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Industrial Democracy: Introduction

The term “industrial democracy” has a long tradition in idea-history of both labor movement and social sciences. The rise of the concept and contemporary opportunities designing institutions of industrial democracy in the European context have been topics of the 2nd annual Management Revue spring workshop. This special issue presents some of the workshop papers, enhanced by articles of authors who were unable to join the meeting.

The opening paper of our compilation explores in a first step the different meanings of the term “industrial democracy” in the Anglo-Saxon and the German context. Going back to the first definition by Sidney and Beatrice Webb (1897), *Walther Müller-Jentsch* works out the difference to the German term “Wirtschaftsdemokratie” which was coined by Fritz Naphtali and his collaborators. Whereas the Webbs emphasize the internal democracy of unions on the one hand and the external process of collective bargaining on the other, the German term “Wirtschaftsdemokratie” should be understood as co-determination. Müller-Jentsch sketches the design and development of co-determination in Germany focusing the institution of works councils which has evolved from Cinderella to the most significant institutions of industrial relations in contemporary Germany. Finally the paper discusses the ideological permutations of co-determination from a socialist embeddedness to a major institution and success factor of social market economy.

Andrea Jochmann-Döll and Hartmut Wächter also adapt the history of co-determination in Germany. But these authors focus one medium-size enterprise and a model of worker participation which goes far beyond the legal framework of German co-determination. The enterprise of this case study, a car dealer and repair shop, introduces a new form of governance and profit sharing between employees and employer in 1961. During the sixties – in the atmosphere of departure to new horizons characterized by slogans “dare more democracy” on the political and “humanization of work” on the organizational level – this was not an isolated case. Worth noting is that this firm remains on course developing this new form of governance throughout the decades up to now.

Half a century after the idea of a European Company comes up, the *Societas Europaea* (SE) was finally created in October 2001. The basic “Council Regulation” and the “Directive” on the statute for a SE had to be transposed into national law

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until autumn 2004. Several companies have made use of this legal form in the between time. The paper of *Berndt Keller and Frank Werner* describes some basic institutional aspects of the European Company emphasizing questions of employee involvement in particular. The statute implies only a procedural norm about employee involvement and prescribes no special institution. Before a SE can be registered by the national courts, negotiations about employee involvement are obligatory. The empirical analysis – based on all SEs with economic activities and employees operating by July 2008 – informs beside other findings about typical forms and results of the negotiations processes which are likely to serve as a blue print for employees' involvement in European Companies.

The effects of works councils on organizational performance are explored in a paper by *Jan Ekke Wigboldus, Jan Kees Looise and André Nijhof*. The authors present a conceptual model based on current findings of economic and other effects of works councils. Works councils interventions directly effect organizational outcomes in terms of improving labor productivity, innovation, and growth. Beside this direct channel works councils have an effect on organizational performance through modifying employees' attitudes and behavior. The second indirect channel refers to the effect that works councils have on the governance system including processes of decision making and management behavior. This three channel model of works councils effects on organizational performance is operationalized using in-depth case studies in a large insurance company in the Netherlands.

The final article of *Eric Kaarsemaker* discusses the effects of employee share ownership. According to the theoretical concept of psychological ownership and previous research two hypotheses are derived. Employee share ownership should have a positive effect on psychological ownership and should therefore positively moderate the effect of employees' firm-specific human capital investments. The exploratory empirical study demonstrates that employee share ownership can play a positive role in building and keeping firm-specific human capital and is a worthwhile avenue for HRM to explore.

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