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Guest Editorial

Dear readers,

in Western economies we have witnessed a constantly growing interest in developing and experimenting with alternative forms of organizing, particularly with different forms of material and immaterial employee participation, and with democratic governance structures. This growing interest is driven by, on the one hand, some rather normative claims arguing for a more solidarity-based economy in general that is capable of avoiding severe economic crises or that is at least more resilient in the face of crises. On the other hand, we face some efficiency claims arguing that employee participation were increasingly becoming a necessity for firms to remain competitive in times of globalization, individualization, self-actualization, and the subsequent changes in working and organizational life. Against this background, the instrument of Employee Share Ownership (ESO) seems to be something like a supreme discipline. At first sight an advanced instrument of material employee participation, ESO has, by closer inspection, the potential to synthesize material and immaterial employee participation even up to the point to democratize corporate governance structures in firms in terms of Employee Owned Companies (EOC).

This special issue aims at encouraging a discussion about the future potential of ESO and EOC in Central and Eastern Europe (CEE) taking explicitly into account both the history of ESO as an instrument of mass privatization during the economic, political, and cultural transformation period and the experiences with “Illyrian” forms of EOC during the socialist period in those countries.

In our view, the academic literature on ESO and EOC is characterized by some notable omissions with regards to the CEE countries.

- First, it remains rather silent about the relationship between ESO and EOC in CEE countries though ESOP has been widely used as an instrument of mass privatization in several CEE countries and has led to majority employee share ownership (ESO) in a large number of firms.
- Second, this first neglect reminds us to the fact that despite some close topical, theoretical, and empirical associations, the phenomena of ESO and EOC have scarcely been discussed together in the academic discourse at all (Dow 2003). Ironically, while the EOC literature stresses some rather negative aspects of this specific employee ownership form, such as the degenerative tendencies and a principally

limited viability of EOCs, the ESO literature mainly propagates the positive aspects of ESO, such as the positive effects on identification with the firm or productivity gains.

- Third, the academic discussion about the role of ESO programs and EOCs in the transformation process in CEE countries is rather disconnected from the long standing discourse about ESO and EOCs in the Western world. This statement holds true for both the academic discourse about the potentially emancipatory or positive role of ESO and EOCs in the transformation of the economic system (Backhaus 1979) and the formerly prominent debate about ‘labor-managed-firms’ in ‘labor-managed’ or ‘mixed’ economies, which had a strong theoretical basis in terms of the “Illyrian Firm” (Ward 1958; Vanek 1970; Meade 1972) or the “pure rental firm” (Jensen & Meckling 1979). Though, both discourse streams reflect “some degree of ideological commitment” (Hansmann 1996: 7) during the Cold War, it is rather disconcerting that we can hardly find any references to this body of literature in the transformation literature that advocates ESO as a suitable instrument of mass privatization in the CEE countries (Aghion & Blanchard 1998). Ironically, this means that participatory ways of organizing are utilized by management as a mere vehicle to transform firms towards the normal capitalist firm.
- Fourth, the implications of the rather sharp and fast decline of ESO and EOCs in the CEE countries following privatization have not been systematically reflected in the Western literature yet (Kalmi 2003).

Thus, our current understanding of ESO and EOCs in CEE is not only limited by the lack of coherent empirical data, but also by the lack of connection with the strong theoretical tradition and by the lack of studies comparing the experiences made in CEE with the experiences made in Western countries.

We hope, by the help of this special issue, to contribute to the debate about the future potential of ESO and EOC in CEE and to remind the academic community of the very specific history of those instruments in this particular region. We believe that such a debate can advance our general knowledge on the structures and processes at the individual, organizational, and societal levels that are germane to participatory types of organizations particularly by conducting comparative studies on institutional

conditions for ESO and EOCs and comparative studies on different company forms within the same institutional framework. Though, we also need to note that such a debate should analyze the experiences with ESO and EOCs in the CEE countries more rigorously, thereby, on the one hand, connecting them more strongly with the Western discourse and tradition, while, on the other hand, trying to draw lessons from the CEE experiences for the Western economies.

This special issue comprises several contributions based on papers presented in the stream on "Employee Share Ownership in Central and Eastern Europe before, during, and after transformation: Some implications for participatory ways of organizing?" of the "9th International Conference in Critical Management Studies" at Leicester University from 8-10 July 2015. The stream was commonly chaired by Mihaela Lambriu, Claudia Petrescu (both University of Bucharest), and the editors of this special issue.

The first article was invited by Organizacija's General Editor, Prof. Jože Zupančič. In their contribution, *Olaf Kranz, Thomas Steger, and Roland Hartz* deal with the more general Western discourse about ESO and try to connect it with the discourse about ESO related to CEE during the transformation period. The authors demonstrate how the CEE discourse differs from the Western discourse on the surface level while it rather shares defining characteristics at deeper levels.

In the second article, *Ricardo B. Machado* aims at comprehending the determinants of the implementation of economic democracy within different countries of the European Union. For this purpose he operationalizes economic democracy in terms of ESO plans. He then empirically explores the relationship between the incidence rate of such plans with several independent variables that capture political, legal, socio-educational and economic structures of twenty European Union countries. He finds some strong correlations between ESO and the index of economic freedom.

In the third article, *Mitja Sefancic* investigates the performance of different types of Italian banks before and during the recent credit crisis. He is particularly interested in the behavior of cooperative banks. The empirical data reported supports his claim that Italian cooperative banks were less exposed to the shocks of the crisis and showed a better performance, although being disadvantaged by political rescue plans, than Italian commercial banks.

We hope that this special issue will contribute to revive the debate about the future potential of ESO and EOC in CEE that is both aware of the rich history of these instruments in the region and connected to the strong reasoning about those instruments in the West.

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Guest Editors

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