EMPLOYEE OWNERSHIP AND PERFORMANCE OF STATE-OWNED ENTITIES OF PAKISTAN: A MODERATED MEDIATION ANALYSIS OF PSYCHOLOGICAL OWNERSHIP, LOYALTY, MOTIVATION AND SATISFACTION

TARIQ JAVED

UNIVERSITI PENDIDIKAN SULTAN IDRIS

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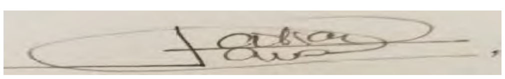

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ABSTRACT

This study aimed to analyze the impact of employee ownership on the organizational performance of state-owned firms with the mediation of employee loyalty, motivation and satisfaction, and psychological ownership as a moderator in Pakistan. Agency theory is used as a theoretical underpinning to operationalize the research framework. This study employed quantitative research design. The data was collected through primary and secondary data collection tools. For primary data, a survey was conducted on a sample of 283 employees of the state-owned firms under the scheme of employee ownership. The secondary data was collected for financial performance, productivity, and financial cost. The findings showed a significant, positive impact of employee ownership on net profit margin *(β=1.3198)*, return on assets *(β=1.167)*, and productivity *(β=0.0087)*, while the negative impact on financial cost *(β=-0.0654)* as predicted. Mixed findings are shown for moderated-mediation analysis for each mediating variables (*p=0.0236, p=0.1268, p=0.0427)* and moderation *(p=0.0247, p=0.1183, p=0.0448)*. Consequently, the impact of employee ownership on public limited companies is significant as compared to private limited companies. Based on the findings, it can be concluded that employee ownership impacts the organizational performance of the state-owned companies in Pakistan. The findings of this study have several implications for companies and policymakers. The reshaped equity structure of state-owned companies will contribute to national development through investment in human capital (employees). Results also indicated that granting ownership rights to employees and involving them in the decision-making process will improve the performance of state-owned entities. The state-players need to design their policy as per companies' objectives and design to improve organizational performance. This study also provided recommendations to improve the employee ownership scheme in Pakistan. The shares provided to the employees must have transferability power and buyback options. The newly recruited and existing employees can be motivated through maximum benefits on the dividends.

PEMILIKAN PEKERJA DAN PRESTASI ENTITI MILIK NEGARA PAKISTAN: ANALISIS MEDIASI SEDERHANA MENGENAI PEMILIKAN PSIKOLOGI, KESETIAAN, MOTIVASI DAN KEPUASAN

ABSTRAK

Kajian ini bertujuan untuk menganalisis kesan pemilikan pekerja terhadap prestasi organisasi syarikat milik negara dengan perantaraan kesetiaan, motivasi dan kepuasan pekerja, dan kepemilikan psikologi sebagai moderator di Pakistan. Teori agensi digunakan sebagai asas teori untuk mengoperasikan kerangka penyelidikan. Kajian ini menggunakan reka bentuk penyelidikan kuantitatif. Data dikumpulkan melalui kaedah pengumpulan data primer dan sekunder. Untuk data primer, tinjauan dilakukan pada sampel 283 pekerja perusahaan milik negara di bawah skim pemilikan pekerja. Data sekunder pula mengumpulkan data berkenaan prestasi kewangan, produktiviti, dan kos kewangan. Hasil kajian menunjukkan kesan positif pemilikan pekerja terhadap margin keuntungan bersih *(β=1.3198)*, pulangan atas aset *(β=1.167)*, dan produktiviti *(β=0.0087)*, manakala kesan negatif yang signifikan terhadap kos kewangan *(β=-0.0654)* seperti yang diramalkan. Penemuan bercampur ditunjukkan untuk analisis moderasi-mediasi untuk setiap pemboleh ubah mediasi (*p=0.0236, p=0.1268, p=0.0427)* dan moderasi *(p=0.0247, p=0.1183, p=0.0448).* Oleh itu, kesan pemilikan pekerja terhadap syarikat berhad adalah ketara berbanding dengan syarikat sendirian berhad. Berdasarkan penemuan tersebut, dapat disimpulkan bahawa pemilikan pekerja mempengaruhi prestasi organisasi syarikat milik negara di Pakistan. Penemuan kajian ini mempunyai beberapa implikasi kepada syarikat dan pembuat dasar. Struktur ekuiti syarikat-syarikat milik negara yang dibentuk semula akan menyumbang kepada pembangunan negara melalui pelaburan modal insan (pekerja). Hasil kajian juga menunjukkan bahawa pemberian hak pemilikan kepada pekerja dan melibatkan mereka dalam proses membuat keputusan akan meningkatkan prestasi entiti milik negara. Syarikat-syarikat milik negara perlu merancang dasar mereka mengikut objektif dan reka bentuk syarikat untuk meningkatkan prestasi organisasi. Kajian ini juga memberikan cadangan untuk meningkatkan skim pemilikan pekerja di Pakistan. Saham yang diberikan kepada pekerja mestilah mempunyai daya pemindahan bersama dengan pilihan beli balik. Pekerja yang baru diambil bekerja dan juga pekerja sedia ada, dapat dimotivasikan melalui faedah maksimum melalui dividen.

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LIST OF ABBREVIATIONS

ADF	Augmented Dickey Fuller Test
EO	Employee Ownership
ESOP	Employee Stock Own9 ership Plan
FC	Financial Cost
KMO	Kaiser-Meyer-Olkin
LBO	Leverage Buyout
MM	Modigliani-Miller Theorem
NPM	Net Profit Margin
OCB	Organizational Citizenship Behavior
PP	Phillips Perron
R&D	Research and Development
ROA	Return on Assets
SOEs	State-owned Entities
SPE	Sales per Employee
UK	United Kingdom
US	United States of America
VIF	Variance Inflation Factor

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CHAPTER 1

INTRODUCTION

1.1 Introduction

In the present era of modernization, business organizations are acquiring new and advanced technologies for improving their performance and reduce operating costs. However, despite massive investment in modernized technology; they could not achieve the maximum level of productivity and mitigate the implicit operating costs. A critical implicit operating cost is generated as a result of persuasion of the self-interest of stakeholders. In an organizational setup, where management and ownership differ, persuasion of self-interest is more common, specifically when both the parties are utility maximizers.

Traditionally, employees have been viewed as an outsider to the organizations. Their roles, responsibilities and contributions have rarely been discussed within the workplace. Every stakeholder tries to secure its interest, resultantly; organizations must bear high operating costs and uncertainty towards ultimate results. Therefore, they need a system of governance which protects the rights of everyone. The proposed system for the creation of shareholder value is the implementation of code of corporate governance. This system is expected to run the corporate affairs to protect the rights of each stakeholder. Proper implementation of code of corporate governance increases investors' confidence, even if they are spontaneous financers. The concept of corporate governance is based on the agency theory of Jensen and Meckling (1976) they highlighted the implicit cost based on the separation of ownership and control and termed it as agency cost. Agency cost arises due to the divergence of the interests of stakeholders. The implicit cost also referred to as agency cost, can be controlled through proper implementation of corporate governance.

Unfortunately, there is poor implementation of code of corporate governance in the developing economies and divergence of interest is at its peak. The employees exploit organizational resources to shirk their responsibilities. In order to align the interests of employees with shareholders, the government of Pakistan announced to give ownership rights to the employees of state-owned entities, as an attempt to make the economic players an efficient contributor in notational development. Therefore, the study is organized to analyze the role of employee ownership towards organizational profitability.

1.2 Background of the Study

The interaction of management and organizational ownership has been discussed at different platforms and in different contexts; at an organizational level, economic level, and at the level of business studies. Currently, businesses of the developing world are facing the issue of the agency relationship. Organizational ownership can also be improved by ownership concentration which can also provide a solution to the agency problem. For instance, Shleifer and Vishny (1997) indicated that for block holders, there is a direct relationship between ownership stake and reward for monitoring managers. It reduces the problem of free-rider associated with dispersed shareholding (Burkart, Gromb and Panunzi, 1997; Hart, 1995). Furthermore, shareholders with a higher stake are in a better position to take actions against managers as compared to dispersed owners. This relationship is monotonousness, once block holders get the power they try to get benefits more, which includes private benefits associated with control than their proportionate share (Holderness, 2003). Mishra and Kapil (2016) argued that the impact of ownership on firm performance is a trade-off between higher shared benefits caused and private extraction of values (Mishra & Kapil, 2016).

In emerging economies, there are different studies which correlate the firm performance with corporate governance (Claessens & Yurtoglu, 2013; Ehikioya, 2009; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008, Klapper & Love, 2004, Gibson, 2003; Khanna & Palepu, 2000). In the emerging economies, proper implementation of corporate governance is imperative for foreign and local investors, who want tremendous opportunities for investment (Rajagopalan & Zhang, 2008). Local firms of emerging economies are discounted in financial markets because they have inadequate governance mechanisms (LaPorta, Lopez-de-Silanes, Shleifer, & Vishny, 2000).

If the governance mechanism is robust in the organizations, it will enhance investor confidence and firms can get the capital easily (Rajagopalan & Zhang, 2008). Another problem of weak governance mechanism is that the promoters of companies influence more than their shareholdings (Pande & Ansari, 2013). Denis and McConnell (2003) proposed that different internal or external mechanisms can be applied to implement corporate governance properly. The primary internal organizational structure is the equity holders and board of directors. However, primary external mechanisms are the external market which controls the corporate world, such as the legal system. Therefore, both the governance mechanisms are complementary to each other.

Countries where enforcement of corporate governance mechanism through the legal system is weak, the internal governance mechanism plays a forefront role in improving corporate performance. Indian economy is at the development stage where the legal system for the corporate world is developing (Khanna & Palepu, 2000) and the existing regime of corporate governance is weak (Sarkar & Sarkar, 2000) this state indicates that internal governance mechanism will play a significant role in improving corporate performance.

According to Pelayo, Serna-Gómez, and Hernández (2012) in the implementation of corporate governance mechanism, employees are considered as human capital and as important as financial capital. They are becoming a crucial source of organizational value. In addition to perks and bonuses, if employees are offered ownership in an organization, they will rarely think about exploiting the resources. Therefore, employee-owned companies are expected to have better performance, a higher level of productivity, fairness in pay structure, high level of employee involvement, a greater level of interaction and assistance to their co-workers. Simultaneously, these companies require lower supervisory requirement to have micro-level advantages over conventional ownership.

Under the employee ownership structure, a large number of employee groups holds a portion of employee ownership rights in the organizations they are working. This makes this ownership scheme different from other forms of ownership, where there is only a limited workforce involved like a partnership. Employees as an owner of the company are often viewed as normatively preferable to elite control of companies by outside shareholders for such reasons as equality or autonomy (Dow, 2003). Absolute employee ownership is very low in several market-based economies (Boatright, 2004). For example, Robinson and Zhang (2005) argued that the recent increase in employee ownership is due to increased importance in human capital in the knowledge-intensive firms.

The effect of employee ownership has primarily been analyzed in terms of alleviating the principal-agent problem between management and shareholders (Holmstrom & Milgrom, 1994). The management has asymmetry information, and shareholders do not have proper monitoring; therefore, the agents may maximize their benefits at the expense of principles (Jensen & Meckling, 1976). French (1987) suggested that as per economic theory, employee share ownership; thus, firms get benefit from the performance by reducing conflict of interest between employees and ownership.

Employees who are the leading players of the organization are entitled to get a share of the profit of the firm for which they work (Richter & Schrader, 2008). This will increase employee motivation to exert effort to cooperate with management and reduce employee turnover; thus, these arguments are linked with behavioural perspective (Richter & Schrader, 2017). Employee ownership increases feelings of attachment towards an organization and feelings of responsibility for the firms (Rousseau & Shperling, 2003; Pierce, Rubenfeld & Morgan, 2001). It also improves skill accumulation, encourages investment in human capital and ultimately improves firm performance (Hansmann, 1996).

The impact of employee ownership on firm performance has also been studied in strategic management. The studies have focused on the impact of government (Xia & Walker, 2015), venture capital (Fitza, Matusik & Mosakowski, 2009), family (Silva & Majluf, 2008; Villalonga & Amit, 2006) institutional (Velury & Jenkins, 2006; Chaganti

& Damanpour, 1991) executive (Core & Larcker, 2002) ownership on the firm performance.

Different ownership structures elicit variegated strategies and behaviours, which influence the organizational performance (Denis, Denis & Sarin, 1999). This area is not beyond the scope of corporate finance which addresses the effect of ownership structures. Different scholars tested this idea in different scenarios like the impact of venture capital structure on organizational performance, listing as compared to family-owned, and wholly or partially owned by management or employees (Zhou, 2002). Torp (2011) pointed out that there are different schemes which improve employee motivation; the most popular schemes are giving them stock options and other performance-related rewards. He further argued that specific inadequacies of short-range performance among higher management had been reported in financial crises, the apparent inadequacies are destabilization of society and organization, increase in risk and greed.

Objectives behind the implementation of employee ownership (EO) in an organizational setup have been discussed in different perspectives. Different researchers pointed out different approaches to the implementation of employee ownership. The most common approaches are: i) agency relationship ii) human resource management iii) institutional view iv) increased economic performance, v) greater job security and firm survival vi) more broadly shared prosperity and vii) lower labour-management conflict and higher quality of work-life (Kurtulus & Kruse, 2017; Ortlieb, Matiaske, & Fietze, 2016). In the past few decades, growth in the financial performance of the firms has been witnessed especially in the developed world (Kurtulus & Kruse, 2017). Most of the above approaches, except institutional view and lower labour-management conflict and higher quality of work-life are applied to control the employee attitudes and behaviour as well as firm performance with financial participation. Hence, this study is designed to explore the impact of employee ownership on organizational performance. It is through employee's participation in the organizational decision-making process by voting and sharing profits of the firm.

1.3 Problem Statement

According to Fatima and Rehman (2012), Pakistani state-owned entities are considered inefficient, they are under strong political influence and are not operated as corporate entities, due to these factor workers shirk their responsibilities and exploit the organizational resources (Tahir, 2014). On the other side, workers are not treated as human capital; they are treated as an ordinary labourer. Workers community enables the economic system to sustain the high economic growth, massive production and higher level of productivity because of their hard work. The government of Pakistan desired to strengthen the working class of Pakistan to enable them to fight for their rights and wellbeing.

According to Privatization Commission report (2012) in response to the global and national conditions, Pakistan reviewed its privatization policy by strategic sale of (51% to 100%) shares to remodel it to a public-private partnership. The management was required to be transferred to investors through the sale of 26% shares. The prime focus was to keep the national assets to optimal use, mainly, to unleash the productive potential inherent in Pakistan's state-owned entities. The policy aimed to enhance the value of Government, profit maximization, exploration and creation of assets, identification of remedial measures for inefficiencies and modernization and up-gradation of state-owned entities. However, due to global crises, Pakistan faced difficulties in finding investments for the privatization of various SOEs.

In recognition of the rising trend of employee ownership in the developed corporate world, the concept has been introduced in the developing economies like Pakistan. The government announced to empower the employees of the state-owned entities by giving them ownership rights (Ministry of Privatization, 2012). Initially, workers would be given 12% shares out of the government holdings free of cost through exclusive trust. The scheme was announced to benefit around 500,000 employees of different state-owned entities which will benefit employees in their job security and will satisfy them. It can have a positive impact on the national production process. Therefore, it is in the national eagerness to enhance the role of regular workers and shield them from abuse.

As per the records of privatization commission of Pakistan more than six billion rupees have been distributed as dividend among workers of different entities under the scheme, and above two billion have been deposited in a revolving fund to buy back shares. This considerable payment on account of dividends and buyback necessitates the investigation of the concept of employee ownership and its impact on organizational performance. The fundamental reason for the investigation is that the national resources are not used efficiently; the government-owned structure is under strong political influence and bureaucratic pressure which amplifies the free-rider problem.

Not only the financial capital is required to run the business, but employees are also an essential element in an organization. Impact of employee ownership on organizational performance has not been explored in the developing economies like Pakistan. The core objective of the study is to establish the impact of employee ownership on the performance of state-owned entities. It is also to ascertain that ownership rights motivate employees, give them satisfaction and make them loyal to the company and improve organizational performance.

1.4 Aims and Objectives

This research aims to examine the role of employee ownership towards organizational performance.

The research focuses on the following objectives:

1. To examine whether employee ownership improves the financial performance of state-owned entities.
2. To examine whether employee ownership improves the productivity of state-owned entities.
3. To examine whether employee ownership reduces the financial cost of state-owned entities.
4. To examine whether there is a moderated mediation effect on the impact of employee ownership on financial performance, productivity and financial cost of state-owned entities.
5. To examine whether psychological ownership plays the role of moderator between employee ownership and employee loyalty, motivation, and satisfaction in state-owned entities.
6. To examine the role of employee loyalty as a mediator in employee ownership and financial performance, productivity and financial costs of state-owned entities.
7. To examine the role of employee motivation as a mediator in employee ownership and organizational financial performance, productivity and financial costs of state-owned entities.
8. To examine the role of employee satisfaction as a mediator in employee ownership and organizational financial performance, productivity and financial costs of state-owned entities.

9. To examine whether the impact of employee ownership towards financial performance, productivity and financial cost is different concerning their incorporation status in state-owned entities.

1.5 Research Questions

The research is organized based on the following research questions which are required to be addressed:

1. Does employee ownership improve the financial performance of state-owned entities?

2. Does employee ownership improve the productivity of state-owned entities?
3. Does employee ownership reduce the financial cost of state-owned entities?
4. Is there a moderated mediation effect in the impact of employee ownership on financial performance, productivity and financial cost of state-owned entities?
5. Does psychological ownership play the role of moderator between employee ownership and employee loyalty, motivation, and satisfaction in state-owned entities?
6. Does employee loyalty mediate the impact of employee ownership on financial performance, productivity and financial costs of state-owned entities?
7. Does employee motivation mediate the impact of employee ownership on financial performance, productivity and financial costs of state-owned entities?

8. Does employee satisfaction mediate the impact of employee ownership on financial performance, productivity and financial costs of state-owned entities?
9. Does employee ownership have discrete behaviour on financial performance, productivity and the financial cost concerning their incorporation status in state-owned entities?

1.6 Research Hypotheses

Based on the above research questions, the following hypotheses are developed:

1.6.1 H_1:

Employee ownership improves the financial performance of state-owned entities.

1.6.2 H_2:

Employee ownership controlling for alternative pay schemes increases the productivity of state-owned entities.

1.6.3 H_3:

State-owned entities with employee ownership schemes do not have to borrow money for their operations; thus, they will have lower borrowings and reduce their associated financial cost.

1.6.4 H_4:

There is a moderated mediation effect in the impact of employee ownership on financial performance, productivity and financial cost of state-owned entities.

1.6.5 H_5:

Psychological ownership moderates the impact of employee ownership on employee loyalty, motivation and satisfaction in state-owned entities.

1.6.6 H_6:

Employee loyalty mediates the relationship between employee ownership and financial performance, productivity and financial cost of state-owned entities.

1.6.7 H_7:

Employee motivation mediates the relationship between employee ownership and financial performance, productivity and financial cost of state-owned entities.

1.6.8 H_8:

Employee satisfaction mediates the relationship between employee ownership and financial performance, productivity and financial cost of state-owned entities.

1.6.9H_9:

Employee ownership has a distinct impact on financial performance, productivity and the financial cost concerning the incorporation status of state-owned entities.

1.7 Research Framework

The following research framework represents the combination of components to form the study. The measures of study are aligned with the below-designed framework.

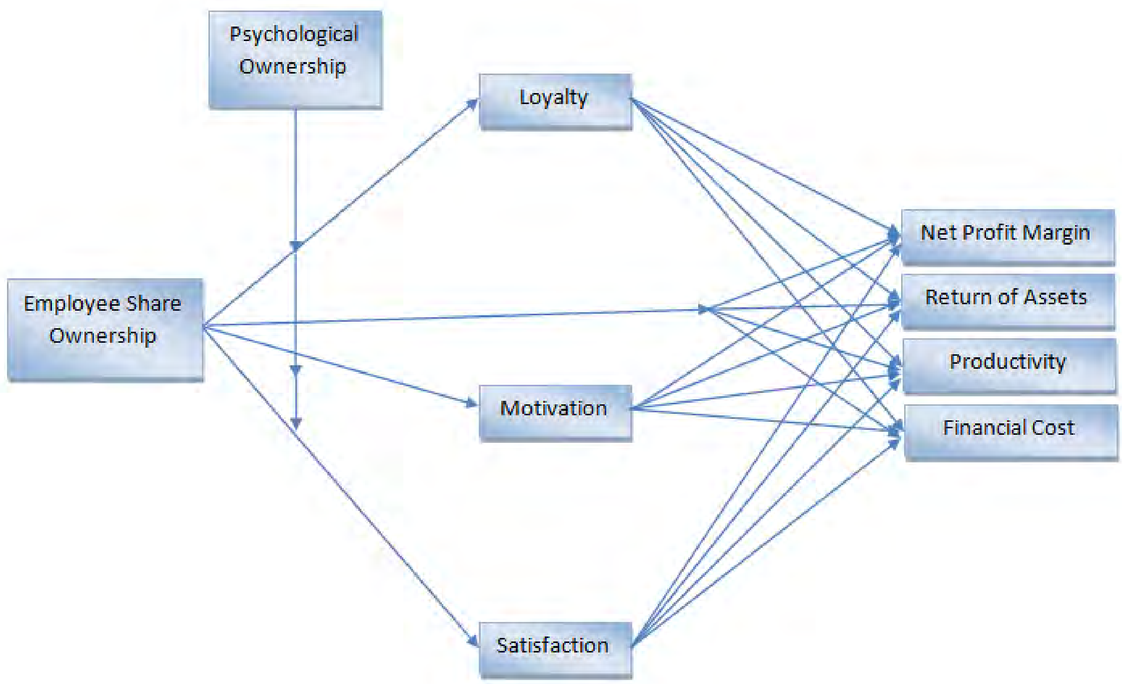

Figure 1.1. Designed Framwork

1.8 Significance of Research

Relationship between corporate ownership and firm value has been discussed in different aspects. Agency theory of Jensen and Meckling (1976) centrally ascertain the conflicting interest between internal management and shareholders. Management runs the organizational and makes most of the decisions, whereas, outside shareholders are the ultimate owners. In most of the developing countries, corporate culture has not been developed, lack of governance measure, and legal protection promotes agency problems (Butt, 2010). According to the Ministry of Privatization of Pakistan (2012) the federal government launched a scheme of employee empowerment through the issuance of 12% government-owned shares of state-owned entities to the employees. This empowerment aimed at developing a peaceful and smooth working environment, which will contribute to national productivity through organizational performance.

This study evaluates the impact of employee ownership on the performance of state-owned entities and ultimately, the role of Pakistan government's scheme of employee empowerment to contribute towards national development. The current study will guide the state planners and business community in their decision-making regarding privatization and a public offering. In-spite of having empirical and conceptual literature available, specific questions had not been explicitly addressed for the developing economies. For example, does employee ownership have an impact on organizational performance in the country? What is the impact of employee ownership on organizational debt structure in the developing world? This study addresses the above questions empirically. Based on the above facts, this study is an important contribution in academia and the corporate world of Pakistan.

The followings are the contributions of the study:

1. The study will help the policymakers to design their organizational policies towards reshaping the equity structure of state-owned entities.
2. This study will provide empirical support to the business community to recognize their employees as human capital and align the employee's interest with the organization.
3. The study will assist the state planners in designing their macroeconomic policies concerning public-private investment.
4. The study will produce empirical analysis on ownership structure and its contribution to the national development process.
5. The study can provide an experiential design to encourage employees to invest in firm-specific human capital.
6. It will be among the studies which examine the role of employee ownership towards organizational performance in the developing countries.
7. The study will provide a comprehensive addition to the existing body of literature.
8. It can be a gateway for new researchers to analyze the role of employee ownership on organizational performance from different perspectives.

1.9 Study Limitations

This study is about the role of employee ownership towards the performance of state-owned entities of Pakistan. The first limitation of the study is the exclusion of the private sector because the scheme has been implemented in the state-owned entities only. The corporate sector of Pakistan has not yet introduced any scheme to include employees in their ownership structure. Therefore, the private sector is not included in the analysis. Generalizability of the study results could be enhanced if the private sector companies have been included in the analysis. The second limitation of the study is the period of data collection/analysis, which is limited to 2011 to 2017. The reason for a short period of the analysis is that the scheme was announced in August 2009, it took almost a year to organizations to design a requisite mechanism to allocate shares to employees. The third limitation is the use of the sampling method; primary data was collected based on convenient sampling because the respondents were reluctant to respond to the questionnaire. Lastly, the scheme of employee ownership was supposed to be implemented in 80 entities, but it has been implemented only in 64 entities. During the data collection process, it was observed that data related to 64 state-owned entities was available. Therefore, the study is limited to 64 state-owned entities.

1.10 Operational Definitions

Financial Performance

Fatihudin, Jusni and Mochklas (2018) defined Financial performance as the achievement of the company's financial performance for a certain period covering the collection and allocation of finance measured by capital adequacy, liquidity, solvency, efficiency, leverage and profitability.

Net Profit Margin

Net profit margin is the percentage of revenue left after all expenses have been deducted from sales (Ross, Westerfield & Jordan, 2003). Net profit margin reveals the amount of profit that a business can extract from its net sales. The net sale is leftover from gross sales minus all sales deductions.

Return on Assets

Return on assets is the ratio which gives a percentage of profit a company earns in relations to its overall resources. Return on assets is a measure of profit per dollar of assets (Ross, Westerfield & Jordan, 2003). It answers what a business does with the available assets.

Productivity

Productivity is a measure of the efficiency of a person, machine or system in converting inputs into useful outputs. It is computed by dividing the average output per period by the total resources consumed in that period (Kim, 2019).

Financial Cost

The financial cost is interest and other charges involved in borrowing money to purchase or build assets or meeting working capital (Cochran & Wood, 1984).

Employee Loyalty

Loyalty is a kind of faithfulness and trueness, which is defined as employees being committed to the success of the organization and believing that working for this organization is their best option" (Iqbal, Tufail, & Lodhi, 2015).

Employee Motivation

Defined as a psychosomatic process which directs humans to behave or react to the situation in such a way through which certain needs can be fulfilled (Latham, 2011).

Employee Satisfaction

Satisfaction is defined as the level of fulfilment of one's needs, wants and desire (Nancy, 1997). Employee satisfaction is defined as the combination of affective reactions to the differential perceptions of what he/she wants to receive compared with what he/she receives (Cranny, Smith, & Stone, 1992).

Psychological Ownership

Ownership is a dual creation, part attitude, part objective part of the mind, part real (Etzioni, 1991). Control of an object is the key characteristics of the phenomenon of ownership. Psychological ownership is the psychologically experienced phenomenon in which an employee feels that organization is theirs (Torp, 2011; Pierce et al., 1991). It is the state in which an employee feels that the target is theirs. The core of psychological ownership is the feeling of possessiveness and being psychologically tied to an object.

Employee Ownership

Employee ownership plans are run by the company which allow participating employees to buy company stock of sponsoring employer (Babenko & Sen, 2014)

State-owned Entities

A legal entity that is created by the government in order to partake in commercial activities on the government's behalf which are ultimately owned by the general public and the government agencies who exercise the ownership rights are answerable to the general public (OECD, 2018).

Stationarity

A stationary time series is one whose statistical properties such as mean, variance, autocorrelation are all constant over time (Asteriou & Hall, 2007).

Multicollinearity

In which one predictor variable in a multiple regression model can be linearly predicted from the others with a substantial degree of accuracy (Asteriou & Hall, 2007). Gujarati (2004) defines Multicollinearity as “the existence of a perfect or exact linear relationship among some or all explanatory variables. The perfect multicollinearity situation is a pathological extreme.

Autocorrelation

It is the degree of similarity between a given time series and a lagged version of itself over successive time intervals (Asteriou & Hall, 2007). The term autocorrelation may be defined as the correlation between members of series of observations ordered in time (as in time series data) or space (as in cross-sectional data) the term is also known as serial correlation (Gujarati, 2004).

Heteroscedasticity

The circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it (Ker & Tolhurst, 2019). It is defined as the variance of each disturbance term conditional on the chosen values of the explanatory variables, is some constant number equal to variance (Gujarati, 2004).

Mediator

The mediator acts as a third variable, which has a generative mechanism by which independent variable influence the dependent variable of interest (Baron & Kenny, 1986).

Perfect mediation

The process of complete mediation / perfect mediation is defined as when the mediator is controlled independent variable does not affect the dependent variable (Baron & Kenny, 1986)

Partial Mediation

Partial mediation is the process of mediation when mediator does not entirely eradicate the impact of the independent variable on the dependent variable (Baron & Kenny, 1986).

Moderator

The moderator is a function of third variables, which partitions an independent focal variable into subgroups that establish its domains of maximal effectiveness regarding a given dependent variable (Baron & Kenny, 1986).

1.11 Summary

Psychology is the scientific study of behaviour and mind where most of the psychologist work in research labs and different other fields to work out the behaviours of living creatures. There are some psychologists, researchers and practitioners, who use some scientific methods to inform their work. Understanding human behaviour is a complex process if scientific methods are applied, psychologists can understand it objectively and systematically. The range of understanding this behaviour is from the biological level to social and cultural levels.

Similarly, this study aimed to investigate human behaviour in the workplace. The foundation of the study is that if employees have been given an ownership stake in the organization, they will be well motivated and committed towards an organization. The question of their loyalty and motivation arises when there is an agency relationship between shareholders and managers. This relationship creates an implicit cost named as agency cost, which may drastically affect the organizations. This agency cost can only be controlled if the organizational objectives are aligned with the employees. Therefore, the proposed solution is to incorporate employee's stake in the equity structure. Just giving them shares will not bring out the desired results; they should also get a feel of ownership. This feel of belongingness is dependent on psychological ownership. It creates a feeling that an object is experienced possessively.

The government of Pakistan gave shares to the employees of state-owned entities free of cost, as an attempt to align employees' objectives with their respective organization. It is expected that employees will not shirk their responsibilities and exploit their resources. This effort will have a positive impact on the performance of state-owned entities.

1.12 Overview of the Research

The thesis comprises the following chapters:

Chapter – 1

The first chapter starts with a general introduction to the topic and background of the study. Further, it analyzes the cognition of the ownership and the need for investigation of the role of employee ownership towards organizational performance. It includes the background of the study, problem statement, aims and objectives, research questions, research framework, the significance of the research, stud limitations and operational definitions of the study. This chapter also underpins the significance of research for academia and the corporate world. It clarifies the proposed research methodology and existing literature about variables used in the study.

Chapter – 2

The second chapter is the review of related literature, the role of employee ownership in the organizational development, the supportive theories, aspects of the agency relationship, impacts of employee ownership, relevant literature about the variables of the study, and the methodology used. Finally, it concludes the perception gained about the impact of employee ownership on organizational performance from the literature review.

Chapter – 3

The third chapter illustrates the methodology used in the study, the overall research strategy and procedure used to carry out an empirical analysis. It discusses the total population, sample size, sample selection techniques, data collection methods and theoretical models of the study. An integral segment of this chapter is hypothesis development and its representation in statistical form. As the study is quantitative, the core element of data analysis is the use of appropriate techniques to reveal conclusion; therefore, this chapter describes the data analysis techniques and conclusion criteria. Lastly, it discusses the techniques used to test the instruments, assumptions of regression and data biasness; after that, the methods/techniques of moderation and mediation are elaborated in detail.

Chapter – 4

In this chapter, the primary and secondary data is collected and summarized in tabular form to make it workable. Initial tests on the instruments are run to find out the reliability and validity of the questionnaire. The assumptions of regression are also tested. Their results are presented and discussed in this chapter to proceed for additional analysis. The chapter also contains a detailed analysis of moderation and mediation; the derived results are presented and discussed in detail. Different approaches used to infer an empirical argument on the data set are presented in this chapter.

Chapter – 5

In the first part of this chapter, discussion on the collected data as well derived results is incorporated. Empirical conclusions drawn on the data set and the result of the analysis from related literature are discussed here.