European Management Journal (2008) 26, 234–246

journal homepage: www.elsevier.com/locate/emj

Employee voice and strategic competitive advantage in international modern public corporations – an economic perspective

Susanne Royer [a,*], Jennifer Waterhouse [b,1], Kerry Brown [b,1], Marion Festing [c,2]

[a] *International Institute of Management, Chair of Business Administration, esp., Strategic and International Management, University of Flensburg, Munketoft 3, 24937 Flensburg, Germany*
[b] *School of Management, Queensland University of Technology, GPO Box 2434, Brisbane, Australia. 4001*
[c] *Chair of Human Resource Management and Intercultural Leadership, ESCP-EAP European School of Management, Heubnerweg 6, 14059 Berlin, Germany*

KEYWORDS
Firm competitive advantage;
Stakeholders;
Employee relations;
Employee voice;
Agency theory;
Economic perspective

Summary Achieving competitive advantage through a broader consideration of stakeholders of the firm is examined. The inclusion of other significant organisational actors such as managers and employees as stakeholders capable of creating competitive strategic advantage for the firm is considered. Findings indicate that competitive advantage within an economic perspective may be garnered by establishing a broader conceptualisation of stakeholders of the firm. It is concluded employees may be characterised as hybrid stakeholders, as they are a mix of residual risk bearers and input suppliers of strategically highly relevant resources and that ways of articulating employee voice is a key element of gaining competitive advantage. The aim of this paper is to analyse internationally operating modern public corporations from an agency theory point of view with the focus on the role of a suite of stakeholders including shareholders, managers and employees. The economic reasoning demonstrates that the employees' voice is an important component of business from a strategic perspective irrespective of the type of institutional environment present in any given country.

Introduction

Increasingly internationalisation and globalisation need to be taken into account in modern business relations (e.g.,

* Corresponding author. Tel.: +49 0 461 805 2580; fax: +49 0 461 805 2572.
E-mail addresses: royer@uni-flensburg.de (S. Royer), j.waterhouse@qut.edu.au (J. Waterhouse), ka.brown@qut.edu.au (K. Brown), marion.festing@escp-eap.de (M. Festing).
[1] Tel.: +61 7 3864 2939; fax: +61 7 3864 1313.
[2] Tel.: +49 0 30 32007153; fax: +49 0 30 32007189.

0263-2373/$ - see front matter © 2008 Elsevier Ltd. All rights reserved.
doi:10.1016/j.emj.2008.03.002

Jones, 2005). Structural adjustment of national industry sectors and labour markets has occurred in most Western countries as a response to this global competitive pressure. One effect of restructuring has been a decline in traditional blue collar jobs over the last two decades as manufacturing industrial activity has increasingly shifted to those countries that are able to reduce production and labour costs (Kenney and Florida, 2004). However, higher skilled knowledge-based work now also faces the prospect of relocation with its inevitable consequence of job loss, e.g., Fujitsu established an IT service centre in Bangalore and IBM India acts as a major outsourcing partner for other firms helping them with relocating activities to India.[3] Knowledge workers are those who have been argued to contribute to the realisation of much of the competitive advantage of firms today. Drucker (2001:8) goes as far as to postulate ''[..] that knowledge workers collectively own the means of production". New patterns of employee career and employment structures have emerged as part of the strategic positioning of firms in an increasingly internationalised and mobile workforce. Traditionally, the shape of employee relations and the acquisition of firm-specific competitive advantage have been driven from the perspective of the company shareholder (Sternberg, 1992; Shankman, 1999).

Given the acknowledged contribution knowledge workers provide to the competitive advantage of firms (e.g., Zander and Kogut, 1995), this paper analyses the question of whether a broader concept of firm direction-setting and action would achieve better business outcomes. The suggestion is that employees as a stakeholder group should be considered from an economic perspective on strategic competitive advantage realisation. It is contended that a pure shareholder orientation is not sufficient in achieving high levels of firm competitive advantage as it may prevent managerial enrichment and also may fail to link valuable human resources to firm activity. This research question highlights a new orientation for developing strategic competitive advantage and at the same time underscores the relative power and resilience of the shareholder perspective in practice as well as in research (e.g., Deakin, 2005).

To obtain further insights into this relevant problem for theory and practice this paper starts with a description of recent developments regarding stakeholder relations in modern public corporations. The literature review shows that in many contexts, long-term, stable employment is diminishing. Moreover, strategic management literature suggests that firm-specific human capital is a central resource for the realisation of competitive advantages (e.g., Wang and Barney, 2006). The paper considers the concept of employee voice in providing the vehicle for articulating labour concerns to capital policy and decision-making. Employee voice is defined as a mechanism through which employees may air grievances (Gollan, 2001) and in a broader sense, any means through which employees may voice concerns or contribute to the decision making of the company (Wilkinson, Dundon, Marchington and Ackers, 2004). These issues provide the impetus to obtain a deeper understanding of shareholders, management and employees as relevant actors with regard to modern public corporations. Agency theory is used to systematise the relations between these actors. From economic reasoning it is suggested that shareholders should be rather seen as insurers and not as owners in the traditional sense. Building on this perspective the next part of the paper conceptualises the roles of shareholders, managers and employees as stakeholders in the organisation with regard to the realisation of competitive advantages. A concluding summary regarding the consequences of the elaborated perspective and the implications on realising competitive advantages on the basis of valuable human resources and incorporating the perspective of 'employee voice' builds the last part of the paper.

Recent Developments in Stakeholder Relations

Stakeholders are defined as ''[...] persons or groups with legitimate interest in procedure and/or substantive aspects of corporate activity" (Donaldson and Preston, 1995: 67). Stakeholders that may be taken into account can be employees, customers, suppliers and creditors as well as groups with a non-economic relationship to the firm such as environmentalists (Culpan and Trussel, 2005). In this paper the focus lies on employees as one highly relevant stakeholder group. Some authors see ethical reasons as the essence of the responsibility of firms towards employees (e.g., Culpan and Trussel, 2005; Shankman, 1999). We put forward an economic reasoning for this responsibility and outline the consequences for realising strategic competitive advantage. Competitive advantages are firm-specific advantages that either cannot be imitated by other firms or, if replicable such replication can only be achieved at an extremely high price.

The emphasis and importance placed on the interests of different stakeholders has significantly changed in many countries in recent times. Developments of the European Union and increased global competition have impacted on the industrial sovereignty of individual countries. The globalisation of financial markets has resulted in the adoption in Europe of an increasingly shareholder value perspective based on the US model (Clark, 2006). Clark (2006) suggests, however, that this shift will not result in the adoption of a complete shareholder value model, but rather a hybrid ''enlightened shareholder value" model. As this shift towards greater consideration of shareholder interests occurs, the position of employees within stakeholder relationships has fundamentally altered.

Long-term employment has been the norm in many countries (for example, Germany and Japan). However, in recent times relatively short-term employment has become more prevalent. Employee responses include less loyalty and trust as well as a preference to dedicate human capital to general tasks that are not firm-specific to ensure the mobility of their skills in an increasingly insecure workplace (e.g., Pfeffer, 2005a and 2005b; Galunic and Anderson, 2000). The Anglo-Saxon countries such as the U.S and Australia belong to the countries with the lowest percentage of employees with more than ten years of tenure in a firm. The longest tenures can still be observed in Japan with an average tenure of 11.3 years (OECD, 1997), while Germany takes an average position in Europe with 11 years of average tenure (OECD,

[3] See http://www.channeltimes.com/India/News/Fujitsu_Opens_Service_Center_in_Bangalore/551-69834-741.html and http://www.ibm.com/ibm/in/ accessed 29—10—07.