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Abstract

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Employee Involvement in Malaysia Issues and Challenges: A case of Employee Share Option Scheme

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ABSTRACT

This paper examined issues and challenges facing Malaysian organizations in implementing a form of employee involvement that is employee share option scheme. This topic seems interesting to look into, as stated theoretically, if properly implemented and conducted the scheme could be a potential management's tool in improving organization's performance. There were six companies involved in this study. Information were gathered from short interview with the management representatives and from questionnaires that were delivered to 730 employees of the companies. Some issues have been identified related to the reasons for development, the managements' objectives in implementing, employees' reasons in opting and the relationship of the scheme with employees' identification with companies. The findings of this study showed that there are some similarities and differences compare to the study conducted in other countries as mentioned in literatures. Issues for similarities, differences and challenges to make the scheme as one of the management tools in Malaysia setting are discussed.

Keywords: employee involvement, employee share ownership scheme, employee share option scheme, Malaysian organization, Management transfer.

Introduction

Driven by the need to operate and compete more effectively in domestic and international market many organizations have sought to transform their internal systems to optimise efficiency. Many researchers view employee involvement as a way to optimise efficiency and could be a solution to what they perceive to be the problems of the current industrial setting, such as alienation and dissatisfaction of workers, poor quality of work life and declining productivity. Organisational theorists have defined employee involvement in various ways. Lawler and Mohrman (1989), described employee involvement as a participative process that uses the entire capacity of workers, which is designed to encourage employee commitment to organisational success. Poole and Jenkins (1990) explained involvement as a feeling of solidarity, a feeling of membership or belonging.

Eldridge et al. (1991) explained that involvement tends to be based on individual issues or managerially defined problems, rather than offering employees a systematic route into corporate decision-making. It is also necessary to identify level of organisation employee involvement normally applies. Marchington (1992) stated that employee involvement in practice is inclined to be at a low level decision making of company, commonly deals with matters that affect employees and within the reach of individual or immediate work-groups. It does not involve any de jure sharing of authority or power. In explaining the rationale for involving employees in the company, Hyman and Mason (1995) noted that many proponents of employee involvement believed that employees need to be involved, to be capable of taking task-related decisions and to be empowered to become self-managers rather than act as passive recipients of management plans. When employees are motivated, their effort can be directed toward pursuit of organisation goals and they will perform their tasks in cost-effective ways.

The term employee involvement has been applied to the broad range of techniques implemented by employers. Marchington (1992) has differentiated various major forms of employee involvement as direct, indirect and financial involvement. Each of these categories is expected to have its own objectives and ways of tackling or improving employees in the interest of the organisation's progress.This article focussed on employee share option scheme a form of economic participation of employees in their organisation. Many factors have been associated with the origin and the development of such scheme. Aitken and Wood (1989) for example have associated the development of such scheme with government inducements and the direct benefits that company perceived from the scheme. Government inducement for example can be seen in some countries like America (Mitchell, 1995) and the United Kingdom (Hyman and Mason 1995), where such schemes have received support through favourable legislation, such as laws giving financial advantage to either sponsoring companies or participating employees. The same goes for the assumed benefits of the scheme; as noted by Pierce and Furo (1990) it is widely believed that share ownership could be associated with the increase of employees' job satisfaction, organisational commitment, work attendance and organisational performance. These could be seen in some countries like Australia (Aitken and Wood 1989) and Japan (Jones and Kato 1993) where there were no tax advantages given to such schemes, yet there has been considerable development of the schemes in these countries, suggesting that their development might have been linked with the benefits that are expected from the scheme or the scheme has been used for some other reasons.

Related to the outcome of the employee share option scheme, empirical evidences from previous studies have shown some mixed results in the relationship between employee and the scheme either positive or no changes in the relationship. This has increased the researcher interest in identifying the outcome in this study. Other factors that make the researchers interested in looking at this aspect is because of there is no study that has looked at employee financial involvement in Malaysia. Hence there was no previous knowledge of the structure and nature of the scheme, of the reasons why companies implemented the scheme, or of how employees responded to it, or of its consequences. One needs to be aware that Malaysia is a developing country that has particular priorities for its development that are much influenced by its history. For example Malaysian industrial relations are highly regulated and strongly influenced by the government, it is a multi-racial country, its citizens thus have different ethnic, economic, political, religious and social backgrounds. All those could have influenced the development, employees' perceptions and the consequences of the scheme. Hence due to some of the factors as given it is feels rational and useful to look at the basic aspects as covered by the above title.

Literature review

Basically, financial involvement is remunerative initiatives, which link employees more closely to the management and progress of their companies. With regard to employee share ownership, there is an ownership characteristic that links the employees and organisation and forge a community of interest between the two. Theoretically there are two main implications to shareholders, which are identified as ownership rights and responsibilities. The understanding of the rights and the feeling of responsibility that may develop by being shareholder may change employees' attitudes, behaviour and some psychological effects. These are the important aspects of share ownership that make it different from other forms of financial participation and it is expected to give some positive impacts on its participants and other related parties. "Right" as a consequence of the scheme is a factor that could contribute to the above said impacts. In discussing the rights, few authors for example have forwarded their views and have spelt different right that related to employee share option schemes and its consequences. Ivancic and Rosen (1986) stated that the voting right that attached to share is largely symbolic aspect of employee ownership. Roomkin (1990) stated the consequence of the right, it gives employees the impression that they and managers are on the same side, even if the employee's stake in the company is not very large. Poole and Jenkins (1991: 1) refer to Long's (1983) have proposed a number of influences that the scheme could bring to the workforce that related to employees identification with company, which include integration, involvement, commitment and satisfaction.

First, Long (1978) defined 'integration' as the degree to which an individual perceives that the attainment of organisation goals will result in the satisfaction of his personal goals and needs. This will make the individual employee begin to feel that both he and the organisation have the same objectives. Second, organisation involvement was defined by Long as a feeling of solidarity with the organisation, a feeling of membership or belonging. Therefore, those employees who own shares in their companies will feel as part of the organisation. Third, Organisation commitment it is a sense of loyalty to the organisation. Commitment is increased indirectly through increasing integration and involvement**.** The increase in employee shareholder identity with the company is also encouraged by the increase in communication of employees with the management, either verbally or in writing, such as through annual financial reports and other communications of policies of relevance to shareholders. A combination of all these factors may make employees identify themselves more with the firm.

Employee share ownership schemes, however, are said to be unlikely to operate in the same way**.** For example as Pierce et al. (1991) argued, the positive outcome of employee share ownership is not definite. Instead, they said, there appear to be a number of intervening and moderating factors between formal ownership and the effect it has on the ownership-relationship, such as the design of the scheme that influences the extent to which employees are likely to experience ownership psychologically and the contextual environment. The extent, to which employees are likely to experience ownership psychologically such as satisfaction and commitment, depends on how far the scheme meets their needs and expectations. Pierce and Furo (1990) further noted that without the creation of this state, the employee shareholders are unlikely to differ from non-shareholders. They also noted that the relationship between employee share ownership and its outcome is also situational, it is not universal in nature. It will be influenced by cultural, legal, institutional environment as well as company specific factors. Hence, there is no specific design that can apply to all companies to achieve similar objective, as it depends on how the management in the particular companies approach toward the scheme and choose the one that suits them best.

The objective of the study

A number of issues related to employee share ownership schemes were reviewed. As stated above that the context and nature of a scheme influence its development and outcome. This suggests that research findings from a particular environment may not be readily generalise to others. In view of this, the purpose of this study is to focus on an only form of employee share ownership scheme in Malaysia that is employee share option schemes (ESOS). Specific concerns include identifying reasons for its development, managements' objectives in implementing, employees' reasons in opting and the relationship of the scheme with employees' identification with companies. Information on all these is considered necessary, because there is no prior knowledge about employee share option schemes in Malaysia.

Methodology

The research design were formulated based on the literature on employee share ownership and based on a combination of backgrounds information including the Malaysian context, the general characteristics of employee share ownership and common characteristics of employee shareholders.

This study first identifying factors that could be related with the development of the scheme and how the scheme has been implemented. Second a short interviewing with managements were conducted to get their view about companies' objective in introducing the scheme. However the main unit of analysis of this study is the employees themselves. The method employed in gathering information from the employees was a survey method, using self-administered closed-ended questionnaire and conducted as a cross-sectional study. This self-completed questionnaire used to solicit the respondents' backgrounds, their views toward ESOS and their feelings on the effect of ESOS. These data are amenable to statistical analysis, thus enabling this study to distinguish and assess relationships between numerous variables as required after taking into consideration of the limitations and constraints. In determining if ESOS bring any changes to its participants, among other dimensions that this study tested were employees' attitudes to work, their feelings about working in their companies, their satisfaction with the benefits that their companies had given them and their intentions to leave their companies or generally their identification with company.

The first method used in this study was by comparing between employee shareholders and non-shareholders. In doing so four t-tests were conducted to determine if there are any mean significant differencet between ESOS participant and non participant, which include determining if:

a) The employee shareholders have a better perception toward the company than non-shareholders. (alpha = 0.83).

b) The employee shareholders show more satisfaction toward the benefit that their company offer them than non-shareholders. (alpha = 0.77).

c) The employee shareholders are more motivated in their work than non-shareholders. (alpha = 0.64).

b) d) Employee Shareholders wish to stay longer with the company, compared to non-shareholders. (alpha = 0.63).

This study also made use of the participants' own assessments and perceptions to determine changes as a result of ESOS. In determining this, ESOS participants were asked to describe and rate to what extent they agreed that ESOS have changed their feelings of commitment, integration and involvement in and toward the organisation. These questionnaire were adopted from the Long (1983) all with an alpha value of 0.8. The sampling frame used in this study was the list of companies in the Kuala Lumpur Stock Exchange (KLSE). There were 1900 questionnaires delivered. Of the 1,900 questionnaires delivered, 730 were returned (628 ESOS participant, 102 non-participants), about 42%. The statistical methods that is t-test was used in this research, which aim to show significant mean differences between employee shareholders and non-shareholders. Even though all possible steps were taken, there were still some constraints and limitations faced in the process of conducting the research, particularly related to time, finance, and manpower, all of which affected the research design used in this study.

Findings

A.Evidence on the Development of the Employee Share Option Scheme (ESOS)

It is impossible to quantify the factors that contributed most to the development of ESOS in Malaysia but evidences of this study suggests that the implementation of the ESOS by Malaysian companies could have been influenced by the following, in order of importance:

First, there is government encouragement, which has had several aspects.

- The government's desire to help to achieve its economic policy and stimulate the redistribution of company equity among its citizens, and other national objectives is well known across the country. The government has developed several strategies for achieving an equitable distribution of wealth and to redress the economic imbalance and polarisation among the ethnic groups, including trying to restructure the ownership of share capital in the private sector and giving priority to Bumiputra and to enhance their understanding about shares. To complement this government has worked to develop public awareness about the importance of shares and encouraged them to get involved in the share market generally as a way to improving their incomes and in educating them about capitalism particularly for

Bumiputra. The rules that companies must allocate 10 percent of shares to the Bumiputra and that allow them to offer a certain percentage of shares (5%) to their employees when they become public listed companies have been important for this purpose even though neither employees nor companies derive tax advantages from the ESOS. Ridley (1981) argued that 'the more widely share ownership can be spread throughout the community, the more individuals invest in the stock market and the more our citizens own capital, the better it will be for general political reasons'.

- The nature, design and the regulations established related to ESOS are all in the government's domain. The degree of the encouragement from the government in the development of ESOS may be linked to the choice of the scheme, which is a simple and relatively cheap for companies to establish compared to other forms of employee share ownership. ESOS in Malaysia is a broadly-based scheme and contributory in nature. The breadth reflects the government policy to involve all levels of employee, especially low-level Bumiputra, at the same time to help them learn more about business. While the scheme's contributory nature means that employees joining it are responsible for finding their own funding out of savings or in other ways, in practice the government strongly encourages companies to arrange loans for them, especially for the lower-level ones. Hence the problem of insufficient funding for the low-income earner to take up the option could be overcome. This is important as the success of the scheme much depends on the willingness and the capacity of the employees to purchase the shares offered to them.
- The government encouragement has a facilitating quality. It makes it easy for companies to introduce schemes and its own objectives and reasons for doing so are transparent and obvious and partly to do with national unity and its development agenda. Whereas in the UK, tax benefits have been given directly either to companies and employees, and its law envisages a variety of financial schemes for employee shareholding with various different objectives.
- As Malaysia is entering a new phase in her development, the government is struggling hard to prepare the course of the nation to attain the objective of industrialisation by 2020. The government too has played its part judiciously and actively, trying to avoid the costs of the work disruption cause by workforce such as high employee turnover, absenteeism, poor morale, job dissatisfaction and low levels of employee commitment. In doing so, and in encouraging ESOS, it has followed examples of various already industrial countries. It felt that it could usefully introduce management practices, like ESOS and others, that might prevent or nullify the negative aspects mentioned above, and at least theoretically help to integrate employees into their organizations. ESOS is therefore helping to achieve the government's objectives to some degree.

Second, a reaction to circumstances could be considered as the next important reason for the development of ESOS. Here companies seemed to have been influenced by other companies that have introduced the scheme, indicating a 'bandwagon effect'. Abrahamson and Rosenkopf (1993: 488) discussed the bandwagon effect, commenting that ‘the diffusion processes whereby organisations adopt an innovation, not because of their individual assessments of the innovation’s efficiency or return, but because of a bandwagon pressure caused by the sheer pressure of the number of organisations that have already adopted this innovation’. Some naïve copying of management strategies may have been involved. Companies do not have to offer ESOS to their employees, but the statistics show that the number of companies that have made applications to the SC for approval to offer shares in the form of ESOS to their employees is encouraging. Yet the findings of this study suggest that the seriousness of the companies that have implemented the scheme to achieve the objectives as stated in their ESOS ‘bylaw’ is questionable. Companies seem rather passive about ESOS and its effects. They simply seem to be following general trends of contemporary economic development and management. Therefore the element of convergence between developed countries and Malaysia in management practice cannot be ignored as a factor that has contributed toward the development of ESOS in Malaysia. The element of competing for or to retain employees which is normally said to be one of the reasons that trigger companies to introduce the scheme seemed does not appear to be a main factor in Malaysia. Other facts about ESOS support these impressions, when employees can sell their shares soon after they have exercised their options. The shares offered between the companies are not very competitive, and it seems that the shares alone cannot be a main factor in employees’ decisions to leave one employer for another.

Third, beliefs about the positive effects of the scheme, as stated in the objectives of the companies, seem to be the least important reason for the development and the implementation of ESOS in companies. Company objectives are the source of understanding why this is so. Baddon et al. (1989) found that many companies in the UK had implemented employee financial participation for diverse reasons. They argued that that ‘financial participation has some resemblance to an “act of faith” on the part of management’, which literally means that companies are expecting ‘something’ good from the scheme. A similar kind of attitudes seemed prevalent in the companies in this study.

The above order seem to give a useful guide in understanding the main factor that contributed to the development of ESOS in Malaysia.

B. Employees’ Views about ESOS

As explained above employees first have to decide whether or not to participate in the scheme, and second, to make their own financial commitments if they wish to. With this in mind it is interesting to know what their views about the scheme were. Their views are of course relevant to the development of the scheme.Generally, the findings of this study seem to show that ESOS is very attractive to employees. Indeed both participants and non-participants have had favourable views about ESOS. Respondents, who indicated their favourable view toward the scheme but did not participate in it, gave non-entitlement as their main reason for not participating in the scheme, and to a lesser extent they indicated that they could not afford to participate. Inability to afford was less of a consideration for respondents because, as employees are given a number of finance options if they want to participate in the scheme. Many researchers have suggested that there may be certain preconditions that influence how employees will react to an employee ownership scheme (Pierce et. al 1991: 127). Among the pre-conditions that have been forwarded by them are ownership expectation, perception of legitimacy associated with ownership, management's philosophical orientation to employee ownership, and the employee's financial orientation.

The findings of this study showed that there were a small number of reasons why the respondents participated in the scheme. However, financial orientation toward the scheme was the main reason that attracted the respondents to ESOS. The financial aspects, as indicated in this study, included both the expected financial gain from the scheme and the consideration of the scheme as part of saving. However, this does not mean that the respondents did not value participation in the company or did not want what they were entitled to from the scheme. Besides the financial aspect, another factor that attracted the respondents to the scheme was the wish to have a voice in the company. However, the findings showed that the percentage of those who agreed that they joined the scheme in order to have a voice in the company was comparatively small (5.6%). Although the percentage was small, nevertheless it is worthwhile to mention it, because there were some respondents who considered this reason. This finding, therefore, further supports the view that the financial aspect of ESOS was the main factor that attracted the employees to the scheme. Even though this study was conducted in a different country, it seems to support the propositions of French (1987), Baddon et al. (1989) and Rosen et al.(1988). French (1987) indicated that the financial orientation of employees is one of the preconditions that could influence employees to feel interested in the scheme.

C. The Perceived Effect of Employee Share Ownership on the Participants:

Attitudes toward Work and Companies

Pendleton, Wilson and Wright (1998) indicated that those promoting employee share ownership emphasise its effects on employee attitudes more than anything else. This is based on their view that employee owners are more likely to identify with their firms, to feel part of them, to be motivated to perform well, to be aware of competitive pressure and to remain with their firms. However the literature on employee share ownership provides mixed evidence on attitudinal change. Bell and Hanson (1987) and Poole and Jenkins (1990) found some attitudinal change among employees in firms with share schemes. Yet Baddon et al. (1989), Dewe et al. (1988) and Dunn at el. (1991) found few pronounced differences between employee shareholders and others.

In the present study, a series of tests was conducted on the expressed perceptions of employees toward their work and companies as a result of ESOS. The outcomes of the t-tests revealed that there were no significant mean differences between employee shareholders and non-shareholders in their perceptions of their company and work behaviour, for all the above 4 test (refer methodology). In other words the findings of this study did not support any of the proposed hypotheses. The results seem to indicate that ESOS did not have a strong effect on its participants, which could make them differ significantly from non-participants and be reflected in their attitude towards work and companies.

Beisdes comparing between ESOS participants and non-participants, this study also made use of the participants' own assessments and perceptions to determine changes as a result of ESOS. In determining this, respondents were asked to describe and rate to what extent they agreed that ESOS have changed their feelings of commitment, integration and involvement in and toward the organisation as tabulated below.

Ownership and Commitment

Commitment to the organisation can be described as a sense of loyalty to the organisation (Long 1977). The statements that indicated 'commitment' as shown in Table A. How the respondents overall reacted to the statements is as indicated in Table A.

Table A: The Degree of Agreement on the Effect of Employee Share Ownership by all ESOS Participants-Commitment (%)

	1	2	3	4	5	M
1. Increased my sense of loyalty towards the company	1.4	12.3	20.1	54	12.1	3.63
2. Made me want to stay with the company longer	1.4	12.6	24.1	48.6	13.3	3.60
3. If I were offered a similar job with another firm at a slight increase in pay, I would take it ®	13.7	45.3	27.3	9.7	4.0	2.42

The scale of the measurement ranges from 1 for strongly disagree to 5 for strongly agreed
M= mean ®= Responses coded in reverse, N=628

The above table shows that statements one and two were both positively coded and statement three was negatively coded. The data indicated that 66.1% (M=3.63) of the respondents agreed with statement one that ESOS has increased their sense of loyalty to the company. For statement two, about 61.9% (M=3.60) of respondents agreed that ESOS have made them feel like staying longer with the company. However, for statement three, 59.1% (M=2.42) of respondents disagreed that they would accept an offer with only a slight increase in pay and only 13% said they would accept the offer. This, therefore, shows some degree of consistency in the respondents' views. Hence, overall, based on the percentages above, most of the respondents tended to agree that they have felt an increase in loyalty to their company as the result of the ESOS.

Ownership and Integration

(Long, 78: 32) defined integration operationally as "the degree to which the individual perceives that attainment of organisational goals will result in satisfaction of his personal goal". How the respondents overall reacted to the statement is as indicated in Table B.

Table B: The Degree of Agreement on the Effect of ESOS by All ESOS Participants-Integration (%)

	1	2	3	4	5	M
1. Made me feel what is good for the company is good for me	1.3	9.1	19	56.2	14.4	3.75
2. ESOS make employees feel that employees should share the profits and loses of the company	1.6	10.4	17.4	53.0	17.7	3.82
3. Made me take a greater interest in the company's profitability and financial success	1.3	7.5	15	60.5	15.7	3.73

The scale of the measurement ranges from 1 for strongly disagree to 5 for strongly agree, M=mean, N=628

The above data show that about 70.6% (M=3.75) of the respondents felt ESOS has made them feel what is good for the company is also good for them. There were also 70.7% (M=3.82) who agreed that the ESOS have made them feel that they should share the profit and the loss of the company together. Finally, 76.2% (M=3.73) agreed that the ESOS has made them take a greater interest in the company's profitability and financial success. The overall mean score for all the statements indicates that respondents agreed with the statements. In other words, respondents seem to agree that they had a feeling of integration with the company as a result of ESOS.

Ownership and Involvement

Involvement is defined as a feeling of solidarity with the organisation, a feeling of membership or belonging (Long 1978). How the respondents overall reacted to the statement is as indicated in Table C.

Table C. The Degree of Agreement on the Effect of Employee Share Ownership in All ESOS Participants-Involvement (%)

	1	2	3	4	5	M
1. Made me feel like a partner in this company.	1.9	13.9	21.9	48.6	13.7	3.58
2. Made me feel a sense of self- employment.	2.7	22.5	29.2	35.8	9.7	3.27
3. Made me feel I am an important member of this company	2.1	17.9	26.5	42.7	10.9	3.42

The scale of the measurement ranges from 1 for strongly disagree to 5 for strongly agree, M=mean, N=628

The above data show that the pattern of response to each of the three statements above was very different compared to their responses to statements related to integration and commitment, presented earlier. It can be seen that 62.3% (M=3.58) of the respondents agreed with statement one that suggested ESOS made them feel like a partner in their company, while 53.6 % (M=3.42) of respondents agreed with statement three that ESOS made them feel like important members of their companies and only 45.5% (M= 3.27) of respondents agreed with statement two, that they had a sense of self employment in the company. Thus the feeling 'like a partner' got the highest vote and the feeling of 'self-employment' got the lowest vote. The data from the sample seem to indicate the feeling of involvement not really felt compare to integration and commitment. However, the overall mean scores for each statement inclined toward agreement that the ESOS scheme has made the respondents feel involved with their companies.

The above findings tend to indicate that overall, the ESOS participants seem to have some degree of agreeing that ESOS has increased their feeling of commitment, involvement, integration with their companies. An interesting point is that from the above tests the outcomes revealed that first there were no significant mean differences between employee shareholders and non-shareholders. As the outcomes of the t-tests revealed that there were no significant mean differences between employee shareholders and non-shareholders in their perceptions of their company and work behaviour, for all the above 4 test (refer methodology). In other words the findings of this study did not show that the ESOS able to increase participants' view toward their company, which could make them to differ significantly from non-participants. From the descriptive analysis, this study found that the majority of the participants agreed that ESOS has to a certain degree increased their feelings of commitment, integration, and involvement toward their company. It appears to indicate that the respondents have felt certain positive changes toward their companies as a result of ESOS. It should be noted that this test uses a different approach from the earlier test in determining the relationship between ESOS and shareholders. Instead of comparing between participants' and non-participants' views, this section used employee shareholders' own perceptions, by asking them whether ownership has affected their identification with their firm. The same procedure has also been used by, for example, Bell and Hanson (1987); Fogathy and White (1988) and Rosen et al. (1986) even though this method has been argued earlier (Pendleton et al., 1998) to be prone to respondents' bias.

Among the factors believed to have contributed toward the appearance inconsistency is due to methodological and variables differences. This could be related to what have been noted by Ramsey et al. (1990: 185), that the inconclusive nature of research findings can be traced in part to the methodological difficulties in evaluating and relating employees' responses to the specific effect of employee share schemes. The earlier findings were findings from statistical tests that compared the ESOS participants and non-participants in their views toward their work and company, whereas the second finding was only feed back from employees' own perceptions and feeling about any changes related to organisation identification (commitment, integration and involvement) as a result of ESOS.

Besides the different methodology used that caused the different in the outcomes, a few factors may be speculated that could be related with the non-significance of the result between employee shareholders and non-shareholders.

First, how ESOS participants view the scheme might explain the non significant of the above hypotheses. The majority of employee shareholders agreed more with the positive aspects of ESOS than its negative aspects. They seemed to agree more with the view that ESOS has raised their financial awareness in the company than any other attitudinal change. However, for the attitudinal aspect, compared to financial awareness, only a low percentage of the respondents agreed that ESOS has changed their attitude toward work, made them more conscious about waste or developed a greater team spirit among them. This view could be one of the reasons why participants and non-participants did not differ significantly in their attitude toward work and the company but it appear positive in the second test.

Second, ESOS might have had only a small impact on an employee’s total income, and the income from the selling of shares would also depend on the number of shares owned and the share prices at the time when the shares were sold. The finding could be related to what has been said by Locke (1976), that there are many other factors besides income that can determine employees’ morale, such as working conditions, co-workers, supervisors and company policy, which are not related to ESOS.

Third, related to the view that ESOS might increase employee participation in the company, which then could increase employees’ morale. Pendleton (1997) has commented that only a few opportunities are provided for employees to translate ownership into increased control and participation in decision-making and as a result, the employee share scheme tends to be marginal to the overall relationship between employees and their employer. The findings of this study seem to agree with the view, as the participants were not involved much in the companies as a result of ESOS, except for the right to vote. However this is merely on certain occasions such as the Annual General Meeting. Therefore this does not make them very different from non-participants.

The results of this study seem to be inconclusive, showing both positive and no change effect. Nevertheless generally there is reason for optimism for the positive result of the scheme as the mean for both tests showed that respondents generally agreed with the positive results of the scheme but this whole process might have been insufficient ingredients to give a greater psychological impact on employees shareholders that could change their attitude and make them significantly different from non shareholders.

Issues associated with the ESOS

How the scheme is implemented:

In Malaysia, the government has some control over the types of company and how the scheme is to be implemented. The latter is different in Malaysia from the ways in which option schemes are implemented in other countries, including the UK, although it is believed that Malaysia referred to the UK when first considering having the present scheme. In the UK there have been two different types of employee and management share option scheme. One is the all-employee Save-As-You-Earn (SAYE) Share Option. This savings-related scheme allows an employee to take a five-year and in some cases a seven-year option (Grout 1984). The option cannot be exercised until the full term of the SAYE contract has expired. The other scheme was the discretionary Executive Share Option Scheme. Under it a company has to limit its offer to sections of employees in the firm; it was normally given to its senior managers. Employees were exempted from income tax if they first exercised the option after not less than three years but before ten. If employees exercised the option outside this time limit, then full income tax applied to all gains.

Compared with the above two option schemes, the nature and structure of the share option scheme implemented and operated in Malaysia is simpler. Employees are not subjected to variations in tax and employees can sell their shares whenever they wish after first exercising their options, within the five-year vested period, or keep the shares. As a company does not derive any tax benefit from the scheme, as explained previously, the simplicity reduces management costs and it can also ease the management workload in monitoring it. This would 'indirectly' encourage a company to offer the scheme and eventually will help to speed up the working out of the government strategy. This seems to agree with Rodrick (1998), who felt that due to different contextual factors, for example, the differences in legal frameworks between countries, sometimes, even the schemes with similar names are is implemented differently between countries. In its highly regulated and developing country the Malaysian government plays a major role in determining the scheme and how it should be operated. One of its implications of this is that companies have restricted choices of schemes, of kinds which might suit their objectives. ESOS is probably the easiest and the cheapest scheme to implement compared to other employee share ownership schemes. However the government could usefully give tax incentives for companies to adopt other forms of employee share ownership scheme that might serve them better than ESOS, and at the same time similarly contribute to achieving its objectives and the long-term agenda for Malaysia.

Objective of the scheme: government versus company

The findings showed that the introduction of the scheme has to some extent been influenced by a combination of government and companies' objectives. Nevertheless evidence showed that the organization of ESOS does not appear to support the stated company objectives. It seems biased towards the government's objectives. For example ESOS shares can be sold at any time after the employee shareholders have exercised their rights to buy them. After making some profit from the shares employees can leave their companies as soon as they like, as there is no contract to bind them to the companies. Even though some companies have put some restrictions on higher-level employees, where they need to segregate their shares in exercising their option in a five-year period, but the time is considered too short to tie employees with the company especially for higher-level management. Hence the practices look as if they are inconsistent with the objectives of keeping employees in their companies or of increasing their commitment. In another aspect that the company objectives do not show much difference from the objectives of similar schemes in the developed countries, such as to develop and motivates employees, hence these tend to be associated with some doubts about their focus, priorities and the genuineness in setting the objectives.

As for the government, it too has some objectives that seem similar to the developed countries', such as to improve employee attitudes. Yet one of the most peculiar objectives, which differ from those pursued in the developed countries, is that the scheme is being used to complement other government initiatives. It is being use to redistribute share equity, wealth and income among the different ethnic groups, and what is more important, to educate people about shares which is partly to achieve its political, economic and development agenda. This also might answer why the government has chosen ESOS and designed its operation in such a manner. Even though it may not encourage long-term commitment, but from the government's perspective and through by the nature of ESOS it could educate and stimulate interest in employees about investment. As employees can sell the shares as soon as they have exercised their options, this could, as a consequence, stimulate employees' interest and educate them about shares. It is quite significant that the use of the scheme is more about achieving national objectives than achieving the stated company's objectives.

The degree of commitment to the scheme: government versus company

Related to the company, it appears to indicate some degree of no seriousness in the company in identifying how it should design and implement the scheme in order to improve employees' attitude and behaviour as indicated in the company's objectives. For example the way the scheme is designs and conducted seem does not fulfil the three critical dimensions as proposed by Pieces and Furo (1990). They indicated that the scheme should provide the individual employee owner with physical possession of evidence and situational reminder that part of the equity in the organization is theirs. Also give employee timely access to information about organization affair and provide regularly information about past, present and future event and give continue opportunity to employees' shareholders to exercise influence over decision making which these can make them feel part of the company and may improve their attitude, behaviour and commitment. Even though there are communication between company and employees but it is more toward explaining the financial and technical aspect of it. Similar to their objectives, they have a number of objectives, which this seemed to indicate that they have no focus in determining the objectives, no seriousness in determining outcome and the management not very committed with the objectives. So the possibility of naïve copying management practices by the companies seems justifiable.

Second, as for the government, how they organise their policy, regulation and encouragement seem to show their commitment in implementing the scheme. For example why ESOS and not other employee share ownership scheme is chosen seem to justify their objective and it suits the Malaysian context. As due to the simplicity of the scheme it could encourage more company to offer shares to their employees. In another example it could be seen from the way the government organised the different form of financial arrangement for employees who do not have enough money to exercise their option. Particularly for Muslim employees who do not want to involve in interest, such as the interest incurred from their loan, they are offered alternative financial arrangement that is based on Islamic concept. It is similar to how they protect the financial institutions from loses due to the depreciation of the share price from the money that they loaned to employees. The financial institutions are allowed to practice 'force sale'. One implication, that in order for companies to be more successful in the scheme the management should be more serious, committed and be knowledgeable not only about the technicality of the scheme but also about the intrinsic value of the scheme. Based on the finding of this study it seems that there is no seriousness in the management, hence there is also possibility that the introduction of the scheme by the company is more as a result of government inducement and it could also be complemented by the lack of management skill or the management not-knowing and doing what make them successful. For example as found in this research generally the officers involved in the scheme they themselves not clear about the objectives that their companies wish to achieve out of the scheme.

The nature and the outcome of the scheme

The results of this study seem to show some positive relationship between the share option scheme and it outcomes. However it is believed that the way that the scheme to be implemented should not necessarily follow as what being said important in the literature as indicated in the west. This is said so because the critical dimensions that should go along with the scheme in the Western literature as proposed by Piece and Furo (1986) such as to having voice, gain more information and being treated as owner seem to be absent, yet there were still some degrees of positive results being produced. Within the context of Malaysian culture the said dimension seem to be considered less important and were something that do not bother employees much. For example related to the Malaysian cultural dimension, at the macro level, Malaysia is characterised by high power distance, low individualism, weak uncertainty avoidance and masculinity (refer to Hostede's classification; even though it is aware that there are many other recent studies by different authors, but this classifications are used because at this stage most study about culture in Malaysia are rely on Hofstde's classification). Particularly related to power distance and individualism, for example Asma (1992) has given some descriptions of Malaysia as follows: for power differences, Malaysians have the value of respect for seniors, authoritarian management is tolerated and compromise is preferred to confrontation. With these characteristics, it seems that superiors and subordinates are less likely to be openly in conflict. Related to low individualism, Malaysians seem to work well in a team environment and they like to have the sense of belonging, where satisfaction at work are felt when they receive respect from their colleagues and enjoyable friendship between subordinates and peers. So the lack of the said critical dimensions such as to having voice, gain more information and being treated as owner may be complemented by the value in the culture itself such as the value of respect seniors, tolerated authoritarian management, preferred compromise than confrontation and others as mentioned above.

The Challenge

Companies are not free to implement the scheme without strictly complying with the guidelines stipulated by the Malaysian Security Commission (SC). For example companies have to submit proposals to the SC in detail and they have to get the SC's approval before their schemes can be implemented. Why is the ESOS all that is offered in Malaysia, when in other countries several alternatives also tend to be available? ESOS is, as noted earlier, simple and inexpensive to use, but there are other reasons too. Malaysia is still rather inexperienced with employee involvement practices. There has not been a great deal of knowledge about other kinds of employee share ownership in Malaysia. Therefore the other forms of the share ownership schemes still need to be further identified for their usefulness and their suitability within the Malaysian context, and what is more important is that the advantages of such schemes are realised after implementing them. Furthermore as a developing and comparatively a newly independent country, Malaysia may not have experienced the same problems with employee attitudes, commitment, behaviour and so on, or the problems are not identified and discuss academically as in the West, that are normally mentioned in the Western literature associated with the development of employee share ownership. However relevant debates in Malaysia among officials, academics, business people and international consultants have been developing quite significantly recently. In this context the author believes that there are potential that some other forms of employee share ownership besides ESOS will be considered and implemented in the future particularly with the seriousness of the company to implement management strategy effectively and for the government to make Malaysia a highly competitive an industrialise country.

Conclusion

The finding of this study showed that there were some similarities between this study and the study conducted elsewhere as indicated in the literature. Majority of the employee shareholders even the non-shareholders indicated that they are highly favourable toward ESOS and the employees appeared to be interested in the financial aspect of the scheme the most. Even though there were some similarities in findings between this study and studies conducted elsewhere, however, the researcher feels that from one aspect the similarity of the findings cannot be totally taken to indicate universal outcomes of the scheme. As evidences show even though it is not statistically proven but the outcomes could be explained and it is related to the contextual environment where the scheme is being implemented, for example how companies have treated the scheme. In this study, the share option scheme is little more than a financial arrangement in the companies. No company in this study has made a serious attempt to embrace share option as a mean of culture change and real encouragement of employee participation. Therefore, that the financial aspect of the scheme is the main attraction for employees is something that is expected as the outcome of this survey, as this is what employees can see the most from the scheme. Hence companies needs to understand, for example, the contextual environment before implementing or relying on management strategies and practices, which mostly are underpinned by the Western theoretical perspective, which represent Western concepts and contexts. Therefore, to use ESOS as a management strategy to change employees' attitude, for example, or to motivate them in their work, it would need to be implemented with caution, as the above factors need to be taken into consideration. According to Hofstede (1980), management models and other related management practices that were developed in this society would carry with them 'cultural baggage' which reflects those values. This makes the relevance of some of its theories in other cultural environments doubtful. Overall from the issues above it seems to indicate that the government objectives have had a critical impact on the development and the forms the scheme has taken, which is ESOS. ESOS in this country to an extent degree could be seen as an integral strategy toward developing a larger social order that is not normally considered as an objective in other country this has in some degree contributed to literature in this field of study. Finally, based on the findings and the discussion in this study, even though Malaysia's contextual environment seems different from that where the employee share option scheme originated, one interesting aspect is that the scheme can create money, which this seems to suit naturally with Malaysians. There is no dispute about the similarity between Malaysian and others in their view toward money. For example according to Asma (1992) money is generally the underlying factor that drives Malaysians to work. Therefore this is one of the strongest points that might make ESOS or other related scheme work for the companies in Malaysia but the companies need to tap its potential seriously and intelligently.

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