izvozna usmerjenost, inovacije, participativno podjetje, pogajanja

THE INFLUENCE OF SOCIAL CAPITAL ON BEHAVIOUR OF FIRMS: THE CASE OF SLOVENIA AND COUNTRIES OF WESTERN BALKAN REGION

Abstract

This dissertation studies corporate governance in the Western Balkan countries in the context of the ability of corporations to derive benefits from the interactions of internal stakeholders (workers, managers and owners). While self-serving behaviour spawns competition between the groups, their interests cannot be realised without cooperation. This dilemma is solved through bargaining, where the outcome determines the common (corporate) goal. Two opposite outcomes are possible in such cases. In cases where the owners (managers) are the dominant decision makers, the company behaves like a neoclassical capitalist firm and maximises profit. Alternatively, if the dominant role in corporate governance is held by workers, the company behaves like a labour-managed firm and maximises income per worker.

A decade ago the Republic of Srpska launched some liberal labour reforms. In the period of transition, blockholding has become the prevailing ownership structure. The analysis revealed two distinct clusters of firms. In the first cluster, most workers are unionised and, in the second, they are not. In case of the first cluster, the cooperation between the blockholdings and unions is evident in a few cases but there are also signs of rent-seeking behaviour of unions. The collaborative effort on the side of blockholders and unions (workers) could enhance value and might increase firm efficiency. However, a monopoly-oriented union could present an obstacle for further development of this collaborative approach. This means that institutional similarities to the Yugoslav system are still present and they impact the behaviour of specific firms. The second cluster of firms showed a different pattern of development with two distinct subgroups. A vast majority of firms in the first subgroup are maximising profit with a prevailing role of the capital owner, heavyweight management and a less trained workforce. This model, which is the least productive, is most likely to be the outcome of many privatised firms. The second subgroup places more emphasis on the importance of human cognitive assets of management and core workers. Such firms have developed under the influence of technological changes and are the most productive.

In Albania the corporate sector development is essential for strengthening the country's export potential which is currently limited due to the slow corporate restructuring process and a lack of strategic focus. Albanian corporations fall into two broad categories, the more export-oriented and comprising of larger companies of the less productive, first cluster, and the domestic market oriented smaller companies of the more productive, second cluster. Larger companies will have to carry a bigger share of the burden on the path to internationalization. They are on the right track by selling more to foreign markets than the smaller firms. However, in observing large Albanian firms, we discovered that the prevailing model includes a core group of employees accompanied by a large number of peripheral workers, who are in many cases unskilled and without valid working contracts. The

ownership in these firms is mostly concentrated (blockholding). Such firms are also characterised by great power of managers and low power of workers. If Albanian firms want to grow and become more productive in order to serve foreign markets, they will have to increase their awareness about the importance of shared values between stakeholders. Worker participation in the company is thus almost inevitable. The emergence of smaller companies might serve as the foundation of future development. These companies have been developing autonomously and are more often built on mutual respect and collaboration between owners, managers and workers.

An opposite case is Slovenia, where workers retained a substantial level of participation because many labour institutions were preserved. When analysing companies, we divided them into two groups by export orientation. Furthermore, in every group we identified two distinct clusters where one excels in superior innovative activities and genetic material in comparison to the other. We observed company behaviour before the global economic crisis (2005–2008) and after its arrival (2009–2011) when it forced companies to react in terms of employment and wages.

Although workers exhibited significant bargaining power that was enhanced in the post-crisis period in general, firms placed emphasis on both wages and employment. The favourable economic climate before the crisis allowed less innovative companies with less developed genetic material to operate in foreign markets. Risk averse workers in such enterprises directed their bargaining power primarily into excess employment. In less innovative companies characterised by less extensive genetic material, for which the key markets were the domestic market and that of former Yugoslavia, workers were more prone to risk and therefore more willing to trade employment for wages. In relation to the previous two groups of companies, workers in firms having more developed genetic material and higher innovation activities exhibited lower participation in the pre- and post-crisis period.

Considering all of the studied countries, we can find different levels of worker participation and its effects on company performance, depending upon a specific corporate environment. If workers are externally empowered, the collaboration between firms and unions can enhance value unless unions are engaged in rent seeking or politically motivated. Furthermore, firms must also be active in developing their genetic material to achieve the necessary level of performance demanded by the market. In cases where workers are not externally empowered they can still be involved in corporate governance through developing mutual respect and collaboration, which seems to have a positive effect on performance. Firms that do not include workers in management proved to be worse performers than those who do.

Keywords: corporate governance, Western Balkans, export orientation, innovation, participating firm, bargaining

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INTRODUCTION

The role of stakeholders in corporate governance has been a long studied topic in the economic literature. In practice, the debates accompanying worker participation have been growing. Particularly, due to increased wage and employment uncertainty caused by the recent global financial and economic crisis. There has been growing demand to pursue the so called stakeholder model (versus the current shareholder model) of corporate governance, where stakeholders, i.e. mainly workers, would have a bigger role in managing the company (Kluge and Vitols, 2010). Following this idea, questions surrounding company behaviour and performance in the face of different levels of stakeholder involvement arise. To provide empirical answers, we need to study corporations that have evolved in an environment that promoted or is still promoting different levels of stakeholder participation. The Western Balkan countries (all countries of former Yugoslavia and Albania) represent examples of such evolving environments.

We analysed the behaviour of companies in the context of social capital that represents the ability of companies to derive benefits from cooperation of social groups which interact in networks (social infrastructures) (Adam and Rončević, 2003). There are three main internal stakeholders that cooperate in a company, i.e. workers, managers and owners. Each group has got different interests that motivate their actions. By working together, they steer the company towards a common goal which is determined through bargaining of the interest groups and thus define company behaviour. Greater internal cohesion of these groups leads to higher firm competitive advantage and consequently organisational extra profit (Aoki, 1984). This entails not only the involvement of owners and managers in corporate governance but also the participation of workers. In this respect, two extreme and opposite outcomes are possible. If owners and managers are the dominant decision makers in corporate governance, the firm will behave like a neoclassical capitalist corporation and maximise profit as its primary goal. Alternatively, if the dominant role in corporate governance is held by workers, the firm will be labour-managed and maximise its income per worker.

Ever since the pioneering theoretical work of Ward (1958), Domar (1966) and Vanek (1970), participatory and labour-managed firms have been regarded as institutions characterised by great social appeal as well as strikingly perverse economic behaviour and propensity to allocative inefficiency. Ward (1958) found the objective function of labour-managed firms to be income per worker maximisation, compared to its neoclassical counterpart whose objective is profit maximization, and hypothesised a perverse response of the labour-managed firm by a negative supply curve reducing employment to the increase in output price, which became one of the most explored topics in literature, especially when comparing the participative firm to a capitalist firm. Although these theoretical solutions are disturbing, they tend not to get much support from empirical evidence (Bonin et al., 1993; Prašnikar et al., 1994). Horvat (1967) hypothesised that labour-managed firms maximised profit in the final stage, after creating an aspiration size of salaries, and later Vanek (1970) showed that an income per

worker maximising labour-managed firm can meet the criteria of effectiveness under certain conditions. Weitzman (1984) developed the idea of share economy where an employee attains a market-designed wage and a share of the profit, which also resides in the core of debates on the modern participatory capitalist firm.

The primary example for observing labour-managed firms was Yugoslavia, which was characterised by high economic growth in the 1950s and 1960s (Sapir, 1980) and an economic downturn after the oil crisis in the 1970s and 1980s revealed a number of weaknesses later attributed to the social property concept and state policies rather than to firms pursuing interests of workers (Prašnikar et al., 1994). In 1991, Slovenia and Croatia each proclaimed their independence. While the former restored order after a ten-day war, the latter was engaged in military confrontations for years, with the war having spread to Bosnia and Herzegovina. Later on, tensions emerged in Kosovo, leading to the bombing and sanctioning of Serbia and Montenegro. After a decade of turmoil in the 1990s, followed by a decade of peace, a series of new countries now exist in the place of former Yugoslavia, i.e. Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia, and, the latest, Kosovo. Their common characteristic is that the transformation of social ownership to private and state ownership was one of the key policies of transition to a market economy. Some based their privatization legislation on the Marković Act, a law established in former Yugoslavia, which was characterised by a soft transition of social property to the hands of employees (Serbia, Montenegro, and Macedonia). Others (Slovenia, Croatia, and Bosnia and Herzegovina) modified their privatization legislations (Koman, 2009). As a result of this variation, the speed and characteristics of privatisation in each country differed from defensive to strategic (Domadenik et al., 2008b) and from internally to externally focused (Prašnikar and Svejnar, 2007). Their common denominator is that the social property issue has mostly been resolved but there are still challenges in the area of macroeconomic stabilization, price and trade liberalization, competition development, enforcement of rule of law etc. These issues in the (post-)transition period affect company behaviour and are closely linked to the question of corporate restructuring of which managers are the key agents (Aghion et al., 1994).

The turbulent environment that captured most of the former Yugoslavia in the 1990s is, without a doubt, one of the reasons for a lack of microeconomic studies of firm behaviour in this region. The economic and social environment is now settling but the situation in the field of economic research remains challenging. This is particularly the case in the less developed parts of the region. Prašnikar et al. (1994) analyzed a sample of Yugoslav firms in the 1970s boom period and 1980s economic decline. Yugoslav firms were found to display 'intermediate' behaviour, placing emphasis on wages and employment and also confirming the wage–investment bargaining hypothesis by Prašnikar and Svejnar (2007). A zero employment response to a product price change was also established, which was not consistent with the Ward-Domar-Vanek model predictions (of a perverse employment response) for a labour-managed firm. A subsample analysis performed on firms that weighted towards less developed parts in the region revealed the behaviour of such firms to be closer to

income per worker maximisation. Among the least developed was the area of Macedonia and the subsequent finding about the behaviour of Macedonian firms did not change in the second half of the 1990s (Koman and Hadzi-Vasileva, 2007). As noted by Domadenik et al. (2010), Macedonian corporations showed a slight deviation from their former stance towards the objective of a capitalist firm in the period 2000–2007, demonstrating bargaining behaviour between wage and profit maximisation. The authors compared the most developed former republic of Yugoslavia, which is Slovenia, to the least developed, which are Macedonia and Montenegro, all of them being small open economies, and observed company behaviour to vary across periods and countries with some commonalities. Montenegro is the smallest formerly Yugoslavian economy and the last to acquire independence in 2006. The studying of firms in the periods of 1998–2000 and 2004–2007 revealed that corporate behaviour gravitated towards bargaining between wage maximisation and profit maximisation. De-novo firms seem to be an exception, behaving closer to a capitalist firm. After proclaiming independence in 1991, the Slovenian firms demonstrated bargaining behaviour in the early transition period of depression and ownership transformation, thus giving support to results from Prašnikar et al. (1994). Many large firms were not able to privatise internally and were making losses. As a result, they were less focused on the employment goals and more on the sole survival. In the late 1990s, ownership transformation led to many internally privatised firms which pursued the maximisation of income per worker (Domadenik et al. 2010). The question emerging in this context is whether anything has changed ten years after? The ownership is not as dispersed and a bigger share of it is held by external owners. Therefore, based on the evolution of other countries, we would expect firms to slowly gravitate back towards bargaining behaviour or further, towards the behaviour of the neoclassical firm. The latter scenario is less likely because workers in Slovenia enjoy a fairly high level of legal protection in terms of their management involvement. They are guaranteed co-determination by the Constitution. Although the bargaining power of workers has diminished, workers remain a force not to be ignored.

The purpose of the doctoral dissertation is to perform a comparative empirical analysis of corporate governance in the Western Balkans region in the recent period based on firm differentiation by interactions of the internal interest groups. This would deepen the understanding of how firms evolved in terms of their social capital and what internal and/or external factors influenced their development. The dissertation aims to answer what are the differences in company behaviour, if they exist at all, based on the level and type of accrued social capital. More specifically, we show participatory company behaviour in the Republic of Srpska, Albania, and Slovenia. The Republic of Srpska is one of the two entities constituting Bosnia and Herzegovina and is an exemplary case of central and southern ex-Yugoslav countries. Albania is the only country in the Western Balkans region that was not a part of Yugoslavia and was a closed economy until acquiring its independence from the communist regime in 1991. Slovenia was and remains the most developed economy in this region that is heavily influenced by international activity.

However, studying companies in the region one quickly realises that gathering data is a challenging task. The accounting data about Slovenian enterprises is relatively easily accessible. However, there is very little quantitative company-level data available in Albania and the Republic of Srpska. Accounting manipulations (e.g. "cooking the books") are omnipresent and consequently the available secondary data is of questionable quality. The outsiders are not in a position to obtain balance sheet data without the permission of companies therefore it is very demanding to conduct research in these countries without the assistance from local researchers that are able to get reliable primary accounting data. One of our aims was also to conduct a questionnaire study to measure the level of social capital generated by the surveyed firms and to collect data on their individual characteristics such as export orientation (share of revenues made abroad), ownership type (state or private, domestic or foreign, and dispersed or concentrated/blockholding), industry (service or manufacturing), and legal form (Limited Liability Company or Joint Stock Company).

The primary data was acquired through a unique psychometric type of questionnaire associated with firm level productivity, which was primarily developed and tested by Bloom and Van Reenen (2007). Top managers in the firm were chosen as respondents because they possess comprehensive operational and strategic knowledge on firms, which was required by the questionnaire. The survey was conducted in autumn 2010 for Slovenia and a year later for Albania and the Republic of Srpska as a part of a wider research project on intangibles in firms from the Western Balkans region. The purpose of the project was to measure different types of intangible capital, such as branding and innovation as well as the informational, relational, ecological and human capital. In each country, we tested the questionnaire in order to confirm its suitability. Companies were not selected at random. A stratified sample was composed based on size, industry and location.

After having received questionnaires from 40 companies from Albanian, 58 from the Republic of Srpska, and 98 from Slovenia, we executed a cluster analysis and applied the Pearson's Chi-square test to determine the differences between the identified clusters.¹ The sample of Slovenian firms offered enough observations to perform the Svejnar (1986) bargaining model on each cluster and determine whether firms were maximising income per worker or profit, or if they were somewhere in between. The analysis of firms in these three countries allowed us to compare behaviour of companies and indicate their performance. The results are interesting in the light of modern tendencies for higher social security protection because of the ongoing unstable and unpredictable economic situation worldwide.

The dissertation is structured as follows: First, we present company behaviour in the Republic of Srpska. Then, we show corporate governance in Albania. Third, we demonstrate the level of participation in Slovenian companies in the pre- and post-crisis period. Finally, we conclude the dissertation with a joint conclusion.

¹ The number of questionnaires used in the analysis not including the fraction of discarded ones.

1 BLOCKHOLDING AND ORGANISATIONAL DIVERSITY: THE CASE OF A TRANSITION ECONOMY²

Abstract

We approached the issue of blockholdings' effectiveness and behaviour by studying an exemplary transitional economy of the Republic of Srpska to follow organisational transformations. We found two distinct clusters of blockholdings. The first cluster is the Worker-Entrenched blockholdings, where most workers are unionised (institutionally empowered). Cooperative behaviour between blockholders and unions is evident in some cases, but there are also signs of rent-seeking behaviour. The second cluster constitutes Worker-Liberal blockholdings, where most workers are not unionised. Instead, they present an unconstrained work force. There are two distinct subgroups in this cluster. The vast majority of blockholdings in the first subgroup developed a prevailing role of the capital owner, heavyweight management and a less trained workforce. The second subgroup nurtures reciprocity of management and core workers' cognitive assets, and is also the most productive. Furthermore, we made methodological innovations in approaches to surveying organisations.

Keywords: corporate governance, organisational transformation, developing countries, blockholding, worker empowerment, core-periphery mode, reciprocal essentials mode

² This paper was co-authored with Professor Janez Prašnikar, and Professor Dragan Mikerević. It was accepted in publication as Prašnikar et al. (2014).

1.1 Introduction

Blockholding, or concentrated ownership in the hands of one single owner or a few large owners, has been in the focus of corporate governance research (Holderness, 2003).³ Studies have shown mixed results about the role of blockholdings in corporate governance subject to organisational development. Is it a substitute for legal protection in institutionally poor environments (Shleifer and Vishny, 1997; La Porta et al., 2008), or is it a foundation for strategic coordination between different stakeholders (Black, 1990; Cronqvist and Fahlenbrach, 2009)? Most research so far has come to the conclusion that concentrated ownership affects firm performance positively (Tribo et al., 2007) due to easier long-term goal orientation agreements (Hoskisson et al., 2002) and more intense monitoring of managers' actions, consequently decreasing managerial discretion and inhibiting self-serving behaviour (Finkelstein and Boyd, 1998; Tosi et al., 1997). However, there are also studies showing negative effects of blockholding on firm performance due to decreased liquidity of equity (Maug, 1998), misguided corporate strategic alignment (Thomsen and Pedersen, 2000) or deriving benefits from the control function only for the largest blockholder (Johnson et al., 2000; Dyck and Zingales, 2004). So a question arises: What differentiates the effectiveness of block-owned firms? We approach this issue by studying the affect of labour market institutions.

While there is convincing evidence about the influence of labour institutions in Western Europe on the effectiveness of a blockholding (Henrekson and Jakobsson, 2012; Van Essen et al., 2012), there is much less evidence from transitional countries. In particular, there is almost no information from countries of the former Yugoslavia, where peculiar labour relations, including worker participation, played an important role in the past.⁴ After Yugoslavia fell apart in the last decade of the 20th century, new countries have emerged in its place. Among them, Bosnia and Herzegovina has had the most dramatic history.

Our research is based on a questionnaire study that was conducted in autumn 2011 in the Republic of Srpska, one of the entities constituting Bosnia and Herzegovina. In the recent

³ The term blockholding (and blockholders) is commonly used in economic literature, dealing primarily with the problems arising from more/less concentrated ownership and agency problems (see Holderness, 2003). Blockholding refers to a situation of having large owners present, whereby the limits to what is large are set differently. For example, Demsetz and Lehn (1985) suggest using largest 5 to 20 shareholders, while Shleifer and Vishny (1986) suggest a 5% limit (in Earle et al., 2005). The notion of a block refers primarily to the 'power to impact' therefore the definition can differ by country (institutional characteristics) or industry. All type, size and number of blockholders matter for firm structure, strategy and long-run performance (see Tribo et al., 2007; Sanchez-Ballesta and Garcia-Meca, 2007; Henrekson and Jakobsson, 2012).

⁴ Damijan et al. (2004) revealed raising ownership structure concentration in Slovenia as a result of 'battle for control' between blockholders, which is negatively influencing corporate performance. Koman et al. (2013) describe the appearance of blockholdings in Montenegro in relation to stripping assets in the privatisation processes when interdependency between economic actions and political positions of individuals did not lead to establishing rules which would promote value building.

decade the country has been strongly influenced by economic reforms on account of privatisation, liberalisation, and a changing global environment (globalisation). Mass privatisation was introduced in the years 2000 and 2001 with the intention of making ownership dispersed in most privatised companies. The country preserved Yugoslav labour relation institutions for a long time and in the year 2000 adopted a liberal Labour Law to ease some of the labour market rigidity.

In our case, we are dealing with a unique database of companies where top managers were asked specific questions about relations between corporate stakeholders (owners, managers, and workers) and corporate governance. Our study has two main findings: First, in the period of ten years after the liberal reforms were launched, blockholding became the prevailing ownership structure in the Republic of Srpska. Second, significant differences in the behaviour of blockholdings based on the empowerment of workers are observed. We identified two distinct clusters of firms. In the first cluster, most workers are institutionally empowered (unionised), therefore we call these firms **Worker-Entrenched** blockholdings. Although cooperative behaviour between the blockholders and unions is evident in few cases, there are also signs of rent-seeking behaviour of unions, who use their monopoly position in order to expropriate a part of added value. This is particularly evident in some state-owned firms.

The second cluster of firms shows a different pattern of development. We named these firms **Worker-Liberal** blockholdings, since most workers in this cluster are not institutionally empowered, but rather present an unconstrained work force in the labour market. There are two distinct subgroups in this cluster of firms identified as well. A vast majority of blockholdings in the first subgroup correspond to a profit maximizing **Core-Periphery** mode of firm with a prevailing role of the capital owner, heavyweight management and a less trained workforce. The second subgroup strongly reflects the **Reciprocal-Essentials** (hereafter RE) mode of firms (Aoki, 2010), where the main ingredient of such mode is the growing importance of human cognitive assets, not limited only to those of management but also including those of core workers. Hence, the blockholding diversity appears as the result of different labour relations in firms and various types of corporate governance could be found.

Our contributions are threefold. First, we contribute to the literature on blockholdings by analysing blockholdings' corporate behaviour and organisational architecture in the framework of different labour institutional arrangements (Wright et al., 1996; Holderness, 2003; Sanchez-Ballesta and Garcia-Meca, 2007; Edmans, 2009). Second, by studying firm behaviour in one ex-Yugoslav country, we are able to shed light on the transformation of labour capital relations and corporate governance after the abandonment of social ownership and worker's self-management. Thus, our analysis of blockholdings in the Republic of Srpska also portrays well the development of corporate governance in other parts of former Yugoslavia. On this ground, we contribute to the emerging comparative view of corporate

governance, which seeks to explain corporate governance both in terms of agent relations and path (national) dependency (Hall and Soskice, 2001; Aguilera and Jackson, 2003; Hopner, 2005; Aguilera et al., 2008; Aoki and Jackson, 2008; Aoki, 2010). Third, we made methodological innovations in approaches to surveying organisations.

In the following section we present the development of blockholdings in the Republic of Srpska as well as describe the labour market to embed the evolution of blockholding into context. In the third section, we present the hypotheses of our research. This is followed by methodology along with the survey design and questionnaire structure. In the fifth section we convey our results. In the last section we draw conclusions.

1.2 Development of blockholdings and specific labour institutions in the Republic of Srpska

1.2.1 Economy of the Republic of Srpska

The disintegration of Yugoslavia in the 1990s had a strong effect on the Bosnian economy. The armed conflict that followed on its territory destroyed a substantial part of its physical and human capital. In 1995, the Dayton Accord split the state of Bosnia and Herzegovina into separate entities: the Federation of Bosnia and Herzegovina (Federation), the Republic of Srpska, and Brčko District.

In the period from 2000 to 2008, Bosnia and Herzegovina witnessed robust growth, in particular a double-digit GDP nominal growth rate and a real growth rate between 6% and 7%. The growth was stimulated by international assistance, increased foreign and domestic investments, a credit boom funded by foreign banks and booming domestic demand financed from abroad. While residents in all Balkan countries spent more than they earned from domestic sources, the Republic of Srpska boasted some of the highest ratios of domestic absorption over GDP. This was possible mainly by large remittances from family members working abroad. According to some estimations, those transfers generate between 15% and 18% of GDP every year (EBRD, 2011).

After several years of growth, the economy experienced a sharp decline in the late 2008, similar to the case of other countries in the region. The output also fell significantly in 2009 by approximately 3% (EBRD, 2010). This economic downturn settled slightly in 2010. However, in 2011 the economy of Bosnia and Herzegovina stagnated and, today, it remains in deep recession. The trend of negative developments persisted in 2011 in the field of foreign direct investments, budget deficit, increased cost of living, rising inflation and a constant increase in unemployment.

In 2011, the number of employed people in Bosnia and Herzegovina amounted to 693,359, while the number of unemployed people was 529,994 (in 2010 there were 517,004 unemployed). In the Federation of Bosnia and Herzegovina, the number of employed people was 441,115, while 367,512 were unemployed. In the Republic of Srpska, there were 239,998 employed and 150,971 unemployed. The employment rate in Bosnia and Herzegovina was 31.9% (29.8% in the Federation of BiH, 36.1% in the Republic of Srpska, and 22.9% in the Brčko District), and the unemployment rate was 27.6% (29.2% in the Federation of BiH, 24.5% in the Republic of Srpska and 39% in the Brčko District). According to the ILO methodology, the unemployment rate in Bosnia and Herzegovina was 27.6% in 2011, compared to 2010 when it was 27.2% (Stanković, 2012).

1.2.2 Ownership concentration

A proper legal protection of investors, including minority investors (shareholders and creditors), ownership disclosure and transparency, and capital market transactions are determined within the legal framework of each entity. With assistance from the international community, the Federation of BiH and the Republic of Srpska adopted commercial legislation and the Company Act. The Federation of BiH adopted the Company Act in 1998 and the Republic of Srpska in 1999.

Discussions about the best privatisation model followed the overall debate on corporate governance in Bosnia and Herzegovina, especially on how to find the most efficient way of transmitting the interests of owners to the company. The entities adopted mass privatisation as the prevailing privatisation programme in hope that ownership in most companies would end up dispersed.⁵ There were three approaches used: the privatisation of small companies – small privatisation, the privatisation of large companies – large privatisation, and the privatisation of strategically important companies. The assets of companies undergoing privatisation could be purchased with cash, vouchers or coupons.⁶

The privatisation started with a pilot programme of hard currency auctions in 18 small companies (coupons were treated as hard currency) in July 1999. By March 2001, 98 of 276 small companies had been sold for a total value of KM 20.6 million (approximately 10 million Euros), of which about 80% was paid in coupons.

⁵ This was a prevailing view in most transitional countries. As argued by Hansmann and Kraakman (2001), the best form of an organisation is the shareholder-oriented model, and practice and law are convergent on this model.

⁶ Each citizen in the Republic of Srpska was entitled to vouchers, while coupons were issued on the basis of frozen foreign account deposits. Vouchers could only be used in privatisation through the voucher offer, and were valid for two years after they had been deposited into a special Privatisation Account.

Approximately 600 companies in the Republic of Srpska that hold around one-quarter of the total assets of state-owned enterprises were subject to privatisation under the voucher privatisation scheme from the year 2000 to 2001 (IMF, 2005). The first official trade in Bosnia and Herzegovina took place on March 14, 2002 on the Banja Luka Stock Exchange in the Republic of Srpska. Even though there were some successful examples of privatisation, the general effect of voucher privatisation was minor, accompanied by few new investments and a notable lack of skills present in leading managers (OHR, 2004).

Out of the 135 strategic companies, 52 of them were selected for the privatisation in the framework of international tenders. However, in the first years only a small number of strategically important companies was sold through auctions and international tenders. Therefore, after 2003 there was more focus on the privatisation of strategically important companies. The Republic of Srpska sold some of its most attractive assets to foreigners between 2004 and 2007. In the period from 2005 to 2006, the manufacturing and banking sectors attracted most of the foreign bidders. The main telecommunications company was sold in 2007. This was by far the largest foreign investment in the Republic of Srpska in the last decade. In the period from 2008 to 2010, the most important sector was retail trade.

Consequently, since the beginning of privatisation the share of the Republic of Srpska's state ownership has greatly diminished. However, some companies remain in direct state ownership. The state also holds a prevailing share in some joint corporations. A number of firms were privatised to foreigners. The remaining forms of corporations are privately owned corporations, which arose from the voucher privatisation programme. Today, most of the voucher-privatised firms exhibit enormous difficulties in corporate governance and are, in many cases, captured by influential groups or individuals (Hoff and Stiglitz, 2004; Koman et al., 2013). Taking also into account newly established firms by private entrepreneurs, blockholding is currently considered to be the dominant corporate governance mode in the Republic of Srpska (Mikerević, 2012).⁷

1.2.3 Industrial relations

The labour legislation in Bosnia and Herzegovina, social dialogue and collective bargaining are displayed at the level of entities. Even though laws have been designed and passed in Parliaments of the entities after the war, they retained rigid clauses and inflexibility within the labour market remained. Under pressure from the international community, both entity governments have amended labour laws. The Labour Law in the Republic of Srpska, which was amended in November 2000 (Službeni Glasnik, RS 38/00, 40/00, 41/00), eased some of

⁷ Data on the exact share of private domestically-owned firms vs. private foreign-owned firms vs. state-owned firms in the Republic of Srpska is impossible to obtain due to the constantly changing number of firms (bankruptcies, liquidations, mergers, new entry) and a prevailing number of small firms with less than 20 employees.

the labour market rigidities. The notice period and the size of severance paid by employers were both significantly reduced. In this sense, labour legislation in the Republic of Srpska is relatively liberal.

Any worker that is employed can become a member of the labour union, whereby he/she accepts the rights and obligations arising from the Statute and other acts of the labour union. There is currently no official data that could accurately indicate the actual share of employees as union members. According to some estimates, approximately one-half of employees in BiH are members of labour unions (Dedic, 2013). There is higher labour union presence in the public sector. In the private sector, labour unions are most frequently present in those companies that had labour unions organised before they had been privatised, while it is seldom the case in newly established private companies that employers would allow their workers to engage in union activities (Stanković, 2012).

The Association of Unions of the Republic of Srpska⁸ is a representative and the carrier of collective bargaining in the Republic of Srpska, together with the government of the Republic of Srpska and Union of Employers of the Republic of Srpska (Unija udruženja poslodavaca Republike Srpske) (Službeni Glasnik, 2007).⁹ In May 2010, they jointly signed an “umbrella” General collective agreement, which set the rules for determining basic wages. Basic wages are determined by multiplying the initial wage for the simplest work task with the so-called coefficients, each representing particular weight for more demanding work tasks. The minimum wage in the Republic of Srpska is set forth by the General collective agreement as well. The General collective agreement is supplemented by industry-specific agreements or special agreements that are uniting a few industries which effectively convert the concept of basic wage on the level of industries or groups of industries. Four industry agreements and six special agreements are currently in effect in the Republic of Srpska. In addition to sizes of coefficients for different occupations, they also differ in the context they cover. For example, the collective agreement for the energy sector has (along with the finance sector) the highest minimum wage and coefficients for classifying wages based on specific tasks. The General collective agreement applies to all workers and employers. No collective agreement concluded at the branch or company level may grant lesser rights than those stipulated in the General Collective Agreements. The differences between the public and private sector are especially evident in the area of implementing the existing collective agreements, where provisions of agreements are more frequently violated in the private sector (Stanković, 2012).

⁸ In 1992, the Association of Unions of the Republic of Srpska (Savez sindikata Republike Srpske) was founded. The Association was formed from the organisation “Zveza sindikatov Jugoslavije” (Association of Unions of Yugoslavia). In addition to union organisations, which operate under the auspices of the Association, there are also enterprise unions in some companies, which are not members of the Association. They emerge spontaneously, in the event that employees are dissatisfied with the operation of the ‘official’ Association, which is particularly the case in bankrupted companies. Currently, they have no great significance.

⁹ In addition to collective bargaining, a tripartite social dialogue is organised through of the Economic and Social Council which involves the representatives of the Government of the Republic of Srpska, Association of Unions of the Republic of Srpska and Union of Employers of the Republic of Srpska.

The Labour Law completely excludes the participation of employees in corporate governance, i.e. it does not propose nor prohibit workers' participation. The employer is only obligated to inform employees about their rights and obligations, wages, the state of the company, and future development. As for employees' councils or workers' councils, the entity laws regulate their organisation. In order for the workers' council to be formed, the employer must have at least 15 workers in permanent employment positions. In the Republic of Srpska, the decision on the establishment of a workers' council can be made by no less than one-third of the total number of workers at a single employer (Stanković, 2012).

1.3 Related literature and hypotheses

The paper refers to the literature on corporate governance. In the leading agency–theoretical explanation of corporate governance (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1985), ownership and control are dispersed and stock markets are liquid, generating higher returns, providing higher possibilities of diversification for investors and facilitating financing to managerial entrepreneurship (the outsider system). On the other hand, the blockholding system (the insider system) is a system of large shareholders (blockholders). It ensures more vigilant shareholders' monitoring over management and longer shareholders' time horizon. Capital markets are thinner than in the outsider system and the liquidity of stocks is rather low (Bratton and McCahery, 2002; Holderness, 2003). While the advocates of the outsider systems see blockholdings as a substitute for legal protection in a poor environment (Schleifer and Vishny, 1997; La Porta et al., 2008), the opponents claim that blockholders are common all over the world and seem to be relatively stable in time (Holderness et al., 1999; Holderness, 2003). Moreover, there is an emerging view on corporate governance (Hall and Soskice, 2001; Aguilera and Jackson, 2003; Aguilera et al., 2008; Aoki and Jackson, 2008; Hopner, 2005) that seeks to explain corporate governance both in terms of agent relations and path (national) dependency.

The paper also refers to the literature on labour unions and bargaining. The more recent models, taking into account the bargaining process between management and unions, replaced traditional perceptions of unions as a monopolist on the supply side of the labour market. The notion of bargaining assumes that unions have control over employment as well as wages. Different strategies are then possible. Monopoly unions could maximise a wage bill and choose a level of employment where marginal wage equals zero, or they maximise the mark-up of wages over the market (alternative) wage. The equilibrium wage is higher in the latter case (maximisation of rents) than under wage bill maximisation (Ehrenberg and Smith, 2011). The monopoly union model presupposes that bargaining between managers and unions is sequential, with unions setting and then the firm choosing the level of employment. However, if the values of those variables are chosen simultaneously, this results in a situation of efficient bargaining (Estrin et al., 2008). The formal models of efficient bargaining take a game theoretical approach and search for a solution on the contract curve, the locus of points

in the firm's labour demand curve and the union's indifference curve. The precise point on the contract curve chosen by the two sides depends upon their relative bargaining power. As the bargaining power could be an exogenously determined force, the outcome depends not only on endogenous, but also on exogenous factors (Svejnar, 1986). In particular, European countries feature rather specific institutions in regard to the role of labour in the economy and corporate governance (Ferner and Hyman, 1998). Van Essen et al. (2012) investigated if European labour institutions can function as a countervailing power to blockholdings and even increase the cooperative capabilities of shareholders and their willingness to cooperate with workers to increase profit. They identified the following influences of labour institutions on blockholding: 1) the employment protection laws constrain the ability of blockholders to pursue value-enhancing adjustments of the scale operations in their firms; 2) collective labour action laws negatively affect blockholder effectiveness; 3) employee involvement in firm decision-making has a positive effect on blockholder effectiveness, and 4) no significant effect of the level of unionisation on blockholder effectiveness exists.

Whereas the negative effects of employment protection and collective labour action laws on blockholder effectiveness support the competitive perspective between stakeholders, the positive effect of labour laws mandating employee voice in firm decision-making is more in line with the cooperative view of corporate governance. This means we made reference to the literature on worker participation as well. The cooperative view of corporate governance could namely be explained by the fact that employee involvement in decision-making may foster the elimination of post-contractual information asymmetry (Freeman and Lazear, 1995), increase investments in human capital (Furubotn, 1988; Furubotn and Wiggins, 1984) and enable the controlling owners to pursue value-enhancing quality management and innovative strategies (Kraft et al., 2011). In addition, with the globalisation of markets and the information revolution, which is a new phenomenon, Aoki (2010) proposes a RE mode of organisational architecture (reciprocal essentialities of management and workers cognitive assets). The growing importance of human cognitive assets, not limited only to those of management but also including those of the core workers, is the main ingredient of such a mode.

Two working hypotheses were made based on the literature review and description of the development of blockholdings and industrial relations in the Republic of Srpska. The first took in the account the diversity of blockholdings based on different ownership arrangements and the divergent role of unions in organisations. Hence, corporate governance diversity should be an important feature of the corporate landscape in the Republic of Srpska. In view of the relationship between bargaining among corporate constituents and corporate governance, the working hypothesis is as follows:

Hypothesis 1: Blockholding behaviour differs in relation to the bargaining power dissimilarity found in corporate constituents.

However, this competitive approach among corporate constituents is often challenged by a more cooperative view, claiming that corporate constituents do not merely compete for the largest possible slice of the corporate pie, but also coordinate and cooperate strategically to increase the size of the pie which is to be distributed (Aoki, 1984; Hall and Soskice, 2001). In particular, organised workers in labour unions might positively affect blockholder effectiveness owing to decreased transaction costs and collective action problems that burden dispersed employees to effectively pursue their interests in competition with other corporate constituents (Traxler, 2003; Schnabel et al., 2006). The concentrated representation of labour interests can thus increase the likelihood of cooperation, producing benefits that dominate the costs to shareholders resulting from the empowering effects of unionisation. Likewise, value-enhancing cooperation between blockholders and labour may provide joint strategies that require firm-specific investments in human capital, worker empowerment and higher worker loyalty defining a firm's genetic material helping to achieve competitive advantage (Prašnikar et al., 2012; Van Essen et al., 2012). In addition, efficient bargaining between unions (workers) and the firm on employment and wages might better serve interests of both the firm and unions (workers). Such outcomes should be difficult to achieve if a monopoly union of workers pursues rent-seeking behaviour (maximisation of wages). This leads to the following two additional working hypotheses on the role of unions (workers) in blockholding relations in the Republic of Srpska.

Hypothesis 2a: The effectiveness of blockholdings is higher if unions (workers) are involved in strategic cooperation between employees and blockholders.

Hypothesis 2b: The effectiveness of blockholdings is lower if unions (workers) follow rent-motivated behaviour.

1.4 Sample selection and questionnaire

1.4.1 Research design

To test our working hypotheses, we rely on questions posed to top managers in the firm. Managers were chosen as respondents because they possess comprehensive operational and strategic knowledge about the firm, as was required by the questionnaire. We were not in a position to obtain balance sheet data without the permission of companies. The primary data was acquired through a unique psychometric type of questionnaire associated with firm productivity, which was primarily developed and tested by Bloom and Van Reenen (2007).¹⁰

¹⁰ Psychometric questionnaires are most commonly used in psychology to conduct research in human psychological behaviour, e.g. Sixteen Personality Factor Questionnaire by Cattell (1946), frequently with the help of factor analysis in order to find latent behavioural traits (i.e. finding social value structures). For further reference, please see Musek (1993).

The survey was conducted in autumn 2011. We pilot tested the questionnaire on a few firms and selected 60 companies to compose a stratified sample on the basis of their size, industry and location which we believed were good representatives of companies with over 50 employees in the real sector of the economy. With the help of a research team from the University of Banja Luka, we appealed to the CEO of each company for collaboration, sent them the questionnaire, and received positive answers from 58 companies. We also collected data about individual characteristics of the surveyed firms, such as export orientation (share of revenues made abroad), ownership type (state or private, domestic or foreign, and dispersed or concentrated/blockholding), industry (service or manufacturing), and legal form (limited liability company or joint stock company). Firms were also asked to provide specific internal accounting information from which we were able to calculate the added value per employee to use as a measure of their performance.

Manufacturing firms constitute 61.4% of the sample, 22.4% are state-owned firms, 15.5% are owned by foreigners, and 94.8% are block-owned. In 2011, they generated 8.7% of total income and employed 5.4% of employees among all firms registered in the Republic of Srpska. In terms of the industries from which the surveyed firms were selected (mining, energy, manufacturing, construction, trade and other services), these blockholdings generated 20.9% of total income of these industries.

1.4.2 Questionnaire structure

The questionnaire consists of the following sets of question: 1) *decision-making*, 2) *adjusting employment*, 3) *wage setting*, 4) *the role of labour unions*, 5) *participation of workers in risk sharing*, 6) *participation of workers in decision-making*, 7) *internal training*, and 8) *on-job training*. Since we are interested in the labour issues in blockholdings, each set of questions is related to a particular item from our literature review. The first is directly related to the role of workers in corporate governance, the next three deal with labour unions and bargaining, and the last four deal with the position of workers in building comparative advantages of firms. Thus, they are indirectly related to the role of workers in corporate governance as well. Each set of questions contains three consecutive statements to which managers responded positively ('yes') or negatively ('no'). Each following statement in a set of questions represents a greater degree of complexity, building into a cascading structure.¹¹

We start the first question set from the premise that a fundamental division between owners and managers is the division between the right to control (control rights), the right to bear risk and returns for taking risk (residual rights), and the right to *decision-making* (decision rights). The first two rights are in the domain of the owners of the firms whereas the last right

¹¹ A combination of closed questions directs respondents to a systematic way of thinking about the actual situation in the organisation without being biased or thinking too broadly about it. See Bloom and Van Reenen (2010b) for an alternative view.

regarding decisions on the use of existing resources belongs to managers. The choice about the separation of strategic function (given usually to top management) and day-to-day decisions (which are usually in the hands of middle and lower management) is in the hands of company owners (Wheelen and Hunger, 2010), and they are responsible for addressing the agency problem which in turn leads to the (de)solution of consolidating owners' and managers' interests. Owners have the highest influence on (non-)cooperative behaviour of main corporate constituencies: owners, managers and workers (Aoki, 1984; Van Essen et al., 2012).

In order to capture the *employment adjustments* (the second set of questions) of firms when they are confronted by external shocks, it is useful to start with a profit maximizing model of a firm subject to capital and labour accumulation constraints. The derived static factor demand functions can be perceived as desired long-run equilibrium levels of labour and capital. In the absence of adjustment costs, firms constantly adapt employment to a desired level according to changes in market parameters (in particular, changes in output and wages) (Domadenik et al., 2008). Realistically, the company behaviour is dynamic rather than static and there are substantial adjustment costs. In constructing the questionnaire, this distinction was taken into consideration. Firms utilise different ways to restructure employment in the short term (using overtime, hiring part-time workers, employing through agencies, hiring students etc.), known as defensive labour restructuring. In the long term, they adjust desired employment by adjusting the number of full-time employees, noted as strategic restructuring of employment. In addition, we considered firms that based their competitive advantages on human capital to be building on the concept of core employees. The higher the share of core employees, the more is invested in a firm's human capital and the higher the firm's comparative advantage (Lepak et al., 2003; Aoki, 2010; Zupan et al., 2010).

Deciding on *wages* (third set of questions) is another important element in bargaining. In a mixed economy, such as the Republic of Srpska, which is marked by liberal relations toward employment and founding new companies on one side, and preserving institutions of collective bargaining in the labour market from the former Yugoslavia on the other side (path dependency), the size of wages (if they are higher than reservation wages¹²) is associated with collective bargaining processes at different levels. The 'no' answer to the first question in the set of questions relating to wages leads to the conclusion that workers are paid at the reservation wage. Furthermore, answering 'yes' to the second question implies a positive deviation from the earnings assured by collective agreement. This either means higher bargaining power of unions, if they exist, or that the firm is building its compensation policies on the efficiency wage philosophy. When wages are among the highest in the country, either the first or second strategy is escalated.

To achieve greater bargaining power, employees organise themselves into *labour unions* (fourth set of questions). Our first question was whether unions existed in the firm. We then

¹² The reservation wage is defined as the wage limit below which employees would be unwilling to work.

tested the collaborative behaviour of unions. In the case of more competitive unions, the collaborative character of unions could diminish due to the competition between unions for membership, which is found especially in European states (Ferner and Hyman, 1998). The final question relates to unions' concerns with the firm's success.

The fifth set of questions, entitled '*Workers' Participation in Risk Sharing*', first tests the willingness of employees to do 'something more' for the firm, which is a broad concept that can be understood in different ways. The key issue here is that workers are voluntarily prepared to spend their own time (outside working time) and energy in the benefit of the company, without any pressure or coercion from the employer. After testing workers' compliance, we focused on workers' long-term planning and loyalty to the firm by asking about their willingness to stay with the firm even if they had been offered better (paid) employment elsewhere. Lastly, we questioned workers on their propensity to financially participate in the firm and take financial risks.

In order to study the effect of workers' participation in the decision-making process on firm performance, we could categorise participation into levels or degrees. Clarke et al. (1972) distinguishes between participation concentrated on work tasks (work-centred participation) and participation concentrated on the distribution of power (power-centred participation). We have modelled our set of questions by Bernstein (1982), who distinguishes between four degrees of workers' control: 1) employee consultation represents the lowest degree of participation, where workers merely provide written or oral suggestions to management, which can choose to ignore or act on them, 2) employee co-influence involves discussions between workers and management, where workers have the right to be informed, discuss their interests, protest, and offer suggestions, but management still makes the final decision, 3) joint management, or co-determination, where both parties have the right to veto decisions and form joint decision committees, and 4) self-management, as the most advanced, enables full participation of all members of the firm, with workers having total control over the decision-making process. Since the Republic of Srpska normative framework does not support workers' participation, this set of questions is comprised of questions which includes the first three degrees of employee participation in the decision-making process. The first question, 'Are workers informed about key decisions for the firm?' reflects employee consultation. The second question, 'Is there an established open dialogue with the workers about key decisions for the firm?' expresses employee co-influence. The last question about workers being members of governing bodies includes joint management or codetermination.

Based on the notion that cooperative blockholdings also invest more in human capital, we chose to include this scope in our analysis. Investments in firm-specific human capital have been a long debatable issue in the economic profession. Following the resource-based view of firms, human capital was recognised as an important source of competitive advantage and a firm's ability to adapt in volatile environments (Barney, 1991; Judge et al., 2009). Many researchers later identified firm-specific human and structural resources as the largest

subcategory of businesses' intangible investment (Corrado et al., 2009, for the US and UK; Fukao et al., 2009, for Japan; Bloom and Van Reenen, 2010a).

The seventh set of questions analyses *internal training* as a part of human capital practices in the firm. First we identified the company's intention to make collaborative efforts by asking about the provision of organised training based on identified needs of the company. Next, we determine the proportion of employees in training and establish the firm's dedication to measuring the effects of training. Firms that also measure training effectiveness with other methods, rather than solely by conducting a survey at the end of a training programme, are considered more dedicated.

By studying *on-the-job training*, we identified whether the company actually provides regular on-the-job training (e.g. apprenticeship, mentorship, job rotation etc.) and if it actively promotes spreading knowledge among its employees. If a firm considers on-the-job training an important factor in the promotion of key employees, it will foster successors for most of its key employees, allowing for quick and efficient replacements.

1.5 Diversity and behaviour of blockholdings in the Republic of Srpska

To identify the nature of corporate governance in the Republic of Srpska, we performed an agglomerative hierarchical cluster analysis in Stata SE 11. We applied the simple Matching metric for calculating distances as one of the more suitable and most commonly applied metrics for clustering binary variables. To find the most suitable number of clusters, we chose as the most appropriate Ward's error sum of squares agglomeration method, which minimises variation within clusters (homogeneity) and maximises variation between clusters (heterogeneity) (Sharma, 1996).¹³ We applied the second question in each set of questions as the clustering variable because they possess the most variability and are, therefore, the most suitable for clustering.¹⁴ We also used Pearson's Chi-square test to find differences between all three groups. The results are presented in Table 1.1.

¹³ To test the validity of results, we applied different distance measures and agglomerative techniques. By using Jaccard, Dice and Russel/Rao measures (Finch, 2005), we got similar results as with simple Matching, but simple Matching produced the most significantly different clusters tested with Pearson's Chi-square. We also tried other agglomerative methods, such as single, average and complete linkage, but we encountered a problem with chaining, which is a common occurrence when clustering dichotomous variables. Performing clustering on subsamples provided reliability testing. This was inconclusive in some cases due to sample size limitation.

¹⁴ We also performed clustering by using all variables in the sets of questions and found similar results with less significant differences between clusters because of lost variability. The first questions have significantly more positive answers than negative answers, while vice versa is true for the third questions (a consequence of cascading). Therefore, the first and third questions have too low variability, making clustering problematic.

Table 1.1. Blockholding types in the Republic of Srpska

	Worker-Entrenched firms (n=24)		Worker-Liberal firms				Chi-square	Sign.
			Core-Periphery mode (n=18)		Reciprocal-Essentials mode (n=16)			
	% yes	SD	% yes	SD	% yes	SD		
Column	1	2	3	4	5	6		
1. DECISION-MAKING								
Operation/strategic management separated	70.8	46.4	72.2	46.1	100	0.0	5.776	0.056
Managers and owners act unanimously	70.8	46.4	55.6	51.1	100	0.0	8.960	0.011
Owners, managers and workers coordinate decisions	58.3	50.4	38.9	50.2	68.8	47.9	3.219	0.200
2. DECISIONS ON EMPLOYMENT								
Short-term adjustments to shocks are appropriate	83.3	38.1	94.4	23.6	87.5	34.2	1.200	0.549
Achieving desired level of employment	54.2	50.9	83.3	38.3	62.5	50.0	3.962	0.138
Core group of employees as a comparative advantage	37.5	49.5	55.6	51.1	56.3	51.2	1.906	0.386
3. DECISIONS ON WAGES								
Higher than alternative wages	75.0	44.2	22.2	42.8	100	0.0	24.310	0.000
Wages higher than collective agreement	41.7	50.4	11.1	32.3	68.8	47.9	11.829	0.003
Wages among the highest in the country	37.5	49.5	5.6	23.6	56.3	51.2	10.300	0.006
4. THE UNION ROLE								
Workers organised in unions	91.7	28.2	11.1	32.3	0.0	0.0	43.113	0.000
One union organisation exists	87.5	33.8	11.1	32.3	0.0	0.0	39.601	0.000
Unions concerned with a firm's success	37.5	49.5	5.6	23.6	0.0	0.0	11.959	0.003
5. WORKERS INCLINATION TOWARDS RISK								
Workers are prepared to do 'more' for the firm	83.3	38.1	72.2	46.1	100	0.0	5.027	0.081
Workers would stay with the firm in bad times	62.5	49.5	33.3	48.5	75.0	44.7	6.521	0.038
Workers would financially invest in the firm	37.5	49.5	11.1	32.3	43.8	51.2	5.016	0.081
6. WORKERS PARTICIPATION								
Workers are informed about key decisions	66.7	48.2	50.0	51.4	100	0.0	10.540	0.005
Workers have an open dialogue with managers	62.5	49.5	44.4	51.1	100	0.0	12.286	0.002
Workers are members of government bodies	45.8	50.9	5.6	23.6	43.8	51.2	8.787	0.012
7. INTERNAL TRAINING								
Existence of organised forms in the firm	100	0.0	66.7	48.5	81.3	40.3	8.894	0.012
More than 50% of workers participate	41.7	50.4	33.3	48.5	50.0	51.6	0.971	0.615
Other methods of evaluation than survey exist	29.2	46.4	5.6	23.6	18.8	40.3	3.732	0.155
8. ON-THE-JOB TRAINING								
Existence of organised forms in the firm	91.7	28.2	55.6	51.1	100	0.0	14.003	0.001
Systematic knowledge transfer among employees	87.5	33.8	55.6	51.1	100	0.0	12.000	0.002
Successors for most of key employees exists	79.2	41.5	44.4	51.1	62.5	50.0	5.385	0.068
ADDITIONAL INFORMATION								
Productivity higher than median firm	45.8	50.9	33.3	48.5	75.0	44.7	6.167	0.046
Service industry	26.1^a	44.9	22.2	42.8	75.0	44.7	12.501	0.002
Limited Liability companies	37.5	49.5	55.6	51.1	87.5	34.2	9.805	0.007
More than 100 employees	70.8	46.4	16.7	38.3	12.5	34.2	18.887	0.000
More than 0% of export	54.2	50.9	55.6	51.1	50.0	51.6	0.114	0.945
More than 25% of export	41.7	50.4	38.9	50.2	18.8	40.3	2.456	0.293
More than 50% of export	20.8	41.5	22.2	42.8	12.5	34.2	0.614	0.736
Foreign ownership	16.7	38.1	11.1	32.3	18.8	40.3	0.418	0.811
State ownership	37.5	49.5	16.7	38.3	6.3	25.0	5.887	0.053
Block ownership: more than 50% share	91.7	28.2	100	0.0	93.8	25.0	1.509	0.470

Note. ^a n=23. SD stands for Standard Deviation.

The cluster analysis identified two broad clusters that behave as Worker-Entrenched blockholdings and Worker-Liberal blockholdings based on the level and type of worker

empowerment, with the latter further divided into two subgroups (sub-clusters) of predominantly manufacturing Core-Periphery firms and service RE firms to capture any further heterogeneity within the initial group. This confirms Hypothesis 1, which says that firm behaviour differs dependent on bargaining power dissimilarity. In the following subsections, we describe each type of blockholding in further detail.

1.5.1 Cluster of Worker-Entrenched blockholdings

In our discussion about the organisational architecture of firms in the Republic of Srpska, we particularly examined the group (first homogenous cluster) of 24, mostly unionised firms presented in the first two columns of the body of Table 1.1. Ninety-two percent of firms in this cluster have workers organised in unions, which institutionally empower (entrench) workers and represent their interests in the bargaining processes. Only one union organisation exists in 88% of firms. Compared to the second cluster, these proportions are high. In the first subgroup of the second cluster, unions only exist in approximately 11% of firms, while in the second subgroup unions are not present in any of the observed firms.

On average, the blockholdings in this cluster are larger, coming mainly from the manufacturing sector. The prevailing legal status is the joint stock company (although 38% of firms are limited liability companies). The firms do not deviate positively or negatively in productivity¹⁵ since 46% of companies in the cluster show higher productivity than the median productive firm in the sample. Moreover, 38% of firms in this cluster are state-owned companies. The proportion of state-owned companies is much higher than in the second cluster. Almost one-fifth of firms in the cluster are foreign-owned companies; others are voucher-privatised and de-novo companies.

Data in Table 1.1 shows that operations and strategic management decisions in these firms are separated in approximately 71% of firms. In the same share of firms, managers and owners act unanimously and there is very high coordination of basic strategic decisions between owners, managers and workers (in 58% of firms). Eighty-three percent of firms claim that short-term adjustments to shocks are appropriate and use flexible employment arrangements to achieve these adjustments. The most widely applied forms of flexible employment arrangements are part-time employments, hiring students and using overtime work.¹⁶

¹⁵ Productivity was measured by added value per employee, which was used to make a dummy variable. Firms with added value per employee less than or equal to the sample median were given the value 0, and firms with added value per employee more than the sample median were given the value 1.

¹⁶ Based on managers' ranking of adjustment methods to short-term demand fluctuations, hiring part-time workers is by far the most often applied method (on a scale from 1="most used" to 5="least used," Friedman rank is 2.42). It is followed by hiring students (3.84), using overtime work (4.00), employing through agencies (4.06), using reduced working time (4.62) and using work on hold (4.74).

This group of firms achieved the lowest level of desired employment and has the lowest assertion of the core group employee concept among all three clusters of firms. Wages are higher than alternative wages in 75% of all companies, higher than those set by collective agreements in 42% of firms and among the highest in the country in 38% of cases. As mentioned earlier, there is one union organisation operating in most of the firms and 38% of companies claim that unions are concerned with the firm's success. With regard to loyalty, more than 80% perceive their employees as willing to do something more for the firm. About 60% of companies believe that employee loyalty level is high and that employees would remain with the firm even if they were offered a slightly better employment opportunity (e.g. better paid job). In almost 40% of all cases, workers would even be willing to make financial investments in a firm. Two-thirds of firms claim to use a participative style of leadership with employees having the right to voice their opinions, which are taken into account when making managerial decisions. One aspect of participative leadership is the presence of workers in government bodies, which exists in almost one-half of the companies. With regard to human capital investment, all companies reported training organised in line with company requirements. Moreover, the training participation levels exceed one-half of employees in 40% of the companies. Only one-third of firms show the presence of other methods of evaluation rather than a survey. More than 90% also reported having formal programmes of on-the-job training, and only a few less claimed to support a formal transfer of knowledge, mostly through mentorships, instructions and team working. Seventy-nine percent of firms believe to have competent successors for the key positions in the company, which is achieved through the internal transfer of knowledge.

However, this highly positive image of the collaborative effects between unions and blockholders, which would confirm Hypothesis 2a, becomes less convincing if we make an internal comparison of firms in this cluster of mostly unionised companies. Although the total number of firms is low, a more in-depth analysis showed that firms differentiate to a certain degree. Let us consider, for example, state-owned firms (nine) and foreign-owned firms (four). Wages in state-owned firms are higher than those set by collective agreements and are among the highest in the country in almost 80% of cases. All of these firms claimed that workers are prepared to do 'something more' for the firm and would stay with the firm also in harsh economic times. In two-thirds of state-owned firms, workers are willing to make financial investments in the firm. However, only three state-owned firms claimed to have achieved a desired level of employment. On the contrary, all foreign-owned firms have a desired level of employment. Wages are higher than those set by the collective agreement only in one case. Workers in foreign-owned firms are also more prone to leaving the firm in bad times and are not willing to make financial investments in the firm. On the other hand, foreign firms involve more than one-half of workers in internal training relatively more often than state firms. In relative terms, they also outnumber the state-owned firms in using other methods of evaluation rather than mere surveys.¹⁷

¹⁷ A more detailed analysis is available upon request.

On the basis of our data, it seems that state-owned firms might resemble the behavioural characteristics of Yugoslav firms (companies managed by workers, managers and the government), where unions played an important role in defending workers' employment and wages in centralised collective bargaining processes. Good examples of such governance arrangement are the prevailing state-owned companies in the energy sector. The collective agreement in the energy sector includes a list of different compensations, including a tenure premium that puts younger workers in a disadvantaged position compared to older workers. The agreement also includes collective health insurance, new year packages for children, payment for every newborn child, payment for international labour day, payment for different sorts of benefits for retirees and families of the deceased workers etc., which is not included in most other collective agreements.

Due to a possibility of rent-seeking behaviour emerging in the state-owned firms, a possible explanation of the highest self evaluation of internal training and on-the-job training, among all firms in the sample, might be that some of these firms do not differentiate between investments in firm-specific human capital that is expected to be value-enhancing from investments in firm-specific human capital for which this is not the case (Micco and Pages, 2004; Van Essen et al., 2012). These results suggest that Hypothesis 2b could be confirmed in the case of state-owned unionised firms.

1.5.2 Cluster of Worker-Liberal blockholdings

The second studied broad cluster consists of 34 Worker-Liberal (mainly non-unionised) blockholdings with a union organisation present only in two cases. These firms are, on average, smaller than those in the first cluster. The cluster is further divided into two subgroups, i.e. in 18 Core-Periphery firms mostly from the manufacturing sector (almost 80% of firms in the first subgroup fall into this category) and 16 RE mode firms mainly from the service sector (three-quarters of firms in the second subgroup fall into service industries). Columns 3 to 6 in the body of Table 1.1 show different behavioural patterns of the two subgroups, which are further described in the following two subsections.

1.5.2.1 Worker-Liberal manufacturing-oriented blockholdings

These manufacturing blockholdings are smaller compared to the first cluster (see columns 3 and 4 in the body of Table 1.1). Limited liability companies prevail in terms of legal status (56%) and there are fewer firms having state ownership (17%). A check of the ownership structures shows that a number of blockholdings in this group belonging to privatised, formerly socially-owned firms. They are among the least productive (only one-third of firms in the group show higher productivity than the median firm).

As it is evident from the results in Table 1.1, the decisions in this subgroup are made with the lowest level of consensus between the owners and managers. Decisions are coordinated among owners, managers and workers in less than two-fifths of firms, and the decision-making power is highly concentrated in the hands of managers (or owners). Short-term labour adjustments to shocks were executed in 95% of cases,¹⁸ and firms adjusted employment to a desired level in more than 80% of cases. The concept of core employment is observed in 55% of firms. In most cases, the wages are close to the alternative wage. The study revealed that these workers are paid the lowest wage and also have the lowest risk propensity. They are willing to stay with a firm in only one-third of cases at times of economic distress (crisis). Since the economic situation of many firms is currently aggravated, most workers would probably leave the firm if an opportunity arose. The share of firms in which workers participate, as well as the share of firms having investment in human capital, is low compared to other groups of firms. In a series of these firms they do not provide employees with even basic information about company operations. The relationship with workers is mostly transactional.

Core-Periphery employment relationships are more evident in this cluster than in the cluster of Worker-Entrenched firms. This phenomenon is similar to the description of Deakin and Reberiouxa (2009), where many companies in France are reducing the proportion of core employees in favour of agency labour and subcontracting peripheral jobs owing to pressure from financial markets. This type of firm is often found in regions of the former Yugoslavia due to one further reason: a non-transparent lengthy privatisation of former socialist firms which is, in some cases, still not completed and is characterised by frequently changing privatisation methods.¹⁹ Both tendencies were also evident from our data. Firms studied in this segment operate on the verge of economic efficiency as they are more extensively involved in foreign trade, where they are faced with a higher level of competition (see additional information in Table 1.1). Moreover, non-transparency and corruption of fast ownership concentration in the hands of new owners are often cited as the main reasons for dissatisfaction in certain firms where managers (owners) exercised high controlling power.²⁰ Consequently, these firms are, in most cases, domestically owned.

¹⁸ Based on managers' ranking of adjustment methods to short-term demand fluctuations, hiring part-time workers is most commonly applied (Friedman rank: 2.53). It is followed by using overtime work (3.61), using reduced working time (3.78), employing through agencies (4.36), using work on hold (4.56) and hiring students (4.58).

¹⁹ In a study of Montenegrin firm behaviour in the period from 1998 to 2009, Koman et al. (2013) found that too many Montenegrin firms had been lost in the privatisation process due to badly designed and non-transparent rules. Stripping assets was a more lucrative strategy than building value.

²⁰ Please see, for example, World Bank (2000).

1.5.2.2 Worker-Liberal service-oriented blockholdings

This subgroup comprises mainly of limited liability companies. Their productivity is higher than in the median firm in 77% of cases, which makes this group of firms the most productive of all three clusters. What would be the driver of above average efficiency of this subgroup of firms? Our data could certainly point to one fact. Namely, this group of firms is characterised by cooperative behaviour between the main stakeholders (managers, workers and owners), which might be value enhancing. This is already evident from the answers received to the first set of questions. The results about the level of cooperation in decision-making under the 5th and 6th column of the Table 1.1 body show a high level of consensus between owners and managers, and coordination of decisions with workers as well. Firms adjust well to short-term employment, economic shocks²¹ and to a desired level of employment. Firms also highly address the concept of a core group of employees. Workers have higher wages than those set by collective agreements in almost 70% of firms. It was claimed by 57% of firms that they are among the highest in the country.

Workers' participation in decision-making is observed in almost all firms. Workers are well informed, have an open dialogue with managers, are members of governing bodies in 45% of firms, and their risk propensity is high. They are willing to make financial investments in the firm in 43% of cases. Investments in human capital, in the form of investments in internal training as well as on-the-job training, are present in the majority of firms. Yet, workers in these firms are not organised in unions. Collaboration with managers (owners) is voluntary and developed as a result of mutual recognition that management's capabilities and workers' capabilities are necessary for value-enhancing activities. Their cooperation is an important factor of company success.

This group of firms resembles the RE model developed by Aoki (2010) in which the cognitive assets of management (MCA) and those of workers (WCA) are reciprocally essential. Without joint cooperation, neither of them can increase marginal product simply by substituting the use-control of non-human, physical assets (PHA) to the other. The results also support Hypothesis 2a. Such internal environment evolved especially in the service sector (three-quarters), which presented one of the major shortcomings of the former Yugoslavia along with the absence of small and medium-sized enterprises (Petrin and Vahčič, 1990), and was, thus, able to attract a young, educated labour force.

²¹ Managers ranking of adjustment methods to short-term fluctuations in demand gave priority to hiring part-time workers (Friedman rank: 2.66). It is followed by employing people through agencies (3.63), using overtime work (3.63), hiring students (3.91), using reduced working time (4.59), and work on hold (4.56).

1.6 Conclusion, limitations and future directions

The Republic of Srpska is one of the entities constituting Bosnia and Herzegovina and a representative case of a transitional economy where we were able to study corporate governance and productivity differentiation through the development of labour market institutions. There is almost no information on this issue available from countries of the former Yugoslavia, where peculiar labour relations played an important role in the past. The Republic of Srpska preserved Yugoslav labour institutions long after the disintegration of Yugoslavia occurred in 1991. However, the situation has been strongly influenced by economic reforms on account of privatisation, liberalisation, and globalisation in the past decade. One of the purposes of privatisation was to reform corporate governance and increase firm efficiency. The shareholder-oriented model was perceived as becoming the prevailing mode of a firm's corporate governance. However, our results indicate that voucher-privatised firms in the Republic of Srpska are a temporary phenomenon. As mass privatisation was introduced along with the launch of liberal reforms, a convergence to concentrated ownership and diversity of blockholdings is a prevalent tendency under these circumstances.

By studying blockholdings in the Republic of Srpska, we identified various types of corporate behaviour and organisational architecture transformations in the framework of different labour institutional arrangements. Significant differences in blockholdings' behaviour, based on the level and type of (institutional) empowerment of workers, can be observed. Our analysis identified two broad clusters that behave as Worker-Entrenched blockholdings and Worker-Liberal blockholdings, with the latter further divided into two subgroups of predominantly manufacturing Core-Periphery mode firms and service Reciprocal-Essentials (RE) mode firms. In Worker-Entrenched blockholdings, most workers are members of (mainly one) labour unions, and achieved fairly good results in terms of collaborative efforts of blockholders and unions. But, some unions (particularly in state-owned firms) might evolve rent-seeking behaviour.

Most workers in the cluster of Worker-Liberal blockholdings are not associated with unions. The owners and/or managers are the dominant decision makers in the first subgroup of profit maximising, Core-Periphery firms, which are the least productive. The Core-Periphery model is likely to be the outcome in many cases of privatised firms. The second subgroup of blockholdings with Reciprocal-Essentials (RE) mode of organisational architecture has developed under the influence of technological changes. It represents an important segment of business that emphasises reciprocity of management and core workers' cognitive assets, and is the most productive of all groups.

Different labour relations in firms and various types of corporate governance resulted in blockholding diversity that might promote the selection of corporate governance modes in favour of those that utilise new technologies better and increasingly on the global scene. The

RE model is a very good example of such type of firms. Diversity also makes an economic system more adaptable to environmental change, as well as more robust to economic shocks.

The case of the Republic of Srpska clearly shows that a design toward a unified group of firms was a difficult endeavour and that it failed for different reasons.²² This endeavour also brought along some lessons that are important in a broader context. Collaborative effort on the side of blockholders and unions (workers) could be value enhancing and might increase the company efficiency. However, a monopoly-oriented union could present an obstacle for further development of this collaborative approach. This means that institutional similarities to the Yugoslav system, cooperative behaviour of constituents on the one side and high impact of the state and politically influenced unions on outcomes of central bargaining on the other side, are still present and they affect the way companies and organisations behave.

Groups of firms in this study were obtained through the analysis of a unique dataset. The data was gathered through a psychometric questionnaire asking managers about different characteristics of decision-making in the firm. We applied a technique of cascading closed questions. In some cases, open questions might have been better, but enterprises in the Republic of Srpska do not have experience with (such) research, so managers were suspicious about their rationale and, therefore, reluctant to cooperate.

The limited sample size is a limitation of this study. However, we are satisfied with the number of responses considering the circumstances. This research gives hope that even more companies will be prepared to cooperate in the future and make research in the respective region more feasible.

²² See Samuelson (1954, 1955), Grove and Ledyard (1977) and Hurwicz (1994) on the problems of evolution and design in economic processes and development.

2 THE ROLE OF CORPORATIONS IN ECONOMIC DEVELOPMENT: ALBANIA ON ITS WAY TO INTERNATIONALISATION²³

Abstract

Albania's inward-oriented economy gradually opened to global influences during its period of transition. This eased access to markets and capital but also revealed many weaknesses in Albanian corporations. Today the country's growth strategy is based on exports. Consequently, a strong and competitive corporate sector with international potential is vital. Following the evolutionary approach in corporate governance theory, we examine internal organisation of the firm, relationships between stakeholders and Albania's historical legacy (path dependency), linking these characteristics with competitiveness and export orientation. Cluster analysis reveals two distinct groups, where cooperation between agents and human capital investment, as well as productivity and export orientation, differ significantly. In terms of development policy, the results are very important for Albania and similar countries. Beside a unique dataset, the article also introduces methodological innovations in the survey technique and represents a contribution to the literature on intangible capital.

Keywords: corporate governance, organisational transformation, developing countries, blockholding, export orientation

²³ This paper was co-authored with Professor Janez Prašnikar Professor Fatmir Memaj and Associate Professor. Tjaša Redek. It was published as Prašnikar et al. (2013), with DOI: 10.1080/14631377.2013.813143.

2.1 Introduction

Economic growth in developing countries is often based on the export-led model where external demand determines the dynamics of growth. The export-led model of growth has been successfully utilised by a number of countries (Japan, Korea, transition countries, China). Countries' export-oriented manufacturing sectors assisted with creating the supporting internal environment and increasing external demand led to a rapid increase in economic standards (Grossman and Helpman, 1991; Boltho, 1996; Palley, 2011). The exporting sectors were national developmental priorities. Their competitive strengths were systematically developed (e.g. Japanese industrial policy), primarily by strengthening the manufacturing sectors. However, if a country is to succeed following this export-led paradigm, domestic corporations' strength and competitiveness are vital; corporations must be strong enough to enter foreign markets. Baldwin (1988), Dixit (1989) and Krugman (1989) explain that when a firm enters foreign markets it needs to cover the entry costs, which later convert into sunk costs. For many small firms and entrepreneurs, these costs are prohibitively high. On the other hand, large corporations can utilise economies of scale and scope to become more competitive in foreign markets. In line with this argument, the characteristics of the domestic corporate sector should be closely examined, with focus on the larger corporations, in order to assess the ability of the manufacturing sector to pursue export-oriented growth and become the driving force of the economy.

The purpose of this article is to study the ability of Albania, a country that was, two decades ago, the closest real example of a closed economy, to follow the export-led model of growth by examining the characteristics of the country's corporate sector. The transition from socialist to capitalist economy in Albania began at the beginning of the 1990s. The initial situation was rather grim. The majority of (formerly) state-owned enterprises' property was obsolete. Private entrepreneurship eventually developed despite an unsupportive environment. After a shaky period during the 1990s, the new century brought stability. With the exception of 2002, economic growth between 2000 and 2008 was above 5% and remained positive even throughout the crisis (including the outlook for 2013 according to EBRD, 2013). On average, export growth reached a staggering 17% between 2000 and 2009 (Redek et al., 2012). Although the Albanian economy has been one of the fastest growing European emerging economies, it also remains one of the poorest. Its current ongoing goal is to reach the level of economic development of the lower middle developed European countries.

Within this context Albanian firms carry a huge burden of national development. Yet very little is known in detail about the Albanian economy, especially its corporate sector. What exactly is the role of an Albanian corporation in the Albanian economy? Could these corporations carry the burden of internationalization? *Our hypothesis is that the corporate sector in Albania has, at the moment, limited potential for succeeding in export-driven growth, primarily due to slow corporate restructuring and lack of strategic focus, which can*

be related to internal relationships between blockholders²⁴ in firms. This is true for small companies, but primarily also for the large(r) companies, which should carry the (bigger) burden of internationalization. Using a cascading survey technique and cluster analysis, we show that Albanian corporations fall into two broad categories, each with at least some potential but also important obstacles. As such, the results can serve as a guideline for both management and policy makers.

This article contributes to the economic literature in several ways. First, to the best of our knowledge, such a detailed database and related research is unique and a valuable contribution to the existing literature on Albania, given the lack of knowledge about the country's economy and its corporations. Second, it should be stressed that quality micro level data on Albania are very difficult to obtain. Third, the article also contributes to the existing literature in a broader context of the comparative corporate governance theory (Hall and Soskice, 2001; Aguilera and Jackson, 2003; Hopner, 2005; Aguilera et al., 2008; Aoki and Jackson, 2008; Aoki, 2010), which seeks to explain corporate governance both in terms of agent relations and its path (national) dependency. Last, internal characteristics, decision-making and organisational behaviour are also part of intangible capital (Corrado et al., 2009; Prašnikar, 2010). Thus this study contributes to broadening both methodological and empirical knowledge about intangible capital in developing countries, especially Albania.

Following this introduction, the literature overview provides the theoretical foundation for our arguments. Then the methodology and data are presented, followed by the presentation of our results and conclusion.

2.2 Literature overview

The purpose of the article is to examine the potential of the Albanian economy to follow the export-led growth hypothesis by studying the characteristics of its corporate sector primarily through the examination of corporations' internal characteristics (strategic orientation, decision-making processes, cooperation, investment in human capital etc.). Cohesion, cooperation, clear strategy and vision are expected to lead to more investment in human capital and a more motivated and cooperative work force, which in turn enhances a corporation's competitive edge and its ability to compete in global markets. Without strong corporate desire and the ability to export, a general national orientation to utilise this model

²⁴ The term blockholding (or blockholders) is commonly used in managerial economics literature, dealing primarily with the problems arising from more/less concentrated ownership and agency problems (see Holderness, 2003). Blockholding refers to a situation of having large owners present, where the limits for what is large are set differently. For example, Demsetz and Lehn (1985) suggest using the largest 5–20 shareholders, while Shleifer and Vishny (1986) suggest a 5% limit (in Earle et al., 2005). The notion of a block refers primarily to the 'power to impact'; therefore the definition can differ by country (institutional characteristics) or industry. The type, size and number of blockholders all matter for firm structure, strategy and long-run performance (see Tribo et al., 2007; Sanchez-Ballesta and Garcia-Meca, 2007; Henrekson and Jakobsson, 2012).

would fail. Thus we link the export-oriented model of growth and external competitiveness with corporate sector characteristics, primarily corporate governance both in terms of agent relations and path (national) dependency.

The export-led hypothesis is preferred over the import-substitution model, as in the past it often ensured a win-win situation: both the developing and the developed countries benefited from such a model. The developing countries gained access to markets and, thereby, the ability to build their position in the global economy, while the developed countries gained access to relatively cheap products from the developing countries, thus improving their position as well. Historically speaking, Germany and Japan were able to pave their way into the international arena by promoting exports in the first phase after World War II (1945–70), followed by the Asian Tigers in the 1970s and 1980s (Singapore, South Korea, Taiwan, and Hong Kong) and then by the Southeast Asian economies (Thailand, Malaysia, and Indonesia) and Mexico in the 1980s and 1990s. China followed last (Palley, 2011). Rodrik (2010) adds that countries systematically implemented economic policies (explicit industrial policy, undervalued exchange rate, subsidised loans etc.) which assisted the development of the tradable sector. They have often acted pragmatically.

It is also fundamental not to overlook the role of large organisations in this development. Corporations, not the state, are the economic units that produce goods and services for export, and their characteristics are thus essential to determining the potential of the export-led model of growth. Stemming from Lucas's mechanics of growth, it could easily be argued that it is corporations that directly contribute the most to economic success. Lucas (1988) applies the 'learning by doing' hypothesis to the basic endogenous growth model of investment in human capital. In this model, on-the-job training or learning by doing appears to be at least as important as schooling in the formation of human capital. It refers primarily to the creation of additional knowledge in the production process itself. By accumulating knowledge, existing comparative advantages are strengthened further. The model also provides a simple context for discussing two popular strategies of economic development: import substitution and export promotion.²⁵

But Lucas's (1988) hypothesis can only be fully utilised within the context of export-led success in an appropriate corporate environment, where both a company's management and appropriate restructuring support learning. As shown by Chandler (1992), the primary reason behind the success of US, Japanese and German companies relative to UK companies at the beginning of the twentieth century was their focus on foreign markets, accompanied by corporate restructuring. While British companies were still absorbed in family tradition, other

²⁵ Under the former, the expertise in the protected industries would eventually grow to the point where the country would have a comparative advantage in free trade. Under the latter, manipulation through taxes and subsidies for terms of trade facing the country's producers could bring an increase in growth and welfare improvements in the free trade equilibrium. To execute both strategies it is essential for large companies to exercise learning by doing.

countries had already developed aggressive multidivisional company models, investing in management, marketing and sales, and research and development. Such an approach boosted their competitive advantages in global markets.

Additionally, larger corporations penetrate foreign markets with less effort than smaller corporations. According to Williamson (1985), it is easier for the centre in a large divisional organisation than it is for capital markets to identify activities in the firm, perform strategic planning and determine the results of divisions. Taking into account the heterogeneity of fixed costs for supplying different markets through different channels and differences in trade costs, Helpman et al. (2004) found that for the least productive firms only domestic markets were profitable to supply. Firms with intermediate productivity supplied both the domestic and foreign markets through exports, and the most productive firms supplied the domestic market and foreign markets through foreign affiliates.

This theoretical discussion is highly relevant to Albania's economy since it stresses the link between corporations and an economy's export orientation. Albania began the transition to a market economy fairly late and under unfavourable circumstances due to the country's dogmatic heritage (Muco, 1997). Discussions about the best privatization model followed the overall debate on corporate governance, focusing especially on how to find the most efficient way of transmitting owners' interests to the company. Mass privatization using vouchers led to the establishment of blockholding as the prevailing form of ownership (Memaj and Koci, 2001; Memaj and Dika, 2005). According to Prašnikar et al. (2012a), Albanian corporations at the moment are developing slowly owing to the internal tensions in firms. Investment levels, both tangible and intangible, are low, while firms remain primarily oriented towards the domestic market. Given the circumstances at the microeconomic level and considering the theoretical fundamentals, what is the potential of the Albanian corporate sector and, consequently, the country itself to successfully utilise the export-led development model?

2.3 Methodology and data

2.3.1 Research design

The analysis relies on a survey of different characteristics of firms' decision-making, conducted on a sample of managers. Primary data was acquired through a unique psychometric type of questionnaire.²⁶ We first pilot-tested the questionnaire and then selected 40 companies, which in total provided a representative reflection of the economy, including size and location. A research team from the University of Tirana helped conduct the survey among CEOs. Direct contact in the process of surveying and the cooperation of the local

²⁶ Psychometric questionnaires are most commonly used in psychology to research human psychological behaviour (i.e. Sixteen Personality Factor Questionnaire (Cattell, 1946)), frequently with the help of factor analysis, in order to find latent behavioural traits i.e. finding social value structures. For more see Musek (1993).

university contributed to data reliability. Data on selected other firm characteristics, such as size, export orientation, ownership type, industry, and legal form (limited liability company or joint stock company) was also gathered. Firms were reluctant to provide detailed balance sheet data but we were able to obtain specific internal accounting information that was used later to calculate value added per employee as a measure of performance.

The survey was conducted in autumn 2011. The sample consists of 12 joint stock companies and 28 companies with limited liability. Some 25% (10 companies) are from the construction industry, 37.5% (15 companies) are from the manufacturing sector, while 37.5% are from the tertiary sector: 15% (six companies) are from trade and 22.5% (nine companies) are from service activities other than trade. The sample also justly represents the size structure. An average company in the sample employed 148 people in 2010; the total number of employees in the sample was 5901.

2.3.2 Questionnaire structure

We investigated the main constituencies of corporate governance (owners, managers and workers) and their cooperative behaviour, which could lead to value-enhanced export strategies. The questionnaire consisted of eight question sets examining the following aspects: 1) *decision-making*, 2) *adjusting employment*, 3) *wage setting*, 4) *role of labour unions*, 5) *participation of workers in risk sharing*, 6) *participation of workers in decision-making*, 7) *internal training*, and 8) *on-the-job training*. These question sets were carefully constructed to reflect the topics we want to explore.

The questionnaire design followed a unique cascading structure (following Miyagawa et al., 2010), increasing the reliability of the data by using a set of three simple and clear consecutive ‘Yes/No’ statements. Each consecutive statement in a question set represents a greater degree of complexity of the selected phenomenon, building into a cascading structure, and also allowing empirical testing (more in Prašnikar et al., 2012b).²⁷

We start the first question set from the premise that the fundamental difference between the roles of owners and managers is the division between the right to control (control rights), the right to bear risk and returns for taking risk (residual rights) and the right to *decision-making* (decision rights). The first two rights are in the domain of the owners of the firms, whereas regarding decisions on the use of existing resources the later belongs to managers. The choice about separation of the strategic function (given usually to top management) and the ‘day to day’ decisions (which are usually in the hands of middle and lower management) is in the hands of the owners (Wheelen and Hunger, 2010). They are responsible also for addressing

²⁷ A combination of closed questions directs respondents to a systematic way of thinking about the actual situation in the organisation without being biased or thinking too broadly about it. See Bloom and Van Reenen (2010b) for an alternative view.

the agency problem, which in turn leads to success or failure in consolidating owners' and managers' interests. Owners have the most influence on trust building in an organisation, which results in (non-)cooperative behaviour of the main corporate constituencies: owners, managers and workers (Aoki, 1984; Van Essen et al., 2012).

In order to capture firms' *employment adjustments* (second question set) when confronted with external shocks, we rely on the standard profit maximizing firm, which is subject to capital and labour accumulation constraints. The derived static factor demand functions can be perceived as the desired long-run equilibrium levels of labour and capital. In the absence of adjustment costs, firms continually adapt employment to the desired level subject to changes in market parameters (particularly changes in output and wages) (Domadenik et al., 2008). Realistically, firm behaviour is dynamic rather than static and there are substantial adjustment costs. When constructing the questionnaire, this distinction was taken into consideration. Firms use different ways to restructure employment in the short-term (overtime, fixed-term contract workers, agency work, student work etc.). We call this defensive labour restructuring. In the long-term they adjust desired employment by adjusting the number of full-time employees. We use the term 'strategic restructuring of employment' to describe this process. In addition, we examine whether firms that based their competitive advantages on human capital built on the concept of 'core employees'. The higher the share of core employees the greater is the investment in the firm's human capital and the higher the firm's comparative advantage (Lepak et al., 2003; Aoki, 2010; Zupan et al., 2010).

Deciding on *wages* (third question set) is another important element in bargaining. We examine whether workers receive only a low wage, close to the theoretical concept of the reservation wage, or whether earnings differ from those assured by collective agreements. This either means higher bargaining power of unions, if they exist, or that firms are building their compensation policies on the efficiency wage philosophy. When wages are among the highest in the country, either the first or second strategy is escalated.

To achieve greater bargaining power, employees organise themselves into *labour unions* (fourth question set). We first determine whether unions even operate within the firm. We then test the collaborative behaviour of unions. In the case of more competitive unions, their collaborative character may diminish due to the competition between unions for membership, which is found especially in European states (Ferner and Hyman, 1998). Last, we consider unions' concerns about firms' success.

The fifth question set, '*Workers' Participation in Risk Sharing*', first tests the willingness of employees to do 'something more' for the firm. 'Something more' is a broad concept that can be understood in different ways. The key issue here is whether workers are voluntarily prepared to invest their own time (outside working time) and energy for the benefit of the company, without pressure or coercion from the employer. After testing this workers' compliance, we focus on workers' long-term planning and loyalty to the firm by asking about

their willingness to stay with the firm even if they were offered better (paid) employment elsewhere. Last, we investigate workers' financial participation and financial risk taking.

Since neither the Albanian normative nor legislative framework supports workers' participation, the set of questions (sixth question set) dealing with 'Workers' Participation' refers to two forms of employee participation in decision-making. The first question, 'Are workers informed about key decisions for the firm?' reflects employee consultation, while the second question, 'Is there an established open dialogue with the workers about key decisions for the firm?' captures employee co-influence. The last question about workers being members of governing bodies is informative.

Based on the notion that cooperative blockholdings also invest more in human capital, this aspect was also included. Investment in firm-specific human capital is a long debated issue in the economic profession. As already mentioned, internal training and on-the-job training are, in Lucas's view (1988), important determinants of cross-country growth differences. Following the resource-based view of firms, human capital was recognised as an important source of competitive advantage and a firm's ability to adapt to volatile environments (Barney, 1991; Judge et al., 2009). Many researchers later identified firm-specific human and structural resources as the largest subcategory of businesses' intangible investments (Corrado et al., 2009, for US and UK; Fukao et al. 2009, for Japan; Bloom and Van Reenen, 2010a).

The first question set on human capital practices in the firm analyses *internal training* (seventh question set). First we identify the company's intention to make collaborative efforts by asking about the provision of organised training based on identified needs of the company. Then we determine the proportion of employees in training and establish the inclination of the firm also to measure the effects of training. Firms that measure training effectiveness with other methods, rather than solely conducting a survey at the end of a training programme, are perceived to be more seriously devoted to training.

The eighth question set refers to *on-the-job training*, where we identify whether the company actually provides regular on-the-job training (e.g. apprenticeship, mentorship, job rotation etc.) and whether it actively promotes the spreading of knowledge among employees. If a firm perceives on-the-job training as important for the promotion and development of key employees, it will foster successors for most of its key employees, thus enabling them to fill positions effectively and quickly.

2.4 Results

To identify the nature of corporate governance in firms in Albania and its relationship to a firm's exports, we performed an agglomerative hierarchical cluster analysis. We used the simple matching metric for calculating distances as one of the more suitable and most commonly used metrics for clustering based on binary variables. For finding the most suitable

number of clusters, we chose as the most appropriate Ward's error sum of squares agglomeration method, which minimises variation within clusters (homogeneity) and maximises variation between clusters (heterogeneity) (Sharma, 1996).²⁸ We used the second question in each questions set as the clustering variable because of the highest variability in answers. We present our results in Tables 2.1 and 2.2.

Table 2.1. Company characteristics by cluster

Company information	Cluster 1 (n=26)	Cluster 2 (n=14)	Chi-square	Sign.
	% yes	% yes		
Productivity higher than median firm	42.3	64.3	1.758	0.185
Productivity higher than mean firm	42.3	57.1	0.803	0.370
B2B	46.2	28.6	1.172	0.279
More than 50 employees	57.7	28.6	3.095	0.079
More than 100 employees	26.9	7.1	2.225	0.136
More than 250 employees	19.2	7.1	1.043	0.307
More than 0% of export	42.3	35.7	0.165	0.685
More than 25% of export	23.1	7.1	1.600	0.206
More than 50% of export	11.5	0.0	1.746	0.186
Service sector	38.5	35.7	0.029	0.864
Limited liability company	38.5	14.3	2.533	0.112
State ownership	0.0	0.0	.	.
Foreign ownership	19.2	28.6	0.455	0.500
Blockholders: more than 50% share	88.5	78.6	0.698	0.403

Cluster analysis identified two broad clusters (see Table 2.1). The first cluster consists of bigger firms, almost 60% of which have more than 50 employees (less than 30% in the second cluster) and one-quarter have more than 250 employees (only 7% in the second cluster). In both clusters manufacturing prevails with over 60% of firms. Many of the firms in the first cluster are privatised, former socialist organisations. On average, the firms in the first cluster are more export-oriented, as 11.5% of them export more than 50% of their output and over 42% export at least something. Although they are more export-oriented than firms in the second cluster, 'subcontracting' exports is an important characteristic. In the first cluster, there are also more B2B companies compared to the second cluster. In contrast, none of the firms in the second cluster exports more than one-half of its products, and only one-third reported at least some exports. This could be caused by the fact that this cluster consists of

²⁸ To test the validity of results we used different distance measures and agglomerative techniques. Using Jaccard, Dice and Russel/Rao measures (Finch, 2005) we got similar results as with simple Matching, but simple Matching produced the most significantly different clusters, tested with Pearson's Chi-square test. We also tried other agglomerative methods, such as single, average and complete linkage but we encountered a problem with chaining, which is a common occurrence when clustering dichotomous variables. Performing clustering on subsamples provided reliability testing. This was inconclusive in some cases due to sample size limitation. Otherwise we found similar solutions to the whole sample clustering.

smaller firms. Blockholding²⁹ prevails in both clusters (89% and 79% of firms in clusters 1 and 2 respectively) but in the second cluster foreign blockholders are more common (36% compared to 22% of cases). The second cluster reports higher productivity.³⁰

In the following sub-sections each cluster's internal organisational characteristics are explained in more detail in order to examine the underlying hypotheses. The results are presented in Table 2.2. For each question, the share of positive answers and standard deviations for each of the two clusters are provided with data on the statistical significance of differences between the two clusters.

2.4.1 Cluster 1

Data in Table 2.2 shows a high coordination of basic strategic decisions between owners, managers and workers (62% of firms). All firms with an operational management function separated from strategic management also have managers and owners acting unanimously, and nearly all of these firms coordinate decisions with workers, which is positive given its importance for growth. Compared to the second cluster, these results can partly be explained by the size difference of the firms in the two groups. The firms in the second cluster are somewhat smaller and owners, as entrepreneurs, do not wish to relinquish control over key decision-making areas.

A short-term adjustment to shocks through employment is used in 81% of cases. In addition, companies adjusted employment to a desired level in 62% of cases, and all of these firms also utilise core employees as a competitive advantage. It must be mentioned however, that employees in Albania are relatively easy to dismiss in case of external shocks or disciplinary offences, especially since firms often employ workers informally (illegally) (Nikolovska, 2008).

Workers are employed through informal arrangements, without appropriate working contracts and outside the coverage of labour legislation. It seems that this informal culture is also maintained by labour market legislation, since employment contracts can be either oral or written. If the contract is oral, the employer has to provide a written contract within 30 days. Otherwise, the oral contract bears the same validity as a written contract and the employer is fined only for not providing a written contract (ICGL, 2011).³¹ The core group of workers is

²⁹ Given the structure of the questionnaire and taking into account the characteristics of Albanian corporate ownership, the blockholding limit was set at 50% of the company.

³⁰ Productivity was measured as value added per employee, which was dichotomised. Firms with value added per employee less than or equal to the sample median were given value 0 and firms with value added per employee higher than the median were given value 1.

³¹ The Albanian labour legislation has evolved throughout the transition period and in many ways it emulates International Labour Organization (ILO) standards and provides a relevant basis for the protection of employee rights and well-being. The new Labour code was adopted in 1995, amended later in 1995 and 2004. Some other

therefore accompanied by great flexibility in peripheral employment, especially of unskilled labour. This duality presents a problem in the labour market and could have an impact on future development as it increases uncertainty among workers, lowers motivation and consequently harms productivity.

Table 2.2. Firms in Albania, by clusters

	Cluster 1 (n=26)		Cluster 2 (n=14)		Chi-square	Sign.
	% yes	SD	% yes	SD		
1. DECISION-MAKING						
Operation/strategic management separated	65.4	48.5	71.4	46.9	0.152	0.697
Managers and owners act unanimously	65.4	48.5	42.9	51.4	1.890	0.169
Owners, managers and workers coordinate decisions	61.5	49.6	28.6	46.9	3.956	0.047
2. DECISIONS ON EMPLOYMENT						
Short-term adjustments to shocks are appropriate	80.8	40.2	100.0	0.0	3.077	0.079
Achieving desired level of employment	61.5	49.6	100.0	0.0	7.180	0.007
Core group of employees as competitive advantage	61.5	49.6	92.9	26.7	4.477	0.034
3. DECISIONS ON WAGES						
Higher than reservation wages	73.1	45.2	85.7	36.3	0.833	0.361
Wages higher than collective agreement	34.6	48.5	78.6	42.6	7.033	0.008
Wages among the highest in the country	19.2	40.2	78.6	42.6	13.352	0.000
4. THE ROLE OF UNIONS						
Workers organised in unions	15.4	36.8	14.3	36.3	0.009	0.926
Exactly one union organisation exists in the firm	15.4	36.8	14.3	36.3	0.009	0.926
Unions are concerned with the firm's success	7.7	27.2	14.3	36.3	0.440	0.507
5. WORKER INCLINATION TOWARD RISK						
Workers are prepared to do 'more' for the firm	76.9	43.0	100.0	0.0	3.801	0.051
Workers stay with the firm despite a better job offer	42.3	50.4	57.1	51.4	0.803	0.370
Workers would financially invest in the firm	11.5	32.6	28.6	46.9	1.829	0.176
6. WORKER PARTICIPATION						
Workers are informed about key decisions	53.8	50.8	100.0	0.0	9.231	0.002
Workers have an open dialogue with managers	30.8	47.1	100.0	0.0	17.622	0.000
Workers are members of governing bodies	19.2	40.2	35.7	49.7	1.319	0.251
7. INTERNAL TRAINING						
Existence of organised forms in the firm	38.5	49.6	92.9	26.7	11.018	0.001
More than 50% of workers participate	23.1	43.0	92.9	26.7	17.769	0.000
Other methods of evaluation apart from surveys exist	19.2	40.2	85.7	36.3	16.459	0.000
8. ON-THE-JOB TRAINING						
Existence of organised forms in the firm	65.4	48.5	100.0	0.0	6.253	0.012
Systematic knowledge transfer among employees exists	57.7	50.4	85.7	36.3	3.257	0.071
Successors for most of key employees exists	46.2	50.8	85.7	36.3	5.934	0.015

Note. SD stands for Standard Deviation.

important provisions are stipulated in the Law on employment promotion, which was adopted in 2006, the amended health and safety law adopted in 2010 and ratification of several ILO conventions (ICGL, 2011).

Concerning wages, the results reveal that 73% of companies in the cluster affirmed that their wages were higher than reservation wages. Wages were higher than set by collective agreements in 35% of firms and among the highest in the country in 19% of firms. Therefore, in most cases wages are above the reservation wage, although collective bargaining is not very important in Albania.

Workers are organised in unions in only 15% of companies in this cluster.³² The same proportion of firms also claims that there is only one union organisation in the firm, and in only two organisations were unions concerned with the firm's success. The data confirms low union membership in Albania. Anecdotal evidence offers two explanations. First, workers have no desire to be part of a bureaucratically functioning union organisation (this view stems from past experience). Second, workers do not understand the purpose and importance of joining a union. Instead of focusing on their traditional role of protecting labour relations, unions in Albania often act too politically.³³

Workers in this cluster also have lower risk propensity than those in the second one. They are prepared to do 'something more' for the firm in 77% of cases, mostly by working overtime or working during holidays, but are not inclined towards staying loyal to the firm in bad times. In 12 companies management believed that employees would stay even if they received better job offers elsewhere, and in only three firms would workers make financial investments in the firm. This could be seen as contradictory to the previous conclusion that in many companies employees are intentionally paid above the reservation wage in order to maintain good relations and employee satisfaction. But because wages, though higher than the reservation wage, are still relatively low, it is understandable that perceived loyalty is also low and employees would move to better paid jobs (in or out of Albania) if the opportunity arose.

Worker participation is low, as workers are informed in one-half of companies in this cluster, and in 31% of cases they have an open dialogue with managers. In 19% of cases workers are

³² Collective agreement contracts exist at national and regional level for separate industries but more as an exception than a rule. These agreements are formed between the representative union branch (sometimes a federation agreement between two of the biggest unions is made) on the one side and business associations on the other. These contracts determine the minimum wage, compensations for lay-offs, overtime hourly wage rates, the length of contract validity and freedom of union activity, on a general level. In addition, administrative and public enterprises that have been privatised and remained a monopoly (i.e. the energy sector) are not included in these contracts but bargain individually with unions and the government.

³³ After the fall of the socialist regime in Albania in 1991, two bigger unions were formed: *Konfederata e Sindikatave të Shqipërisë (KSSH) (Albanian Trade union Confederation)*, as the successor of the Communist Professional Union, founded in 5 June 1991 which is politically more affiliated to the Socialist party, and *Bashkimi i Sindikatave të Pavarura të Shqipërisë (BSPSH) (The Union of Albanian Independent Syndicates)*, which was initially founded as a political opposite to the communist regime (11 March 1991) and is therefore more affiliated with the Democratic Party. Beside these two main unions, there is another smaller one: *Federata Sindikale e Tregtisë, Bankave dhe Shërbimeve (FSTBSH) (The Union Federation of Trade, Banks and Services)*.

members of governing bodies. The relationships with workers in this cluster are mostly transactional.³⁴

Investment in internal training is relatively rare, being present in 39% of all cases; 23% of firms annually include more than half of their employees in training programmes. Less than 20% of firms are keen to measure training effectiveness by other than survey methods.

Data about on-the-job training shows that two-thirds (65%) of companies regularly provide this kind of training for their employees. Around 58% of the companies also report having a systematic way of knowledge transfer among employees, mostly through assigning supervisors to new employees in order to guide and help them acquire necessary experience. Interestingly, 46% of companies believe they have qualified successors for key employees.

All in all, this cluster is best characterised by a core–periphery employment relationship. It can be said that it corresponds to a profit maximizing type of firm with concentrated capital ownership, heavyweight management and, in a few cases, a poorly trained workforce. Informality and low trust are observed in labour– management/owner relations.

2.4.2 Cluster 2

The second homogeneous cluster is a group of 14 smaller firms, smaller in terms of to both the number of employees and export share in total sales. They are mainly from the manufacturing sector (64%), and are more worker–oriented. The prevailing legal status is a joint stock company (14% of firms are limited liability companies). Interestingly, they have higher than average productivity since 64% of firms in the cluster have higher productivity than the median productive firm of the entire sample (40 companies).

Data in Table 2.2 shows a high level of separation between operational and strategic functions of management in decision–making and an average level of unanimity in owners and managers’ decision–making. Decisions are coordinated among owners, managers and workers in only 30 percent of firms, which could imply that decision–making is highly concentrated in the hands of managers or owners.

This group of firms is very responsive and flexible, which is portrayed by their adjustment of short-term employment to economic shocks and desired level of employment. Over 90% of firms reported having a core group of employees. Workers have higher wages than those set

³⁴ In contrary to transformational, transactional relationships refers to the type of management where workers are notified about what is expected of them and what is the compensation for this. If this is not achieved, actions can be taken. Consequently, such an approach can lead to mediocracy, since action is often taken only if goals are not met. Transformational managements attempt to raise motivation, cooperation and striving towards reaching the goal. Leaders are often trying to inspire and motivate team work and cooperation (Bass, 1990).

by collective agreements in almost 80% of firms. It is claimed by all of these firms that wages are also among the highest in the country. The flexibility is positive given the importance of the ability to adjust fast but, on the other hand, coupled with the notion of the core employees group, it again suggests the potential existence of the duality problem.

Unionization is rare in this cluster too, i.e. workers are unionised in only 15% of firms. Interestingly, in the few cases where unions are present, they are always concerned with the firm's success, which could be a source of cohesive cooperation with workers and important for future development of firms.

Worker participation in decision-making is observed in all firms. Workers are informed and have an open dialogue with managers in all firms. Furthermore, they are members of governing boards in 36% of firms. This is quite high given the common belief in Albania that workers should generally not participate in decision-making. Although previous legislation regarding management of companies ensured a certain degree of worker participation in governing bodies, this was later amended.³⁵

Workers' risk propensity is relatively high, since all firms claim that workers would be prepared to do something more for the firm, and more than one-half of workers would also be willing to stay with the firm if offered a relatively better (paid) job elsewhere. They would be willing to make financial investments in the firm in 29% of cases. Investment in human capital is present in the majority of firms, both as investment in internal training and as on-the-job training.

This group of firms has the potential to develop into the reciprocal essentialities (RE) model type of firms developed by Aoki (2010) in which the cognitive assets of management (MCA) and those of workers (WCA) are reciprocally essential. After the collapse of socialism in 1991 a significant market niche was created for new entrants where entrepreneurs (managers) were able to employ a skilled workforce and together develop complementary capabilities in conjunction with the use of modern (information) technology. Yet the relatively low export orientation of firms in the cluster presents a challenge for the firms as well as support institutions in Albania, which could rely on these firms and, by promoting their export activities, be more likely to achieve greater penetration into the international arena.

Overall, the analysis reveals that there are two distinct groups of companies in the Albanian economy: the more export-oriented companies of the less productive first cluster of bigger firms, and the more productive, domestic market-oriented cluster of smaller firms. In general, the revenue from exports in the sample was only 13.7%. However, it should be noted that

³⁵ Although the Labour Law regulates labour relations well, it is commonly violated by employers (i.e. paying social security and other social benefits). The European Commission demands many improvements of the national legislation and of laws regulating labour relations. The laws, which regulate rights of workers' representation in the firm as defined by EU directives, are specifically in focus.

only 16 companies from the sample actually exported. That implies that the typical Albanian firm from our sample is inward-oriented. The second, more productive, cluster was less export-oriented than the first (less productive) cluster (5.4% compared to 18.2% of revenue earned from exports in total, see also Table 2.1). In addition, if we look only at exports to developed (EU-15) markets, the second (more productive) cluster earned only 0.8% of its revenue from them in 2009, which is statistically significantly lower than the less productive firms (7.8%).³⁶ This suggests that exports to developed markets by less productive firms are mainly the result of subcontracting or distressed exporting. Moreover, intangible investment (investment in relational capital, informational capital, IT capital, branding and R&D investment) in the less productive firms of our sample is larger than in the more productive firms (Prašnikar et al., 2012a). This means that niches in the domestic market attributed to low saturation or a certain level of monopoly power allow firms to acquire rents that result in higher productivity.

2.5 Conclusion

Albania is still not an export-oriented economy, despite its exports having increased significantly since the end of 1990. At that time exports represented around 10% of GDP, while today the figure is around 30% (World Bank, 2013). This is also supported by data from our sample.

The article aimed to examine both the potential of the Albanian corporate sector in foreign markets and the obstacles to becoming more export-oriented, with a focus on internal organisation. Theoretically, owing to sunk internationalisation costs, larger corporations are more likely to become more export-oriented sooner and lead the way also for the smaller companies, if the internal structure fosters a suitable level of efficiency.

The development of corporations is essential to strengthen a country's export potential. For example, Damijan et al. (2007) shows that large firms in Slovenia are more productive than smaller firms, and with higher productivity firms serve a larger number of foreign markets and sell higher number of products on these markets. Similarly, as shown in our research, large Albanian firms sell more to foreign markets than smaller firms. From this perspective, Albanian firms are on the right track.

However, from observing large Albanian firms (such as firms in the first cluster), we found that the prevailing mode included a core group of employees, accompanied by a large number of peripheral workers, in many cases unskilled and without valid working contracts (informal or illegal employment). Ownership in these firms is mostly concentrated, either in the hands

³⁶ In comparison with Slovenia and the Republic of Srpska, the mean Albanian firm exports substantially less, since the mean Slovene manufacturing firm and the mean Republic of Srpska firm exported around two-thirds and one-third of revenues in 2009 (Koman et al., 2010; Prašnikar et al., 2012b).

of powerful individuals or foreign firms (blockholding). Firms are also characterised by strong power of managers and weak power of workers. Workers are not organised in unions in most cases. Moreover, they are rarely included in formal internal training, while on-the-job training is more common.

If Albanian firms want to grow and become more productive in order to serve foreign markets, they would, among other things, have to increase shared values between their constituencies. Consider the establishment of a foreign subsidiary. First it demands a substantial capital investment, including investment in personnel, which would have to satisfy company goals. Collaboration with headquarters is a necessary condition for the success of this endeavour. Or suppose there is a divisional organisation of the company. Different layers of management should orchestrate perfectly in a firm to allow it to achieve competitive advantages. In addition, teamwork development is the base for every success in a today's world. Moreover, worker participation in the company (empowerment) is almost inevitable. The emergence of smaller companies (such as in the second cluster) might be the seed for future development. It shows they have been developing autonomously and are more often built on mutual respect and collaboration between owners, managers and workers.

3 WORKER PARTICIPATION AND INNOVATION ACTIVITY IN THE FACE OF CRISIS³⁷

Abstract

The paper examines how medium and large companies in Slovenia behave under influence of different external and internal environments and how they responded to the recent global economic crisis. In general, firms display ‘intermediate’ behaviour by setting wages and employment somewhere between the Ward-Domar-Vanek labour-managed firm, which maximises income per worker, and its capitalist (neoclassical) counterpart firm, which maximises profit. Worker participation in corporate governance increased with the arrival of the global economic crisis in all distinct clusters of firms, differentiated by export orientation, innovation performance, and genetic material characteristics. Workers appropriated a higher share of profit through wages, but the exact effect of this behaviour on employment cannot be determined. Less innovative companies with less developed genetic material, for which proximity markets are of key importance, are more willing to trade off employment for wages. Favourable economic climate before the crisis allowed some of them to internationalise and operate in foreign markets. The risk averse workers typical of such enterprises directed their bargaining power primarily into excess employment. More innovative firms are giving greater weight on employment compared to other groups.

Keywords: corporate governance, worker participation, bargaining, innovation, genetic material, wage and employment determination

³⁷ This paper was co-authored with Professor Janez Prašnikar.

3.1 Introduction

Ever since the pioneering theoretical work of Ward (1958), Domar (1966) and Vanek (1970), participatory and labour-managed firms have been regarded as institutions characterised by great social appeal as well as strikingly perverse economic behaviour and propensity to allocative inefficiency.

The most frequently quoted is the negative supply curve and a perverse response of the income per worker maximising firm by reducing employment to the increase in output price,³⁸ which became one of the most explored topics in literature, especially when comparing a participative firm to its capitalist counterpart – a neoclassical firm. However, the empirical evidence is not as disturbing for participative firms as the theoretical solutions would suggest. The empirical studies of Western producer cooperatives, for example, show relatively inelastic, but not negative supply responses to the price changes and support the inclusion of employment along with earnings in the firm's objective function (Bonin et al., 1993). Prašnikar et al. (1994) found a similar result in the study of employment responses to prices of Yugoslav participatory firms.

In addition, the literature on participatory firms has long been debating about the gravity of the so called 'under-investment problem', allegedly brought about by the short time horizon of individual workers in these firms. The basic argument is that workers-insiders, unlike diversified capital owners (outsiders), would prefer to distribute enterprise surplus as labour income and fringe benefits rather than reinvesting it into the firm for future growth (see e.g., Furubotn and Pejovich, 1970, and Vanek, 1970). This is especially evident in the case of research and development (R&D) investments and innovations because of great informational asymmetry and moral hazard (Arrow, 1962, 1993; Himmelberg and Petersen, 1994). It has also been argued that worker participation would increase the time needed to reach decisions, which could negatively affect the introduction time of process and product innovation. Furthermore, workers might oppose innovations if they fear negative effects on employment (Kraft et al., 2011). On the other hand, the participation could advance information processing, and improved information could positively affect technological progress. As argued by Freeman and Lazaer (1995), this could eliminate post-contractual information asymmetry and consequently increase joint surplus and distribute it to the firm's stakeholders.

In this context a question therefore arises: How were participatory firms affected by the present economic crisis? If they offer relatively stable employment, then the return to labour must be more flexible and more reflective to product market conditions than relatively stable wages in the capitalist firms. By lowering wages, the participatory firms would preserve

³⁸ In most specifications within the income-per-worker maximisation paradigm, the perverse employment and output response to a change in the product price carries over to the multi-input case. For further reference see Bonin and Putterman (1987).

higher employment in times of crisis than their capitalist counterparts. It is also possible that higher investment in the human capital, along with employment stability, would lead to internal flexibility with not much labour adjustments, and promote engagement of workers in the company, including support for further innovation (Finegold and Soskice, 1988). Firms with a better established innovation culture (genetic material, as defined by Nelson and Winter, 1982) could therefore be more successful in fighting the declining demand owing to the positive experience with joint (cooperative) innovative strategies which bring higher surpluses and economic rents.

We were able to test the above predictions by using an exceptionally rich dataset of Slovenian companies with over 100 employees in the pre- and post-crisis period. By preserving many labour participation institutions after the break of Yugoslavia (Prašnikar and Gregorič, 2002),³⁹ Slovenia is a good case to observe the behaviour of participatory firms over a longer period. Moreover, the Slovenian economy was hit hard by the global economic crisis. A sudden stop in financial inflows and the collapse of external real demand reverted the booming growth in a spiralling downturn during the post-crisis period; from a seven percent growth in the 2007 pre-crisis year the economy experienced a more than eight percent drop in 2009. This was followed by a virtual stagnation in the period 2010–2012 (Bole et al., 2013).

In investigating how Slovenian participatory firms reacted to the crisis, we are building on the Svejnar (1986) bargaining model. Its main advantage is that it describes well Slovenian institutions and bargaining positions of main parties, i.e. workers, owners and managers. If workers are willing to lower their preferences for wages at times of crisis and place more emphasis on employment, the firm would move closer to the equilibrium of the capitalist firm (see Figure 3.1 and the discussion in the next chapter). In the same matter, firms with different innovation culture (genetic material) would possess a different intensity for these moves. More innovative firms would, for example, focus relatively more on both, wages and employment, in order to improve their competitive positions and mobilise workers in utilizing co-operative innovative strategies. In addition, the use of the Svejnar (1986) bargaining model allowed us to compare our results with the results of similar studies founded on similar premises. In particular, a comparison to the behaviour of Yugoslav firms (Prašnikar et al., 1994) would permit us to discuss changes of firms' objective function (if any) which occurred

³⁹ With the dismissal of the Yugoslav legislation on the workers participation in self-managed enterprises on the principle of one man one voice, Slovenia redefined the participative rights of workers by the Law on Co-determination (1993). According to the Law, at least one-third of the Supervisory Board members in firms with up to 1000 workers, and at least half of the Supervisory Board members in firms with 1000 or more workers, have to be workers' representatives. In 2001, the amendment to the Law limited workers' participation to maximum one-half of the supervisory board. In addition, participation in management through workers' council or workers' trustee is a right, but not an obligation of workers. The workers' council is formed on the initiative of workers in firms with at least 20 workers who have an active voting right (Prašnikar and Gregorič, 2002). Osterloh et al. (2010) placed Slovenia at the top of European countries by the level of worker participation in corporate governance. On the scale from strongest to weakest employee participation rights Slovenia scored fourth, out of 27 EU countries.

after Slovenia declared independence from former Yugoslavia in 1991 and accepted a more liberal market economy.

This paper contributes to the economic literature in several ways: 1) there had not been many studies that investigated the reactions of participatory firms to a crisis environment. This question was and still is topical, especially in the European context, where the crisis contributed to higher unemployment rates and caused a big debate on how to increase employment. By using an extensive dataset on Slovenian participatory firms, we were able to deliver evidence on employment records of participatory firms during the crisis.; 2) the economic literature is also quite limited in terms of research on the relation between workers' participation and innovation. We also contributed to this particular set of literature.; 3) by studying groups of firms with different innovation cultures (and varying genetic material) which function on different markets we also made a contribution to the trade theory as well as build support for the evolutionary view of corporate governance.

The paper is structured as follows: First, we present the bargaining model in a framework within which this research is nested. Second, we describe the data and sample selection, which is followed by the research findings. Finally, we conclude by listing the main implications and contributions.

3.2 The Bargaining Model

Following Svejnar (1986), we utilised the theoretical bargaining model developed for wage determination and union-nonunion wage differentiation. This model generalised the Nash-Zeuthen-Harsanyi model by introducing bargaining power and fear of disagreement and making the bargaining outcome dependent on endogenous and exogenous factors. The model's set of feasible solutions is bounded by alternative disagreement outcomes (threat points). In our framework the disagreement outcome (guaranteed minimum utility) for workers it is represented by the alternative (reservation) real wage and for owners it is zero profit. The bargaining power of workers is measured as an exogenous ability to push wages above the disagreement outcome of workers. Alternatively, bargaining power of owners is measured by the ability to push profit to the level of competitive wage where profit is maximised (see Figure 3.1). If a group possesses no bargaining power, it receives the disagreement outcome and other groups in the bargaining process appropriate entire gains for themselves. If a social group has bargaining power but does not reach an agreement with others it can suffer disagreement costs and again get the disagreement outcome. For every group there exists fear of disagreement that can be translated into group risk aversion/loving behaviour in the bargaining process. Therefore, bargaining outcome depends on bargaining power, threat points, and risk aversion/lovingness of stakeholders involved in the bargaining process. The corporate objective function is closest to the interests of the group with the highest bargaining power and lowest risk aversion.

The bargaining model can be written in the form of Von Neuman-Morgenstern utility function (Von Neuman and Morgenstern, 1947):

$$U_{i,p} = U_{L,p}^{\gamma_{L,p}} U_{M,p}^{\gamma_{M,p}} U_{O,p}^{\gamma_{O,p}} \quad (1),$$

where $\gamma_{i,p}$ is the bargaining power of group i (here: L = workers, M = managers, and O = external owners) if the type of firm is p (i.e. by type of ownership: state-private, internal-external, foreign-domestic...), $0 \leq \gamma_{i,p} \leq 1$, and $\sum_i \gamma_{i,p} = 1$. $U_{L,p}$, $U_{M,p}$, and $U_{O,p}$ represent utility functions of workers (L), managers (M), and owners (O) when the type of firm is p .

In order to operationalise equation (1), preferences of each group needed to be specified. We took into consideration the specific (self-serving) goals of stakeholders as they were found in literature. An examination of the workers' role suggests that their primary goal is stable employment (L) and higher real wage ($Y - Y_a$) (Craig and Pencavel, 1993). External owners primarily maximise real profits (π) (Jensen and Meckling, 1976; Demsetz, 1983). Managers (as agents) strive for higher earnings and stable career progression, dependent on corporate success which is measured with the realization level of owners' (principals') goals (Bartlett et al. 1992). Taking interests of all these stakeholders into consideration, we are able to extrapolate a two-party model by confronting goals of workers and external owners (with managers as representatives of owners in the bargaining process, assuming no agency problem).

Taking into account the Stone-Geary specification of utility functions, the approximation of an empirical formula can be obtained. Combining it with adjusted equation (1) and accounting for worker risk aversion delta (δ), we obtain the general corporate objective function (Svejnar, 1986, p. 1065):

$$U_L^\gamma U_O^{(1-\gamma)} = \left(\frac{L(Y^\delta - Y_a^\delta)}{\delta \bar{L}} \right)^\gamma (R - YL - H)^{(1-\gamma)} \quad (2),$$

where:

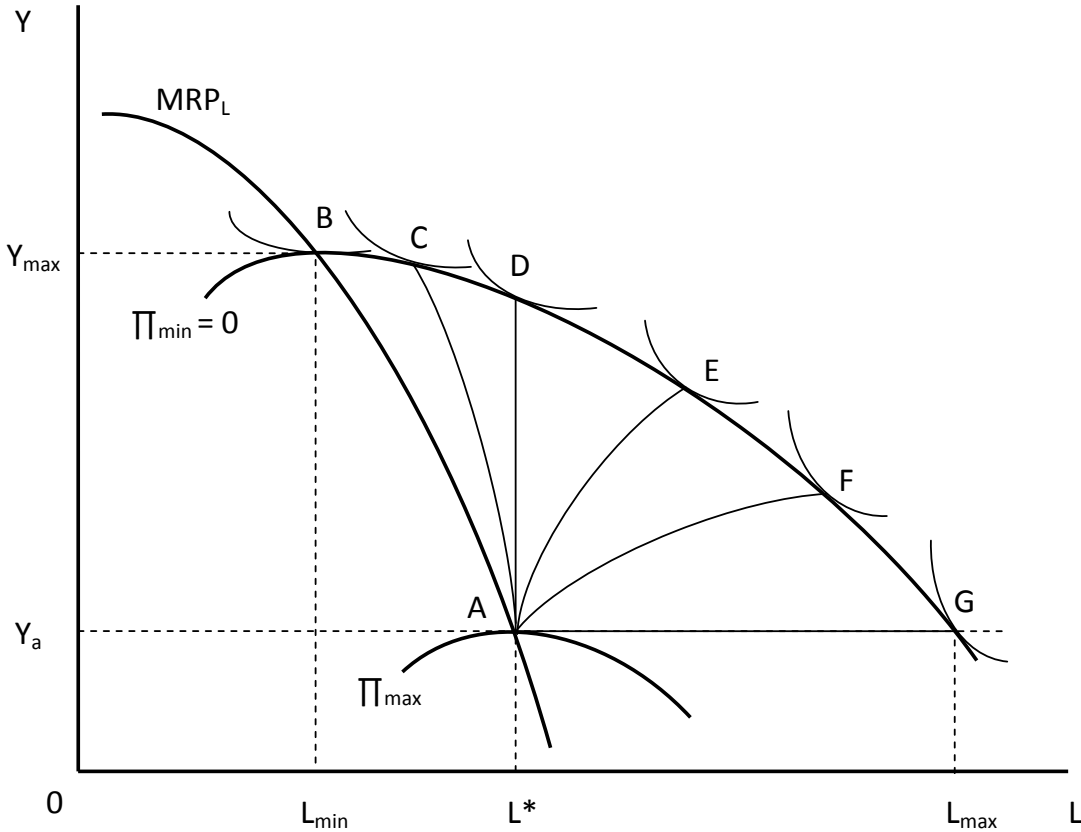
- Y = wage/income per worker,
- Y_a = alternative wage,
- \bar{L} = members of unions,
- L = members of unions receiving more than Y_a ,
- π = profit,
- γ = bargaining power of workers,
- $1 - \gamma$ = bargaining power of owners (managers), and
- δ = worker risk aversion.

Considering profit as $\pi = R - YL - H$, where R denotes revenues, YL labour costs, and H denotes non-labour costs, and differentiating equation (2) with respect to wage (Y) the bargaining function equation can be derived (Svejnar, 1986, p. 1067):⁴⁰

$$\frac{Y^\delta - Y_a^\delta}{Y^{\delta-1}} = \left(\frac{\gamma\delta}{1-\gamma}\right) \frac{R - YL - H}{L} \quad (3)$$

Based on equation (3), we are able to evaluate a firm's behavioural tendencies towards wage maximisation ($\gamma = 1$ and consequently $\pi_{\min} = 0$ in Figure 3.1) versus profit maximisation ($\gamma = 0$ and consequently π_{\max}). Parameter gamma (γ) shows how high on the contract curve lays the bargaining solution (see Figure 3.1). Is it closer to the maximum wage Y_{\max} or to the alternative wage Y_a . If workers are risk neutral, gamma shows where the bargaining solution is on the contract curve AD in Figure 3.1. It could be at point A where owners have absolute bargaining power, at point D where workers have all the bargaining power, or somewhere between these extremes.

Figure 3.1. The wage-employment bargaining outcomes



Source: Svejnar, *Bargaining Power, Fear of Disagreement, and Wage Settlements: Theory and Evidence from U.S. Industry*, 1986, p. 1066, Figure 2.

⁴⁰ By differentiating equation (2) with respect to employment (L) and income per worker (Y), the marginal revenue product of labour (MRP_L) equation is derived, which allocates labour in the firm. The tangencies of iso-profit curves with worker indifference curves trace out contract curves given by $\frac{(Y^\delta - Y_a^\delta)}{\delta} = (Y - MRP_L)Y^{\delta-1}$.

If we do not presume risk neutral behaviour of workers, we must estimate risk aversion/loving behaviour of workers through the risk parameter delta (δ) which represents the slope of the contract curve (see Figure 3.1):

- If $\delta = 1$, workers are risk neutral and the contract curve is a vertical line AD,
- If $\delta > 1$, workers are risk loving, the contract curve is backward bending, and will in extreme cases lay on MRP_L (AB),
- If $\delta < 1$, workers are risk averse, the contract curve is forward bending, and will in extreme cases lie horizontally on the AG line.

To find the location of the contract curve (δ) and the location of the bargaining solution on this curve (γ) we have to take the unconstrained first order conditions by L and Y of equation (2) to obtain the following nonlinear equations (Svejnar, 1986, p. 1067):⁴¹

$$Y = \eta(1 - \gamma) \frac{R}{L} + \gamma \left(\frac{R-H}{L} \right) \quad (4)$$

$$\frac{1}{L} = \frac{Y}{R-H} + \left(\frac{1-\gamma}{\gamma\delta} \right) \frac{Y-Y(Y_a/Y)^\delta}{R-H} \quad (5)$$

Treating L and Y as endogenous and making no assumptions on risk neutrality of workers, it is possible to estimate delta (δ) and gamma (γ) simultaneously with equations (4) and (5) to study worker participation in corporate governance by examining whether the corporate objective function of firms in our sample is closer to the objective function of workers by maximising income per worker or to the objective function of owners (managers) by maximising profit.

Taking into consideration the substantial bargaining power of workers in negotiation on wages and employment due to preserved labour participation institutions in Slovenia, the first hypothesis thus reads:

Hypothesis 1: Firms do not behave in accordance with profit maximisation (gamma \neq 0).

We observed company behaviour before the global economic crisis (2005-2008) and after the crisis arrived (2009-2011). A huge drop in demand in 2009 had a disastrous effect on revenues and cash flows in Slovenian firms. As reported by Bole et al. (2013), in 2012 the cash flow of median companies in the manufacturing and services sectors in Slovenia was still at 60–70% of the pre-crisis level. In comparative static approaches, like ours, this would be evident through a downward move in the MRP_L and iso-profit curves of companies. If we consider a static model where the alternative wage remains constant,⁴² it keeps the maximum

⁴¹ Assuming the Cobb-Douglas production function.

⁴² The alternative wage was calculated, among other things, on the basis of minimum wage, which increased in 2010. Please see the following section for further reference on alternative wage calculation.

profit iso-profit curve at the same (alternative wage) level, which puts pressure on wage and employment reduction. The employment falls, unless workers are risk averse to the level that they would rather compensate potential loss of employment with a decrease in wages. To retain wages (assuming risk neutrality), the bargaining power of workers must increase. Higher employment could be preserved only if we assume risk loving behaviour of workers and trade-off between wages and employment. Upon following this idea, the second hypothesis reads:

Hypothesis 2: Company behaviour differs before and after the occurrence of the crisis (pre-crisis $\gamma \neq$ post-crisis γ , and pre-crisis $\delta \neq$ post-crisis δ).

3.3 Data and Methodology

3.3.1 Sample selection and groups of firms

The primary and secondary data was collected for the purpose of this study. The secondary data was retrieved from annual financial reports for the period from 2005 to 2011, composed by The Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES). The primary data was collected through a psychometric questionnaire (see Prašnikar et al., 2013) treating the innovation activity and genetic material in 2010 in the framework of an ongoing research project dealing with intangible capital and corporate governance in large corporations. We sent the questionnaires to Chief Executive Officers in 364 companies and received back 102. Two questionnaires were returned incomplete and two firms were undergoing status changes that heavily affected their accounting data in the studied period so we were able to use 98 firms when performing the bargaining model calculations. The sample (and cluster) descriptive statistics did not change significantly after excluding the two firms from our analysis.

Firms in our sample on average employ over seven hundred people (see Table 3.1) and represent a quarter of all Slovenian companies operating with more than 100 employees. We targeted bigger firms for two reasons: 1) the micro and small firms usually do not have well developed corporate governance systems to study worker participation, and 2) larger companies possess several advantages (related to technological capabilities) to compete effectively in foreign markets and have a higher probability of penetrating them successfully due to entry costs (Dixit, 1989; Krugman, 1989).

We founded our work on Prašnikar et al. (2013) where the investigated firms were divided in four groups. First, the sample was split into two parts based on company export orientation. Almost exactly one half of the firms (48) are exporters to developed Western markets (see

Table 3.2).⁴³ The second half of firms (50) operates predominantly in their proximity markets, which means they operate either on the domestic market or they export to the less developed nearby markets of former Yugoslavia.⁴⁴ Accordingly, the first group was named the **Global** firms and the second the **Proximity** firms. Most globally oriented firms are B2B oriented and forced to invest more heavily in innovation due to stringent competition, therefore possessing more advanced technology. The proximity market focused firms are mainly B2C oriented and, due to a lack of strong international competition, invest significantly less into innovation in financial terms. These firms generally hold a strong domestic position that often stems from their past activities (old and well known domestic brands, many originating from times of Yugoslavia – firms possessing the past dependent information capital).

Second, the cluster analysis was performed separately on the two groups by using variables from the questionnaire on innovation activity of firms and following the open innovation model of growth (Chesbrough, 2004).⁴⁵ Regardless of whether we look at the globally or proximity focused groups, two clusters of firms had formed in each group. In each of them, one cluster of firms excels due to its superior innovative activities and genetic material (more internal cohesion). When presenting its innovative results and activities, firms in the first group benchmark the global market, while firms in the second group the proximity and local markets. Accordingly, the Global Firms included 24 **Global-Superior** firms and 24 **Global-Inferior** firms, and the Proximity Companies were split into 24 **Proximity-Superior** firms and 26 **Proximity-Inferior** firms.

As found by Prašnikar et al. (2013), there is a positive relationship between innovation performance and export orientation. Genetic material of firms is a key moderating factor in the ability of companies to extract benefits from their exporting activities. The results showed that Global-Superior firms are exposed to fierce international competition in the global superior markets, which is driving their performance compared to their peers (product innovation), and also their cost efficiency (process innovation). They possess the deepest understanding of R&D as strategically important and dedicate a high share of revenue to it. Equally high is the investment made in the human capital formation that facilitates innovation performance. The Global-Inferior firms invest a smaller percentage of revenues in R&D and primarily rely on simpler types of innovation. They develop firm-specific genetic material to a lesser degree and are consequently suffering a loss in innovation performance. They serve

⁴³ The exporting firms are considered those that generate more than half of revenues in foreign markets. About 60 percent of firms in the sample earn more than 50 percent of revenues abroad, which is in line with macroeconomic data about national exports reaching roughly 65 percent of GDP value in 2011 with most exports being oriented toward the EU markets and the second most important being the Balkan markets.

⁴⁴ A proximity market is usually the closest geographical market, although physical closeness is not the determinant factor. From a firm's perspective, it is defined as an economically proximate area requiring the least investments to enter and operate in. For a more detailed definition, please see Crane and Welch (1991).

⁴⁵ Differences between the main two groups are significant for the four sets of questions on innovation activities and results, out of 11. Namely, in: R&D expenditure, perception of R&D expenditure, introducing new products, and fields of process innovation in the last five year. For further reference, please see Prašnikar et al. (2013).

especially the Western European markets, but primarily as subcontractors in lower value added production (also known as distressed exports) (Prašnikar et al., 2003). The Proximity-Superior firms invest less in R&D as the Global-Superior firms, but develop their internal managerial and organizational processes, which makes them able to extrapolate a fair amount of innovations nonetheless. They are confident in the perceived technological, marketing and complementary capabilities (most also believe to be market leaders), which stems from companies' positioning in the less demanding markets of former Yugoslavia where proximity and knowledge of the market provide them with a relative comparative advantage. The Proximity-Inferior firms are basically followers on the domestic markets and neighbouring markets. In the field of innovations and genetic material, they rank the lowest of all clusters, and, unsurprisingly, so is the innovation activity of these firms.⁴⁶

3.3.2 Descriptive statistics

The main characteristics of the total sample and each cluster are summarised in Table 3.1 (for further reference, please see Prašnikar et al., 2013) where we present means and standard deviations of the Svejnar (1986) bargaining model principal variables. The data covers the periods from 2005 to 2008 and from 2009 to 2011.⁴⁷ We hence observe firms immediately in the pre-crisis period when expectations about the economic environment were primarily optimistic, and immediately after the crisis when companies were forced to react, also in terms of employment and wages. The majority of studied companies are privately and block owned.⁴⁸ A predominant ownership share is held by foreigners in approximately every fifth firm.

As indicated in Table 3.1, the sample is on average composed of medium-sized and large firms. The variables display reasonable mean value and considerable standard deviations. An average firm generated € 136 million in revenues in 2008, which was the last year before the economic recession emerged. Until 2008, revenues had been growing steadily. They dropped in 2009 and then continued to climb until the end of the studied period in 2011 when they reached € 145 million. A similar movement can be observed in all other variables, except for that relating to wages. The non-labour costs are correlated to the movement of revenues, starting at € 89 million in 2005, reaching € 115 million in 2008, taking a fall in 2009, and continuing to grow until 2011 when they reached the amount of € 121 million.

⁴⁶ It should be noted that almost half of Proximity-Inferior Firms in the cluster operate in the service industry and innovation activity varies between industries. The mere nature of the service firms requires less investment in the process innovation, and they often do not have an R&D department.

⁴⁷ The values are stated in the euro currency and in constant 2011 prices.

⁴⁸ The state-owned firms are represented in about a quarter of the Proximity-Inferior cluster of firms. Companies in other clusters are privately owned in more than 90 percent of cases.

Table 3.1. Summary Statistics of the Main Variables

		2005		2006		2007		2008		2009		2010		2011		2005–2011		
		Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Total sample	Revenues	108.7	274.9	123.6	308.4	131.2	324.2	136.0	378.1	112.9	319.0	129.1	354.0	144.6	398.7	126.6	337.6	
	Annual Gross Wage	15729	4933	15916	5378	16117	5031	16413	4903	16434	4800	17214	4624	17768	5230	16504	5012	
	Annual Alternative Wage	9871	1709	10284	1735	10541	1769	10785	1783	10500	1834	11402	1844	11474	1887	10691	1864	
	Number of Employees	667	1206	718	1455	720	1425	724	1441	685	1407	670	1292	701	1280	698	1358	
	Non-Labour Costs	89.0	247.5	102.1	274.9	108.2	289.7	115.2	357.7	93.7	287.4	107.4	322.4	121.1	367.3	105.2	308.0	
	Number of observations	91		98		98		98		97		96		90		668		
Global	Superior	Revenues	99.0	130.8	113.6	145.6	127.4	169.8	127.1	184.0	113.8	183.6	135.5	204.1	159.9	219.3	125.2	176.8
		Annual Gross Wage	16078	4312	16418	4027	16755	3992	16992	4447	17126	3925	18377	4173	18901	4501	17236	4224
		Annual Alternative Wage	10177	2347	10583	2189	10828	2264	11039	2269	10746	2289	11770	2327	11801	2400	10997	2320
		Number of Employees	653	791	744	911	774	989	794	1022	768	1042	759	939	819	952	760	939
		Non-Labour Costs	71.8	82.7	82.9	92.3	94.9	114.8	94.0	114.9	82.4	111.9	101.3	135.5	122.5	152.9	92.9	115.9
		Number of observations	21		24		24		24		24		24		22		163	
	Inferior	Revenues	93.8	158.5	114.4	186.2	120.4	204.0	108.4	177.3	77.2	131.3	92.3	150.0	107.0	160.1	102.0	166.0
		Annual Gross Wage	15213	5508	15127	6246	15339	5491	15906	5247	15256	4600	16084	3812	16900	4938	15680	5107
		Annual Alternative Wage	9515	1022	9995	1197	10223	1215	10471	1223	10073	1257	11040	1363	11080	1414	10343	1330
		Number of Employees	857	1200	857	1176	834	1109	819	1108	726	992	735	947	797	961	803	1056
		Non-Labour Costs	73.3	131.8	94.5	159.2	97.9	173.7	88.5	150.3	62.5	111.7	73.1	126.7	84.4	135.6	82.1	140.7
		Number of observations	22		24		24		24		24		24		22		164	
Proximity	Superior	Revenues	135.3	295.8	157.2	375.8	162.7	385.9	162.2	380.3	139.7	363.6	150.0	350.2	141.3	335.6	149.9	350.6
		Annual Gross Wage	17022	6237	17362	7122	17326	6831	17354	6243	17509	6470	18196	6467	18638	7157	17624	6555
		Annual Alternative Wage	10056	1655	10498	1773	10759	1740	10967	1781	10739	1806	11571	1790	11639	1819	10886	1811
		Number of Employees	817	1877	914	2490	903	2412	892	2413	849	2359	809	2172	768	2035	851	2224
		Non-Labour Costs	111.8	245.6	131.0	314.9	135.4	325.1	136.2	319.8	118.4	309.5	126.2	292.4	118.9	282.8	125.5	294.7
		Number of observations	23		24		24		24		24		23		23		165	
	Inferior	Revenues	105.4	407.5	110.1	431.5	115.8	452.3	145.4	600.1	120.5	479.1	139.2	565.9	169.3	676.5	128.8	513.2
		Annual Gross Wage	14700	3243	14845	3269	15129	3078	15479	3398	15870	3696	16279	3351	16643	3561	15544	3381
		Annual Alternative Wage	9757	1642	10079	1677	10368	1739	10673	1759	10445	1868	11241	1799	11371	1841	10549	1812
		Number of Employees	374	546	385	550	396	583	416	686	408	695	393	686	429	799	400	641
		Non-Labour Costs	96.1	390.6	100.1	411.9	104.7	433.0	139.9	606.0	110.9	461.2	129.1	546.0	157.3	650.6	119.2	498.1
		Number of observations	25		26		26		26		25		25		23		176	

Note. Values are in Euros in constant 2011 prices. Revenues and Non-labour Costs are in € millions. SD stands for Standard Deviation.

Wages are the only variable showing continuous growth, even at times of crisis. The average annual gross wage was € 15,729 in 2005, increasing to € 17,768 in 2011. The alternative wage⁴⁹ was roughly 40% lower throughout the period at € 9,871 in 2005 and € 10,785 in 2008, experiencing a decline in 2009 and growing to € 11,474 in 2011. The average number of employees grew from 667 in 2005 to 724 in 2008. After that, the number of employees was falling for two consecutive years of 2009 and 2010, but restored its value to 701 in 2011.

Comparing the clusters in Table 3.1, we can see that the first three on average employed around 800 people in the studied period, while the average firm in the last cluster employed half as many. This was an expected result because the Proximity-Inferior firms are the least export oriented companies with the highest share of firms working in services (almost one-half). The average revenues in the period were at the lowest point in the Global-Inferior firms, coming at about € 102 million, which could also be contributed to the largest, almost 30% fall in revenues recorded from 2008 to 2009. The other three clusters achieved a similar level of revenues, between € 125 million and € 150 million. The same explanation about variation holds true for non-labour costs by clusters. It seems that Global-Inferior firms were the most affected by the recession.

The lowest employment adjustment to the crisis was made by the two antipodes, namely the Global-Superior and the Proximity-Inferior cluster. The Global-Inferior firms experienced the largest drop of more than 10% in 2009 and then stabilised by the following year. The Proximity-Superior cluster of firms also experienced a drop in employment in the same year. The downward adjustment of employment was moderate yet remained persistent ever since. The average wages in the period were the highest in both superior business clusters of firms at a rough average of € 17,400. The inferior market oriented clusters paid wages at about € 15,600 in the same period. All clusters exhibited growth in real wages. Unsurprisingly, the difference between the wage and alternative wage is slightly higher in the superior business clusters, since the variation of the alternative wage is smaller.

As is evident from the above discussion and shown in the data in Table 3.1, the average firm in both superior clusters achieved better performance in the pre-crisis and post-crisis period,

⁴⁹ We calculated the reservation on the basis of the region-specific unemployment rate, average annual unemployment compensation, average wage within each industry in a given region, and nationally set annual minimum wage, as:

$$Y_a = UR_{region} * UC + (1 - UR_{region}) * \left(\frac{Y_{min} + \bar{Y}_{region,activity}}{2} \right)$$

where:

- UR_{region} = region-specific unemployment rate,
- UC = average annual unemployment compensation,
- Y_{min} = annual minimum wage,
- $\bar{Y}_{region,activity}$ = average gross wage in a region and activity.

compared to both Inferior clusters. In accordance with our discussion in the introductory chapter, we developed the following hypothesis.

Hypothesis 3: Groups of firms with higher genetic material and more intense innovative activities give more attention to employment than groups of firms with lower genetic material and less intense innovative activities (the gamma is smaller and the delta is larger than in other groups).

3.3.3 Econometric Issues

In this section, we present two important issues. One is treated from a methodological (technical) perspective and the other within the economic context. First, the model contains nonlinear equations (4) and (5) with correlated errors and all regressors exogenously defined yet existent in both equations. The most important problem to note in estimating these two equations is endogeneity. One of the ways to deal with this issue is through instrumental variables (IV) techniques from which the utilisation of the two stage least squares (2SLS) is the most common approach. Zellner and Theil (1962) combined 2SLS with seemingly unrelated regression (SUR) estimation to develop the three stage least squares (3SLS) approach, which uses all information available and links equations by their error-terms in the regression to increase the efficiency of results. Therefore we estimated the nonlinear equations by iterative nonlinear three stage least squares regression (IN3SLS) (Amemiya and Takeshi, 1977).

Second, institutionalists claim that bargaining power varies significantly with external factors (economic and other) (Choi and Triantis, 2012) that are exogenous to the bargaining problem and do not enter into the utility function of stakeholders as a subject of bargaining. Svejnar (1986) addressed this issue by substituting the bargaining power parameter gamma with an equation where gamma is dependent on relevant exogenous variables, therefore making the bargaining solution dependent on exogenous as well as endogenous factors. To examine the variation of bargaining power in response to exogenous changes, the author applied the contractually set automatic wage adjustment to the cost of living, unemployment rate, inflation, and wage and price guidelines and controls. In case of Slovenia, the automatic wage adjustment to the cost of living is obligatory for all companies. The inflation was low in the studied period and in line with expectations. The unemployment rate was stable before the crisis but grew significantly in the post-crisis period. Slovenia did not exercise price controls but does enforce a minimum wage and some other industry-specific wage adjustments. In the future, bargaining power should be tested for external factor effects, especially due to the impact of the economic downturn.

3.4 Bargaining Results

The results in Table 3.2 show the estimated regression coefficients of bargaining power γ , worker aversion towards risk of disagreement δ , and (price plus output) elasticity of labour η , obtained from the bargaining model. We performed separate regressions for the pre-crisis period from 2005 to 2008, and for the post-crisis period from 2009 to 2011.

Table 3.2. Non-linear Three-Stage Least Squares Joint Estimates of Equations (4) and (5)

		2005–2008			2009–2011			
		Column	1	2	3	4	5	6
		<i>Dummy: year</i>	<i>no</i>	<i>yes</i>	<i>yes</i>	<i>no</i>	<i>yes</i>	<i>yes</i>
		<i>Dummy: firm</i>	<i>no</i>	<i>no</i>	<i>yes</i>	<i>no</i>	<i>no</i>	<i>yes</i>
Total sample	eta	0.01 (0.00)	0.01* (0.00)	0.01 (0.01)	-0.01 (0.01)	-0.01 (0.01)	-0.08*** (0.02)	
	gamma	0.43*** (0.03)	0.45*** (0.02)	0.47*** (0.09)	0.54*** (0.03)	0.55*** (0.02)	0.57*** (0.10)	
	delta	12.90 (17.13)	14.17 (17.33)	-0.55 (19.74)	-1.10 (4.31)	-1.05 (6.36)	3.15 (97.14)	
Global	Superior	eta	0.01 (0.01)	0.01 (0.01)	0.03*** (0.01)	0.00 (0.01)	0.01 (0.01)	0.01 (0.03)
		gamma	0.42*** (0.03)	0.39*** (0.03)	0.20*** (0.04)	0.51*** (0.05)	0.46*** (0.04)	0.46*** (0.15)
		delta	8.75 (51.18)	9.34 (15613.78)	33.25 (64.63)	-1.78 (52.82)	6187.68 (13165.57)	36.58 (1075.42)
	Inferior	eta	0.04 (0.03)	0.03 (0.03)	0.07** (0.03)	0.03 (0.06)	0.04 (0.05)	0.05 (0.04)
		gamma	0.52*** (0.07)	0.53*** (0.07)	0.41*** (0.12)	0.58*** (0.12)	0.53*** (0.10)	0.50*** (0.15)
		delta	-1.730*** (0.50)	-1.24 (3581.10)	-0.91 (34.00)	5.55 (775.27)	5.17 (3849.58)	1.22 (53.52)
Proximity	Superior	eta	0.01* (0.01)	0.01*** (0.00)	0.02 (0.02)	0.00 (0.01)	0.00 (0.01)	0.01 (0.01)
		gamma	0.43*** (0.04)	0.41*** (0.03)	0.31** (0.12)	0.40*** (0.06)	0.45*** (0.07)	0.46*** (0.13)
		delta	0.67 (33.22)	0.29 (216.35)	0.25 (178.81)	0.40 (21.42)	-0.64 (4878.25)	3.93 (311.88)
	Inferior	eta	0.01 (0.02)	0.01 (0.01)	0.01 (0.02)	-0.04*** (0.01)	-0.04*** (0.01)	-0.05*** (0.01)
		gamma	0.51*** (0.06)	0.57*** (0.04)	0.56*** (0.18)	0.70*** (0.02)	0.69*** (0.02)	0.72*** (0.03)
		delta	72.09 (281.42)	526.75 (2019.79)	1.42 (464.09)	6.038** (2.63)	5.98 (446.94)	3.53 (3865.18)

Note. The estimates were obtained by performing a nonlinear, seemingly unrelated regression (NLSUR) in Stata 11, fitting a system of simultaneous nonlinear equations (4) and (5) by two-stage iterative feasible generalised nonlinear least squares (IFGNLS) estimator, with bootstrapped standard errors (values in parentheses) (Poi, 2008).

Significance values at: * 10%, ** 5%, *** 1%.

The first regression model in each period (see the first and fourth column in the Table 3.2 body) was produced without controlling for any specific fixed effects. The results in the second regression in each period (see the second and fifth column in the Table 3.2 body) were produced by controlling for year specific effects, while the last regression in each period (see third and sixth columns in Table 3.2 body – both highlighted) were performed with the year and firm dummy variables included. First the bargaining model estimated regression coefficients for the whole sample are displayed in Table 3.2 and then separately for each cluster.

Coefficients of gamma in Table 3.2 are all positive, falling into $[0, 1]$ interval and being significantly different from zero. Therefore we can confirm Hypothesis 1 and conclude that workers participate in corporate governance of firms by having considerable bargaining power. The estimates of gamma do not change significantly in most cases when control variables are included in the model. This means the obtained results are relatively robust. The model produced estimates of gamma ranging from 0.20 to 0.56 in the period 2005–2008, and from 0.46 to 0.72 in the period 2009–2011. The estimates fall into a similarly wide interval in both periods but vary less in times of the crisis. They are somewhat smaller in the pre-crisis period relative to the crisis period, with one significant increase (see Appendix 1). One estimate of gamma by clusters is significantly lower than 0.5 in the pre-crisis period and no estimates are significantly above this value.⁵⁰ In the post-crisis period no estimate of gamma is significantly lower than 0.5 but one estimate is significantly larger.

The most general observation based on the estimates about gamma is that Slovenian firms behave neither according to the Ward-Domar-Vanek income per worker maximising firm ($\gamma = 1$) nor profit maximising (neoclassical) firm ($\gamma = 0$). Assuming that normally behaved firms bargain along the marginal product curve, the gamma value of approximately 0.5 would mean that they set wages half way between the maximum wage and alternative wage ($Y_a < Y < Y_{\max}$ in Figure 3.1) and, as a result, employment somewhere between the two extremes ($L_{\min} < L < L^*$ in Figure 3.1). However, as pointed out by Svejnar (1986), workers (the union) select the marginal product of labour curve as the contract curve only if they are infinitely risk prone (in this case delta would be ∞). This is not confirmed by our data since the estimated delta exhibited for the total sample is not statistically significant and we also cannot reject worker risk neutrality as explained in The Bargaining Model section for the same reason. Moreover, assuming that $\delta = 1$ (workers are risk neutral), our results would imply employment L^* being set at the level where alternative wage Y_a equalises with marginal revenue product (employment is determined exogenously). Workers employed by the firm would receive income Y equal to the competitive income Y_a plus a share of the profit. The bargaining power of workers would then be the only relevant parameter.

⁵⁰ Gamma at the value 0.5 is a Nash-Zeuthen-Harsanyi solution where all actors in the bargaining process have equal bargaining skills. For further reference, please see Harsanyi (1956).

The results in Table 3.2 also suggest that bargaining power of workers varied between groups and periods. For total sample of firms the point estimate of gamma is equal to 0.47 in the pre-crisis period and grows to 0.57 in the post-crisis period suggesting that the bargaining power of workers increased due to the economic recession. However, by including the firm and year dummies into the model, the inter-period differences disappear. Therefore the results on pre-crisis and post-crisis differences in gamma are not inclusive to fully support Hypothesis 2. The results confirm a vibrant bargaining processes taking place in Slovenian firms before and after the crisis.

Before the crisis hit, the estimate in the gamma value for the Global-Superior firms was significantly different from estimates in the two inferior market focused clusters (see Appendix 1). The value of gamma around 0.20 displays a rather neoclassical (capitalist) behaviour of the Global-Superior firms before the crisis, giving more emphasis on employment (profit) than to wages, which partly confirms Hypothesis 3.

This result changed with the arrival of the economic downturn. Such a conclusion can be statistically confirmed for Global-Superior firms where the inter-period increase in gamma from 0.20 to 0.46 is significant. Similarly, the worker bargaining power in Global-Inferior firms after the crisis increased from 0.41 to 0.50, while in Proximity-Superior cluster it increased from 0.31 to 0.46. Both the Proximity-Superior and Global-Superior cluster reached the same value of gamma at 0.46. The bargaining power of workers increased for all clusters after the crisis on the account of a decrease in bargaining power of owners, causing the gamma value not to significantly deviate from 0.5 (see Appendix 1), except for the Proximity-Inferior firms.

The worker bargaining power of Proximity-Inferior firms increased from 0.56 to 0.72. The gamma estimate of 0.72 is significantly higher than 0.5 (see Appendix 1). Workers exercised considerably higher bargaining power than owners compared to other clusters of firms.

Although we cannot make strong conclusions about worker risk aversion, we can nonetheless make some observations. Two cases excel here. The value of delta in the Global-Inferior firms for the pre-crisis period is predominantly negative and lower than 1 (in one occasion significantly). This could describe risk averse workers, which may imply that workers are paid relatively high even if the marginal revenue product is less than both Y and Y_a ($Y > Y_a > MRP_L$). However, even more convincing is the example of Proximity-Inferior firms, by having delta bigger than 1 (and significant in one case). This corresponds to risk loving behaviour of workers who (might) bargain along the marginal revenue product of the labour curve. The high bargaining power of workers (high gamma) and risk prone behaviour may imply the tendency towards income maximisation hypothesis.

3.5 Conclusion

Slovenia was an example of a successful transitional country for a considerable amount of time. One of the reasons for this was also the gradual evolutionary transition of firms from self-managed, which was the case in the former Yugoslavia, to normally behaving companies in the new liberal market economy.⁵¹

The results of our empirical analysis showed a significant bargaining power of workers in medium and large Slovenian companies in the period before and after the outbreak of the global economic crisis (gamma value around 0.5). If we look at the value of gamma from the perspective of workers bargaining with managers (owners) along the marginal revenue product of labour curve (workers are risk loving), we could make a conclusion that companies emphasise both wages and employment. To maintain a higher level of employment, they react to external shocks by reducing wages. We cannot confirm this behaviour in Slovenian firms after the crisis. Based on our analysis we can conclude that the bargaining power of workers increased in the post-crisis period. However, the exact reaction of firms in terms of employment adjustment while increasing wages, cannot be determined because we were not able to capture the form of indifference curves of workers (or unions as their representatives). This shows a vibrant behaviour of Slovenian companies, which was promoted by macroeconomic environment before the crisis (economic growth based on acquired external funds and corporate borrowing through bank loans – the working of the financial accelerator), and after the crisis (rapid deleveraging of companies, minimum wage increase) (Bole et al., 2013).

In the examination of behavioural reactions of various types of companies with different genetic and innovation potential our empirical study offers some tangible results: 1) favourable economic climate before the crisis allowed less innovative companies with less-developed genetic material (Nelson and Winter, 1982) to operate in foreign markets (as distressed exporters). The risk averse workers in such enterprises directed their bargaining power primarily into excess employment (more than a profit/neoclassical company). 2) In less innovative companies with less extensive genetic material, for which the key markets are those of former Yugoslavia and the domestic market, workers demonstrate more risk loving behaviour throughout the period and therefore companies are more willing to trade off employment for wages.

⁵¹ The objective function of Yugoslav self-managed companies took into account both employment and wages. They set employment somewhere between the Ward-Domar-Vanek firm, by maximizing income per worker, and a (neoclassical) firm (Prašnikar et al., 1994). Subsequent studies about investment behaviour of Slovenian firms have shown that in the first period after independence (1991-1995, before actual privatisation) behaviour of Slovenian companies was influenced by considerable power of workers (Prašnikar and Svejnar, 2007). In the subsequent period (1996-2000) the profit motive was emphasised to a greater extent (Domadenik et al., 2008).

More innovative firms and firms with richer genetic material present a puzzle in our analysis. According to the bargaining power of workers, they deviate downwards in relation to the other two groups of companies. Also, the worker bargaining power remained at the lowest level in the post-crisis period. This means that they place greater emphasis on employment compared to the other two groups of companies. However, because we were not able to determine the position of indifference curves of workers (unions), the use of cooperative innovation strategies that lead to higher organizational rent is only one possible explanation.

CONCLUSION

The purpose of this joint conclusion is to summarise the findings of this doctoral dissertation which aimed at studying corporate governance in the Western Balkans region in connection to social capital as a part of intangible capital. We chose three representative Western Balkan countries. The first paper showed company behaviour in the Republic of Srpska, which is an exemplary case of a transition economy where labour institutions that empower workers have a significant influence on management of blockholdings that arose from the privatisation process. The second paper focused on corporate governance in Albania, the only non-Yugoslav country in the Western Balkans which is a formerly closed economy currently on its way to internationalisation. The characteristics of large companies, such as internal cooperation, are the precursors to success or failure of the economy in this case. The third paper is dedicated to studying worker participation in the framework of bargaining in Slovenia, which is the most developed former Yugoslav country with a small and open economy. It seems that worker involvement in company management has been decreasing in the last decade of prosperity but the recent economic crisis caused its enhancement.

In the first paper, blockholding is in the focus of our research on the level of corporate governance. We approached the topic of blockholding effectiveness by studying the influence of labour market institutions. Our research was based on a representative case of a transitional economy, the Republic of Srpska, one of the entities constituting Bosnia and Herzegovina. The disintegration of Yugoslavia in the 1990s had a strong effect on the Bosnian economy. The four-year armed conflict destroyed a substantial part of the country's physical and human capital. In the last decade, the country has been strongly influenced by the changing global environment (globalisation) as well as by the economic reforms on the privatisation and liberalisation.

In the transition process, discussions about the best privatisation model followed the overall debate on corporate governance, especially about how to find the most efficient way of transferring the owners' interests to the company. A number of firms were privatised to foreigners and the remaining firms are privately owned corporations that arose from the mass voucher privatisation programme adopted in 2000 and 2001 as the prevailing privatisation model, with the hope that ownership in most companies would end up dispersed. However, this strategy proved ineffective. Since the beginning of privatisation, the share of the Republic of Srpska's state ownership has thus greatly diminished.

The country preserved labour relation institutions from the former Yugoslavian system long after acquiring its independence and in 2000 adopted a relatively liberal labour legislation to ease some of the labour market rigidity. The Labour Law completely excludes the participation of employees in corporate governance. It does not propose nor prohibit workers' participation. The employer is only obligated to inform employees about their rights and obligations, wages, the state of the company, and future development.

Therefore, we were able to study corporate governance and productivity differentiation through the development of labour market institutions. Our study resulted in two main findings: First, in the ten-year period after the liberal reforms were launched, blockholding became the prevailing ownership structure in the Republic of Srpska. Second, significant differences in the behaviour of blockholdings based on the empowerment of workers are observed. We identified two distinct clusters of firms. In the first cluster, most workers are institutionally empowered (unionised), therefore we called these firms the Worker–Entrenched blockholdings. Although cooperative behaviour between the blockholders and unions is evident in few cases, there are also signs of rent-seeking behaviour of unions, using their monopoly position in order to expropriate a part of added value. This is particularly evident in some state-owned firms. The second cluster of firms shows a different pattern of development. We named these firms the Worker–Liberal blockholdings, since most workers in this cluster are not institutionally empowered, but rather represent an unconstrained work force in the labour market. There are two distinct subgroups in this cluster of firms as well. A vast majority of blockholdings in the first subgroup corresponds to a profit maximizing core–periphery mode of a firm with a prevailing role of the capital owner, heavyweight management and a less trained workforce. The second subgroup strongly reflects the reciprocal essentials (RE) mode of firms, where the main ingredient of such mode is the growing importance of human cognitive assets, not limited only to those of management, but also including those of core workers. Hence, blockholding diversity appears as the result of different labour relations in firms and various types of corporate governance can be found.

The case of the Republic of Srpska clearly shows that a design toward a unified group of firms was a difficult endeavour that failed. It also brought along some lessons that are important in a broader context. The collaborative effort on the side of blockholders and unions (workers) could be value enhancing and might increase the company efficiency. However, a monopoly-oriented union could present an obstacle for further development of this collaborative approach. This means that institutional similarities to the Yugoslav system, cooperative behaviour of constituents on the one side and high impact of the state and politically influenced unions on outcomes of central bargaining on the other side, are still present and are affecting the behaviour of companies and organisation.

The second paper focuses on the internal characteristics of corporations to pursue the export-led model of growth in one of the poorest yet fastest growing European emerging economies – Albania. Its current goal is to reach the level of economic development of the lower middle developed European countries. Economic growth in the developing countries is often based on the export-led model with external demand determining the dynamics in growth. The competitive strengths of the export sectors were developed systematically, primarily by strengthening the manufacturing sectors. However, if a country is to succeed by following this export-led paradigm, the strength of domestic corporations and the competitiveness are of vital importance. Corporations must be strong enough to enter foreign markets. For many small firms and entrepreneurs, the entry costs (which later convert into sunk costs) are

prohibitively high, which means that larger corporations are more likely to penetrate foreign markets sooner and lead the way for the smaller companies, if the internal structure fosters a suitable level of efficiency. They can utilise economies of scale and scope to become more competitive in foreign markets. Within this context, Albanian firms carry a huge burden of national development. However, there is very little detailed information available about the Albanian economy, especially about the role of corporate sector and its ability to internationalise.

We showed that Albanian corporations fall into two broad categories, each having at least some potential but also facing important obstacles. The two groups respectively comprise the larger, more export-oriented and less productive group of firms, and the smaller domestic market-oriented and more productive group of firms. The typical Albanian firm from our sample is inward-oriented. Exports to developed markets by less productive firms are mainly the result of subcontracting or distressed exporting. Moreover, intangible investments in the less productive firms from our sample are greater than in the more productive firms, meaning that niches in the domestic market attributed to low saturation or a certain level of monopoly power allow firms to acquire rents that result in higher productivity.

Large Albanian firms sell more to foreign markets than smaller firms so they are on the right path to the export-led development. However, from observing large Albanian (blockholding) firms, we discovered that the prevailing mode includes a core group of employees accompanied by a large number of peripheral workers who are in many cases unskilled and without valid working contracts (informal or illegal employment). These firms are also characterised by great power of managers and low power of workers. If Albanian firms want to grow and become more productive in order to serve foreign markets, they should, among other things, increase shared values between their constituencies. The emergence of smaller companies might serve as the foundation for future development. They have been developing autonomously and are more often built on mutual respect and collaboration between their owners, managers and workers.

The third paper studies the effect of genetic material and export orientation on the innovation performance of firms in Slovenia. The literature dealing with participatory firms has long been debating about the seriousness of the so called 'under-investment problem', which was allegedly brought about by the short time horizon of workers in labour-managed firms. The basic argument is that workers (insiders), unlike the diversified capital owners (outsiders), would prefer to distribute enterprise surplus as labour income and fringe benefits rather than reinvesting it into the firm for future growth. This is particularly pronounced in the case of research and development investments and innovation. It is also argued that worker participation will prolong the decision-making process which could also negatively affect the introduction time of the product and process innovation. Furthermore, workers might oppose innovations if they fear negative effects on the employment structure. Alternatively, the participation could have a positive effect on technological progress by the advancing

information processing. This could eliminate post-contractual information asymmetry and consequently increase joint surplus and distribute it to the firm's stakeholders.

After Slovenia declared independence in 1991, it assumed a more liberal model of market economy. Slovenia was long considered an example of a successful transitional country, also because of the evolutionary transition from self-managed to normally behaving companies. By preserving many labour participation institutions, workers retained substantial power in bargaining for wages and employment. Slovenia is a good example for studying the behaviour of participatory firms.

In the research, the firms were divided into two groups based on company export orientation. Each group includes two distinct clusters where one of them excels in superior innovative activities and genetic material (more cohesion). The average firm in both superior clusters achieved better innovation performance. The genetic material of firms is a key moderating factor in the ability of companies to extract benefits from exporting. The results showed that Global-Superior firms are exposed to fierce international competition in global superior markets, which is driving their performance compared to peers (product innovation), and also their cost-efficiency (process innovation). They demonstrate the deepest understanding of R&D as strategically important and dedicate a high share of revenue to it. Equally high are the investments in human capital formation that facilitate innovation performance. Global-Inferior firms invest a smaller percentage of revenues in R&D. They primarily rely on simpler types of innovation. They are developing firm-specific genetic material to a lesser degree and are consequently suffering a loss in innovation performance. They serve especially the Western European markets, but primarily as subcontractors in lower value added production (also known as distressed exports). The Proximity-Superior firms invest less in R&D as the Global-Superior firms, but develop their internal managerial and organizational processes, making them able to extrapolate a fair amount of innovations nonetheless. They are confident in perceived technological, marketing, and complementary capabilities (most also believe to be market leaders), which stems from companies' positioning in the less demanding ex-Yugoslav market where proximity and knowledge of the market provide them with a relative comparative advantage. The Proximity-Inferior firms are basically the followers on the domestic markets and neighbouring markets. In terms of innovation capital and genetic material they are positioned the lowest of all clusters and so is the innovation activity.

The crisis put pressure on the reduction of wages and employment. Workers exhibited significant bargaining power that increased in the post-crisis period. While firms allocated more profit to wages, we were not able to determine how they adjusted the employment structure. The favourable economic climate before the crisis allowed less innovative companies with less developed genetic material to operate in the foreign markets. The risk averse workers in such enterprises directed their bargaining power primarily into actualising excess employment. In the less innovative companies that possess less developed genetic material, for which proximity markets are of key importance, workers are more risk loving

and are therefore more willing to trade off employment for wages. More innovative firms and firms with more genetic material deviate downward according to the bargaining power of workers in relation to the other two groups of companies. Also, worker bargaining power remained lowest in the post-crisis period thus giving greater weight to employment compared to the other two groups of companies.

We can conclude, based on our research findings, that there exist different levels of worker participation and effects on company performance, dependent on internal and external corporate environments. As can be seen in the case of the Republic of Srpska, the collaboration between firms and unions can be value enhancing, although unions that engage in rent seeking behaviour or are politically influenced can have a negative effect on the firm efficiency. In the case of Albania, workers are not empowered externally. In cases where Albanian workers have an influence over the management, such influence was developed through mutual respect and collaboration which seems to have a positive effect on performance. Worker participation in the decision-making process is assured by the legal system in Slovenia and it has also evolved internally in the corporate sector. Firms with higher genetic material and innovation performance display a lower level of worker participation, which increased at the time of crisis in all firms regardless of their internal characteristics.

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APPENDICES

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Appendix A: Probability values of differences in gamma among clusters and periods

		2009–2011							
		Total	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Gamma (SE)		
Gamma (SE)		0.565 (0.098)	0.460 (0.151)	0.497 (0.154)	0.460 (0.134)	0.716 (0.026)	Gamma (SE)		
Period difference		0.507	0.792	0.984	0.765	0.000	0.5	<i>N-Z-H</i>	
2005–2008	Total	0.468 (0.087)	0.458	0.560	0.710	0.526	0.137	0.565 (0.098)	Total
	Cluster 1	0.197 (0.038)	0.004	0.092	0.864	1.000	0.096	0.460 (0.151)	Cluster 1
	Cluster 2	0.411 (0.118)	0.698	0.085	0.658	0.856	0.162	0.497 (0.154)	Cluster 2
	Cluster 3	0.305 (0.121)	0.274	0.394	0.531	0.390	0.060	0.460 (0.134)	Cluster 3
	Cluster 4	0.56 (0.181)	0.647	0.050	0.491	0.242	0.394	0.716 (0.026)	Cluster 4
<i>N-Z-H</i>	0.5	0.712	0.000	0.452	0.107	0.740	Period difference		
Gamma (SE)		0.468 (0.087)	0.197 (0.038)	0.411 (0.118)	0.305 (0.121)	0.560 (0.181)	Gamma (SE)		
		Total	Cluster 1	Cluster 2	Cluster 3	Cluster 4			
		2005–2008							

* SE = Bootstrapped standard errors in parentheses; Cluster 1 = Global-Superior firms; Cluster 2 = Global-Inferior firms; Cluster 3 = Proximity-Superior firms; Cluster 4 = Proximity-Inferior firms; N-Z-H = Nash-Zeuthen-Harsanyi solution.

* The lower left triangle displayed under the diagonal shows the P-values of differences among clusters in the pre-crisis period from 2005 to 2008. The upper right triangle above the diagonal shows the P-values of differences among clusters in the post-crisis period from 2009 to 2011. The diagonal shows the P-values of differences among periods valid for each cluster.

Appendix B: DALJŠI POVZETEK V SLOVENŠČINI

Vloga interesnih skupin v korporativnem upravljanju je v literaturi s področja ekonomije dolgo proučevana tema. Razprave o udeležbi delavcev so se razvile na podlagi zamisli o gospodarski demokraciji in postale posebno živahne v zadnjih letih, za katere je značilna višja nestabilnost plač in zaposlenosti, ki jo je prinesla globalna ekonomska kriza. Čedalje glasnejši so zagovorniki večje udeležbe delavcev pri upravljanju podjetij. Iz tega izvira tudi vprašanje o tem, kako se obnašajo podjetja, v katerih imajo delavci večjo vlogo pri upravljanju. Če želimo podati empiričen odgovor na to vprašanje, moramo proučiti podjetja, ki se razvijajo v okolju, ki spodbuja, oziroma ki je v bližnji preteklosti spodbujalo različne oblike udeležbe interesnih skupin. Primer takih okolij so države Zahodnega Balkana (nekatero države nekdanje Jugoslavije in Albanija) ter Slovenija.

Disertacija proučuje obnašanje podjetij v okviru socialnega kapitala, ki predstavlja izvor njihove sposobnosti, da pridobijo koristi iz sodelovanja različnih interesnih skupin (Adam in Rončević, 2003). V podjetju delujejo tri glavne notranje interesne skupine, in sicer delavci, managerji in lastniki. Dejanja vsake skupine vodijo posamezni interesi, ki se do določene stopnje dopolnjujejo oziroma si nasprotujejo. To navzkrižje rešujejo skupine prek pogajanj, katerih izid je skupno določen cilj podjetja. Če so prevladujoči nosilci odločitev v korporativnem upravljanju lastniki in managerji, podjetje deluje po vzorcu neoklasičnega kapitalizma in maksimira dobiček. V nasprotnem primeru imajo prevladujočo vlogo v korporativnem upravljanju delavci, zato je podjetje delavsko upravljano ter maksimira dohodek na zaposlenega. Lahko pa se podjetje nahaja tudi med tema dvema skrajnima izidoma, če so vse interesne skupine pri upravljanju podjetja enakovredne. Večja usklajenost med skupinami vodi v višjo konkurenčno prednost in posledično v dodaten dobiček organizacije (Aoki, 1984).

Dober primer za opazovanje delovanja kapitalistično in delavsko usmerjenih podjetij so države nekdanje Jugoslavije in Albanija. Za Jugoslavijo sta bili značilni ekonomska rast v 50. in 60. letih prejšnjega stoletja (Sapir, 1980) in ekonomska recesija po izbruhu naftne krize v 70. in 80. letih prejšnjega stoletja, ki je razkrila mnoge pomanjkljivosti v delovanju države, ki so jih kasneje pripisovali konceptu družbene lastnine in državne politike, namesto cilju podjetij pri zasledovanju višjih osebnih dohodkov delavcev (Prašnikar in drugi, 1994). Leta 1991 sta se Slovenija in Hrvaška osamosvojili. Medtem ko je prva takoj po razglasitvi neodvisnosti preživela desetdnevno vojno, je bila druga več let udeležena v oboroženih spopadih, vojna pa se je razširila tudi na Bosno in Hercegovino. Kasneje so se napetosti pojavile tudi zaradi vprašanja statusa Kosova, kar je privedlo do bombnega napada Srbije in Črne Gore. Po desetletju nemirov v 90. letih dvajsetega stoletja je nastopilo mirno obdobje. Na ozemlju nekdanje Jugoslavije tako zdaj obstaja več novih držav, torej Slovenija, Hrvaška, Bosna in Hercegovina, Srbija, Črna Gora, Makedonija in najmlajša izmed njih – Kosovo. Skupna značilnost vseh teh držav je preoblikovanje družbenega lastništva v zasebno in državno, kar je bila ena od ključnih nalog pri prehodu v svobodno tržno gospodarstvo.

Ostajajo pa še izzivi na področju makroekonomske stabilizacije, sprostitve cen in trgovine, ustvarjanja konkurence, uveljavitve pravne države itd., ki značilno vplivajo na ravnanje podjetij in ki so povezani s korporativnim prestrukturiranjem, za katerega so ključnega pomena managerji (Aghion in drugi, 1994).

Omenjeni nemiri, ki so zajeli večji del nekdanje Jugoslavije, so brez dvoma eden od razlogov za pomanjkanje mikroekonomskih študij v tej regiji. Čeprav se socialno in gospodarsko okolje zdaj umirja, je ekonomsko proučevanje, kljub boljšim pogojem, še vedno velik izziv, kar se posebno odraža v manj razvitih delih regije.

Namen doktorske disertacije je analiza korporativnega upravljanja na Zahodnem Balkanu in v Sloveniji v zadnjih nekaj letih, torej pred in po izbruhu krize, in sicer v podjetjih, v katerih prevladuje vpliv različnih interesnih skupin. Analiza bo poglobila razumevanje razvoja podjetij v okviru socialnega kapitala pod vplivom notranjih in zunanjih dejavnikov okolja. Cilj disertacije je odgovoriti na vprašanje o tem, kakšne so razlike v poslovanju podjetij oziroma če te sploh obstajajo glede na raven in obliko razvitosti socialnega kapitala. Natančneje povedano, v sklopu disertacije je bilo preučevano obnašanje podjetij v Republiki Srbski, Albaniji in Sloveniji. Republika Srbska, ena od entitet, ki sestavljajo Bosno in Hercegovino, je dober primer v skupini osrednje in južno ležečih držav na območju nekdanje Jugoslavije. Albanija je edina država na Zahodnem Balkanu, ki ni bila del nekdanje Jugoslavije, a je imela vseeno do padca komunističnega režima leta 1991 zaprto gospodarstvo, Slovenija pa je najsevernejše in najbolj razvito gospodarstvo v regiji. Je odličen primer malega odprtega gospodarstva, ki je pod močnim vplivom mednarodne dejavnosti.

Preučevanje gospodarstva držav v tej regiji ni preprosta naloga, saj je poseben izziv že pridobitev podatkov. Računovodski podatki so za Slovenijo dokaj lahko dostopni, zelo malo podatkov pa je na ravni podjetij na voljo za Albanijo in Republiko Srbsko. Računovodske manipulacije (npr. vodenje dvojnih računovodskih knjig) so ustaljena praksa, zato so tudi sekundarni podatki, dosegljivi iz raznih podatkovnih baz, vprašljive kakovosti. Zunanji deležniki niso v položaju, v katerem bi lahko brez dovoljenja podjetja pridobili zanesljive računovodske podatke, zato je na tem območju zelo težko izvajati raziskave brez pomoči lokalnih sodelavcev, ki so sposobni pridobiti zanesljive računovodske podatke iz primarnih virov. Toda prvotni cilj ni bil le pridobitev računovodskih podatkov, temveč tudi izvedba anketnega vprašalnika za izmero ravni socialnega kapitala v podjetjih in pridobitev drugih podatkov, kot so recimo izvozna usmerjenost (delež prihodkov iz tujine), oblika lastništva (državno ali zasebno, domače ali tuje, razdrobljeno ali koncentrirano), dejavnost (storitveno ali proizvodno podjetje) in pravna oblika (družba z omejeno odgovornostjo ali delniška družba).

Primarni podatki so bili pridobljeni z edinstvenim psihometričnim vprašalnikom, ki se nanaša na produktivnost podjetja in ki sta ga razvila in preizkusila avtorja Bloom in Van Reenen (2007). V vseh treh državah smo navezali stik z direktorji podjetij oziroma s člani višjega

managementa. Ti so bili izbrani kot anketiranci, saj je njihovo poznavanje podjetij, na katera se nanaša omenjeni vprašalnik, bolj poglobljeno.

Raziskava je v sklopu širšega projekta proučevanja na območju Zahodnega Balkana potekala jeseni leta 2010 v Sloveniji, leto kasneje pa še v Albaniji in Republiki Srbski. Cilj omenjenega širšega projekta je bil proučiti tudi druge oblike neotipljivega kapitala, kot so človeški, inovacijski, ekološki in informacijski relacijski kapital ter kapital blagovne znamke. V vsaki državi smo vprašalnik najprej (pilotno) preizkusili na peščici podjetij. V Sloveniji je bilo tako potezo potrebno izvesti zaradi samega razvoja vprašalnika, v ostalih dveh državah pa zaradi potrditve ustreznosti morebitnim lokalnim posebnostim. Podjetja so bila izbrana v predstavniki vzorec na podlagi njihove velikosti, dejavnosti in lokacije.

Po tem ko smo zbrali 40 vprašalnikov v Albaniji, 58 v Republiki Srbski in 98 v Sloveniji, smo uporabili metodo razvrščanja v skupine (angl. *cluster analysis*) in test Hi-kvadrat, s katerim smo določili razlike med skupinami podjetij. V vzorcu slovenskih podjetij je bilo na voljo dovolj opazovanj, da smo lahko v tem primeru na posameznih skupinah uporabili tudi pogajalski model po Svejnarju (1986) in določili, ali podjetja maksimirajo dohodek na zaposlenega ali dobiček oziroma ali se nahajajo nekje vmes. Analiza podjetij v teh treh državah je omogočila primerjavo skupin podjetij in ocenjevanje njihove uspešnost. Zaradi nestabilnega in nepredvidljivega ekonomskega položaja držav po svetu je ta raziskava zanimiva tudi v širšem kontekstu v luči sodobnih pritiskov na povečanje socialne varnosti, med drugim tudi preko vključevanja delavcev v upravljanje podjetij.

Organizacijska raznolikost v Republiki Srbski

Koncentrirano lastništvo (angl. *blockholding*) v rokah enega ali več večjih lastnikov je pri preučevanju korporativnega upravljanja že dolgo v središču pozornosti. Rezultati dosedanjih raziskav, ki se nanašajo na vlogo koncentriranega lastništva pri upravljanju razvijajoče se organizacije, so različni. V Zahodni Evropi je bilo na to temo izvedenih kar nekaj raziskav, v tranzicijskih državah pa občutno manj. Še slabše je raziskano področje nekdanje Jugoslavije, kjer so posebni odnosi na trgu dela imeli in še imajo pomemben vpliv na poslovanje podjetij. Tako se naše proučevanje osredotoča na učinkovitost podjetij s koncentriranim lastništvom pod vplivom institucij trga dela.

Pri pričujoči raziskavi smo se osredotočili na reprezentativen primer države v nekdanji Jugoslaviji, t. j. Republiko Srbsko. Razpad Jugoslavije je močno vplival na gospodarstvo Bosne in Hercegovine, saj je bil v oboroženih spopadih na njenem ozemlju uničen velik del fizičnega in človeškega kapitala. V zadnjih dveh desetletjih se je država razvijala pod vplivom številnih ekonomskih reform na račun privatizacije, liberalizacije in spreminjajočega se globalnega okolja (globalizacije).

V obdobju tranzicije se je razvila polemika o najustreznejši vrsti privatizacije, ki je sledila toku misli o izbiri ustrezne oblike korporativnega upravljanja s poudarkom na reševanju vprašanja, kako lastnikove interese najučinkoviteje prenesti na upravljanje podjetja. Leta 2000 in 2001 sta obe entiteti uveljavili masovno vavčersko privatizacijo kot prevladujoč model privatizacije, v upanju, da bo lastništvo v večini podjetij razpršeno. Danes imajo mnoga od teh podjetij težave pri upravljanju, posledično pa je od začetka privatizacije državno lastništvo znatno upadlo. Nekatera podjetja so bila prodana tujcem, večina pa jih je ostala v domači zasebni lasti, kar je bila posledica privatizacije prek kuponov (vavčerjev). Za slednja je značilna jasna težnja h koncentraciji lastniškega kapitala, še posebno, če upoštevamo tudi novoustanovljena podjetja.

Zakonodaja trga dela, socialni dialog in kolektivna pogajanja se v Bosni in Hercegovini izvajajo ločeno, po posameznih entitetah. Država je institucije, ki delujejo na trgu dela še iz časa Jugoslavije, dolgo ohranila nespremenjena, leta 2000 pa je le sprejela liberalnejšo delovno zakonodajo. Zakon o delu tako popolnoma izključuje vključitev delavcev v upravljanje, vendar je po drugi strani ne prepoveduje. Delodajalec je dolžan obveščati delavce o njihovih pravicah in dolžnostih, plačah, stanju v družbi in prihodnjih razvojnih načrtih.

Na ravni države obstaja reprezentativen sindikat, ki deluje kot predstavnik v kolektivnih pogajanjih. Trenutno sicer ni na voljo natančnih uradnih podatkov o deležu zaposlenih, ki so člani sindikatov, a po nekaterih ocenah naj bi bila vanje vključena polovica. Večji del zaposlenih, ki je včlanjenih v sindikat, dela v javnem sektorju. V zasebnem sektorju so delavci po navadi včlanjeni v sindikat v tistih podjetjih, kjer je ta obstajal že pred privatizacijo. Delodajalci delavcem le redko dovolijo članstvo v sindikatih, ko gre za novoustanovljena podjetja, v zasebnem sektorju pa tudi pogosteje prihaja do kršenja dogovorov in pogodb.

V sklopu raziskave smo proučevali korporativno upravljanje in razlikovanje podjetij glede na njihovo produktivnost v luči razvoja institucij trga dela. Pri tem smo delali z edinstveno bazo podjetij, v sklopu katere smo direktorje podjetij anketirali o razmerju med deležniki v podjetju (delavci, managerji in lastniki) in korporativnem upravljanju na različnih ravneh. Primarne podatke smo pridobili jeseni leta 2011 s pomočjo psihometričnega vprašalnika, oblikovanega s tehniko stopnjevanja zaprtih vprašanj po produktivnosti. Ta je bil uporabljen na 58 izbranih podjetjih, ki so predstavljala reprezentativen odraz stanja gospodarstva po velikosti in lokaciji podjetij. Člani najvišjega managementa so bili izbrani za anketiranje zato, ker imajo raznoliko in poglobljeno znanje o delovanju podjetja, ki je potrebno za izpolnitev vprašalnika. Glede na to, da podjetja v Republiki Srbski nimajo izkušenj s takimi in podobnimi raziskavami, managerji pogosto dvomijo o namenu njihove uporabe in neradi sodelujejo. Pri pridobivanju primarnih podatkov je sodelovala raziskovalna skupina iz Univerze v Banja Luki, ki je pridobila notranje računovodske podatke, na podlagi katerih smo lahko izračunali dodano vrednost na zaposlenega kot mero produktivnosti. Neposreden stik v procesu anketiranja in sodelovanje z lokalno univerzo sta pripomogla k zanesljivosti podatkov.

Pri raziskavi smo prišli do dveh ključnih ugotovitev. Prva je ta, da je v toku privatizacije v zadnjih dveh desetletjih, koncentrirano lastništvo postalo prevladujoča lastniška struktura v Republiki Srbski. Druga pa je ta, da so v okviru različnih ureditev institucij trga dela prisotna značilna razlikovanja v korporativnem obnašanju in preoblikovanju organizacijskih struktur. Izpostavimo lahko dve izrazito različni skupini podjetij. V prvi skupini je večina delavcev včlanjenih v sindikat (institucionalno okrepljenih), zato smo ta podjetja poimenovali delavsko-utrjena (angl. *Worker-Entrenched*) podjetja. Čeprav je v nekaterih primerih mogoče zaslediti sodelovanje med podjetji in sindikatom, so pri sindikatih prisotni tudi znaki egoističnega obnašanja z uporabo monopolnega položaja za prisvojitve večjega dela dodane vrednosti. Tako ravnanje je posebno izrazito v državnih podjetjih.

Druga skupina podjetij kaže drugačno pot razvoja. Ta podjetja smo poimenovali delavsko-liberalna (angl. *Worker-Liberal*), saj večina zaposlenih ni včlanjenih v sindikate in zato predstavljajo neovirano delovno silo na trgu dela. V tej skupini obstajata dve različni podskupini podjetij. Večina podjetij v prvi podskupini maksimira dobiček in se obnaša kot jedro-obrobna (angl. *Core-Periphery*) podjetja s prevladujočo vlogo lastnikov in managementa ter slabše izobraženo delovno silo (Aoki, 2010). Ta oblika podjetij, ki je najmanj produktivna, bo verjetno usoda mnogih privatiziranih podjetij. Druga podskupina močno odraža vzajemno-bistvena (angl. *Reciprocal-Essentials* oz. RE) podjetja, kjer je vidna naraščajoča pomembnost človekovih kognitivnih sredstev ne le pri od managementu, temveč tudi pri jedrnih delavcih. Ta podjetja so se razvila so se pod vplivom tehnoloških sprememb in so najbolj produktivna v vzorcu.

Različni delovni odnosi v podjetjih in razne oblike korporativnega upravljanja so pripeljali do raznolikosti podjetij s koncentriranim lastništvom in bi lahko spodbujali izbiro oblike korporativnega upravljanja, ki izkorišča nove tehnologije bolje in vedno bolj na svetovni ravni. Dober primer tega je RE tip podjetja . Poleg tega je zaradi raznolikosti ekonomski sistem tudi bolj prilagodljiv okoljskim spremembam in odpornejši na ekonomske šoke.

Primer Republike Srbske jasno kaže, da je bilo ciljanje reform na enotno skupino podjetij zahteven in neuspešen podvig, ki je prinesel tudi druge, v širšem smislu pomembnejše lekcije. Sodelovanje med podjetji in sindikatom lahko prinese dodano vrednost in morda izboljša učinkovitost. Toda če sindikat izkorišča svoj monopolni položaj, lahko to predstavlja oviro za razvoj nadaljnjega sodelovanja. To pomeni, da so institucionalne podobnosti z jugoslovanskim sistemom, kot je sodelovanje interesnih skupin na eni strani in velik vpliv države ter sindikatov pod političnim vplivom na izid kolektivnih pogajanj na drugi strani, še vedno prisotne in da vplivajo na obnašanje posameznih podjetij.

Vloga albanskih korporacij na poti k internacionalizaciji države

Albanija je začela s preходом iz socialističnega v kapitalistično gospodarstvo v začetku 90. let prejšnjega stoletja. Čeprav ima država eno najhitreje rastočih evropskih gospodarstev, je gospodarsko tudi ena najbolj nerazvitih. V primerjavi z drugimi evropskimi državami trenutno poskuša doseči srednje nizko stopnjo razvitosti.

Za države v razvoju je gospodarska rast odvisna od izvozne usmerjenosti, pri čemer zunanje povpraševanje določa dinamiko in stopnjo rasti. Izvozno usmerjen sektor pripomore k nastanku in razvoju notranjega okolja, medtem ko spodbujanje zunanjega povpraševanja vodi k hitri rasti ekonomskega standarda. Zato so izvozni sektorji pri državi uživali status prednostne obravnave. Njihove konkurenčne prednosti so razvijali sistematično, s poudarkom na industriji. Če želi država slediti temu zgledu, mora imeti močna in konkurenčna podjetja. Ta morajo biti dovolj močna, da lahko vstopijo na tuje trge (da pokrijejo vstopne stroške, ki se kasneje preoblikujejo v potopljene stroške). A za mnoga podjetja in podjetnike so ti stroški preprosto previsoki. Po drugi strani pa lahko velika podjetja za dvig lastne konkurenčnosti na tujih trgih izkoristijo ekonomije obsega in širine (angl. *economies of scale and scope*).

Pri tem je ključnega pomena, da ne spregledamo vloge velikih podjetij v razvoju. Podjetja, in ne države, so tista, ki delujejo kot ekonomske enote in ki proizvajajo izdelke in opravljajo storitve za izvoz. Njihove značilnosti so torej bistvenega pomena za določanje potenciala modela izvozne usmerjenosti države. Zaradi potopljenih stroškov internacionalizacije večja podjetja lažje prodrejo na tuje trge kot majhna, zato je posledično tudi večja verjetnost, da bodo prva prej postala izvozno usmerjena ter utrdila pot majhnim podjetjem, a le če bo njihova interna struktura vzdrževala določeno zahtevano raven učinkovitosti. V tem smislu nosijo velika albanska podjetja ogromno breme razvoja za vso državo. Žal pa je o albanskem gospodarstvu, posebno o korporativnem sektorju, zelo malo znanega. Vprašanje, ki se tu poraja, je vprašanje o vlogi albanskih korporacij v gospodarstvu in ali bi lahko te nosile breme internacionalizacije.

Pri raziskavi smo s proučevanjem notranjih značilnosti korporativnega sektorja (strateška usmerjenost, proces odločanja, sodelovanje, investicije v človeški kapital itd.) ugotavljali, ali je Albanija, ki je imela še pred dvema desetletjema zaprto gospodarstvo, sposobna slediti modelu izvozne usmerjenosti. Usklajeno delovanje, sodelovanje, jasna strategija in vizija spodbujajo podjetje, da vlaga v človeški kapital in posledično v bolj motivirano in sodelovalno naravnano delovno silo, ki v zameno povečuje konkurenčno prednost podjetja in dviguje njegovo sposobnost preživetja na globalnih trgih. Brez sposobnosti in močne želje podjetja po izvozu bi se splošna usmerjenost države v uporabo izvoznega modela izjalovila. Na ta način povezujemo model izvozne usmerjenosti in zunanje konkurenčnosti gospodarstva z značilnostmi korporativnega sektorja, predvsem prek korporativnega upravljanja v okviru razmerja »principal-agent« in odvisnosti od preteklih izkušenj države.

V posameznih podjetjih smo proučevali tri glavne deležnike in njihovo sodelovanje, ki bi lahko pripeljali do izvozno usmerjenih strategij in ki dvigujejo vrednost v podjetju. Analiza je tudi tukaj temeljila na psihometričnem stopnjevalnem vprašalniku, ki smo ga uporabili že v primeru Republike Srbije. Primarne podatke za 40 podjetij smo pridobili jeseni leta 2011. Tudi tukaj smo se v podjetjih soočali z zadržanostjo, saj njihovi predstavniki niso hoteli izpolniti vprašalnika in podati računovodskih podatkov, vendar smo raziskavo vseeno uspešno izvedli s pomočjo raziskovalne skupine iz Univerze v Tirani.

Ugotovili smo, da se albanska podjetja delijo na dve homogeni skupini, od katerih ima vsaka svoje prednosti in pomanjkljivosti. Ena skupina podjetij je bolj izvozno usmerjena, z manj produktivnimi in večjimi podjetji. Druga skupina vključuje manjša in produktivnejša podjetja, ki so usmerjena v domači trg. Prihodke na tujih trgih v resnici ustvarja le 16 podjetij, v celem vzorcu pa povprečno podjetje na tujih trgih zasluži le 13.7 % vseh prihodkov. To pomeni, da je povprečno podjetje usmerjeno predvsem v notranji trg. Druga, produktivnejša skupina podjetij je manj izvozno usmerjena kot prva skupina, v kateri so produktivnejša podjetja. Če pogledamo izvoz na razvite trge (EU15), vidimo, da je skupina produktivnejših podjetij leta 2009 zaslužila manj kot odstotek prihodkov na teh trgih, kar je značilno manj kot skupina manj produktivnih podjetij, ki je zaslužila le nekaj manj kot deset odstotkov. To pomeni, da bi lahko bil izvoz manj produktivnih podjetij na razvite trge predvsem posledica podizvajalskih del ali stiske (angl. *distressed exports*). Poleg tega je neotipljivi kapital v manj produktivnih podjetjih večji kot v produktivnejših podjetjih, kar bi lahko pomenilo, da so niše na domačem trgu pripomogle k njegovi manjši nasičenosti oziroma da so omogočile določeno stopnjo monopolne moči podjetij, s katero pridobivajo višjo rento na trgu in dvigujejo produktivnost.

Razvoj korporacij je odločilnega pomena za krepitev izvoznega potenciala države. Glede na to, da večja albanska podjetja več prodajajo na tujih trgih kot majhna podjetja, je tamkajšnje gospodarstvo na pravi poti k modelu izvozne usmerjenosti. Vendar pa smo ugotovili, da prevladujoč način delovanja velikih podjetij (kot so podjetja v prvi skupini) vključuje jedrno skupino zaposlenih, ki jo spremlja veliko tako imenovanih obrobni delavcev, ki so v večini primerov slabo usposobljeni in tudi brez veljavnih delovnih pogodb (neformalna ali nelegalna zaposlitev). Lastništvo je v teh podjetjih večinoma skoncentrirano v rokah mogočnih posameznikov ali tujih podjetij. V teh podjetjih imajo veliko moč pri upravljanju managerji in lastniki, za razliko od delavcev, katerih moč je majhna. To je posledica nizke udeležbe delavcev v sindikatih. Delavci so v podjetju redko kdaj deležni organiziranih formalnih izobraževanj, medtem ko je izobraževanje na delovnem mestu bolj pogosto.

Če želijo albanska podjetja rasti in dvigniti svojo produktivnost, da bi bila konkurenčna na tujih trgih, bi morala med drugim povečati sodelovanje med interesnimi skupinami. Če pomislimo zgolj na ustanovitev tuje podružnice, ta od podjetja zahteva precejšnje investicije, med drugim tudi v osebje, če želi biti sposobno slediti korporativnemu cilju. Sodelovanje z matičnim podjetjem je nujni pogoj za uspeh takega podviga. Lahko pa si zamislimo tudi divizijsko delitev podjetja. Managerji na različnih ravneh podjetja morajo biti med seboj

popolnoma usklajeni, če želi podjetje doseči konkurenčno prednost. Podlaga za uspeh v današnjem svetu je poleg tega tudi razvoj timskega dela. V prihodnosti bo okrepitev položaja delavcev v upravljanju neizogibna, pri čemer so trenutno najverjetnejši nosilci te spremembe v prihodnosti mala podjetja. Ta so se razvila samostojno, njihovo delovanje pa pogosto temelji na medsebojnem spoštovanju in sodelovanju med lastniki, menedžerji in delavci.

S splošnega stališča smo torej odkrili, da ima korporativni sektor v Albaniji trenutno omejene možnosti za doseganje uspeha z izvozno usmerjeno rastjo, predvsem zaradi počasnega korporativnega prestrukturiranja in pomanjkanja strateške usmerjenosti, kar lahko povežemo z notranjimi odnosi med deležniki v podjetju. To velja za majhna podjetja, še bolj pa za velika, ki bodo morala nositi breme internacionalizacije.

Udeležba delavcev, inovacijska dejavnost in odziv na krizo v Sloveniji

Avtorji literature o participativnih podjetjih že dolgo razpravljajo o resnosti tako imenovanega problema nezadostnega obsega investicij (angl. under-investment problem), ki naj bi bil posledica poudarjanja kratkoročnega vidika s strani delavcev. V osnovi naj bi delavci, za razliko od lastnikov, zagovarjali delitev dobička v obliki plač in drugih osebnih koristi, namesto da bi ga namenjali za ponovno investiranje v podjetje in njegovo rast. To se še posebno odraža v primeru inovacij in investicij v raziskave in razvoj. V literaturi se omenja tudi, da delavska udeležba podaljšuje čas, potreben za sprejemanje odločitev, kar bi lahko vplivalo na čas vpeljave procesnih in proizvodnih inovacij. Delavci bi lahko nasprotovali inovacijam, če bi se bali negativnih posledic na zaposlovanje, po drugi strani pa bi udeležba delavcev pospešila obdelavo podatkov in izboljšane informacije bi lahko imele pozitiven vpliv na tehnološki napredek. Delavska udeležba bi lahko poleg tega izničila popogodbeno asimetrijo informacij in posledično povečala skupen presežek v dobičku, ki bi se razdelil med vse deležnike podjetja.

Ciljna funkcija jugoslovanskega delavskega podjetja je zasledovala področje zaposlovanja in plač. Ta podjetja so določala zaposlitve nekje med delavskim podjetjem po Ward-Domar-Vanekovem modelu, ki maksimira dohodek na zaposlenega, in klasičnim kapitalističnim podjetjem, ki maksimira dobiček. Po odcepitvi od Jugoslavije se je Slovenija preoblikovala v svobodno tržno gospodarstvo. Dolgo je veljala za primer uspešne tranzicijske države, tudi zaradi prehoda podjetij iz samoupravljanja v »normalno« kapitalistično delovanje. Toda zaradi ohranitve mnogih institucij delavske udeležbe so delavci obdržali precejšnjo pogajalsko moč v procesu določanja plač in zaposlitve.

Slovenija je dober primer za proučevanje participativnih podjetij. V ta namen smo zbrali primarne in sekundarne podatke. Sekundarne podatke smo pridobili iz letnih poročil za obdobje od leta 2005 do 2011, ki jih je zbrala Agencija Republike Slovenije za javnopravne evidence in storitve (AJ PES). Primarni podatki so bili zbrani s psihometričnim vprašalnikom leta 2010. Vprašalnike smo naslovili na direktorje 364 podjetij, od teh pa smo 102 dobili

izpolnjena. Od teh je bilo 98 popolnoma uporabnih. Vzorec je sestavljen iz srednjih in velikih podjetij, ki povprečno zaposlujejo več kot sedemsto ljudi in ki predstavljajo četrtno vseh podjetij v Sloveniji z več kot 100 zaposlenimi. Pri tem smo se namenoma osredotočili na večja podjetja, saj imajo ta dobro razvit sistem korporativnega upravljanja in uživajo prednosti pri tržni penetraciji in konkuriranju na tujem trgu. Večina teh podjetij je v zasebni lasti in ima skoncentrirano lastništvo.

Podjetja smo razdelili na štiri skupine. Najprej smo na podlagi izvozne usmerjenosti našli izvoznike na razvite trge in podjetja, ki so osredotočena na bližnje trge ter na domačega in na trge nekdanje Jugoslavije. Temu ustrezno smo prvo skupino poimenovali skupino globalnih podjetij (angl. Global firms), drugo pa skupino bližinskih podjetij (angl. Proximity firms). Nadalje sta v obeh skupinah razvidni dve izraziti podskupini, kjer eno odlikujejo inovativne aktivnosti na višji ravni in bolj razvit genetski material (več notranje skladnosti). V skladu s temi razlikami smo prvo skupino globalnih podjetij razdelili na globalno-superiorna podjetja (angl. Global-Superior firms) in globalno-inferiorna podjetja (angl. Global-Inferior firms), drugo skupino bližinskih podjetij pa na bližinska-superiorna (angl. Proximity-Superior firms) in bližinska-inferiorna (angl. Proximity-Inferior firms).

Povprečno podjetje je v obeh superiornih skupinah doseglo večjo inovacijsko uspešnost. Genetski material podjetij je odločilen posredni dejavnik pri določanju o tem, ali so podjetja sposobna pridobiti koristi iz dejavnosti izvoza. Globalna-superiorna podjetja so izpostavljena močni mednarodni konkurenci na globalnih naprednih trgih, kar je razlog za njihovo učinkovitost (s procesnimi inovacijami) in uspešnost v primerjavi s konkurenti (s produktnimi inovacijami). Ta podjetja so tista, ki raziskave in razvoj dojemajo kot strateško najpomembnejši dejavnik in mu temu primerno tudi namenjajo največ finančnih sredstev. Prav tako veliko investirajo v človeški kapital, ki navsezadnje tudi dodatno pripomore k dvigu inovacijske uspešnosti. Globalna-inferiorna podjetja investirajo manj prihodkov v raziskave in razvoj in se raje opirajo na preprostejše inovacije. Genetski material razvijajo v manjši meri in posledično trpijo izgubo učinkovitosti pri pridobivanju inovacij. Posvečajo se predvsem zahodnim trgov, a večinoma kot podizvajalci v proizvodnji z manjšo dodano vrednostjo. Bližinska-superiorna podjetja ne investirajo toliko v raziskave in razvoj kot prejšnji dve podskupini, vendar razvijajo notranje managerske in organizacijske procese, kar jim vseeno omogoča pridobivanje precejšnjega števila inovacij. So zelo samozavestna pri dojemanju lastnih tehnoloških, marketinških in komplementarnih sposobnostih (večina jih verjame, da so vodilni na trgu), kar izvira iz položaja podjetja. Delujejo namreč na manj zahtevnih trgih nekdanje Jugoslavije, bližina in poznavanje trgov pa jim prinašata konkurenčno prednost. Bližinska-inferiorna podjetja so v resnici sledilci na bližnjih trgih. Investicije v inovacije in genetski kapital so tu najnižje od vseh skupin in temu ustrezna je tudi inovacijska aktivnost.

Obnašanje podjetij smo opazovali v obdobju pred krizo (2005–2008), ko so bila pričakovanja o ekonomskem okolju še optimistična, in v obdobju po krizi (2009–2011), ko so bila podjetja prisiljena v prilagajanje plač in zaposlitvene strukture. Slovensko gospodarstvo je bilo močno

prizadeto. Ogromen padec povpraševanja leta 2009 je imel katastrofalen učinek na prihodke in denarni tok. Za preučevanje slovenskih participativnih podjetij smo uporabili Svejnarjev (1986) pogajalski model. Njegova glavna prednost je, da dobro opisuje slovenske institucije in pogajalski položaj glavnih deležnikov ter omogoča proučevanje pogajalske moči in nagnjenosti k tveganju delavcev. S tem je mogoče oceniti raven udeležbe delavcev v korporativnem upravljanju in poslovanju podjetij oziroma odgovoriti na vprašanja, ali je ciljna funkcija podjetja bližje ciljni funkciji delavcev in zato maksimira dohodek na zaposlenega, ali je morda bližje ciljni funkciji lastnikov (managerjev) in zato maksimira dobiček.

Kriza je podjetja prisilila v zmanjšanje plač in števila zaposlenih. Stopnja zaposlovanja se zmanjša le v primeru, če so delavci tako nenaklonjeni tveganju, da potencialno izgubo zaposlitve raje nadomestijo z znižanjem plač. Če želijo obdržati plače, se mora pogajalska moč delavcev povečati. Če bi bili delavci pripravljeni na znižanje plač v času krize in bi namesto tega raje obdržali zaposlitev, bi se podjetje približalo cilju kapitalističnega podjetja. Podjetja z različnimi dojemami inovacij bi imela temu ustrezno različne težnje po tovrstnih potezah.

Delavci imajo precejšnjo pogajalsko moč, ki se je po krizi še dodatno povečala, vendar na splošno dajejo poudarek plačam in zaposlitvi. Medtem ko so podjetja raven plač relativno dobro ohranila, pa o zaposlovanju ne moremo povedati veliko. Ugodnejše gospodarske razmere pred krizo so manj inovativnim podjetjem s slabše razvitim genetskim materialom omogočile, da so delovala na tujih trgih. Delavci, ki so bili nenaklonjeni tveganju, so v takih podjetjih svojo pogajalsko moč usmerili predvsem v dodatno zaposlovanje. Manj inovativna podjetja s slabše razvitim genetskim materialom, ki delujejo na bližnjih trgih, imajo delavce bolj naklonjene tveganju, ki so pripravljeni na spreminjanje zaposlovanja v korist višjih plač. Bolj inovativna podjetja z bogatejšim genetskim materialom izkazujejo nižjo pogajalsko moč delavcev v primerjavi z ostalima dvema skupinama. Pogajalska moč delavcev v teh podjetjih je ostala nižja tudi po krizi, kar pomeni, da dajejo večjo težo zaposlitvi.

Po temeljitem pregledu rezultatov lahko sklepamo, da obstajajo različne ravni delavske udeležbe v korporativnem upravljanju podjetij in različne ravni vplivov na uspešnost v odvisnosti od okolja. Kot je razvidno iz primera Republike Srbije lahko sodelovanje med podjetji in sindikati prinese dodano vrednost. Če pa se sindikati obnašajo kot monopolisti in terjajo večji del dobička ali če so pod političnim vplivom, lahko ima tako sodelovanje negativne posledice na učinkovitost podjetij. V Albaniji delavci nimajo podpore zunanjih institucij. V primerih, kjer imajo delavci vpliv na upravljanje, so ga razvili skozi medsebojno spoštovanje in sodelovanje, kar ima pozitiven učinek na poslovanje. V Sloveniji zakonodaja zagotavlja delavsko udeležbo pri upravljanju, ki se je razvila tudi znotraj podjetij. Podjetja z višjo ravnijo genetskega materiala in inovacijami izkazujejo nižjo raven delavske udeležbe. Po drugi strani pa se je pogajalska moč delavcev po krizi povečala v vseh podjetjih, ne glede na njihove notranje značilnosti.