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A Case Study of Employee Share Ownership in the Ravintolakolmio Group

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Abstract

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Employee share ownership is a system employed by companies wherein at least one employee acquires equity shares, giving them shareholding status with their employing company and earning pay through those shares. The Ravintolakolmio group is a restaurant group that owns and runs 13 and co-operates 4 franchised restaurants in the Greater Helsinki area, founded in 1979 by Heimo Keskinen, who still to this day owns the majority of the group. This thesis was written between April and November 2013.

The aim of this thesis was to examine how employee share ownership works and what effects it has in the Ravintolakolmio group, as perceived by those in the program. Mainly, the perceived benefits and drawbacks are presented. This was researched through three main qualitative interviews, averaging 1 hour 10 minutes in length, and one supporting interview.

The results show that employee share ownership offers many benefits for both employee and employer, such as increased job satisfaction and commitment. It offers employees a tax-efficient way to earn based on their performance, while simultaneously improving their performance and level of motivation. Drawbacks include the nominalisation of one's power and the possibility of losing one's investment.

Keywords
Employee, share, ownership, Ravintolakolmio, partner, owner, shareholding, strategic, human, resources, management,

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1 Introduction

Committed, motivated, and hardworking employees are the cornerstone of any successful business, and in no field is this truer than in the service industry, as employees create and deliver the product to customers. Especially in the restaurant industry, where wages are low and staff turnover is high, it can be difficult for companies to motivate their employees. Yet, commitment and enthusiasm of employees has long been connected to improved results (Knyght, Kouzmin, Kakabadse & Kakabadse 2010, 1314). Even service industry companies though have the opportunity to turn employees from a mere exploitable resource into a strategic advantage.

The Ravintolakolmio group, an operating restaurant group in Helsinki, was chosen as the commissioning company for this thesis due to their unique approach to this issue. The Ravintolakolmio group rewards and motivates managers, for example restaurant managers, within the group with a system called employee share ownership. This means that they offer key employees partner-ownership of the company they work in. The employee invests in the company and receives shares, which will create dividends for them. The company hopes to gain commitment, and thus increased revenue and profitability, through this system.

In a people-oriented field as the service industry, human resource management is especially important. I was intrigued by this topic due to the strategic point of view of human resource management, where the aim is not merely to manage the workforce, but to turn it into a competitive advantage. This topic also combined some of my other interests, such as accounting and business law, which I wanted to learn more about, as neither topic is gone into in depth during our studies at Haaga. I felt that this topic was a great way to learn more about significant strategic decisions in companies, as I prepared for my next challenge after graduation, as the CEO of an SME.

The aim of my thesis is to examine how the employee share ownership program is perceived by those involved in it. My thesis investigates how it is beneficial, from the point of view of both the employee and the company. It is analysed through interviews of key persons, supported by financial and human resource data. My thesis will essentially explore the question, how having a mid-level manager own x% of a company has an effect, especially in terms of increased performance and lower employee turnover for the company; and increased work commitment, motivation, and satisfaction, and gained monetary rewards, and all tax benefits therein, for the employee. The full list of benefits and drawbacks of employee share ownership is presented in the theory. My own personal goal is to learn more about strategic human resource management in the restaurant industry.

The research topic of this thesis was contemplated in the spring of 2013, and a research plan was drawn up and the commission by the company received in April 2013, as shown in Attachment 1, the project timetable. The research of the topic and preliminary drafts were written throughout the summer of 2013. The main interviews were conducted in September-October and the thesis was completed in November.

1.1 Thesis Structure

This thesis is organised according to the "zipper" model, meaning that the content is organised by topic instead of the traditional order of theory, methods, results and discussion. Each chapter contains the theoretical framework, current practical applications and research results of that topic. I chose this model due to its suitability to this topic and the qualitative research therein.

Firstly, the commissioning company is introduced, and the research questions, hypothesis and scope are determined as well. Then the research methods are presented, and the final part of the introduction chapter is the definition of the dissertation's key concepts.

Chapters two through four are the research part of the thesis. The order of the topics is organised on the basis of cause (chapter 2) and effect (chapters 3-4) (Hirsjärvi, Remes & Sajavaara 2007, 40). Their topics are, in order, the fundamentals of employee share ownership, the extrinsic effects of employee share ownership, and the intrinsic effects of employee share ownership. Each topic is further then divided into subsections. Each issue in the subsections is generally addressed in the same approach, starting with the theoretical framework, followed by the current utilisation and applications within the Ravintolakolmio group, and finally the results of the research and the perceptions of the interviewees are presented.

The last chapter is a discussion of the whole issue, where general conclusions from the research results are drawn, and the implications of these conclusions to the Ravintolakolmio group are presented. The timetable and process of this thesis are contemplated and evaluated. Finally, the limitations of this study are examined and recommendations for further research are made.

1.2 The Ravintolakolmio Group

The Ravintolakolmio group is a restaurant group that owns and runs 13 and co-operates 4 franchised restaurants in the Greater Helsinki area. Ravintolakolmio was founded in 1979 by Heimo Keskinen, who still to this day owns the majority of the group, and works as the chairman of the board. In 2011, the turnover of the group was around 23 million euros, and the expected turnover for 2013 will be around 27 million (Ravintolakolmio-Ryhmä 2012; 2013a). The group is made up of 8 limited companies (Ravintolakolmio-Ryhmä 2012):

- Ravintolakolmio Oy, operating three restaurants
- Graniittiravintolat Oy, operating four restaurants
- Oy Scanredi Ab, operating one restaurant
- Ratello Oy, operating three restaurants
- Oy Confetti Restaurants Ab, operating two restaurants
- Diafora Oy, an accounting company
- Restavuokraus Oy, owns the four franchising restaurants, and is the holding company that handles share trade in the group
- Restasijoitus Oy, a second holding company.

The Ravintolakolmio group's values are customer loyalty, partner loyalty, profitability, constant development, and responsibility. They have a total staff of over 230 people, and focus especially on staff satisfaction through educational programs and employee benefits. As part of its focus on staff satisfaction, they utilise the employee share ownership model. This is why the group is made up of many different limited companies. They currently have 21 partner-owners. (Ravintolakolmio-Ryhmä 2013a.)

1.3 Research Issues

The objective of this thesis is to examine how employee share ownership works and what effects it has in the Ravintolakolmio group, as perceived by those in the program. The main question answered within is "what are the perceived benefits and drawbacks of employee share ownership in the Ravintolakolmio group?" This inquiry is supported by additional questioning of how the program rewards, how motivation and commitment are affected, and how working with the employee share ownership program is different from the traditional way. The motives of program participants are explored.

The hypothesis put forward in this thesis is that employee share ownership is a beneficial system that increases commitment due to rewards received, which in turn increases revenue for the company. The definition and argumentation for employee share ownership as the term used in this thesis is presented in chapter 2.1.

The issue of how employees perceive the benefits and drawbacks of employee share ownership within their company is significant, because it shows how the given rewards translate to the recipient. While the objective total advantageousness of the employee share ownership program is not examined, the participants' perceptions are an important indicator of whether a) their valuation of the program corresponds with the employers', b) there is a gap between the perceived value and the true value, and c) the program is worthy.

The scope of the research is determined by a few factors. The first restriction on the scope is that the study is conducted completely within the Ravintolakolmio group, and does not include comparison to other restaurants or companies. The second restriction is that the sample group of the study consists of some of the mid- to upper-level managers in the firm. The concept of employees contains within itself managers in this thesis, while owners and the board of directors are considered employers. The third is that the focus is on their perceptions, and data is used to support these perceptions. The thesis will focus on the current situation mostly. Fourthly, only current and former partners will be interviewed, meaning that the views of non-participatory employees are not taken into account.

This thesis provides the Ravintolakolmio group with a neutral, outside view of their employee share ownership system and allows employees to speak freely about their experiences with it. It can provide meaningful insight for the commissioning firm and its employees. The information in this thesis is only applicable to the Ravintolakolmio group. For other interested parties, especially restaurateurs, the thesis offers a glimpse at the system and its benefits. As issues such as corporate and contract law, and taxation are covered such as they are in Finland, the information is not valid for other countries.

Since many issues in this study, for example profit, are usually judged comparatively, the main research problem is the lack of reliable and relatable comparison data. As the Ravintolakolmio Group uses the employee share ownership program fairly ubiquitously, there are no restaurants within the chain to use as a control subject. For these measurements, the scale they are judged on will be based on the scales used by the commissioning company. Thus, the accuracy of comparative judgements is dependent on their objectivity.

1.4 Research Methodology

This thesis is a case study. This form was chosen due to its suitability to initial, exploratory qualitative research. It offers valuable insight through theories applied in practice, and explores issues in-depth with a specific context. However, case studies are empirically limited and can be hard to generalise. The type of research is descriptive, and aims to clarify the relationship between the subject matter (employee share ownership) and its effects, and show a factual picture of the situation. The research is limited to inside (emic) research within the company's culture, structure and environment. As an outsider to the company - having never worked in it - I have a different degree of freedom in my research, but also a different point of view. (Brotherton 2008, 12-13; 122-123; Brown 2006, 10-11; 45; Hirsjärvi et al. 2007, 130-131.)

The research in this thesis is qualitative in nature, and is conducted through interviews. Qualitative research was chosen because the topic itself is subjective and multifaceted. The topic could be affected by social constructs, and qualitative research leaves room for interpretations to be made based on context. The aim of the research is to be as accurate and truthful as possible, though. As interviews are always cooperation between the researcher and the subject, and it must be taken into account that the interviewer may unintentionally have an effect on the results, through their emotions, personality or question structuring. The interpretation of the results is also subjective in research like this, and the line between facts and personal judgements, whether by the subjects or researcher, may be unclear. This means that the validity of the research is high, yet reliability may be low. (Hirsjärvi & Hurme 2011, 21-24; 186-187; Brotherton 2008, 39; Brown 2006, 14-16.)

Interviews were chosen as the method of research as they are accurate, flexible and reliable, even if they mean a sacrifice of efficiency, economy, and generalizability. They are also commonly used and thus familiar to the research subjects. Interviews are good, because they help clarify and describe phenomena, require more thought and precision from subjects compared to surveys, and offer a higher percentage of usable answers while minimising refusals. The downsides of interviews are the time consumption, possible false answers due to subjects' internal guidelines on social acceptability, subjects' feeling of lack of anonymity, and the possibility for misinterpretation or misanalysis. (Hirsjärvi & Hurme 2011, 34-36.)

The interviews were semi-structured or focused interviews, where the questions are prepared but their order is open, and new directions of questioning that emerge are possible. The interviews were with key persons in the employee share ownership program. Each interview was a one-on-one interview to protect anonymity and offer the appropriate atmosphere for even controversial answers. The interviews were conducted face-to-face in a place of the subject's choosing, so that they feel comfortable. The questions were designed to be directive, yet open-ended. The results from the interviews are compared to numerical data received from the commissioning party, to support or contradict interviewees, or give additional context. This numerical data consists of financial information, statistics and operational figures. (Hirsjärvi & Hurme 2011, 47; 61; 90; Brotherton 2008, 132; 151.)

The sample size required for this research is small, as generalisation is not the main concern but rather an in-depth investigation. Manageability was also an important factor in deciding sample size (Brown 2006, 66-67). Four main interviews, and one supporting interview, were conducted. Samples were kept small, because the data is rich and subjective. There was no need to interview the whole population or sample randomly, as the information needed is held by certain key informants. The main subjects of the research were chosen purposely, based on filling the following criteria: to have both supporters and opponents, of which some are long-term and others short-term participants and some still-involved and others no-longer-involved with the employee share ownership program. This purposive sample is reinforced by the supporting interview of the owner-founder of the Ravintolakolmio group. (Brotherton 2008, 39; 171-172.)

The interviews were conducted between September 11th and October 1st, starting with the supporting data interview with the owner of the company, Heimo Keskinen, after which came three out of the four anonymous main interviews. One interviewee refused to take part in the study, and since the sample was decided earlier by picking representatives to match the varied criteria, a replacement was not acquired afterwards for two reasons; so as to not unintentionally manipulate the results of this study, and due to the difficult practicality of finding a replacement with similar experiences. Each interview was tailored to suit the personal situation and answers of the interviewee. The interviews were conducted in Finnish, and recorded. The recordings have been saved. No transcripts though are provided of the interviews to protect the anonymity of the respondents. The interviews took between ½ - 1½ hours each. Both the average and median time of the interviews was 1 hour 10 minutes, and in total they took 4½ hours. In this thesis, the interviewees are referred to as A, B and C.

The purpose and nature of this study is to research the issues presented as a case study for the benefit of yours truly. The information in this thesis is not to be used against interests of the commissioning company. Views and conclusions are made to the best judgement of the writer. The qualitative research of the thesis was conducted, where appropriate, anonymously and confidentially. The aim of this thesis is to be as unbiased as possible, yet it is understood that not all objectivity and impartiality can be suspended. (Brown 2006, 16-17.)

1.5 Key Concepts

The key concepts presented in this chapter are terms that are used throughout the thesis, yet are considered as general or required previous knowledge. They are then used under this assumption in the text. These terms provide background understanding and context for the main issues covered in this thesis. The terminology introduced in this thesis, such as employee share ownership, is explained and described in the chapters pertaining to those subjects.

Limited company: A limited company, osakeyhtiö in Finnish, is a formally founded and registered company with an asset worth of at least 2500€. The company must be split into shares. It must also appoint a board with a chairman. (Suomen Yrittäjät 2006.)

Share, shareholder: Shares are pieces of a company's ownership. Each share is worth a percentage, depending on the ratio to total shares, of the company's worth, which is determined by the company's net asset value. A shareholder is a person who owns one or more of these shares. (Kennon, J. 2013b.)

Net asset value: Net asset value is the value of a company's assets minus its liabilities, according to its bookkeeping from the previous year's end (Tomperi, S. 2007).

Net asset value in taxation: Net asset value in taxation is the value of a company's taxable assets minus its taxable liabilities, from the previous year's end. This does not include tax receivables or tax payables. In certain cases, some bookkeeping values are exempt from taxation calculations, but these cases are not essential to this thesis. (Finlex 2005.)

2 The Fundamentals of Employee Share Ownership

To fully examine the effects of employee share ownership, the groundwork of the subject must be studied first. In this chapter, the fundamentals of employee share ownership are discussed. To wit, this includes answering the questions of what it is, how it functions, and why it is used. Shareholder contracts are investigated, since the extrinsic effects of employee share ownership are defined by the shareholder contracts between shareholders and the company. Ownership in practice is explored as it influences the intrinsic effects of employee share ownership. As the Ravintolakolmio group utilises two separate holding companies of sorts, the function and effect of holding companies in the context of employee share ownership are also examined.

2.1 Employee Share Ownership

Employee share ownership is a program employed by companies wherein at least one employee acquires equity shares, giving them shareholding status with their employing company and earning pay through those shares. Employee share ownership goes by many names; including employee stock ownership, profit sharing, employee or sharing ownership, and employee financial participation. In the Ravintolakolmio group, employee share ownership is called partner ownership. The scope of employee share ownership programs can vary from merely one employee up to 100% of the workforce. Employee share ownership plans that cater to the whole workforce are usually specified as all-employee share schemes (Armstrong & Murlis 2007, 358). This thesis will focus on employee share ownership for particular individuals in an organisation, as the fundamentals and effects of employee share ownership remain the same. (Knyght et al. 2010, 1304-1305.)

Rousseau and Shperling (2003) state that "employee share ownership provides employees with additional rights, such as the right to share in the company's profits, access to information about the company's finances and operations and the right to participate in the management of the company", and all other standard legal rights of shareholders. This is done so that employee attitudes and behaviour will be altered to for example create better financial performance or improved productivity. Already in

1912, it was remarked that employee shareholders are more stimulated and responsible in their work, and still 100 years later, the assumption is that profit sharing and employee share ownership increases economic growth. (Knyght et al. 2010, 1305.)

There are many different motives behind adopting an employee share ownership program. They can range from financial and practical issues like motivating employees into cost minimisation, improving productivity and profitability, and linking compensation to company performance; to philosophical issues like improving equality and social justice, and increasing commitment to the work community. Employee share ownership can also be considered a strategic competitive advantage, in terms of a highly-committed workforce, and increased freedom in decision-making. In addition, it can provide insurance against termination from restructurings, meaning that employees in share ownership programs are less likely to be fired (Pendleton & Robinson 2011, 444). (Knyght et al. 2010, 1311-1312.)

Klein (1987 in McCarthy et al. 2010) outlines three ways that employee share ownership can affect employees: via intrinsic, instrumental and extrinsic routes (see figure 1 below). The intrinsic route means that share ownership on its own is enough to influence behaviour and attitudes. The instrumental route is the indirect effect that comes from sense of ownership and participation in company decisions. The extrinsic route is the influence caused by the financial returns received. (McCarthy, Reeves & Turner 2010, 385-386; Pendleton, Wilson & Wright 1998, 101.)

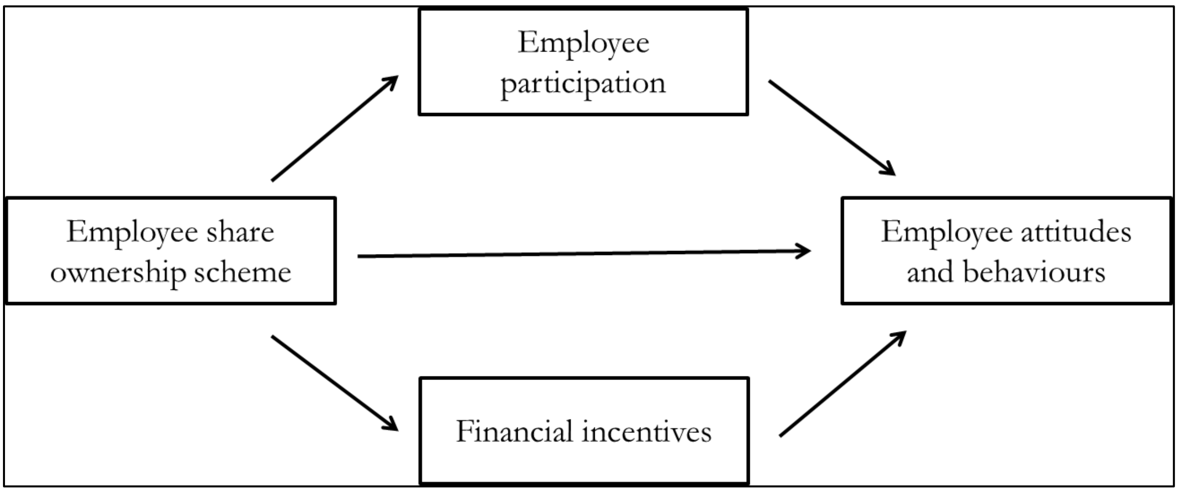

Figure 1. Employee share ownership causal model (McCarthy et al. 2010, 385.)

Those who advocate employee share ownership often believe it to increase identification with the company, increase motivation, lower employee turnover, keep employees aware of competitive pressures, and increase employee participation (Pendleton et al. 1998, 99-100). The benefits of employee participation are considered to be "improved economic performance, increased employee commitment, better productivity and profitability and a greater sense of ownership on the part of employees". One study states that employee share ownership has been shown to increase productivity by four percentage points, shareholder returns by two percentage points, and profits by 14 percentage points (Blasi et al. 2002 in Knyght et al. 2010, 1314). As a reward mechanism, employee share ownership is beneficial for employees due to the tax efficiency of shareholder dividends compared to earned income. (Horan 2002, 103-104.)

On the other hand, Kohn (1993) states, that while rewards are effective at creating temporary improvements, they are ineffective at creating long-term changes in behaviour. Many workers may also see employee share ownership as merely an additional financial bonus without feeling commitment (Smith 2009 in McCarthy et al. 2010, 385). Kohn (1993) quotes studies that say that people, who learn to always expect rewards from their work, don't perform as well as those who have no expectations. In other words, rewards can drive performance down over time. This is due to the manipulative nature of rewards; how people can feel punished when they don't get the extra reward they were used to getting. High rewards can drive people to do work they are less interested in, and being interested in their work is the best motivator. (Kohn 1993).

Employee share ownership plans tend to guarantee longer careers for employees in their respective companies. This allows the long-term advantages of employee training to be realized, and companies can train firm-specific or even general skills more cost-efficiently without risk of losing those skills to competitors. Employee share ownership plans signal to employees a guarantee they will not be exploited, increasing their interest in commitment. This is supported by the fact that employees that own shares are more likely to have favourable attitudes toward their employer and be less likely to quit. (Pendleton & Robinson 2011, 440; 445.)

The effects of employee share ownership are dependent on a sense of ownership by the employee, as the feeling of ownership increases commitment and satisfaction. Studies show though that in general, ownership makes a difference, and those who feel like owners have significantly better attitudes and behaviour toward their employer. This sense of ownership may or may not arise from an employee share ownership program though, and even when it does, it may not necessarily increase positive attitudes toward the work. (Pendleton et al. 1998, 101-102; 117.)

Employee share ownership plans are often only one part of a company's reward portfolio, and having such a program is indicative of a firm's intent on rewarding its productive employees. It is also argued that the reason companies with employee share ownership programs do well is that those companies are more likely to be invested in a co-operative culture. Kakabadse & Kakabadse (2008) attribute the results of employee share ownership instead to capable leadership, well-trained management, well thought-out HR policies, responsible governance and positive corporate social responsibility. (Knyght et al. 2010, 1305; 1313; 1316.)

All in all, studies have found little to support the claim that employee share ownership directly affects employee attitudes, behaviour or commitment positively. The problem with studying the effects of employee share ownership is that the scope of profit sharing programs is often too marginal, meaning that the amount of additional reward and control gained by the employee is negligible (Pendleton et al. 1998, 100). Rosen's (2007) research, though, has shown that in closely held firms like family businesses, like the Ravintolakolmio group, employee share ownership consistently increases a company's performance. (McCarthy et al. 2010, 383-385.)

Of course, it must be taken into account that the majority of the literature on the subject of employee share ownership is concentrated on publicly listed companies in the United States of America, meaning it may not be directly applicable to the situation discussed in this thesis. Much of the literature on the subject focuses also on employee share ownership plans that extend to all employees, but on the other hand the theoretical framework in general seems to outline that the function for key employees is the same, as defined earlier. In the Ravintolakolmio group, employee share ownership is applied to the CEOs, restaurant managers and head chefs of the companies (Ravintolakolmio-Ryhmä 2013c). As stated, employee share ownership can be applied to all employees of a company or merely just key employees, like in the Ravintolakolmio group. Based on the theoretical framework, I assume that employee share ownership is beneficial when applied to the whole workforce, even if only slightly, but that the effects are likely enhanced when utilised with key employees, for example managers, as they are already motivated and committed to begin with.

Employee share ownership in the Ravintolakolmio group was created already over 15 years ago, due to a need to rethink business strategy after the depression of the early 90's, when old tricks stopped working. Heimo Keskinen noticed then that "the owner of an establishment is second only to the gods, or in the case of a pub owner, second to none". The aim of employee share ownership was to increase the commitment of key employees, and to increase the visibility of ownership to customers, so that the owner is always present at the establishment and is able to come by the customer's table, which was something that the major competitor, the S-chain, couldn't do. (Keskinen, H. 11 September 2013.)

Some of the potential benefits for employers of employee share ownership plans are improved financial performance and productivity, improved employee performance, increased resilience, increased employee loyalty and commitment, improved staff motivation, access to employee ideas for improvement and increased innovation capabilities, reduced labour/management conflicts, reduced employee turnover, reduced wage demands, and a source of investment capital. Potential drawbacks are being accountable to employees, being under greater employee scrutiny, having to consider minority shareholder rights and opinions, having to provide financial information, and the time and cost of implementing and using an employee share ownership program. (Thompson 1999, 2; Postlethwaite & Co 2013.)

The benefits for the employee can include access to company information, opportunity to make decisions, greater job scrutiny, improved job satisfaction, reduced labour/management conflicts, increased job creation, opportunity to share company profits, and increased personal wealth and investment opportunities that are tax-beneficial. The possible drawbacks for the employee are not having any impact on the business, possible loss of investment, not reaching profit requirements, and not being able to buy or sell the shares. (Thompson 1999, 2; Postlethwaite & Co 2013.)

The employee share ownership program in the Ravintolakolmio group has a six month evaluation period before one is promoted to a partner. During this time, most problems, such as unsuitable partners, are eliminated. (Keskinen, H. 11 September 2013.)

All interviewees stated that the reason they became partner owners was merely that it was part of the job description, and none had aimed specifically for it. "It was a natural continuum in my work, to move up to a more demanding level. I didn't even know about it in the beginning, and I never aimed for it." (B). "It was part of my job description, I didn't think twice about it" (C). "I became a partner owner simply because it was offered to me. It wasn't my intention or motive and partnership had no effect on my decision to come work here. I wasn't originally even aware of it and I had never acquainted myself with it. Partnership had no effect on my decision to come work here." (A).

The interviewees felt that they weren't pressured to become partners. "Since the first day, it was part of the job description, and it didn't add or diminish any pressure. It's just a part of the job" (A). Interestingly though, one interviewee answered, "There was no pressure to become a partner, per se, but there was no option to refuse" (C). Regardless of the absence of pressure, the majority opinion was that it was an offer that couldn't be refused. "There was no option to stay in the same job without partnership" (A). Not all agreed with this, though. One partner elaborated on the practical effects of refusal. "There was no pressure, but there was a choice to refuse and keep on working, but it would've been stupid. Refusal would've had no other effect except that probably they would've asked again later." (B).

As to why they became partners, there was no clear motive, most likely due to the almost compulsory nature of partnership. "It is only offered to a few, as a thank-you for a job well-done, and of course I was interested. It's a great accolade." (B). "There was no reason not to become a partner" (A). Continuing this trend are the objectives that the partners listed they had. "I wanted to make the restaurant as successful as possible, and make it a nice and good workplace for the staff. I had no personal goals" (C). "My goal is to make an even more profitable company, get things better and keep the good feeling going with our customers being happy" (B). "If the company reaches its objectives, so do I. I have no personal goals." (A).

The interviewees had varying views on the benefits of partnership, reflecting how different people can have diverse values. "The biggest benefit for me is the sparring help from other partners. You're not left alone with issues, but instead there's a community of similarly minded peers who are wrestling with the same issues." (B). "It's freer to work as a partner. Hopefully, it will offer financial benefits also." (A). One former partner remarked, "Partnership had no benefits for me. Partnership has no practical significance, as there is no possibility to influence anything. There was nothing that could be done, so it was easier to not have the moral obligation." (C). An interviewee also compared being a partner owner to working as just a basic employee. "There are a lot of professional differences between myself and my peers who are not partners" (B), which shows that there are benefits, at least by comparison.

Only some saw any drawbacks with the system. "The drawback is that it takes your free time due to more work. Future planning and contacts continue after work hours." (B). Others saw none. "There were no drawbacks for me. There's nothing to lose, but the possibility to gain something" (A). Heimo Keskinen states that partners do have more work than non-partners, made up of extra tasks, meetings, and preparation, and in addition they also have to be more visible to the customer, as representatives of the company (Keskinen, H. 11 September 2013). One interviewee agreed, "Now I have more meetings and development discussions with my employees; and in general it's more diverse. I have less time for the basic operational tasks." (B). This was utterly refuted by another interviewee, “Partnership had no effect on my responsibilities, tasks or powers” (C). This can be due to different attitudes toward both their old and new tasks, as one interviewee reminded. “It is important to stay attached to the operational work and know about any oversights” (B).

All interviewees felt that employee share ownership is an important part of the Ravintolakolmio group’s identity as an employer. “It’s an important thing that very few companies have. Such a small thing like partner ownership can have such a big effect.” (B). Even a former partner remarked, “Partnership is a good idea but was badly implemented in the Ravintolakolmio group. If the situation was different: if the partners were skilled and professional, and actual practical decisions could be made, it would theoretically be great.” (C). On that note, though, the interviewees felt that partner ownership hadn’t changed at all during their time.

The only change an interviewee could recall that had taken place was the addition of senior partnership. “A few years ago the senior partnership level was added, as a reward to those who’ve worked for a long time” (B). Senior partnership is a system where after five years of being part of the employee share ownership program in the Ravintolakolmio group, employees are promoted to senior partners, who earn an additional pension, which they can receive if they stay in the company for over 10 more years (Keskinen, H. 11 September 2013).

The advantages that partnership gives to the company were clear to the interviewees. “Customers don’t have to look further than the restaurant for the owner” (A). “Ownership is visible from morning until night and someone is always here, and as a partner, you pay attention to the bigger picture” (B). One interviewee also brought up the vicarious benefit of the company through personal changes. “The adoption of the corporate finances has affected my own objectives. If I was only responsible for my own unit’s results, I would principally be demanding new investments and feel that we need better tools. Because of partnership, I now understand where the money comes from.” (A).

In addition, the interviewees felt that there are no major drawbacks for employers from partnership. "There exists the possibility that if people do wrong things, it is personified in the partner, the present owner, and can lead to a bad employer image. If miscalculations are made in the recruitment or management of partners, it can have more dire consequences." (A). "If a partner messes up, there can be bad deals and mistakes that can have massive financial consequences" (B).

All in all, though, there has been very little discourse about partnership within the company, as one partner explained, "We've never discussed the benefits and drawbacks of partnership in the company" (A). The information especially does not reach lower level employees, showing a certain lacking in the internal communications. "The staff knows that there are partners but I don't know how much they know or what they should know; we've never discussed it" (A). "My employees don't know how many per cent I have" (B).

2.2 Shareholder Contracts

A shareholder contract is a contract between two or more parties about the behaviour of the parties as owners of the company, and the use and control of shares. Shareholder contracts are not compulsory by law, so the content and format of the contract is open. The aims of shareholder contracts vary a lot, depending for example on the size and business field of the company. Shareholder contracts can be made between two parties with half of total ownership each, or between the majority owner and minority owner(s). Limited companies do not need to reveal the content of their shareholder contracts. (Kyläkallio, K. 2011.)

All shareholders are allowed the same rights within a company, unless the company's articles of association state otherwise. Shareholder contracts must adhere to the Articles, and vice versa. Generally, these Articles are free to assign different rights to different shareholders, for example by limiting or increasing the rights to vote or receive dividends, and as long as the Articles state these differences in rights, shareholder contracts can be made accordingly. The right to attend general meetings, and have items added to the agenda for processing, cannot be taken away, though. Also, according to the law, the Articles or other decisions cannot be made so that they create a disadvantage or expense to only some shareholders. (Finlex 2006.)

Shareholder contracts, and thus by proxy the articles of association, are vital in the context of employee share ownership, as the shareholder contract lays the groundwork for the rights and responsibilities of the shareholder, and sets the stage for both possible rewards and legal ramifications of the system. This means that the extrinsic benefits of employee share ownership are defined by the contracts essentially.

The shareholder contracts of the Ravintolakolmio group have a standard format. This contract states that Heimo Keskinen, the owner of the company, owns the majority of shares either directly or indirectly, and that partners cannot sell their shares to anyone except Heimo Keskinen or a person of his appointing. Heimo Keskinen also agrees to buy all shares from a partner who wants to sell them. It also guarantees that if the company were to be sold to an external owner, the partners would be able to sell their shares as well. If a partner's job ends, whether of their own volition or not, they are obligated to sell back their shares to Heimo Keskinen, meaning that they are unable to become long-term owners of the company. The resale price of the shares is determined as net asset value; or during the first three years of ownership, as purchasing price plus the Bank of Finland's basic interest plus one per cent, whichever is lower. The Bank of Finland's interest rate was added to the contract due to requests from existing long-term partners who were worried that short-term partners would get fast returns (Keskinen, H. 11 September 2013). (Keskinen, H. 24 April 2013, 1-3.)

There are two different categories of shares within Ravintolakolmio, K- and A-shares. K-shares are the majority shares, mostly owned by Heimo Keskinen, while A-shares are those the employee partners own. K-shares can only receive the same amount or fewer dividends than what A-shares receive. This is decided by the board annually. K- and A-shares each receive the right to the same amount of votes per share, one. "K-shares have all the responsibility and money, but this is a positive thing since it allows us to reward A-shares with dividends without the company folding, when it can't afford to reward everyone" (Keskinen, H. 11 September 2013). (Keskinen, H. 24 April 2013, 1-3.)

In typical shareholder contracts, an owner with over 90% of shares in the company may forcefully purchase minority shares (Putkonen 2013). In the Ravintolakolmio Group, though, Heimo Keskinen has the right to forcibly redeem the shares of partners that break the contract through negligence or malice, or who are in bankruptcy. The shares can also be redeemed if all other signatories of the contract, excluding the partner in question, agree. For any breach of contract, the person is liable to a fine of 100 000€. (Keskinen, H. 24 April 2013, 2.)

The shareholder contract assigns the following responsibility to the partner: the increase of company value and operations through the application of their expertise and contribution (Keskinen, H. 24 April 2013, 1).

The content of Ravintolakolmio's shareholder contract does not differ much from the average shareholder contract for a private company. Keskinen does agree that the conditions of the contracts are fairly strong, though just to ensure that they can rid themselves of anyone that creates problems for them. The contract allows them to be strict, if there is a need, yet in practice they offer better terms. This flexibility is due to the ownership being directed through Restavuokraus, discussed more in chapter 2.4, as if they were sold by the company, the other shareholders could possibly object. He assures that no partners that have left the company have lost money or similar. (Keskinen, H. 11 September 2013.)

The interviewees stated that they didn't familiarize themselves with the shareholder contract much, when they signed it. "I trust Heimo that I haven't been cheated. I appreciate the Ravintolakolmio group as a company so much that I doubt there could be any hindrance or nuisance to me." (B). There was no dialogue as to the content either particularly. "We didn't discuss the content of the contract or the percentage of ownership. It was part of the job description" (A). On the other hand, some didn't feel that there was any need for the dialogue. "The contract is fair and theoretically good" (C).

When questioned about the conditions of the contract, the current partners stated, "The conditions are harsh, but then again they have to be" (B). "The conditions of the contract were a given factor, and there is no use complaining. I haven't even thought about full privileges. It is easier to just keep these and be satisfied. If you want more, you can found your own company." (A). This is not to say that they wouldn't feel differently if presented with the contract now, as one interviewee put it, "Of course, if we were to negotiate the contract now after I have experience, I would take it more seriously" (A).

As to the harsh termination clauses in the contract forcing the partner to sell their shares back if their contract is terminated, one answered in accordance with Heimo Keskinen. "The owner has to be at the restaurant and not on Bali; otherwise the ownership has no value for the company and makes no sense. If you don't work here, you have no need for the shares." (A).

The partners don't feel any inequality from the different share categories. "It's their privilege and I respect that. They've worked hard and their whole family is committed so they're entitled to it. This is, after all, a family company." (B). "It's a normal situation. The owners have the will and vision which is implemented, and it has nothing to do with the letter-code of the shares." (A). All agreed with this statement, though some continued about the practical effects. "I'm not jealous of the K-shares; it's their company and their money. But it is a fact that A-shareowners have no power or jurisdiction." (C). "I feel there is no difference between the different share categories, but partners probably do have a lower status. Though, it isn't due to the share categories but the authority position." (A). "For some it could be an issue; they may feel unequal. In my opinion though, they are entitled to privileges; I feel no inequality." (B). "If you focus on those things, you cannot do your job as well" (A).

2.3 Ownership

All limited companies must have annual general meetings where decisions by the owners are made, such as the selection of the board of directors made up of owners, as by law all limited companies must have one. The board of directors has general jurisdiction over the company, meaning that they appropriately organise the management and function of the corporation, equalling to a lot of decision power. The board must have an appointed chairperson, and most often the board will also choose a chief executive officer, who handles the everyday operations of the company. The annual general meeting's jurisdiction is limited to items in the limited company law, which does include the opportunity to change the bylaw of the company and thusly the distribution of jurisdiction. Figure 2 shows the hierarchy of a company, and how employee share ownership affects it. (Finlex 2006; Suomen Yrittäjät 2006.)

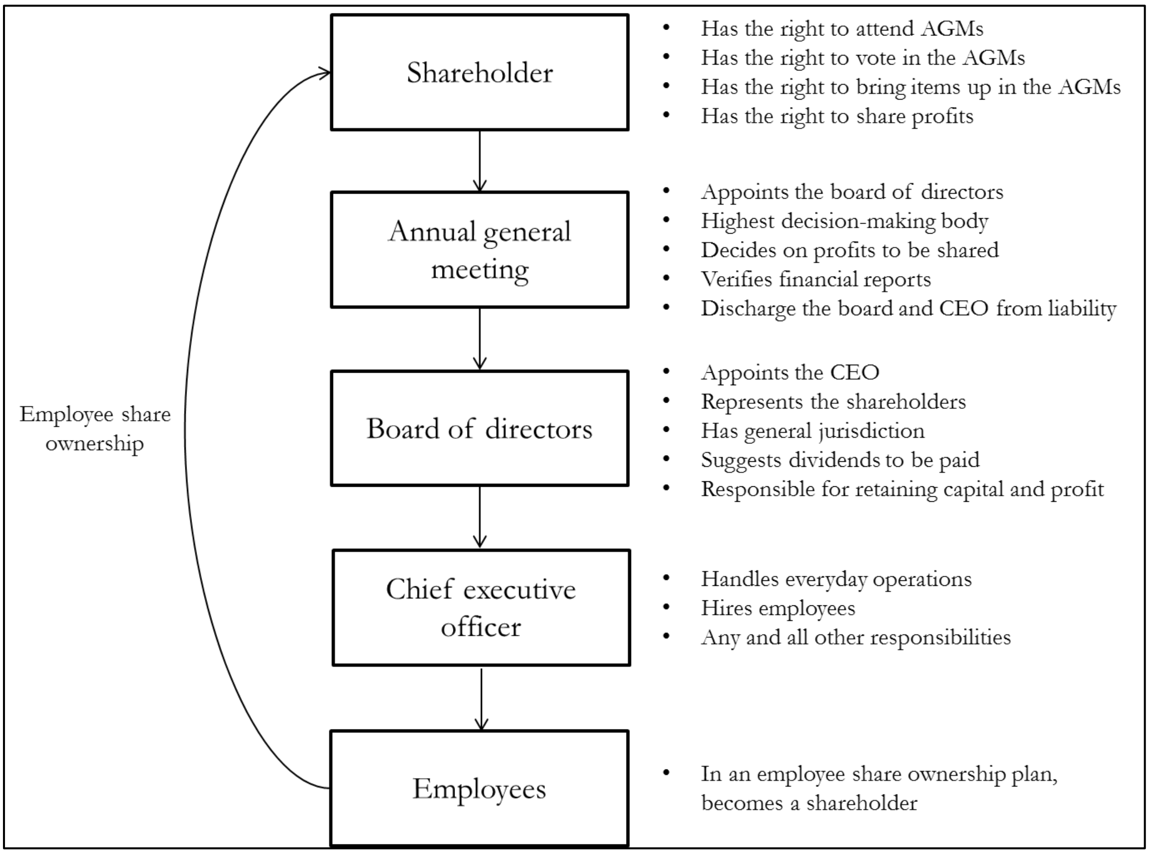

Figure 2. Employee share ownership in the context of company hierarchy, rights and responsibilities. (Linnoinen 2013.)

Employee share ownership offers employees an approach to management that they would otherwise be unable to experience. This right-to-the-source form of ownership, in my opinion based on the literature, may force employees, who normally merely perceive themselves as only liable to their direct supervisor, to see to whom their supervisors, and thus they too, are liable: ultimately themselves. The degree of ownership, percentage, in a company can be assumed to affect the sense of ownership felt.

Heimo Keskinen directly owns between 18% and 63% of each company within the Ravintolakolmio group, and 30% of Restasijoitus. The ownership of Restavuokraus is divided as 60% to Heimo Keskinen, 10% to his wife, and 15% to each of his children. This means that Heimo Keskinen's total ownership of all the companies in the group equals 41.2%. His children's total figure is 6.5% each. Partner employees directly own only between 1% and 8%, in other words 0.1% to 0.9% of total group ownership. Their ownership can be from shares in their own company and/or with the holding company, yet not in multiple operating restaurant companies. (Ravintolakolmio-Ryhmä 19 April 2013; Keskinen, H. 11 September 2013.)

In the early day of employee share ownership implementation, the group made two mistakes in their opinion, which have since been corrected: they gave too many shares, and to too many partners. Too many partners resulted in some, who were nice people that enjoyed partnership but didn't give any extra output, merely riding the coattails of the rest. "Quality over quantity, you have to right-minded true owners, who dare to make decisions, and get the wheels turning in their own name." Too many shares resulted in uncontrollable growth of share value, making repurchase and resale difficult. (Keskinen, H. 11 September 2013.)

Heimo Keskinen says he has no problem giving out even large percentages of the company to partners, as it will produce higher yields for everyone, yet feels that the problematic issue lies with giving too much ownership to a single individual. The two per cent of shares is an easily controlled and regulated unit. In the end, all financial responsibility is with the Keskinen family. (Keskinen, H. 11 September 2013.)

The board of directors in each company of the group is only made up of three people. Only some partners are on the board of directors. Functioning in place of the board, though, is an unofficial executive team, which is made up of all the owners. The executive team makes all the decisions, even though it legally can't, and the board of directors functions as a “rubber stamp” of sorts. Of course, theoretically above the board of directors should be the annual general meeting made up of shareholders, but it is practically replaced in the group with Heimo Keskinen and his family, because as the majority owner, he essentially has the power to override any decisions by the AGM and approves everything and ultimately has a veto right, which is the right to supersede any decision. All this is portrayed in Figure 3. Usually the CEO is promoted from within the company’s existing partners, though not always. The CEO can be on the board of directors simultaneously. (Keskinen, H. 11 September 2013.)

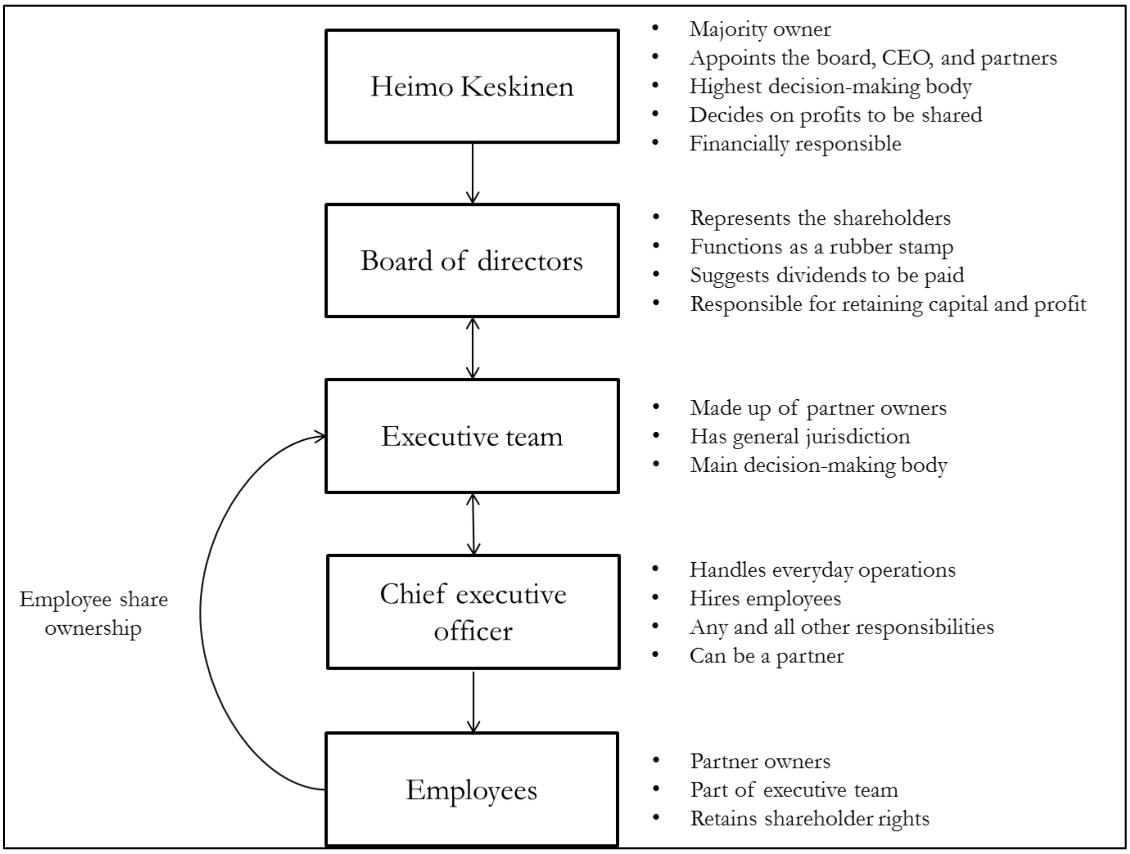

Figure 3. Employee share ownership in the Ravintolakolmio group in the context of hierarchy, rights and responsibilities. (Linnoinen 2013.)

One partner elaborated on the function of the board of directors. “Board meetings are not regular, the role of the board is not significant, and decisions are not made by the board outside of the normal statutory and financial statement issues. In practice though, the board is above the executive team and does have veto power over decisions. The board of directors has no dialogue, only monologues by the Keskinens.”

(A). Another agreed, "The board of directors definitely has power" (B). There was also a connection between the board and a CEO's responsibilities, ultimately confirming the board's power. "If the CEO is not on the board, he's merely an errand boy for the board. If he is on the board, though, he can execute mutually agreed schemes." (A).

Keskinen assures that being in the executive team offers employees totally new responsibilities and tasks. "Large multimillion renovations are examined with the executive team, and once the project is over, the bills and budgets are inspected. They get true authority." Heimo Keskinen evaluates that partners' say is about 30% of decisions, especially since they have a different type of practical competence that the owners may not have. "Projects with a price tag of 10's of thousands are dealt with by the executive team, but anything over 100 000€ is overseen and taken care of by me", says Heimo. (Keskinen, H. 11 September 2013.)

One of the partners explained the practicalities of the executive team. "The executive team is made up of the partners of that unit. The executive team gathers once a month with a tight agenda, where certain issues are handled. Issues that require discussion or need to be dealt with immediately are decided elsewhere and then brought before the executive team later. Depending on the issue, decision-making differs. If it is about internal processes, it is only declaratory. If it's something visible to customers, it is discussed and approved or disapproved. If it is about corporate finances, it is discussed beforehand elsewhere as the executive team doesn't have time to think about investments." (A)

Each of the partners felt that there was a lot of room for improvement with the executive team. "The executive team is a matter of its own. They only approve decisions that are in practice made elsewhere, in forums that are similar to but not the same as the executive team." (A). "The executive team was not efficient, it was only playing and not real business. It was missing discipline and a guiding thought. It was futile. There were five partners on the executive team, but it wasn't about business but about getting personal gains. Other partners were more interested in the status and the money, instead of the responsibility or the attempt to make the company nice or profitable." (C)

For the company, one of the big advantages of employee share ownership is the small administration it facilitates. "The partners run their restaurants as if they owned them completely, and they have many good suggestions on what to do, to choose from, instead of me having to make them myself." The Ravintolakolmio group only has four people working in administration out of a staff of 240, and of those four, two are often out in the field. This allows the company to save money on an expensive, cumbersome background organisation. (Keskinen, H. 11 September 2013.)

For the employees on the other hand, one of the main advantages of partnership was seen as the position it brings within the company. "The main benefit of partnership is its authority, which stems from both the job and the ownership" (A). "The staff now perhaps view me more as a character that can do even more about things and are more respectful" (B). Some see it as something quite different from the traditional dynamic. "As a partner, you get to run the place as your own, but on the other hand, you have to run the place as your own. If you're not a partner, you merely implement the given course." (A). Anecdotally, it seems that partner owners' position changes. "My colleagues feel that partners are higher up in the hierarchy, and they feel that I've come down a notch now that I'm no longer a partner" (C). "Partnership isn't exaggerated but it is a certain type of merit, which brings respect and appreciation" (B). There was room for speculation on the on authority of partnership, as one interviewee deducted, "Mostly the directive authority over the staff comes from the job, and partnership is only a personal benefit" (A).

Not all partners were as idealistic about the power they get. "As a partner, I only had nominal power by attending the executive team meetings. In the end though, Heimo Keskinen decided everything, and I couldn't decide anything more than I could without partnership, which is the operations of my own unit. In general, partners have no power. I had no say in big renovations." (C). Another partner spoke along the same lines, "Big decisions like renovations are in bigger hands like Heimo Keskinen and the strategic executive team" (B). On the other hand, one felt that due to the minimal hierarchy, there was the opportunity for a rapport. "My boss owns the whole company, and I don't have to go any further for permission if I want to do something. We have a low organisational structure, so things can always be discussed, instead of having to wait for a certain forum." (A). "Decisions are made together, which means you have to be able to adjust to others' decisions also, both in the executive team and the strategic executive team. You have to accept and commit to those decisions. Concretely I can affect the future with my opinions. The amount of votes you have affects the process of course, but I've always been able to express my own views." (B).

The partners get their decision power from uniting on new ideas. "The potential for influence derives from partners making joint decisions. In practice, it is better to be proactive, and have an idea ready which is then brought to the Keskinens and discussed together." (A). Though, not all saw this as a negative issue. "It's good that Heimo [Keskinen] is heavily involved with his wise and smart ideas, instead of being some great tyrant. Not all our ideas are good, so it's good that not all are accepted." (B).

All interviewees agreed that the amount of partners shouldn't be increased. "It's good that there are certain limits to the amount of partners, sort of like a private club. Now we have an appropriate amount. Too many opinions create discord." (B). The exact figure which they deemed as appropriate differed. Some felt that there should be less. "One partner per unit is more than enough" (C). "Three partners that get along well and whose cooperation functions, is good. Decision-making doesn't turn to fighting." (B). Mostly the issue seemed to be about flexibility and functionality of decision-making, as one interviewee outlined, "Big units could have more partners and small units less. In total, 20-30 is an appropriate figure, so no more than there are now. That way there aren't too many cooks spoiling the broth, and decision-making doesn't become cumbersome." (A). The total number of partners may not be that significant, as one interviewee outlined, "There is no large common forum for all the partners" (A).

2.4 Holding Company

A holding company is a company that doesn't have any operations of its own, but instead owns assets. These assets can be for example shares in other limited companies.

Holding companies can be used as protection against debt, bankruptcy or lawsuits concerning the firm they own. If a company went bankrupt, the holding company that owns it would only lose the value of the investment, instead of all their other assets to pay for the bankruptcy. This way, companies with multiple business fields or ideas can protect their whole operations from the failure of one. Holding companies can also control operations through their ownership. In Finland, dividends paid from one private limited company to another, for example a holding company, are tax free (Verohallinto 2013a). (Kennon, J. 2013a.)

If a company owns 50% or more of another's shares, it is considered the parent company. This is true even if the ownership is indirect, aka through other subsidiaries. Parent companies must publish the consolidated financial statements of all their subsidiaries. The companies in the Ravintolakolmio group thus do not count as subsidiaries. The majority ownership of the group is divided between Restavuokraus, Restasijoitus and Heimo purposely to avoid creating a conglomerate (Keskinen, H. 11 September 2013). (Finlex 2006.)

The greatest advantage to having different companies, instead of subsidiaries, is the ability to keep the finances of each separate. Each company can then focus on its own operations and profitability. In a private limited company organisation, this brings about the biggest upside of a holding company, whereby the holding company (and its board) retain controlling power over the companies, yet only have non-controlling interest financially. The degree to which the board of the holding company has a say within the companies it owns, is of course only the same percentage as their ownership. If combined with direct ownership, though, it creates higher influence or even majority interest. Restasijoitus Oy owns between 10-15% of each company in the group, while for Restavuokraus Oy the figures are between 16% to just below 50%. (Ravintolakolmio-Ryhmä 19 April 2013).

The members of Restasijoitus Oy are essentially made up of the CEO partners of the operating restaurant companies, with other especially good partners too. The people chosen have to have multitasking capabilities, with the holding company work coming second after their own main job. The aim of the holding company is to utilise the experience and capabilities of the best employees throughout the group. "It is surprisingly meaningful to the partners to be part of this team, whose ownership is pervasive. No-one has left during the 8 to 10 years it's existed, apart from one who became an entrepreneur but whom we work together with still." (Keskinen, H. 11 September 2013.)

The partners involved in the holding company make up a strategic executive team, which overviews the whole group's operation. They gather a few times a year and review the results and strengths of the group, and make large multimillion euro annual contracts and deals. Being part of this team, they gain further responsibilities, powers and tasks. Partnership in the holding company rewards mostly through an increase of share value, as their annual dividends is kept minimal, which in practice means the tax free limit. (Keskinen, H. 11 September 2013.)

The interviewees explained the practicalities of the strategic executive team. "They can handle big things – contracts, billings – and see how the group is doing. They make clever game-changing manoeuvres, and they don't have too much power." (B). "It mostly goes so that the strategic executive team makes decisions for the next six or twelve months, and then each unit implements that strategy. Big decisions are made in the strategic executive team, and the regular executive teams are merely a reporting forum. The Keskinen family makes decisions in the background, of which some are discussed and some are only announced. There's nothing odd about it though, as they're the ones with the big financial burden." (A).

The holding company and strategic executive team operations were viewed as too far removed by most to be practical to them at this moment. "I wasn't part of Restasijoitus and know nothing about it" (C). "I'm not interested in being part of Restasijoitus at this moment in time, but maybe at some point in the future. In principal, I'm not saying no to anything but it is a big step, and even though it's not compulsory, it's part of the pattern." (B). Even a partner who is part of strategic executive team considered whether it was necessary, "I would've probably been satisfied without Restasijoitus shares, but it was part of my job description as CEO" (A).

The strategic executive team isn't without its problems. As one interviewee with experience of the team explained, "The strategic executive team could be more efficient. It has only been operating for a relatively short time. The hope is that it will be an efficient and genuine decision-making forum, and I believe that in half a year to a year it will be. It is inefficient, because some of the decisions are made by the family before they are even brought to the table, and if you disagree, there is nothing you can do about it. If corporate management gives a commission, then there's no point whining about it. You must upgrade your thinking to a possibility level; accept the situation and do what has to be done. Another reason is that Restasijoitus has too many partners and that's why it's inefficient. It should have a maximum of seven people." (A).

The proposed hierarchy of the company's decision-making units is not fully utilised at the moment. "The aim is that the strategic executive team makes decisions and discusses issues that will happen in the next 7-12 months, the executive team issues in 3-6 months, and local unit management 1-3 months. Getting to this mind-set and adopting this idea to everyone takes a little time." (A). Whether or not the proposed hierarchy is the right vehicle for the company was brought up. "Perhaps this two-level system is a little too complicated for our company" (A). Others disagreed, and felt that the split chain of command works. "There is no contradiction between the strategic executive team's decisions and my own, because the decisions I have to make are not big enough to create problems. They value opinions and I have the opportunity to bring them forth." (B).

Restavuokraus Oy; which functions as a holding company in addition to its normal operations, which include group sales, co-operation restaurant operations and development; is owned completely by the Keskinen family. It conducts the share trade to and from partners, and as a part of its business operation is tax neutral. Restavuokraus shares are transformed from K-share to A-shares and sold to the partner. Heimo Keskinen exclusively decides who gets the shares and for what price, for better or for worse. Each transaction lowers Restavuokraus' share ownership, as new shares are not created. (Keskinen, H. 11 September 2013.)

Only one partner had any insight on the workings of Restavuokraus, and pondered why the set-up of the group is so complicated. "Contracts for the whole group could very well be made in Restasijoitus' name instead of Restavuokraus. I don't know why they want to circulate things through Restavuokraus – maybe it's easier." (A). Others had contemplated the same issues before, with poor outcomes. "One former partner was needlessly interested in the background workings of the company, and felt scammed and gossiped about it to the staff – and no longer works here" (B).

3 Extrinsic Effects of Employee Share Ownership

The effects of employee share ownership on employees can be divided into extrinsic and intrinsic effects. Intrinsic effects are the outcomes caused within the employee's mind and influence, for example altered attitudes. Extrinsic effects are the tangible, external repercussions to the employee. The extrinsic effects studied in this thesis are share value, and dividends and their taxation. As this thesis focuses on employee perceptions, issues such as changes in company productivity, profitability or efficiency, in other words things that an employee only has a partial or vicarious effect on, or vice versa, are not studied. In addition, Keskinen states that measuring whether sales or profit increases due to employee share ownership, is quite difficult (Keskinen, H. 11 September 2013).

In an employee share ownership program, the employee invests a certain amount of money into the company in exchange for a certain amount of shares, rewarding them with dividends. Dividends are not the only way shares can reward shareholders, as the value of shares also may grow, increasing an owner's capital. Monetary rewards are seen as one of the main incentives of employee share ownership for partners (Keskinen, H. 11 September 2013). "At the end of the day, I hope to have received some monetary compensation, at latest if and when I change employers" (A).

Heimo Keskinen does not feel that he, as a majority owner, is losing out on possible dividends or share value growth. "I don't mind at all if someone leaves and I have to pay lots for shares, and I don't mind giving out good dividends." Sharing between 8-10% of ownership with employees produces more for everyone, especially with such strong partners at the helm. He feels that employee share ownership has contributed to becoming the largest private company in the field. (Keskinen, H. 11 September 2013.)

3.1 Share value

The price of a private limited company's shares can be determined by the bookkeeping value, the market value, the nominal value, or possibly some other price. The nominal value per share in Ravintolakolmio Oy, for example, was 500€, and the bookkeeping value (or more accurately, the company's assets minus liabilities) per share was under 12 000€ (Keskinen, H. 24 April 2013, 5; 13). The market value is unknown, as it has not been evaluated, but in some cases it can differ greatly from the bookkeeping value (Kokko, J. 9 September 2013). The purchasing price of shares in the Ravintolakolmio group is set as the bookkeeping value (Keskinen, H. 11 September 2013). The bookkeeping value is determined by the balance sheet's net asset value of the previous year, which is roughly calculated as assets minus liabilities (Verohallinto 2012).

To pay for the shares, the partner owners must have previous capital of cash or contributions in kind, which are for example assets that have a monetary value equal to the price, that are given to the company (Deloitte 2013). One can also take out a loan, which is quite common. The group often takes out its loans from the Nooa bank, where the partners personally receive credit for the shares and the transfer tax, with the shares themselves as collateral, with backing from Heimo Keskinen (Keskinen, H. 11 September 2013).

To determine share value (bookkeeping value in private companies), the net asset value is divided by the amount of shares outside the limited company. This is also used as the value of shares for direct ownership in the Ravintolakolmio group. The value of shares in Restasijoitus is calculated by determining the bookkeeping value of the restaurants and their three year EBITDA (Earnings before Interest, Taxes, Depreciation and Amortisation) average. The average of these two is calculated, and then the 10-15% ownership portion of each of the restaurant companies. The values used for Restasijoitus are closer to the true market value, but they are undervalued as some commercial values are missing. (Keskinen, H. 11 September 2013.)

If the net asset value per share goes up more than inflation annually, the value of the shares themselves will grow. For very successful businesses, this can be more valuable to employees in the long run than for example dividends. The downside to this, though, is that the value of the stock may go down as well as up, and as such relying on the value of shares as a reward can be quite risky. This risk is mitigated though somewhat for non-public companies as the value of the shares does not fluctuate as they would on the stock market. The net asset value may increase or decrease, though, affecting the share value. Due to large investments and economic downturn, the value of shares in the Ravintolakolmio group dropped in 2008 and 2009, yet otherwise has grown constantly (Keskinen, H. 11 September 2013). (Pendleton & Robinson 2011, 445; 452.)

Since for the first three years of ownership, the increase in value is maxed out at the Bank of Finland's basic interest plus one per cent, there is very little monetary advantage to partners. The basic interest for the latter half of 2013 is 0.5% (Ministry of Finance 2013). After three years, even sizable profits from share value growth may occur. Current partners were optimistic about future gains and losses. Both stated they're not scared of losing their investment. "The risk is quite low" (A).

Heimo Keskinen feels that since the value of the shares is tied to the equity of the company, the amount of ownership does not matter that much to partners, as the reward is mostly received from their profit-reliant dividends. Though, for restaurants that have heavy equity losses, they offer larger share portions as long-term compensation for no dividends. Both interviewed current owners disagreed with Heimo's opinions on the amount of ownership. "Ideally I'd like to own double of what I currently have, so I could earn more money. My current ownership is too small" (A). "It's possible and even preferable if I had more ownership, though the majority of the shares should stay with Heimo" (B). (Keskinen, H. 11 September 2013.)

One partner elaborated on the subject of matching their contributions with rewards. "The gains do not correspond with what they could be: they should be more. A small, few percentage of ownership does not compare to the amount of work that management tasks require. There is too much work in comparison to what you get, or possibly partners just agree to take on too much. Perhaps they expect us to do more or I just believe that they do; either way, it feels like they expect reachability and unconditionally long days." (A).

Heimo Keskinen stated emphatically, "No-one has lost money when leaving the partnership, so sometimes we've had to pay over price" (Keskinen, H. 11 September 2013). This may not necessarily be true as one former partner owner recalled, "I ended up losing money over the partnership. It wasn't financially profitable. Even though Heimo bought my shares back for more than they were worth, so that I wouldn't lose as much money, I still lost money due to taxes" (C).

The interviewees believed that an important part of partnership was the improvement of the company's financial situation. "I hope to increase the company's equity, get it efficient; and slowly things will get better. When the company finance improves, it'll be great to see the shares grow. I hope the value increases a lot, and that's something I can affect through my own work" (B). This view was ubiquitous, as a previous partner also stated "when I was a partner, my aim was to increase the company's financial situation" (C). The results of this enthusiasm may not be that reassuring though in actuality, with one long-term partner stating "during the last four years, my share value hasn't grown much" (A).

3.2 Dividends

Limited companies that make profit can pay out that profit to shareholders as capital income in the form of cash (Kennon, J. 2013c). A company cannot give out dividends if it compromises its ability to pay its liabilities, and the company must have the liquidity to pay the dividends. Dividends are typically paid from retained earnings. The board of the company make a suggestion for the amount of dividends paid, or whether to even pay any, and the shareholders at annual general meetings decide on it. If no dividends are paid, the money can be reinvested into the company, for example. (Finlex 2006.)

Paid dividends to partners are based on a written profit agreement, so that it is tied to the company's profit. Keskinen feels that this makes the partners better achievers. It may not necessarily be working as intended. "Since dividends are paid based on the profit agreement, we haven't made enough to receive any dividends" (A). "When signing the contract, we talked about the amount of dividends we'd receive after certain earnings, but I don't remember" (B). If the company makes especially good profit, the board can hand out even more dividends than required by the agreement. Annually the dividends are paid in a sum that at least covers loan interest and amortisation. If there are no dividends to be paid, Heimo Keskinen loans the amount required for the interest payments. Heimo states that on average, annual dividends paid range from 4000€ to 15000€ per person, whom can own between 1-8%, as stated. "It is quite a substantial addition to wages in this field, especially when you take into consideration the growth in share value." As one interviewee put it, "money is nice but more money is nicer" (A). (Keskinen, H. 11 September 2013.)

Some agreed with Heimo. "It's a nice addition to my paycheck" (B). "The main advantage of partnership was a certain addition to my wages, even though in actuality I never received any dividends" (C). On the topic of wages, though, the views of management and employees differed, as while Heimo Keskinen stated that one of the main goals of partner ownership was "an additional reward on top of a competitive wage" (Keskinen, H. 11 September 2013), one partner disagreed with the whole statement, "even the wages in this company are not competitive, when compared with other companies, and then in addition I received no dividends" (C).

The estimates of dividends the interviewees had were not substantial, either, and did not match the 4000€-15000€ estimates given. "I haven't earned any dividends, and being a partner hasn't affected my wealth in any way" (A). "I'm not planning on buying a Ferrari. It would be nice if I got something though" (B). "I only received enough dividends to pay for the loan interest" (C). On the bright side, there was room for altruistic optimism. "It would be fantastic if we could also reward the staff and not just partners" (B).

3.3 Taxation of Dividends

In Finland, dividends are taxed separately from earned income like salary, and then this capital income is taxed differently depending on whether the company giving out the dividends is a publicly listed company or a private limited company (Veronmaksajat 2013). Taxation of private limited companies will be the focus, as the Ravintolakolmio group is made up of them. The Finnish government has suggested new taxation principles to be adopted in 2014, and the new suggestions will be used in this thesis.

Taxation of capital income was introduced in Finland in 1993, when it was separated from earned income. In 2005, the imputation system of corporate tax, where paid corporate tax was credited as paid tax for the recipient of dividends, was abandoned. This system entitled recipients of dividends to tax returns if their own capital income tax rate was lower than the corporate tax rate. In 2006, the wealth tax was abolished. As of 2011, Finland has the third highest tax rate on personal capital income such as dividends in Europe, after Great Britain and Ireland (Kröger 2011, 16-17). This shows that taxation on capital income over time has become harsher since the 1990's, when it was at its lowest, as a tax fix due to the depression. The new suggestions for 2014 seem to be continuing this trend of tax increases. (Verohallinto 2009, 8-10.)

Taxes on dividends are paid by the recipient. A person or legal entity may receive up to 8% of the private limited company's net asset value in dividends with certain tax breaks. Of the 8% of the company's net asset value in taxation that is under 150 000€ in value, only 25% of it will be taxed as capital income, while 75% will be tax-free. For any amount over 150 000€ but still within 8% of the net asset value of the company, 85% will be taxable as capital income. Any amount over 8% of the net asset value of the company, 85% will be taxed as capital income. The capital income tax is 30% for annual amounts under 40 000€, and 32% for over 40 000€. This is the case for a shareholder with shares in only one company. If a shareholder owns multiple companies, he or she can receive up to 150 000€ from all companies to receive the lower tax rate. Yet this 150 000€ must be comprised of paid dividends per share that do not exceed 8% of the net asset value per share. Figure 4 below illustrates the taxation of dividends. (Veronmaksajat 2013.)

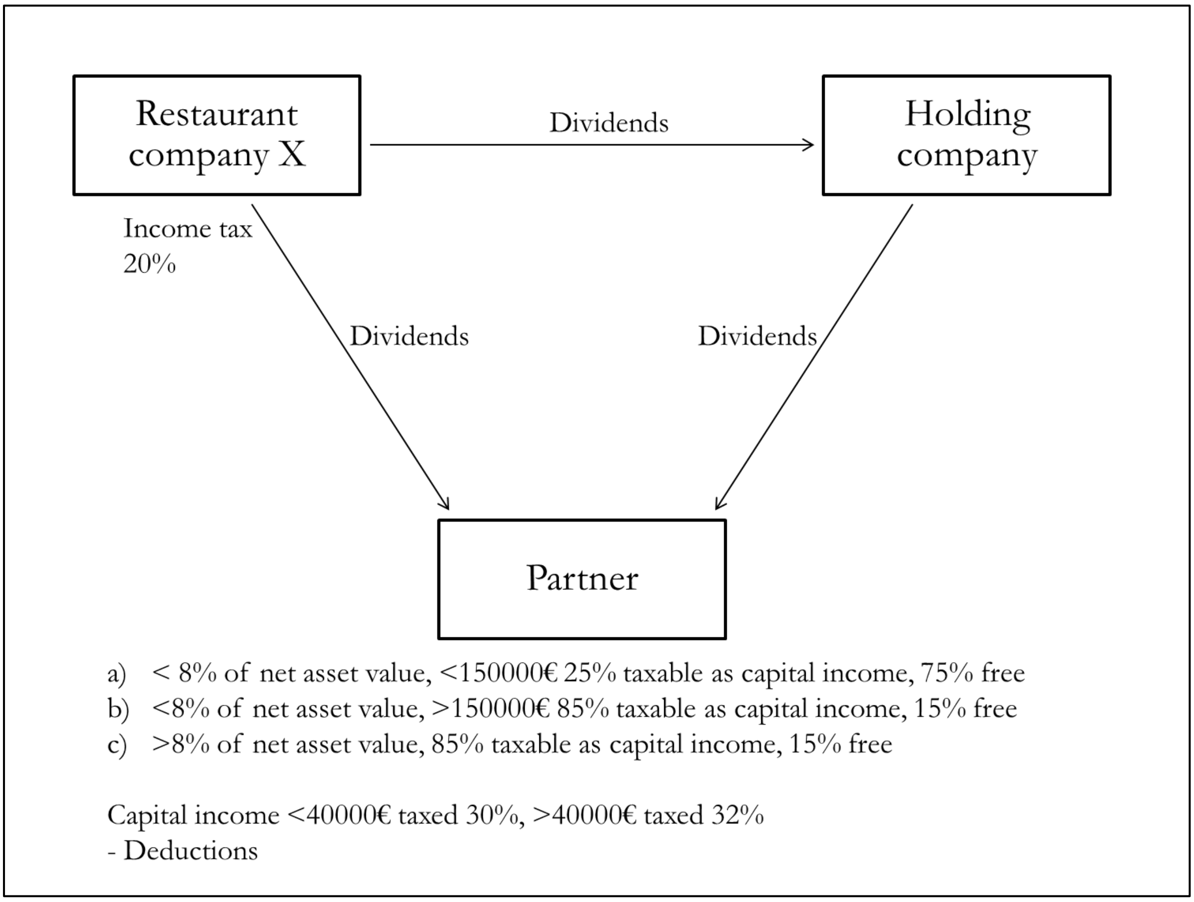

Figure 4. 2013 Proposed taxation of dividends (Linnoinen 2013)

The percentage of net asset value is always calculated as if the dividends were paid to all 100% of shares similarly, according to the highest paid amount. The paid dividends must be under 8% of the net asset value per share, in other words. To clarify, if you pay 100€ dividends to an owner of 1%, the percentage of net asset value will be calculated as 10 000€ (the value of 100% of shares) in ratio to the total company's net asset value. This means that when calculating taxation of dividends, the net asset value per share should be utilised. This was an issue that surprised Heimo Keskinen, since their reward strategy is heavily focused on paying different amounts of dividends to different category owners, and originally thought wrongly that paid dividends in total had to be less than 8% of the company's total net asset value (Keskinen, H. 11 September 2013).

These tax guidelines mean that a company with a net asset value of 1 875 000€ can hand out 150 000€'s worth of dividends of which only 25% will be taxed as capital income. If this 150 000€ is given to one person, they will pay 30% income tax on

37 500€ and receive the rest, 112 500€ tax-free. After taxes, they would receive 138 750€. This means that they will have paid a total of 11 250€ in taxes, equal to 7.5%.

If the same company gave out 200 000€, they would pay taxes on 25% of 150 000€, 37 500€, and on 85% of 50 000€, 42 500€. This one person would then pay 30% income tax on 40 000€, and 32% on the second 40 000€, and receive 120 000€ tax-free. After taxes, they would receive 175 200€. Taxes paid will have been 24 800€, equal to 12.4%.

If that company gave out 200 000€ in dividends to two people instead of one, each would tax 25% of 75 000€, and 85% of 25 000€, respectively 18 750€ and 21 250€: 40 000€ in total. They would pay 30% income tax, and receive 28 000€ in addition to the tax-free parts of 56 250€ and 3 750€. This means that each would gain dividends in total of 88 000€. Taxes paid are 12 000€, aka 12%. These two owners could also potentially receive from another similar company the exact same amounts, 75 000€ of which 25% and 25 000€ of which 85% is taxable, totalling 150 000€ with the lower tax and 50 000€ with the higher, because the personal limit for the lower tax rate is 150 000€ per year. Yet if they received similar dividends from a third company, they would pay taxes on 85% of the whole 150 000€.

If the company's net asset value is only 937 500€, half of the previous example, and they also gave out 150 000€ in dividends. 8% of the net asset value would be 75 000€. 25% of 75 000€ would be taxable, and the other 75 000€ would be 85% taxable. In total 82 500€ would be taxable; the first 40 000€ at 30%, and the rest at 32%. 25 600€ is the total of taxes paid, equalling 17%.

This shows that in Finland, individuals with shares in companies with large net asset values and relatively low paid dividends have the most beneficial tax situation. The highest tax rates affect those who own shares in companies with small net asset values and relatively high paid dividends. It is also beneficial, from the point of view of minimising tax expenses, to have multiple recipients if the taxable income is more than

40 000€, so as to avoid the higher rate. All in all though, any capital income is essentially cheaper for both the employee, as the tax rate for capital income is often lower than for earned income (the only exception being those with very small annual earned income), and for the employer, as it does not require the payment of subsequent employment fees, which can be even 50% of the wages. Capital income does not though, as opposed to earned income, accrue pension for the employee.

Many different deductions can be made to one's taxes. Some of these are already deducted by the tax administration, while others have to be declared. Of the deductions available, those that are applicable for this study that a person can deduct from his/her capital income are the following expenses: cost of acquiring income, interest payments of loans for the share purchase or other loans, and voluntary pension insurance contract costs. Deductions are taken from the net total of taxable income. (Finnish Tax Administration 2011.)

The net asset value of Ravintolakolmio Oy, one of the companies within the group, was around 1 066 015€ in 2008 (Keskinen, H. 24 April 2013, 13). 8% of that would amount to 85 281€. Since there are 3 partner owners in Ravintolakolmio Oy with 2% each, each partner could earn 1 705€ annually in dividends for the most tax-efficient situation. With dividends upwards of 4000€, taxes paid would be around 713€ or 18%, which is quite high.

Heimo Keskinen feels that the equity of the companies is quite good, which means it is beneficial for taxation. Income taxation is something, though, that does not and has not affected the dispensing of dividends, as Keskinen believes that it is each recipient's own issue. On the other hand, the employees themselves have been interested in favourable taxation, and made suggestions thusly. The new taxation principles will not create any changes in their strategy, apart from organising an education session for the partners about it. (Keskinen, H. 11 September 2013.)

None of the interviewees were acquainted with capital income taxation, which rendered any further questioning moot. "I haven't familiarised myself with the taxation at all. I am terrified of my tax return" (B). One participant felt sure they'd go through it with the executive team at some point, while another said they hadn't gone through things like taxation ever. On the subject of taxation, they had vague approximations. "I guess capital income is more beneficial than earned income" (B). It may be that they will not earn dividends regardless, as one long-term partner contemplated "we may get the extra profit as earned income so that the balance sheet's equity isn't affected by paid dividends" (A). To reiterate, this means that as dividends can only be paid from profits, if the company makes losses no dividends can be paid. There are no such restrictions on paying wages, as long as the company's cash flow is adequate, and this is what the Ravintolakolmio group seems to be doing in some cases.

4 Intrinsic Effects of Employee Share Ownership

The intrinsic effects of employee share ownership are harder to measure directly than the extrinsic, financial ramifications. Employee share ownership though has a profound outcome on the attitudes and behaviours of employees, as described earlier in chapter two. The financial repercussions are, in actuality, mostly a consequence of the change in employee performance and mind-set, yet on the other hand, they also affect motivation, as shown in figure 5.

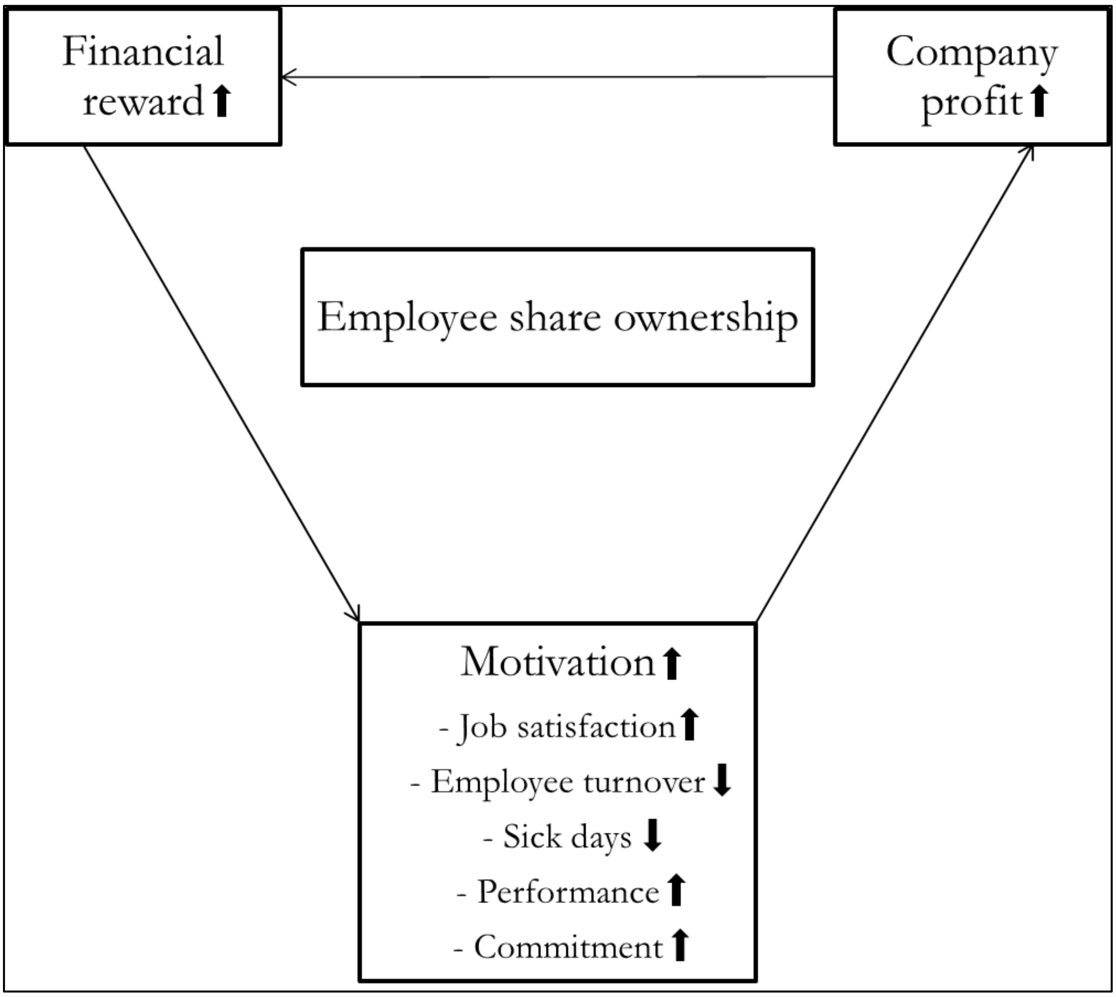

Figure 5. Employee share ownership cycle of effects (Linnoinen 2013)

Employee share ownership affects motivation, commitment and management style; which in turn discourage absenteeism, employee turnover, and encourage job satisfaction (Niermeyer & Seyffert 2002, 111; Lampikoski 2005, 27). Motivation is closely related to commitment, and the same external factors that affect them; such as level of pay, relationship with leaders, fairness, and communication; also affect absenteeism, employee turnover, and performance meaning all these subjects are connected (Phillips & Connell 2003, 225).

In the Ravintolakolmio group, taking care of human capital is an important strategic goal. They evaluate how they are doing on this front by measuring things like job satisfaction and management, with their own management index. In addition, they track employee turnover and absenteeism. In this chapter, the topics addressed are motivation, commitment, as a necessary building block of the topic, and the four factors they track within the company: job satisfaction, employee turnover, absenteeism and performance. (Ravintolakolmio-Ryhmä 2013a.)

4.1 Motivation

Motivation is not a trait that some possess and others do not. Motivation is affected by many factors and is the result of a complex process. The four main factors that affect motivation are the intensity of the motivator, whether it be a self-set goal or a possible reward; the belief in one's own influence on the outcome, i.e. can it be achieved; psychological time perspective, which means that at different times in one's life different issues are seen as important; and emotional intelligence, which is the whole spectrum of internal feeling a person has to help them make decisions. (Niermeyer & Seyffert 2002, 12-14.)

Motivation at work is derived from two ways: intrinsic or extrinsic motivation. Intrinsic motivation comes from the satisfaction or goal-fulfilment from the work itself. People are driven to work in fields and/or jobs that satisfy them: meaning that intrinsic motivation is self-generated. Management can have an effect on it too through their values, policies, practices and empowerment. Responsibility, freedom and control over one's own resources are examples of concepts that attribute to intrinsic motivation. Extrinsic motivation is caused by the things done to and for someone for their motivation. This includes rewards, praise, promotions and pay. (Armstrong & Murlis 2007, 59-60; Sistonen 2011, 25.)

The motivational effect of financial rewards shouldn't be underestimated, though. Greer (2001) shows that research definitively proves that incentives improve performance in all types of work, and that intrinsic and extrinsic motivation are in no way opposites. A long-term bonus, such as employee share ownership, not only motivates employees financially, but because they symbolise that the employee is part of the company's long term success and future plans. They show that employers want to commit to those employees, and receive the same commitment vice versa, causing the employee to create a stronger emotional bond with the employer. (Greer 2001, 259; Niermeyer & Seyffert 2002, 93-94; Viitala 2009, 159.)

On the other hand, a comprehensive study of research results on the effects of rewards on motivation found that extrinsic rewards can even lower commitment and achieving goals. This is explained by the controlling and pressuring nature of reward schemes, which limit employees' self-determination in their work. Money's motivation effect lessens the higher up you go in the hierarchy, meaning managers are less motivated by increases in monetary rewards than low-level employees. Another five year study showed that executive compensation was not correlated to corporate results (Sistonen 2011, 21). (Viitala 2009, 159.)

According to Heimo Keskinen, partner employees become much more motivated and braver. They have more ideas, keep better track of their competitors, and try to stay current. They have the courage to make decisions, create profit, and take chances. One of the major benefits for partners is the opportunity to see the inside workings of the company and be a part of the decision-making process. "They get to see and be part of things they wouldn't otherwise. They get to grow as business people." One of the interviewees agreed with Heimo Keskinen. "Personally I want to learn and grow as a business person, and get as much as possible out of and challenge myself. That's why I'm interested in learning about balance sheets and income statements." (B). (Keskinen, H. 11 September 2013.)

Each of the interviewees felt that even before becoming partners, they were already invested in the company and their work. "I've always been entrepreneurial, thought things through for the best interests of the company, and paid attention to competitors, instead of just the bare minimum required" (B). "I've always worked in an entrepreneurial way, so it wasn't a significant thing for me. Some may place some significance on being an owner, though" (C). "There was no sudden overnight change and I'm still the same person, but I am positively influenced by my partnership, more motivated, even though I've always been responsible" (B).

They disagreed on the effect that partnership has had on their work input. One stated, "I work harder now, and even though I've always been the type to read emails at home, my work has changed" (B). Another interviewee felt oppositely. "Working as a partner owner is in no way different from working as an employee. Actually, when you're not a partner you get to work more freely, because you have no emotional burden." (C). A third interviewee saw that there were practical changes, both positive and negative. "The job description is freer but more demanding time wise. You have more freedom but also more power and responsibility. The requirements of work standard and face-time are tougher than for mere employees. For example, representation to customers is more bound to a partner's tasks than for non-partners." (A).

The motivation partners feel has changed over time, in both directions of the spectrum. Positively, one partner considered, "My own opinion about partnership has changed over time. I've seen that it's beneficial and has tangible value, and now I'm thrilled about it. I want to be in the room where the decisions are made. Partner-ownership makes the good better, but adds more pressure when things are bad, than for a normal employee." (A). On the other hand, a former partner's feeling had changed in the opposite way. "My motivation increased when I sold my shares back, and could stop worrying about pointless things" (C). This partner also believed that the motivational effects that employee share ownership may have, are not always positive. "Partners believe they're more than they are. A boss is a boss with or without ownership." (C).

4.2 Commitment

Organisational commitment has long been documented to be related to employee turnover so that lower commitment equals a higher likelihood of leaving. According to Phillips & Connell (2003, 224-225), the three main forms of commitment are:

- Commitment to the company; how much an employee aligns themselves with the company's goals, values and practices.
- Commitment to the profession; how much a person identifies themself with a certain type of work, regardless of the company they work in.
- Commitment to others; how a person feels about their co-workers, and the importance of those relationships.

All three forms of commitment are separate from each other. For example, an employee can be highly committed to their company without being committed to their profession. Yet all forms of commitment have an effect on the total commitment to an organisation. Job satisfaction also increases commitment. (Phillips & Connell 2003, 224-225.)

Lampikoski (2005, 48-50) describes many more types of commitment; such as emotional commitment to the organisation and its employees; true commitment to company values and strategies; norm commitment or in other words a sense of duty and indebtedness; perk-based commitment to the rewards and perks received; commitment to the work and tasks; commitment to the career and opportunities; commitment to the work environment and location; formal commitment, where commitment is mostly light and self-serving; compulsory commitment due to obligation or necessity; and return commitment, where outgoing employees may possibly return. An employee may also have a profound lack of commitment, where they merely do the required minimum. The intensity and type of commitment employees have changes over time, and during different situations and stages. It is an important issue though, because committed employees promote innovativeness and flexibility among other more straightforward bonuses, such as increases in efficiency. (Lampikoski 2005, 27; 48-51; Viitala 2009, 89.)

For a person to feel committed to their work, certain variables must be appropriate. The person subconsciously goes through a process of decisions to determine whether commitment is beneficial for them. The work they are committing to must have results that will be significant for them, an undecided outcome, a chance for them to affect the outcome, and positive effects from the outcome. If each of these variables is realised, energy can be invested and the employee will commit. If one or more issues have a negative answer, little or no energy will be invested. (Niermeyer & Seyffert 2002, 19.)

Heimo Keskinen feels that commitment is one of the biggest advantages of employee share ownership for their company. Heimo states, "Normally recruitment is expensive and drains resources, especially at the top, but shareholder partners barely ever change." He feels that it creates a better continuum for the company, when there isn't too much turnover. On the other hand, he also knows that employee share ownership may frighten partners. "They are scared that too much commitment will be demanded of them, and that they will have to work day and night. They are scared that their work contribution isn't big enough." (Keskinen, H. 11 September 2013.)

All of the partners understood that the main advantage for their employer is their commitment. "The main advantage for the employer is the commitment and interest of the employee. It's to an employer's benefit that there's always an owner on shift." (B). "They get committed people who altruistically work longer. If you compare to other employees, partners are clearly the more committed in the organisation." (A). This is not to say that the company's benefit is separate from the individual's. "I appreciate that the company is trying to commit us to the organisation, and I hope to stay here for long" (B). "When I started as a partner, I expected committed people who worked together" (C).

This commitment does work as intended, as each of the partners felt that leaving was now harder. "It's not as easy to leave anymore. I'm not stuck in a negative sense; it's more like getting married. I've been committed for long, but this is the final nail in the coffin; no longer can I look at others." (B). "Partnership is a committing factor. I'm more anchored to this business than without it." (A). Not all viewed this as a positive factor, though. "The main drawback of partnership was the emotional effect of it: the commitment. I felt that as an owner, I was more bound to and responsible for the operation, even though it [employee share ownership] had no practical significance." (C). Yet regardless of the perceived commitment, partners feel that they have the opportunity to leave, if not the desire. "I don't feel the need to change employers, but if someone offers a great opportunity, I may go check it out, even though leaving is harder due to partnership." (B).

4.3 Job Satisfaction

Job satisfaction is an important factor in motivation and has long been linked to high levels of employee retention (Greer 2001, 15). Phillips & Connell define job satisfaction as "the degree to which employees are content with the job that they perform". Job satisfaction is made up of five parts: satisfaction with the work itself, salary, promotion opportunities, supervision, and co-worker relationships. (Phillips & Connell 2003, 94; 153-154.)

At its simplest, job satisfaction can be measured on a single-item scale with an individual question for each five factors of satisfaction. Employees are asked how satisfied they are with the work itself, with their pay, with their opportunities for promotion, with their leadership, and with their relationships with their co-workers. More complicated, longer questionnaires can be used to truly investigate the cause of job (dis)satisfaction. (Phillips & Connell 2003, 155.)

Opsahl and Dunnette (in Armstrong & Murlis 2007) point out that the salary and financial rewards were listed as the major reason for job satisfaction 19 per cent of the time, as a long-term factor in job satisfaction 22 per cent of the time, and as a short-term factor 5 per cent of the time. In comparison, it was listed as the major cause of dissatisfaction 13 per cent, and as a long-term dissatisfying factor 18 per cent of the time. They conclude that money has the opportunity to function as either a satisfier or a dissatisfier. The effectiveness of monetary rewards, that cause job satisfaction, is dependent on the meaningfulness of the reward. Meaningful rewards that motivate and satisfy come when they are in line with performance measurements, so that the employee and the employer agree on the level of performance and thus the suitable reward (Phillips & Connell 2003, 193). In other words, fairness is the key to meaningful rewards. (Armstrong & Murlis 2007, 65-67.)

Job satisfaction in the Ravintolakolmio group was on average 3.99 on a scale of 1-5, answered by 70% of the staff, in 2013 (Ravintolakolmio-Ryhmä 2013b). Job satisfaction isn't measured separately for different staff groups at the company as it is anonymous, but a separated system is in the works. Heimo Keskinen feels that partner employees are more satisfied with their work, and that for example all the people waiting for a place in the employee share ownership program speak volumes about the good things partners have to say about it. (Keskinen, H. 11 September 2013.)

Keskinen also notes that job satisfaction changes over time. During economic growth, bonuses, benefits and wages are the most important factor. During economic downturn, it is much less important, losing out to many other factors, including job security. Thus, monetary rewards are less important currently. (Keskinen, H. 11 September 2013.)

None of the partners could definitely say if ownership affected their satisfaction positively. The closest was, "Employee share ownership has probably had a positive effect on my job satisfaction" (A). Another answered more neutrally, "I've been satisfied for a long time, and partnership had no effect on it" (B). The third felt that it was harmful. "Partnership had a deteriorating effect on my job satisfaction. The knowledge that I should affect things that I couldn't affect, lead to severe frustration. Employee share ownership was a burden that made work harder." (C).

One indicator of satisfaction with employee share ownership is whether or not one would recommend taking part in the system to others. "I'd recommend it if someone was interested and specifically asked me about it. I wouldn't go to the market and try to sell it. I also wouldn't recommend for someone to come work in this company because of partnership." (A). "I would recommend it to a peer, but not to a waiter. I hope that other supervisors become partners in the future, because it's an advantage for customers." (B). Even the former partner was open to recommending the program. "The company is more professional now, and in a different situation, I would recommend partnership. Personally, I wouldn't unreservedly join, but as a concept, if someone is interested, definitely." (C).

4.4 Employee Turnover

Employee turnover is defined as the percentage of employees who leave an organisation. This is further divided into avoidable and unavoidable turnover, so that focus can be placed on the avoidable kind. Unavoidable turnover is caused for example by changes in family situations, retirement or injuries, while avoidable turnover is caused by poor conditions at work, lack of job satisfaction and bad management. Furthermore, from the employee's perspective turnover can be voluntary, for example a career change, or involuntary, e.g. military service. Employers only have an effect on avoidable and voluntary turnover. For example, low pay accounts for 43% of the reasons given behind employees leaving a company. (Phillips & Connell 2003, 40-42; 243.)

In addition to the pull effect of outside forces and the push effect from within, enticing employees to change jobs, there exist factors within the workplace that help keep them committed to their current employer. Some of these factors include career opportunities, emotional bonds, meaningfulness of the work, atmosphere, certainty of employment, position of authority, job tasks, and monetary compensation. Philips & Connell (2003, 184) state that monetary compensation has a clear and reliable impact on employee turnover, while Sistonen (2011, 123) states that intangible elements are central and undeniably the most important to turnover, and tangibles such as money come second. Employee share ownership has a profound effect in either case, as it directly affects the monetary compensation and position of authority of an employee, and indirectly the rest. (Niermeyer & Seyffert 2002, 114.)

Employee turnover is calculated by taking the amount of employees who have left and dividing it by the total amount of employees during that period of time, and can be calculated for a certain group or for employees as a whole (Lampikoski 2005, 126). A turnover figure under 10 per cent is considered good for a high-mobility field like the hospitality field (Lampikoski 2005, 17). Employee turnover is expensive for companies, as they must recruit new employees. This includes a whole range of expenses: wage bonuses for incoming and outgoing employees, media fees, recruitment rewards or head-hunter fees, and used man hours on recruitment and initiation (Monster 2013). The annual cost of replacing a professional is estimated at 1½-2 times annual salary (Lampikoski 2005; 136), while a recruitment agency places the price of hiring a new sales manager at 48 216€ plus side expenses (Evecon Trainers Oy 2013).

The advantages to having low employee turnover include lower expenses for recruitment, selection and orientation; a better image of the company for other potential recruits; the retention of key information, skills, experiences, inventions and patents within the organisation; the retention of customer relationships; and consistency or improvement in efficiency, competitive advantage or productivity. On the other hand, employee turnover can have positive outcomes too, such as a curative effect of changing the staff and bringing in new, even better employees (Viitala 2009, 90). (Lampikoski 2005, 13.)

The target for staff turnover in the Ravintolakolmio group is 20%, and at the moment it's at 28.5%. It is divided so that 25% of the turnover is made up of basic staff members, of which many are students or other part-time, both in length and frequency, employees. Both the turnover target and current turnover for supervisors is 15%, and for partner owners it is 5%. This equals to one partner change annually. The difference between supervisors and partner owners is triple, though most supervisors are a level beneath the partners in the hierarchy with no opportunity for employee share ownership. (Keskinen, H. 11 September 2013.)

Turnover of partners is mostly initiated by the company. "If the partnership doesn't work, we do not accept bad partners. We want the workload to be handled evenly by all, so the losers must go." Sometimes this is due to unsuitability with the staff, for example if a manager misuses their power, isn't fair or just, or doesn't get along with the staff for other reasons. It can also be because the partner doesn't suit the management team. Other times turnover is of the unavoidable type: partners retire, become entrepreneurs, or move due to family reasons. It is surprising that most of the turnover of partners is not due to them leaving voluntarily. Voluntary turnover that happens is due to the evening and weekend focused nature of the work, and family reasons. (Keskinen, H. 11 September 2013.)

All interviewees agreed that partnership has no effect on changing employers, even though partners are more committed. “Turnover among partners is moderately low” (A). Employee share ownership in the Ravintolakolmio group may not be the ultimate goal for the partners, either. “Staying 3-5 years in the Ravintolakolmio group is a realistic estimate, for personal career development. But with our quite long termination period, there’s no need to quickly change employers.” (A).

Heimo Keskinen states that there are constantly people who are waiting for a partnership place to open up in the company, from both within and without (Keskinen, H. 11 September 2013). The interviewees didn’t agree with this. “I’ve never heard anyone say ‘Oh I wish I’ll become a partner too’. No-one has announced they’re in line for the job.” (A). “Other employees see partnership as a burden and commitment” (C).

The interviewees contemplated the reasons why some partners left the program. “One former partner was a contrarian, who always wanted to disagree. Another former partner felt they were a great and powerful partner, only interested in the title instead of the job. I think that the reason behind many of the changes in partners is due to them being the wrong persons who didn’t get along with each other, or whose personalities didn’t fit the corporate values.” (B). “I don’t know if those who quit left because of partnership, but there was a lot to improve with the professionalism of the company at the time. Either way, those partners who were fired didn’t fail as managers because they were partners but due to other factors.” (A). A former partner stated that, “Leaving partnership wasn’t a big deal” (C).

4.5 Absenteeism

Absenteeism takes one of two forms: the long-term absentee and the frequent offender. The long-term absentee is someone who is away from work for a long time, often unplanned and the result of a non-work-related injury or illness. It is not correlated with the employee's ability or attitude. Frequent absenteeism is planned and deliberate, and often sudden, forcing managers to quickly find a replacement. Absenteeism is always negative and unproductive for companies, and long-term absence is the more costly of the two. Especially frequent absenteeism is heavily affected by job dissatisfaction. (Levin & Kleiner 1992, 6-7.)

Absenteeism is commonly measured in one or both of two ways: the time-lost index and the frequency index. In the time-lost index, the total duration of absence during a period of time is measured. In the frequency index, the total number of incidents of absence during a period of time is measured. Each index tells its own story of an employee's sick leave(s), and when used in conjunction they can be a good tool for keeping track of absenteeism. (Warr & Yearta 1995.)

Heimo Keskinen states that "frequent absences are due to poor management. Often those establishments that have lots of sick days need the management to be given a little chat with. Absenteeism and employee turnover is almost always due to bad leadership." On the other hand, employees who have too much work for too long periods of time are prone to illness which can increase absenteeism or cause people to work when ill, which lowers productivity (Viitala 2009, 213). (Keskinen, H. 11 September 2013.)

Officially, on average in Finland, each employee takes between 5-15 sick days annually, costing their employer 1500€ (Työterveyslaitos 2012). The Confederation of Finnish Industries found in 2005 that workers in their member companies take on average 11 sick days per year, with the cost averaging 1300€ per employee. The amount of sick days taken is lowest in the service industry, averaging only 4.3% annually. If the average amount of working days per year is 242 (Verohallinto 2013b), this equals to just under 10½ days. (Viitala 2009, 214.)

Absenteeism is not measured at the Ravintolakolmio group by staff groups. The target level for the whole company is 3.5% of hours worked. The Ravintolakolmio group do not separately keep track of whether absences are frequent or long-term, though the information is in their data. Most often, their absences are caused by accidents. Even though 3.5% is quite a tough goal, the cumulative 12 month level at the moment is 3.3%. Calculated with the above average figures, in days, the Ravintolakolmio group's 3.5% equals just less than 8½ days. "Each one per cent of absenteeism equals to 100 000€ of pure cash saved, and over the years we've dropped it down from 5.7%, saving us a total of 200 000€." (Keskinen, H. 11 September 2013.)

Keskinen has the feeling that partners are much more committed, and thus are less absent. On the other hand, partners have a variety of different rewards, for example holidays, where they are abroad with full pay, upkeep and any other expenses such as training, covered by the company, which is not calculated as absenteeism, yet is not creating revenue directly. He also feels that, because partners work longer days, they are entitled to more time off, meaning that the figures of absenteeism can be skewed. (Keskinen, H. 11 September 2013.)

Employee share ownership has affected absenteeism positively for some. "The flu doesn't keep me from work, nor do I cancel prearranged things." (B). Yet again though, all interviewees agreed to a degree that any low level of absenteeism is due to their personality, not ownership per se. "It hasn't changed my absenteeism; I was never absent before, either" (A). "It had no effect on my absences" (C). "Partnership didn't make me more conscientious" (B).

The interviewees explained the practical effects that employee share ownership had on their timetables. "I feel that as a partner I must be reachable more, but no-one questions my comings and goings" (A). Another disagreed with the implication. "In principal it didn't give me more flexibility and freedom with my holidays" (B).

Not all appreciated the reward holidays either, as one interviewee explained. "These reward trips are not worth anything to me, as they have nothing to do with job satisfaction. The things that help you 250 days a year are more important and should be focused on, instead of these vacations." (A).

The flexibility that partnership may bring can be down to good planning. "I can and should organise my work so that there are periods of two to three months when I work more, and others periods of two to three months when I work less" (A). "With my promotion, I did gain the opportunity to plan my life a little more, but it wasn't due to partnership, per se. When you plan the shifts yourself, you get to choose fitting ones for yourself. On the other hand, I am the flexible one in making service efficient; if it's quiet, I can leave and the waiters don't need to lose pay or hours, and on the other side, I'm also the one who often substitutes others." (B).

4.6 Performance Management

While terms like productivity and profitability are used to describe the goals of a company as a whole, the analogy used in an individual employee's case is performance. Performance management is used to steer, measure and oversee employee performance. Performance measurement is an important toolset that can be used to assess the behaviour of employees in an organisation. It is useful for feedback on how in line with corporate strategies the employees are, and how their behaviour could be developed. The fulfilment of individual goals is a prerequisite for reaching organisational strategic goals (Phillips & Connell 2003, 195). It offers a chance at seeing current and potential managers' skills too. Performance measurements are needed for a functioning reward system. (Viitala 2009, 132; Greer 2001, 225-226.)

Performance management is not only important for setting and reaching goals within the company, but because studies show that job performance affects voluntary employee turnover. This can happen in many ways; poorly performing employees may leave to avoid poor reviews, employees may be shocked by received poor reviews, well-performing employees may feel undervalued or not reviewed at all, or employees may be insecure due to a total unawareness of their level of competence. The most important part of performance management is the communication between employer and employee, giving each other a realistic view of the other's expectations and performances. (Phillips & Connell 2003, 195-196.)

There are many different types of performance measurement systems available to companies, of which the most common ones are management by objectives, graphic rating scales, narratives and 360-degree feedback. Management by objectives is a system where a subordinate sets objectives for the next time period, determines the measures by which it will be evaluated, and outlines an action plan to achieve these goals. Graphic rating scales use a scale of numerical values with short descriptions, for example 1-low quality to 7-high quality or 1-least productive to 7-most productive, similar to a Likert scale. Narratives are written descriptions of an employee's performance. In 360-degree feedback, employees are not only evaluated by their superiors, but also by their subordinates, peers and even customers. Performance measurement can also be done via a mix of different systems. (Greer 2001, 226-229.)

In the Ravintolakolmio group, performance of managers is evaluated by subordinates and the managers themselves. The evaluation is done on multiple factors, and the averages of each topic are calculated finally. The topics are operational environment and leadership, business-mindedness, group leadership, individual leadership, competence and training, self-leadership, decision-making and responsibility, communication skills, leadership and situation management, and time management (Ostela-Pyhälä, E. 6 June 2013). Based on these results, each manager is given a personal management development programme. The average of performance management results in the last five years has been 4.04 on a scale of 1-5. (Ravintolakolmio-Ryhmä 2013b.)

The management index is tracked for key personnel and partner owners separately, with slightly different questions and criteria. The average score for partners in 2013 was 4.05 while for key personnel 3.91. The index, which offers insight into subordinates' experiences, is used as a tool to determine the suitability of partners, and has even been used as a basis for termination. Keskinen also notes that over time the evaluators, i.e. employees, become more critical toward their superiors. (Keskinen, H. 11 September 2013.)

Employee share ownership didn't affect management performance much for the majority of partners. "I don't think partnership has affected my work. I believe I lead the same way as before partnership." (A). "Partnership had no effect on my performance. My performance was exactly the same" (C). Some felt that it has affected their performance too. "Maybe I've become a little stauncher. I don't stress over pointless stuff, and try to keep both my feet on the ground and make strong decisions." (B). An interviewee explained the dynamic succinctly, "Since the job is to lead, if you want to do your job well, it is more affected by other factors than money. If you slap a thousand euros in my hand, I won't lead any better than without it." (A).

Most believed that the changes that employee share ownership can cause within a person can have positive effects concerning performance. "You can affect efficiency through your own behaviour" (B). "Partnership has maybe forced me to think about the holistic financial situation of the company, instead of just staring at the income statement, but also the other side – the balance sheet and the finances. It has improved my leadership by giving more holistic responsibility." (A). Partners' performance is in many ways an important issue in their opinion, which is connected to the issue of the perceived hierarchical bump for owners. "It's important to be calming everyone down on busy nights. You can show through your own example that there's no need to stress." (B). Though it seems that this is no different from traditional leadership.

One of the interviewees felt that there is a lot of significance to the management index results. "There are differences between partners and non-partners, and there should be. Partners should always have the best results." (A). Another interviewee felt that performance management results can vicariously affect others too. "Partnership can affect shift managers, who need more attention to their support and encouragement" (B). The management index measurements may not necessarily work as intended. "Some people answer them randomly; others take out their anger and frustration with their superiors in the surveys. They content of the surveys is not necessarily understood or the questions thought about." (B).

A genuine concern of one interviewee concerning the performance measurement was aimed at the meaningful growth of partners, instead of just the presentation of better results. "More should be done about partners' personal development. It should be genuinely focused on, and it would have a much more meaningful effect than a couple per cent of ownership. It would greatly improve the partners' performance. We need to use resources for the actual holistic improvement of our partners in the same way that we want to focus on our employees' wellbeing and development, and it is not getting the attention it needs right now. Career training within the company would be great: where people want to be in 5 years and helping them get there – that would be what would draw applicants in to partnership." (A).

5 Conclusions

Employee share ownership is an important part of the Ravintolakolmio group's identity. It can be quite important for partner owners themselves; as compared to their peers in similar positions without ownership, they feel that they have lots of professional differences. From this, it can be deduced that employee share ownership has an intrinsic effect, as per Klein's (1987) original model. Unfortunately, though, there is very little discourse about employee share ownership within the company.

Most partner owners have no clear motives for becoming employee share owners, due to the almost compulsory nature of the system within the company. Employee share ownership seems to merely be part of the job description and while none of the partners were pressured into it, none of them specifically aimed for it, either. This is reflected in a lack of personal goals. The objective of all partners is to make their respective companies more profitable; showing that one of the advantages of employee share ownership is the internalisation of company objectives as personal goals.

The company gains, from employee share ownership, access to employee ideas for improvement and increased innovation capabilities, and the possibility for small administration due to the independent nature of partners. It also increases the visibility of owners in the establishment. Employee share ownership also motivates employees to minimise costs, and keep track of the competition.

The drawbacks of employee share ownership for the company can be defined as being accountable to its employees and being under greater scrutiny by them, having to provide financial information, and the time and cost of implementing and using an employee share ownership program. Giving employees lots of power and freedom in decision-making can result in the possibility that they can make dire mistakes.

One of the common potential drawbacks of employee share ownership for companies is having to consider minority shareholder rights and opinions. In the Ravintolakolmio group's case, though, this is mitigated due to two factors, harsh conditions and the low level of signatories' understanding. The conditions of the contract are harsh, yet not perceived as such by the partners, and are not discussed or negotiated beforehand with the signatories. The partners have not familiarised themselves with the contract, and do not necessarily even understand the contents, but merely trust their employer has good intentions, nor do they perceive any inequality between shareholders.

Employee share ownership offers the partner owners of the Ravintolakolmio group the opportunity to access company information and participate in management and decision-making. They gain authority, respect, greater job scrutiny, independence and a hierarchical, symbolic promotion. Though, whether this stems from partnership or position is unclear. Yet, the results seem to indicate they are, at least, not completely separate, since the dynamics of employee share ownership are different from traditional hierarchies. The partners also get sparring help from their peers, and have a community of likeminded people. These can be defined as the instrumental effects of employee share ownership.

The drawbacks of employee share ownership for the partners include the possibility of not having any real impact on the business and only having nominal power, yet having much more work. Though, even they gain no true power, employee share ownership shortens the power distance between the parties, and offers some opportunities. Since the amount of shares directly correlates with power naturally, partners infer their power from uniting and making decisions together. In the end, Heimo Keskinen's authority, majority rule, and ultimate decision-making, is respected. Whether partnership truly affects responsibilities or powers is unclear from the results.

Partner quality is valued over quantity, and share amounts are kept to a manageable size. The appropriate number of partner owners is the current amount, 21, or less. It should correlate with the size of the establishment, as well, so that small establishments should have less partners, while large ones more.

The executive team has general jurisdiction, while the board functions as a mere "rubber stamp". Heimo Keskinen is at the top of the chain and has the right to veto any decision. Being part of the executive team gives partners new responsibilities and tasks, but the executive team only handles certain manageable issues, and do not review important, discussion-worthy topics. There is a lot of room for improvement with the executive team, as many decisions are made elsewhere in actuality. The board of directors is mostly insignificant, and only handles standard legal issues, yet does possess the same potential power that Heimo Keskinen personally has. Being on the board does add at least to a CEO's authority, which shows that some intrinsic value is therein.

The holding company, Restasijoitus, is made up of CEOs and other especially talented partners, who possess the capability for multitasking, who all make up a strategic executive team. The aim of this is to utilise the competences of these individuals throughout the whole company. In the strategic executive team, they gain further responsibilities, powers and tasks, and it rewards through share value increase. The objective is that the strategic executive team handles issues with a scope of 7-12 months, the executive team is a reporting forum for issues in the next 3-6 months, and the local unit management handles the upcoming 1-3 months, while the Keskinen family make leading strategic decisions in the background.

According to the results, the strategic executive team is too far removed from the day-to-day, and the two-level system of decision-making is overly complicated. The strategic executive team has problems making it inefficient, such as too many partners and not enough real power. Restavuokraus is Heimo Keskinen's own holding company that conducts share trade exclusively as decided by the aforementioned. Questions were raised as to whether contracts and other issues could be handled instead by Restasijoitus as a solution to some of its problems.

Monetary rewards are one of the main incentives for partners. The employees get the opportunity to share in company profits and increase their own personal wealth. This can be a big incentive as the wages in the company are not necessarily competitive. At the moment though, job security is an even more important factor than monetary rewards. Concerning the amount of ownership, partners consistently want more percentage of ownership, at least because currently the gains are not matched with the responsibility and the work. These are the extrinsic factors in Klein's (1987) model.

One of the drawbacks for employees is the possible loss of their investment, and not being able to buy or sell shares. Heimo Keskinen states that no-one has lost money in the transactions, though that may not necessarily be true as the research showed otherwise. Another drawback is not earning any dividends, as dividends are tied to a profit requirement outlined in a separate agreement. The goal for minimum paid dividends is set at the amount needed for interest and amortisation annually, and if the company has no profit to pay dividends, this can be loaned from Heimo Keskinen. The estimates given for dividends and pay-outs are small and do not correspond with the guidelines.

Heimo Keskinen is not scared that he will lose his investment or share value as a consequence of the employee share ownership program, but instead feels that it has increased the value of his company. This argument is supported as partners themselves hope to increase the company's value and finances through their participation in the program. Employee share ownership also reduces employee wage demands and provides a source of investment for the company.

Employee share ownership offers income for partners that is more tax beneficial than earned income. Capital income is essentially always better than earned income tax-wise. In Finland, the best situation tax-wise, aka the lowest tax percentage, for shareholders of private limited companies is for those with large net asset value and relatively low dividends per share. Highest taxes will be paid by those with stock in companies with small net asset values and high dividends per share, for example very few owners in small companies with small net asset values and large profits. Dividends are always calculated according to all shares and not merely those receiving the dividends. In the Ravintolakolmio group, an example situation with one of their companies would equate to an average of 1700€ per partner per year for the most tax efficient income. For the 4000€ guideline figure, the tax rate would by 18%. Income taxation is not the company's concern though, but unfortunately, none of the partners knew much about it, which should be fixed.

Employee share ownership increases the motivation of the participants, making them braver and more innovative. Motivation is increased due to its beneficial and tangible value. Even though those selected into the program are generally entrepreneurial and responsible by nature, they get to grow as business people. At best, partnership increases work output, while at worst, it merely leaves it at the same level as before.

Ownership can also be an emotional burden that can make the good better and the bad worse. It can make partners vain and arrogant, and be detrimental to the job environment. It requires more work and responsibility, in exchange for the increased freedom and power it brings. This means that employee share ownership may frighten some potential or current partners.

The aim of employee share ownership is to increase commitment due to the expensive and time-consuming nature of recruitment. Employee share ownership works as intended as it increases employee loyalty and commitment, which are the biggest advantages for the company, as acknowledged by all parties. Partners felt leaving is more difficult and that they are more bound to and responsible for the operations.

Statistically, employee share ownership increases job satisfaction among participants, as their satisfaction scores are higher, at 3.99/5. Yet, partners interviewed could not definitively say if they are more satisfied. Employee share ownership has the possibility to either improve or decrease job satisfaction, meaning that the empirical results are unclear. All partners would recommend partnership, to a degree.

The statistics indicate a lower turnover among partners than other staff, with employee turnover percentage being 28.5% and 5%, respectively. Most partner turnover is instigated by the company, though sometimes it is due to personal reasons also. Even though partners are more committed, employee share ownership does not have any direct effect on changing employers. This is because changing employers is due to reasons not affected by partnership, such as getting fired or changing jobs due to mistakes made or being unsuitable for the company. Employee share ownership does not thus offer insurance against firing or abnormally long careers. Management feel that there are people constantly in line for partnership positions, though the interviewees indicated that this is not the case.

Partners should in general be absent less due to their higher level of commitment, and this assumption is fulfilled. Partners work more and feel that they are absent less, though whether this is due to personal attitudes or partnership itself is unclear. Partners have more opportunities for holidays than most, at least in part to being in charge of planning, offering them higher flexibility with their timetables.

Partner owners perform better than other employees, as indicated by correlation in the Ravintolakolmio group's management index. The score for partners is 4.04/5 while for others it is 3.91/5. Partners themselves did not feel that partnership itself affected their work performance, but instead that perhaps they are partners because of higher performance. Money does not increase their leadership skills, but having a more strategic mind-set concerning goals and finances increases their efficacy. Partners may also have a vicarious effect on the performances of their subordinates. The personal management development programme is an important factor in increasing performance, yet is not focused on enough in the company.

5.1 Implications

In conclusion, employee share ownership in the Ravintolakolmio Group offers the following benefits for employees: access to company information, a sense of ownership, authority, a community of peers, increased competitive awareness, increased commitment, increased motivation, and increased identification with the company. In addition, employee share ownership offers tax-efficient rewards, even though this has not been actualised in the company, due to the minimal rewarding so far; and additional rights such as decision-making, though ultimately quite minimally. Employee share ownership does not guarantee a longer career. The results on whether partner ownership increased job satisfaction are unclear.

The drawbacks of employee share ownership are the possibility of not earning any dividends, possibly due to not reaching sufficient profit requirements. Another drawback is not being able to buy shares; though fortunately selling shares is always possible. The possibility for losing one's investment is always present, though mitigated by Heimo Keskinen's actions of covering losses. Whether or not partners have any true impact on the business is unclear.

Benefits for the company are access to employee innovation capabilities, higher visibility of ownership, a source of investment capital, motivating employees to cost minimisation, reduced employee turnover, reduced wage demands, a smaller administration, and improved employee performance. It is unclear whether employee share ownership causes reduced absenteeism or reduced employee-management conflicts.

The main drawback for the company is the possibility that employees with more power make bigger mistakes. The company also has to provide financial information to employees, though they do not mind this as they are proud of their finances. They are also under greater employee scrutiny and accountable to employees, though this is minimal due to how employee share ownership does not alter the dynamic drastically enough to affect this – Heimo Keskinen is still in charge of these minority owners. The company also has to consider minority shareholder rights and opinions, yet this is mitigated due to the harsh contractual conditions and low level of understanding of the signatories. One disproven drawback is the possibility that the company loses share value or investment, as employee share ownership has significantly grown the net value of the company, benefitting all.

Pertaining to the perceptions of employee share ownership, it is a crucial part of the Ravintolakolmio group's identity as an employer, and it is fairly compulsory to those in positions liable to partnership. Partner ownership is highly valued by the participatory employees also, as they see that they are miles apart from peers working in similar positions with no ownership. Unfortunately, though, the partner owners have little to no clear motives for ownership, which correlates with its compulsory nature, and adopt corporate objectives as their own.

The hypothesis was that employee share ownership is beneficial by increasing commitment in employees due to rewards, which in turn increase due to better performance. The research correlates with this hypothesis. It is significant to note how rewards are perceived by the recipient, as the same level of reward can be perceived in different ways, leading to opposite viewpoints concerning employee share ownership.

Based on my results, I feel that employee share ownership's benefits outweigh its drawbacks, and that most drawbacks, especially for the company, are mitigated by their actions and preparations. The dynamic of ownership is appropriate, and while the partners may feel that they want more shares and power, they may not necessarily be ready or competent for it. Giving employees enough ownership to acquire the improved results and benefits, yet not too much to lose ultimate power or leave room for big mistakes, is the correct approach from the commissioning company's perspective. It is possible also that more ownership increases results positively, and from the employees' perspective, this is an avenue that should be investigated.

All in all, it is hard to determine whether employee share ownership truly has a permanent or even temporary effect on the dynamic, employees and company, or if they are caused by good management. Correlation does not necessarily equate causation.

5.2 Process & Timetable

This thesis provides a neutral, outside view into the Ravintolakolmio group, and offers them meaningful insight as interviewees were able to speak freely. The information is applicable and valid only in Finland and only for the Ravintolakolmio group. As most statistics and other factors are comparative by nature and merely measured by the commissioning party, and were not reinforced by additional measures during this thesis, there are accuracy issues herein that must be taken into account when reviewing the results. The data is applicable to the hospitality industry to a certain degree.

During the thesis writing process, there were certain changes that took place that were not addressed in this paper. The taxation principles to be adopted in 2014 were revised, and are still merely guidelines that are subject to alteration. In the newest guidelines, at the time of publishing, any dividends over 8% of net asset value per share are 75% taxable as earned income, instead of capital income (Veronmaksajat 2013). The website of the Ravintolakolmio group was renewed. The thesis was written with this information in the form that it was at the time of writing.

The timetable of this thesis was lengthened, as the subject matter's scope grew to encompass more than originally planned, while simultaneously work and other commitments reduced viable thesis-writing time. I learned a great deal about the strategic human resources management of a large, private restaurant company, as I had intended.

As to the thesis process itself, the main issues that could've been improved upon were the data collection process and the writing of the thesis. Interviews were a viable track to pursue when collecting the data, yet questionnaires or other quantitative methods could've provided more accurate information. Writing in the "zipper"-model would've been easier if all the data had been collected beforehand, but on the other hand, I was intimidated to conduct the interviews before I felt I was absolutely "prepared", drawing out the process. Klein's (1987 in McCarthy et al 2010) model would've been a useful basis for the theoretical background and the outline of the thesis, had I been familiar with it beforehand.

5.3 Limitations

There is little reliable, quantitative data to support the claims of employee share ownership working in the way that my research has outlined. There are lots of problems with studying the issue. With the theoretical background, the problem is that most studies published are from the US, and are about public companies that have applied programs to all their employees.

In my own research, due to the limited scope, there was no comparison to other companies or other situations, and only the perceptions of mid- to upper-level managers were researched. The research, along with the supporting data, only pertains to the current situation of the Ravintolakolmio group specifically, and does not look at for example non-participatory parties in the context of employee share ownership.

As to the interviews, there are many issues that must be taken into account. The participants may or may not truly know enough about the subject to answer questions accurately, or they may not have any base for comparison. Each individual, each restaurant and each situation is different, so that comparing subjective experiences can be difficult. The sample could be unbalanced and provide a biased result, too positive or too negative. Their answers could be affected by social constructs, and the interviewer may unintentionally have an effect on their answers or the subjective interpretation and analysis of their answers. Interview questions can be self-serving or leading (Hirsjärvi & Hurme 2011, 35).

The sample size of this study could be too small meaning that generalisations cannot be made, though I believe they gave enough valuable information to mitigate this risk (Hirsjärvi & Hurme 2011, 58-59). A too large sample is not an issue with this research, though. The qualitative data was not quantified during the thesis process, as the sample was small enough to be manageable without quantification (Brotherton 2008, 208).

The reliability of the research is diminished slightly by the fact that one interviewee did not respond at all, and that since all answers are subjective, the same interviewees could have different answers on a different day – a typical pitfall of qualitative research. Objective reality is the goal in this and all research, though, and the issue should be researched again in a similar or differing manner later to definitively prove the reliability. To prove a high validity, the results of this research should be able to be used to forecast future results; which again would require another study. The validity of this study is proven in part, though, by the correlation with the theoretical background. If another study was to be conducted, regression toward the mean could be taken into account in the results, to even out if the results of this study are biased. (Hirsjärvi & Hurme 2011, 185-190.)

As to the information provided by the Ravintolakolmio group, it is only as reliable as the trust placed in the commissioning party, and the way it is measured. In this thesis, the word of the commissioning company was taken as such, with no need for questions concerning reliability. It should be said, though, that the indexes and factors that the Ravintolakolmio group measure may not necessarily have any control groups and thus may be meaningless, apart for the fluctuations of the scores over time. Even these fluctuations, though, which can be considered valid, can have vastly different explanations.

This thesis did not study whether employee share ownership increases the profitability or productivity of the company, whether employees have increased work participation, or weigh the time and cost of implementing and maintaining the employee share ownership system against its benefits, which can be crucial in determining its net value.

One issue directly connected to employee share ownership in the Ravintolakolmio group was not taken into account during this thesis. It does not discuss the effects, or differences, of senior partnership nor specifically study the rewards therein, due to its limited scope. No senior partners were interviewed, and any effects additional reward or commitment plans may have on perceptions of partners are bundled into the effects employee share ownership in general has.

5.4 Recommendations

Additional research of the subject; both pertaining to within the Ravintolakolmio group, and to the employee share ownership subject in general; is required. For the Ravintolakolmio group, a quantitative survey of all partner owners could help resolve some issues unsolved in this research, and verify the rest. Interviews with a larger sample could verify the reliability and validity of this research. A comparative study concerning the time before partner ownership in the company could show how it has altered the dynamic, while a comparative study to others in the field could show the true benefits and drawbacks.

There are many issues that could be studied, stemming from this subject. This thesis does not study whether employee share ownership increases equality and social justice, employee participation or sense of ownership. This thesis does not discuss whether employee share ownership could be beneficial when applied to the whole workforce and whether the effects enhanced when used with key employees. Whether employee share ownership increases the economic growth, profitability and productivity of the company; whether rewarding employees thusly has a permanent or temporary effect, and are the effects stable over time; and whether these correlations between employee share ownership and "its" benefits can truly be attributed to the program and not merely a company's affinity for rewarding or good management; are all topics that should be studied further.

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Attachments

Attachment 1. Project Timetable.

	March			April				May				June					July				August				September					October				November					Decen	
Week	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50
Choose topic																																								
Create research plan & approval																V	V																							
Commissioning company contact																A	A																							
Research topic																C	C																							
Write base draft																A	A																							
Write theory draft																T	T																							
Write methodology draft																I	I																							
Conduct interviews																O	O																							
Write results & conclusions draft																N	N																							
Finish thesis																																								
Submit thesis																																								
Be an opponent																																								
Present thesis																																								