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EFFECT OF INTRODUCTION OF PROFIT-SHARING SCHEME ON EMPLOYEE PERFORMANCE AND COMMITMENT IN NIGERIAN RETAIL COMPANIES

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Abstract

The importance of proper utilization of rewards for performance is still on the rise and hence this type of rewards can be seen as a substantial part of a total rewards package. The capacity to appropriately implement rewards for performance for retail companies may result in a competitive lead over their competitors, but a good knowledge for successful implementation is a necessity for these rewards. The main aim of this paper is to contribute to the growth of this knowledge by identifying potential positive and negative impacts of profit-sharing on different areas that are vital for the performance of retail companies, nevertheless, the effects of profit-sharing are also addressed here in. A comprehensive and up-to-date evaluation of the relevant literature is further provided. To undertake these, an application of bibliometric methods, analysed to identify the salient points, authors and topics. A neutral or positive impact of profit-sharing on productivity and profitability has been reported by most studies and reports. This impact may be achieved by direct influence of profit-sharing on productivity of employees (due to the dependence of their pay on profit),Existing literature has proven a positive impact of group incentives on productivity, the impacts on profitability or financial performance have been mixed in previous studies (Jones et al., 1997;Magnan and St-Onge, 2005) but it seems that yet more important are various mediating mechanisms, especially effects on employment stability, absenteeism, quits and related issues, as well as effects on attitudes of employees and on relationships between employees. A well-designed profit-sharing plan is crucial for its success remains the argument here, however this also is a relatively under-researched problem.The varied results imply that the effects of financial incentives such as profit-sharing on financial performance may be contingent on organisational factors.

Keywords: Effect, Profit Sharing Scheme, Employee Performance, Employee Commitment, Nigerian Retail Companies.

1. Introduction

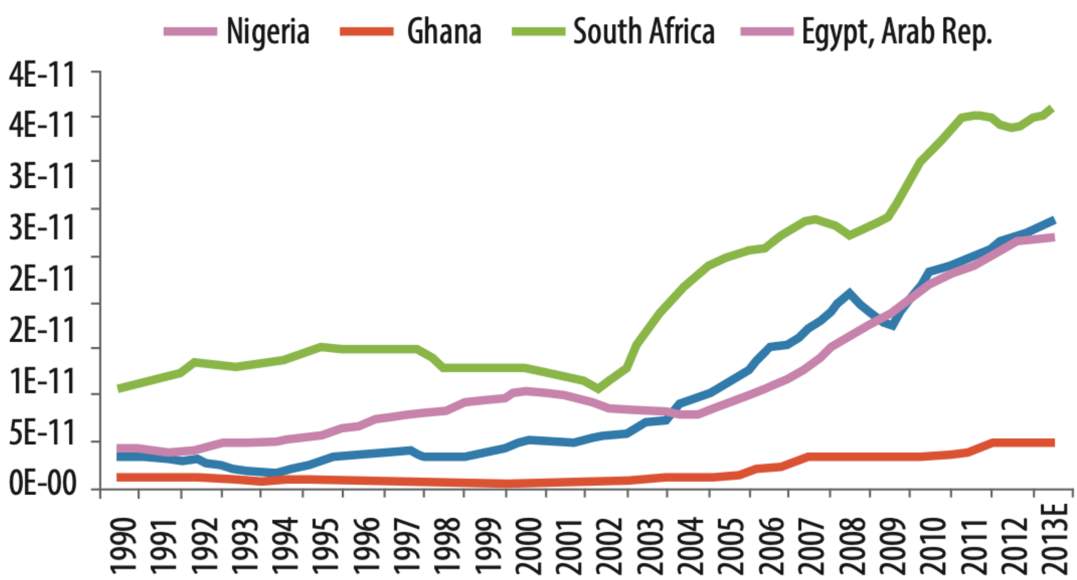
There are a variety of employee profit sharing plans designed in an attempt to motivate employees. In the past decades, profit-sharing, in which an individual's compensation is tied to the overall performance of the firm, has become increasingly popular in most retail companies in Nigeria. as well as in the rest of the world. Profit sharing is understood here to encompass any system which has a direct link between the profits of a company and the compensation of employees. Broadly speaking, profit sharing can be hypothesized to improve company performance through: (1) increasing worker effort; (2) improving the skills of the workforce; and /or (3) enhancing the flow of information within the organization (Kruse 1992) Today, Nigeria is experiencing a tremendous shift to a more sophisticated structure as retail companies continue to gain ascendency. The distribution chain and the organisation of outlets continue to reflect those of a rapidly evolving economy as standards of living improve and as the population continues to snowball. In the past eight years, Nigeria's population has grown from 150 million, as established by the population census conducted in 2006, to a country with an estimated population of 171 million people by 2013. In the midst of this, the middle class continues to expand even as 51 percent of the country's population now lives in cities.

The rise of retail companies has been rapid in Nigeria in the last two decades. NBS data shows that between 2001 and 2004, the wholesale and retail sector grew by 10 percent per annum. By 2006, its contribution was 16 percent. In the first halves of 2011, 2012 and 2013, it contributed 15.58 percent, 17.05 percent and 18.44 percent of GDP respectively. NBS data shows that based on the structure and level of development of the economy, the average Nigerian household spends as much as 80 percent of its income on consumables like food and drinks, clothing, transportation, shelter, education, electronics and power supply which is commensurate to the rising population of over 170 million.

The average amount devoted to consumption has played a major role in elevating Nigeria to the status of a 171 million-populated retail powerhouse on the African continent.

The World Bank put the country's GDP at $262.6 billion, the second-largest on the African continent, in 2012. But the rebasing process of the economy which was concluded in early 2014 put the value of the economy at $510 billion, making it the biggest in Africa.

Chart 1: GDP per capita (current US$)



Many retail companies' returns are under pressure especially with the impact of the covid-19 pandemic; hence, it is important that employees carry out the correct tasks in the right way.

By working efficiently, more can be produced with the same amount of input (resources), thereby, achieving more for lower costs, a higher return and less pressure (Noordzij, 2013). Drucker (1974), quipped thatefficiency means "doing things in the right way". Hence, employee efficiency is an employee characteristic, which relates to the speed and accuracy of an employee at the job task. The concept relates to employee productivity, which provides that the more efficient an employee is, the more productive they will be if well-managed (Fandom, 2017). Invariably, employee efficiency is a complex measurable parameter which characterizes an output produced by efforts and achievements of an employee (Task Management Guide, 2018).

Akerele (1991) attributed the productivity of Nigerian workers on several factors; employer's failure to provide adequate compensation for hard work and the indiscipline of the privileged class that arrogantly displays their wealth are among them, which is very crushing to the working class and consequently diminished their productivity.Retail companies are facing significant challenges on internal and external work environment;hence organizations cannot maintain institutional performance without providing their employees incentives like profit sharing based on their efficient and effective work with recourse to the over-all productivity of company. Profit sharingis granted to employees according to variations in their performance as anything that can attract an employee's attention and motivate them to work can be called incentive. Improving the overall performance of the organization remains the aim of this incentive (Malhotra, 2017). Scientific management and the use of financial incentives, such as systematic soldiering and fair day's work, was popularized by Fredrick Taylor in the late 1800s (Dessler, 2008). Performance incentives as defined by Flippo (1984), is the payment made to workers or group of workers based on the amount of output or result achieved or payment made with motivating 6workers' performance towards a particular high target as the purpose.

In the field of rewards for performance is terminology of individual researchers very diverse and domain of profit-sharing is unfortunately not an exemption. This, inter alia, significantly complicates attempts to summarize and compare results of various empirical (and even theoretical) articles because of different understanding of the term "profit-sharing" in these articles. This problem cannot be easily removed and only a better methodological approach can turn the area of performance-related rewards into more cumulative research field. Here we give at least a broad definition of "profit-sharing" and also discuss relationsghip of profit-sharing to other group-based incentives.

Profit-sharing is quite often researched together with employee stock ownership (or with other forms of equity sharing). Nevertheless some strongly agree with Weitzman's opinion that profit-sharing is conceptually different and therefore although utilization of equity sharing is sometimes considered as inseparable component of profit-sharing, such approach is often seen as flawed.

It is possible to sum up that profit-sharing and various forms of employee participation (both financial, e.g. profit-sharing, gain-sharing, employee ownership, personnel stock option plans and non-financial, e.g. employee involvement in decision making and continuous improvement practices) should be analyzed in their mutual relationships, but still as independent and separable components.

In general it is possible to say that rewarding workforce for performance is a controversial topic. On the one hand, there is a broad consensus that only well-motivated employees can fulfill really ambitious goals. It is true that people are motivated by different motivational factors (Havlíček, 2011, p. 185-186).

The paper's aim is to identify possible positive as well as negative effects of profit- sharing on retail companies and its competitive position, while providing a comprehensive, up-to-date literature review.

1.2 Empirical and Theoretical Background

Profit Sharing, correlation with productivity (financial and non-financial)

Firm productivity is affected by Profit sharing in three main ways; (1) by making wages more flexible to financial conditions of the firm through substituting profit sharing payments for fixed wages (Weitzman and Kruse 1990); (2) by attracting, developing, and retaining a higher quality of human capital (Azfar and Danninger 2001; Green and Heywood 2011; Kruse, Freeman, and Blasi 2010); and (3) by serving as an incentive mechanism for aligning the interests of workers with the firm (Blasi, Freeman, Mackin, and Kruse 2010). A number of beneficial worker behaviors may be prompted by Such alignment, the likes of increased employee motivation and effort, enhanced cooperation between employees and with management, increased self and mutual monitoring of worker behavior, positive workgroup norms, and development of more efficient work methods (Kruse 1993)—in other words, a "work harder" and "work smarter" worker trait may be as a result of profit sharing.

Company size may be a factor that may influence the relationship between employee profit sharing and workplace productivity. The relative value of the human capital employed within the firm is another factor that may condition the relationship between profit sharing and company productivity, as proxied by whether the firm compensates its employees above the market average for its industry. Presumably, in order to attract and retain a higher quality of human capitalfirms pay above-market wages ("efficiency wages"). Hart and Hubler (1991) point out that under rent- sharing theory, workers with relatively high levels of wage compensation are more likely to be included in profit sharing (because these employees presumably can play a greater role in creating additional "rents" than other employees) as Long and Fang (2014) found in their Canadian sample. If profit sharing allows establishments to continue to offer above-market compensation to their employees and thus retain a higher quality of human capital, employee profit sharing may serve as a mechanism to help extract maximum value from this investment in human capital (Long and Fang, 2012).

1.3 Design of profit-sharing

Design of profit sharing denotes what we understand to be the important characteristics of these plans. An overview of crucial elements of profit-sharing plan design will be provided below. These according to may include:

- Goal of profit-sharing, i.e. "why" profit-sharing is implemented in a given company.
- Form, in which rewards are paid.

- Proportion of the employees covered by profit-sharing plan.
- Formula according to which is reward distributed to individual employees including answers to the following questions:

This paper is divided into 4 chapters. First introduction then comes a chapter dedicated to a review of literature relevant to this paper, the penultimate chapter deals with the methodology of research and then a simple bibliometric analysis while extensively addressing key individual topics (i.e. microeconomic and macroeconomic effects of profit- sharing as well as the presence and properties of profit-sharing in Nigerian retail companies. Finally, in the last chapter results are discussed, and ideas for further research are provided with objective conclusions made.

2.1 Literature Review

Employee profit sharing is a pay practice that has a long history (Coates 1991), and one that many firms continue to adopt (Andrews, Bellmann, Schank, and Upward 2010; Kalmi Pendleton and Poutsma 2005, 2012; Kato and Morishima 2003; Long and Shields 2005; Parent 2002). Although there may be numerous motives for adopting profit sharing, an important one is the conviction that profit sharing increases company productivity (Long 1997). However, while the research evidence is quite clear that employee profit sharing does increase company productivity on average (Weitzman and Kruse 1990; Blasi, Freeman, Mackin and Kruse 2010), the evidence is equally clear that it does not do so in all cases (Kruse 1993; Magnan and St- Onge 2005; Robinson and Wilson 2006).

While there isn't a plethora of other studies about the effects of recognition on performance, but, considering motivation theories, four of them support the motivating effect of recognition. Both Maslow and Herzberg see recognition as a motivation factor. For instance, in Maslow's hierarchy of needs, recognition satisfies individual's need for esteem; but, according to self-efficacy theory, individual's belief about his/her ability to perform the task is an important determinant of effort. Recognition can improve self-esteem which in turn can lead to higher effort and increase performance. Cognitive evaluation theory emphasizes the importance of need for competence as a source of intrinsic motivation. It is logical that recognition can fulfil the individual's need for competence and increase motivation (Huttu, 2010)

Elinkeinoelämän keskusliitto (as cited in Hutu, 2010) argued that profit sharing means that employees are paid a proportion of the organization's pre-tax profits. According to definition, we can talk about profit sharing compensation when the interdependence between profit sharing and organization's profit is over 50 per cent. This means that organization can pay profit sharing compensation based on only organization's profit or based on organization's profit and some other measures, for example, customer satisfaction. However, organization's profit has to be in the biggest role in determines this whether profit sharing compensation is paid for organization's employees or not (Huttu, 2010).

3.1 Methodology

This section focuses on Procedures, techniques and various methods adopted in collecting the data and analyzing the data collected. This methodology is presented in the following order;

the study area, the study population, sampling technique, sampling plan, sample size, procedures and data collected method, secondary data.

Research design: For the purpose of this study, the casual research design was used to give a more accurate and un-biased finding. Data from research collected by finding out the effect of one variable on the other, for which it became necessary to discard other research designs andapply a casual approach which can be presumed to be the most accurate for this type of study. Research data was also selected on grounds of research design based on large variety of methods, techniques, procedures, and sampling plan.

Research population

The total population for the data used in this study is made up of the employees of a select number of retail companies;

3.2 Measuring Employee Efficiency

While productivity measures quantity, efficiency measures quality. You could calculate a very high productivity number per employee, but that number alone does not give you any insight into the quality of work (in theory, an employee could seem very productive, but actually be producing horrible outputs). To compare the productivity numbers against a benchmark, you can compare the current productivity with the standard amount of effort needed for the same output. Divide the standard labour hours by the actual amount of time worked and multiply by 100. The closer the final number is to 100, the more effective your employees are. For example, let us say the standard labour hours for a certain project is 80 and the actual amount of time worked is 92. You would divide 80 by 92, and multiply by 100, calculating your efficiency to be 87%. In other words, if a company's standard labour hours for acertain project is 80hrs and the actual amount of time worked is 92hrs, hence, efficiency = (80) x 100 = 87% (Eposito, 2015).

Formula: Standard Labour Hours x 100 = Efficiency Amount of Time Worked

According to Eposito (2015), in comparing productivity and efficiency, there are a few different ratios to consider, such as:

i. Idle Time Ratio: (Production downtime / total labour hours) x 100
ii. Activity Ratio: (Expected hours needed to produce actual output / actual hours needed to complete) x 100
iii. Labour Capacity: (Actual hours worked / total budgeted labour hours) x 100

3.3 Conceptual Framework

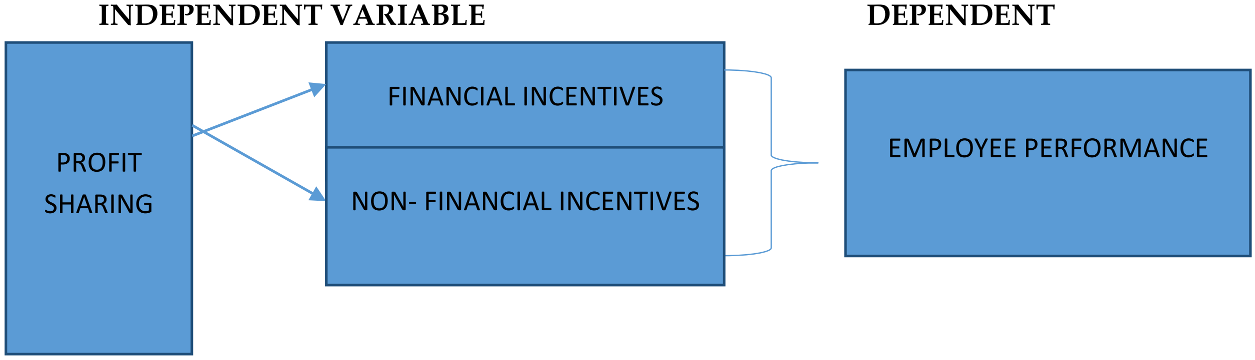


Fig 3.1 Conceptual Framework (Source: Self-Made 2022)

The figure above depicts the conceptual framework, which visually shows the relationship between the independent and dependent variables. Here "profit sharing" is the independent variable having two aspects: financial incentives (proxied by company shares, benefits, initiative rewards, gain sharing, and special rewards, which were adopted from Huttu, 2010) and non-payment; which may exist in form of non-financial incentives (proxied by recognition, employee participation, better work environment, career development and training, which were adapted from Bari, Arif & Shaib, 2013; Huttu, 2010; Oburu & Atambo, 2016; Sammer, 2011; Waqas & Saleem, 2014). It is hypothesised that if these elements are put into action, they may lead to an improvement in the aspect of employee performance as reflected in the dependent variable (proxied by accuracy, which was adopted from Fandom, 2017). The conceptual framework was designed to determine the effect of profit sharing on employee performance in retail companies in Nigeria.

Relationship between profit sharing (Financial Incentives) and Employee productivity

According to the study of Al-Nsour (2012), there is a significant positive relationship between financial & moral incentives and organizational performance. However, Al-Harthi (1999) found in his study that financial and moral incentives are unsatisfactory and may lead to a decrease in the level of performance of employees.

Relationship between Non-financial Performance Incentives and Employee Efficiency

Okwudili (2015) found that non-monetary rewards and productivity of employees have a positive relationship. Furthermore, Woodruffe (2006) found that non-monetary incentives can motivate employees to give a greater job performance. Bari, Arif and Shaib (2013) have also found a significant positive relationship between non-financial rewards and employee attitude and performance. Rajendran, Mosisa and Nedelea (2017) have also concluded in their recent study that there are relationships between non-monetary benefits and employees work performance. Also, Oburu and Atambo (2016) found in their study that non-financial compensation promotes employee performance.

Table 3.1

Profit sharing as adopted by 5 major Retail Companies (by specialization) in Nigeria	**PH**	**EL**	**DS**	**FI**	**OS**
Provision of employees with a basic pay commensurate to their respective grade levels.	1 (1.9%)	5 (9.6%)	9 (17.3%)	21 (40.4%)	16 (30.8%)
Employees are paid a proportion of companies profit before tax (PBT) as a form of profit sharing.	5 (9.6%)	6 (11.5%)	17 (32.7%)	16 (30.8%)	8 (15.4%)
Non-financial incentives provided company employees	3 (5.8%)	11 (21.2%)	17 (32.7%)	14 (26.9%)	7 (13.5%)
Feedback provided employees performance and efficiency	1 (1.9%)	3 (5.8%)	16 (30.8%)	16 (30.8%)	16 (30.8%)
Recognition of employees' effort through financial incentives	4 (7.7%)	10 (19.2%)	8 (15.4%)	14 (26.9%)	16 (30.8%)
Employee participation in company decision making	4 (7.7%)	5 (9.6%)	14 (26.9%)	19 (36.5%)	10 (19.2%)
Perception of quality of working environment	Nil	5 (9.6%)	8 (15.4%)	22 (42.3%)	17 (32.7%)

Source: Statista Retail & Trade 2011-2015

The data above summarizes in figures and percentile seven key indices used as a yardstick in the analysis of data obtained with abbreviated groupings of major retail companies (by specialization)connoted as Pharmaceuticals PH, Electronics EL, Departmental Stores DS, Financial Institutions FI, Other Specialties. A graphic description of the data above is provided below for better

FIG 3.1

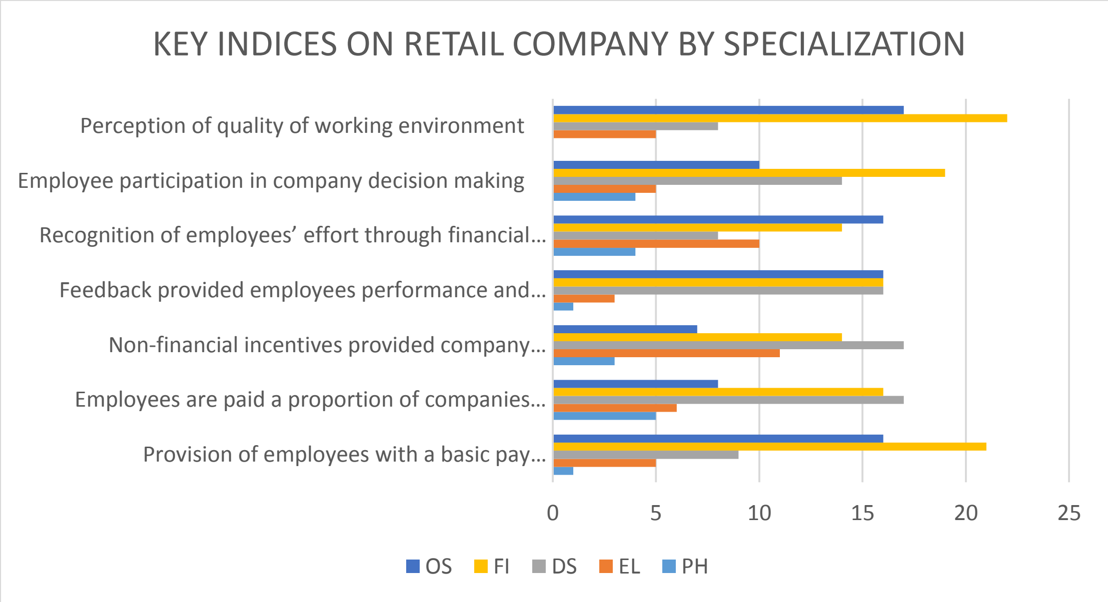


Fig 3.1 Visual representation key indices with respect to specialties of major retail companies in Nigeria (Statista 2011 – 2015)

3.4 Review of Empirical Studies

The review of empirical literatures on incentives such as profit sharing as a source of motivation provides a consistent set of views on the effects of performance incentives on employee efficiency. Various studies predicted positive relationship between performance incentives and employee efficiency. Hence, this section is devoted to reviewing empirical studies on effect of performance incentives on employee efficiency conducted around the world in order to validate theoretical predictions.

Mukundi (2016) carried out a study to examine factors affecting employee productivity in private limited companies. Institutional factors, environmental factors and employee characteristics were used as independent variables. Descriptive research design was adopted. The target population of the study was employees of the company and stratified sampling was adopted by dividing the target population into homogenous groups. In terms oaf data, the study relied on primary data collected using structured questionnaires that contained both open-ended and closed-ended questions. The study results show that institutional factors, environmental factors and personal characteristics affect employees' productivity. Regarding the institutional factors, the study established that organizational goal was the most contributing factor to higher employee productivity level. Work commitment level was the second followed by goal setting by the organization, meeting performance targets, innovation and problem solving capabilities. The other factors were found to have slight effects on employee productivity. These are conflict between work and personal life, working infrastructure, promotion in the organization, employee compatibility with organizational culture, organizational transparency, training & career development opportunities and pay and rewards. In relation to personal characteristics, it was established that employee training was the factor most contributing to high employee productivity, followed by employee relationship with colleagues, and age of employee. Other employee related factors found to affect employee productivity were marital status, gender and the education level of the employee. The study concluded that institutional factors help employee to perform at a high level, and, in relation to working environment, the study concluded that a satisfactory working environment and support from the supervisor will lead to high performance from the employee. Finally, the study inferred that a number of personal employees attributes (such as: training level of the employee, employee relationship with colleagues as well as the age of the employee) affect employee performance.

Al-Nsour (2012) investigated the relationship between profit sharing and organizational performance for employees in the Jordanian Universities. The Statistical Package for Social Sciences (SPSS) software was used for descriptive analysis. Five universities (Amman Private University, Al-Balqa Applied University, Philadelphia University, Jerash University and Amman Arab University) from twenty-four universities were selected using 421 questionnaires. The main findings indicated an adequacy in terms of level of incentives like profit sharing provided to employees. Financial incentives ranked in 1st place while moral incentives ranked in the 2nd place. Also, it was found that there is a high level of organizational performance. Customer satisfaction ranked in the 1st place, internal business process in the 2nd place followed by learning and growth. There is relationship between financial & moral incentives and organizational performance as well as between financial & moral incentives and internal business process and customer satisfaction.

Al-Aydi (2000) conducted a study to investigate the effect of profit sharing on the level of performance in the textile industry in Iraq. He found that there is a weak relationship between the incentives system like profit sharing and the level of performance.

Recent studies have shown, the effects of recognition, participation, feedback, monetary incentives, non-monetary tangible incentives and benefits on performance and job satisfaction were researched. It was posited profit sharing has different effects on performance and job satisfaction. The effect of profit-sharing performance and job satisfaction were researched through critical literature review and interview research. The study found that there are two different aspects in rewarding. These two aspects are effectiveness and humanity. Effectivenessaspect means that employees feel that they are justified to get monetary incentives like profit sharing because they have put extra effort on work while the humanityaspect means that it is important that employees feel that employer is interested in employees, their work and well-being. Different incentives affect different aspects in a different way. Hence, different incentives have different effects on performance and job satisfaction like it was posited. It has been found that the level of productivity can also be increased through developing a conducive working environment in the organization.

The basic objective of the study was to measure the impact of profit sharing on productivity of employees of retail companies in Nigeria.

3.5 Macroeconomic Aspects of Profit-Sharing

After the publication of Weitzman's works, e.g. (1983, 1984, 1985, and 1987) and (Weitzman & Kruse, 1990), macroeconomic aspects of profit-sharing gained importance, this emphasized positive effects of share system both at macroeconomic and microeconomic levels.

Weitzman (1983, p. 763) pointed out that "macroeconomic policies are much too aggregative to get at the heart of the stagflation problem" and presented theoretical reasons in support of thesis that stagflation can be effectively addressed by widespread implementation of remuneration system based on profit-sharing. Moreover Weitzman asserted that widespread profit-sharing leads to full employment, see e.g. (Weitzman, 1983, p. 779). Concept of profit-sharing was further developed in a book (Weitzman, 1984) and also in the above mentioned series of articles.

Weitzman (1987) claimed that rational insiders (high-seniority employees) would prefer fixed wage payment to a profit-sharing because under profit-sharing the firm has motivation to hire outsiders and thus lower the pay of insiders. Therefore measures to promote widespread profit- sharing (including subsidies and other public policy actions) are necessary.

Weitzman's articles started an avalanche of theoretical literature dedicated to the analysis of effects of profit-sharing on employment (and other economic variables) and to the comparison of profit-sharing systems to fixed wage systems in various settings (e.g. monopoly, Cournot oligopoly, simple duopoly etc.). Last but not least, Weitzman's theoretical works also had strong impact on real-world policies.

Skeptical about positive impact of profit-sharing and especially about rationality of governmental subsidies in favor of profit-sharing were e.g. Blanchflower and Oswald (1987), Nuti (1987), as well as Estrin, Grout, and Wadhwani (1987). The topic of policy support is central also for articles (Florkowski, 1991), (Kruse, 1994), (Mitchell, 1995) and is often discussed also in works dedicated to the analysis of utilization of profit-sharing in various countries. On the other hand, many other researchers in their articles accepted Weitzman's views. For example Jerger and Michaelis (1999, p. 257) claimed that switch from fixed wage economy to share economy results in lower aggregate unemployment.

Presentation of theoretical models and counter-models here can be continued endlessly, and it would be highly useful to test macroeconomic theories empirically. Unfortunately, empirical evidence of economy-wide implementation of profit-sharing is not readily available because profit-sharing has never been implemented in such extent in any country least of all Nigeria. Even Weitzman's favorite example of economy-wide utilization of profit-sharing in Japan was questioned. For example, widespread utilization of profit-sharing was challenged in Kato and Morishima (2003), who found that profit-sharing plan was implemented only in one of four publicly traded firms (only bonus payment systems with a formal contract stipulating the presence of the profit-shar- ing were taken into account). Another critique of Japan's example gave Wadhwani (1987), who questioned numerous positive effects of profit-sharing including impact on stagflation. A more in-depth analysis of evolution of Japanese remuneration system can be found in Conrad (2010). Anyway, it is possible to say that there are not enough empirical data for reliable tests of conse- quences of widespread profit-sharing. Up-to-date analysis of the reasons why profit-sharing is not more widespread in practice despite the fact that from the theoretical viewpoint it usually has positive or neutral impact on macro-economic indicators is given e.g. in (Jerger & Michaelis, 2011). Another (microeconomic) explanation of relatively weak incidence of profit-sharing is given in Hollander and Lacroix (1986) and is based on a claim that the main obstacle to widespread implementation of profit-sharing consist in reluctance of employers to share information about profits with employees.

3.6 Microeconomic Effects of Profit-Sharing (Microeconomic and Managerial View)

Next to the macroeconomic impacts, profit-sharing has important microeconomic consequences. Generally, there are numerous possible organizational effects of profit-sharing, some of which are positive and some neutral or even negative. Our aim in this chapter is to classify and summarize these effects and related issues.

From the microeconomic viewpoint, the most important areas of research are represented by:

- expected microeconomic effects of profit-sharing and empirical testing of occurrence of these effects,
- key contextual factors (type of workforce covered by profit-sharing plans, interactions of profit-sharing with other managerial techniques and with other forms of rewards for performance, impact of trade unions etc.),
- Identification of various types of profit-sharing,
- Possible drawbacks of profit-sharing and empirical research into their occurrence.

Before proceeding to the analysis of impacts of profit-sharing, it is of extreme importance to notice that possible effects of profit-sharing which sequentially are addressed here andtheir mutual interactionsonly sporadically explicitly mention. At the same time, the awareness of the fact that these effects constitute very complex network and it is often difficult to unambiguously set direction of their causality. Although various possible consequences of profit-sharinggiven here, in individual cases is implementation of profit-sharing usually connected with effort to accomplish specific goals and design of profit- sharing plan should be in accord with those goals.

Matthews (1989, p. 440-443) quipped that motives for profit-sharing may be divided to the business motives, political motives and philanthropic motives. Kruse (1994, p. 440) proposed that while ideological reasons were prevailing in 1800s, current interest is tied to the direct economic benefits.

The effects can also be divided into "final effects" and "intermediate effects". Among final effects can be included improvement in productivity and profitability (or generally in financial performance). Clearly, a question arises why profit-sharing should increase productivity. A straightforward answer is that the rise in productivity is reached by making part of an employees' income dependent on performance and thus motivating them to increase effort. Nevertheless it seems that such an opinion is over simplification.

4. Discussion and Conclusion

In this paper a comprehensive overview of key factors were put forward, which are relevant for successful implementation of profit-sharing plan. It was showed that profit-sharing may serve as a tool for increasing competitiveness (e.g. by increasing cooperation, effort and productivity), but it can be also harmful when incorrectly implemented.

No significant interaction between profit sharing and employee earnings suggests that workplaces with high employee earnings derive no particular productivity advantage from adopting profit sharing. Profit sharing either does seem to have a particular utility in extracting additional productivity from employees possessing high human capital, or such workers are able to appropriate in their earnings any productivity gains that ensue from profit sharing adoption ("rent sharing"). However, it may be that profit sharing is beneficial to establishments with costly human capital in ways that don't affect worker productivity growth, but are nonetheless beneficial to the establishment, such as allowing the firm to maintain high employee earnings while gaining a greater degree of pay flexibility. The single most important issue is probably the one known as "free-riding". Shortly, free-riding emerges because under profit-sharing an employee bears the full cost of their effort but gets 1/n (where n is number of employees under profit-sharing) of the benefit and therefore the employee may be tempted to shirk under such a scheme and "free-ride".

A potential problem for all types of survey research is the reliability of the data collected as founded here is reliability, known to be a major concern for survey data when it is collected from sources unverified by bodies authorized to legitimize it, as is the case for data obtained in this paper.

Finally, profit-sharing exposes workers to a significant amount of income risk; unions that agree to profit-sharing are likely to want some control of the workplace; it seems undesirable to encourage workers to invest financial capital in their own firms' shares, because their human capital is already tied up in the enterprise and risk averse workers prefer a diversified portfolio. It is difficult to fully deny these objections, nevertheless it is obvious that mentioned issues may be solved e.g. by an appropriate design of profit-sharing plan or by implementation of participative management style.

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