

UNIVERSITY OF TARTU

Faculty of Social Science

Faculty of Economics and Business Administration

Argo Iin and Kristiina Soovik

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS'
CHARACTERISTICS AND EMPLOYEE OUTCOMES: THE STUDY OF SELECTED
MANUFACTURING COMPANIES IN ESTONIA

Master's thesis

Supervisor: associate professor Krista Jaakson

Tartu 2024

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

We have written this master's thesis independently. All viewpoints of other authors, literary sources, and data from elsewhere used for writing this paper have been referenced.

.....

(authors signature)

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Abstract

This master's thesis identified how employee stock ownership plans (ESOP) in the Estonian manufacturing sector are connected with employee outcomes, such as employee turnover intention, innovation, behaviour and development. It also explored the main characteristics of ESOP in selected companies. Throughout the study, the authors conducted 16 semi-structured interviews with employees of five selected manufacturing companies in Estonia who were utilising the stock ownership plans, as well as representatives from these companies. The study concluded that the terms and conditions of the ESOP play a crucial role in plan implementation and in employees' decisions to participate in the plan, but the connection between the ESOP and employee outcomes is not significant. However, the study revealed that the stock ownership plan can positively enhance the financial literacy of participating employees. The authors suggested that there is a need for further research on the reasons why companies stop using ESOP and the correlation between ESOP and financial literacy.

Keywords: employee stock ownership plans (ESOP), turnover intention, innovation, behaviour and development

CERCS: S180, S190

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Table of contents

Introduction.....	5
1. Literature review.....	7
1.1. Characteristics of employee stock ownership plans.....	7
1.2. Employee stock ownership plans effects on employee outcomes.....	12
2. Data and methodology.....	18
2.1. Data.....	18
2.2. Methodology.....	19
3. Results of the empirical study.....	21
3.1. Goals of employee stock ownership plan and terms for plan implementation and participation.....	21
3.2. Employee stock ownership plan connection with employee's turnover intention.....	27
3.3. Employee stock ownership plan connection with work-force development and work-behaviour.....	29
3.4. Discussion.....	32
Conclusion.....	34
References.....	36
Appendix 1.....	42
Appendix 2.....	43
Appendix 3.....	44
Appendix 4.....	45
Appendix 5.....	46
Kokkuvõte.....	47

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Introduction

The granting of shares and stock options to company executives has been a widespread practice for decades. Since the late 1990s, there has been a rapid increase in the number of companies offering a broader stock ownership plan (Freeman, 2007), offering options and shares to key employees, the rest of the workforce, and executives. Greater public awareness about employee stock ownership arose in Estonia in 2005, when the world-famous company eBay bought the internet phone company Skype, for which more than 100 people also worked in Estonia. All the early employees had stock options as part of their motivation package, and many of them became millionaires as a result of the company's sale (Günter, 2005). Since then, stock ownership plans as a part of employee's motivation package have been used by many start-ups and IT companies, but not so much by companies operating outside the IT sector.

Multiple long-term studies have been carried out over several decades, examining various facets of employee stock ownership plans (ESOP): the company's performance and financial effects, employees' productivity and motivation, job satisfaction, pros and cons of ESOP, etc. (Fang, Nofsinger & Quan, 2015; Freeman, 2007; Hochberg & Lindsey, 2010; PEPPER V Report, 2024; Rosen, Case & Staubus, 2005), and Mehran & Tracy (2001) found that ownership plans have become an important part of the motivation package of companies.

Further, ESOP has the potential to address issues like employee absenteeism, turnover, and the retention of key employees. Especially in micro- and small companies, it helps to solve problems such as labour turnover, business funding, and the succession and retention of key employees. (PEPPER V Report, 2024)

Ownership plans also have their downsides. To tie employees to one company for years, as if it were a compulsion. The value of the stock may not increase in the long run, and therefore the ownership plan opportunity may not be successful at all.

In the USA, many different studies have been conducted on ESOP related topics (Lazear, 2003; Mehran & Tracy, 2001; Oyer, 2000; Oyer et al., 2004; Oyer & Schaefer, 2004), but less research has been done in European countries (PEPPER V Report, 2024; van Erp, 2017) and Asia (Sun & Liu, 2023). In Estonia, the effect of employee stock ownership plan has been studied very little. It is surprising, as studies conducted in the USA, Europe, and Asia show the benefits of ESOP for a company's performance. There are few management studies where some questions have been asked about options' plans (Vadi,

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Raun, Õunapuu & Jaakson, 2021), and some research about profit sharing and employee ownership has been done (Eamets, Mygind & Spitsa, 2008; Jaakson & Kallaste, 2016).

Jaakson & Kallaste (2016) found, that the two most important reasons for using an employee ownership plan are employee satisfaction and employee-management goal alignment. Previous studies on ESOP have shown that employees who have the opportunity to acquire company shares through the employee stock ownership plan are motivated to work intensively for a longer period of time, have a willingness for hard work, have increased loyalty (Kruse, Freeman & Blasi, 2010) and are more interested in acquiring company-specific skills for self-development (Kruse, 2022). The potential signal of stock ownership plans helps engage both employees and companies in training and development plans (Pendleton & Robinson, 2011). Since according to Estonian laws, the duration of the stock option plan must be at least 3 years to receive tax exemption, it affects the employee's long-term commitment to work in the company and thus also reduces labour turnover.

The authors chose several manufacturing enterprises in Estonia to assess the influence of the ownership arrangement. The manufacturing sector occupies nearly 20% of the labour force in the market, as reported by Statistics Estonia (2023). This is why researchers are investigating the ownership strategies of the driving force behind Estonia's economic growth.

The aim of the master's thesis is to explore connection between employee stock ownership plans' characteristics and employee outcomes in selected Estonian manufacturing companies. The study focuses on the characteristics of ESOP, including their goals and terms. It examines how ESOP impact employee outcomes such as turnover intention, work behaviour, and self-development. Specifically, the research explores how the implementation of ESOP can motivate employees to remain with the company, enhance their work performance, and promote ongoing professional development.

To identify evidence of the connection between employee stock ownership plans and employee outcomes, the research has focused on the following research tasks:

- to explore the goals and terms of corporate employee stock ownership plans,
- to discuss effects of employee's stock ownership plans on employee turnover intention and work-behaviour based on previous academic studies,
- to compile interviews' questionnaires based on previous academic studies,
- to conduct an empirical study on Estonian manufacturing companies to identify employees' goals for participating in the plan and explain the connections between these goals and employee outcomes,

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

- to analyse and discuss the findings of the study and make conclusions by integrating several theories.

In order to effectively address this topic, the authors thoroughly analysed the research literature about employee stock ownership plans in different countries. The authors assessed both the positive connection of ESOP and the obstacles.

The thesis consists of three main parts, plus an introduction and conclusion. The first part focuses on the literature review and includes an overview of the nature and different variations of employee share ownership plans. The second part brings out the data and methodology of the research and the third part provides a comprehensive overview of the study's results. The authors conduct a qualitative study with interviews among employees and managers. The thesis ends with a conclusive part, which summarizes the key findings and brings out future research directions.

1. Literature review

1.1. Characteristics of employee stock ownership plans

Stock ownership incentive schemes are not homogeneous and can be designed in different ways to achieve various objectives. Commonly employed definitions include broad-based individual majority shareholding, workers' cooperative (collective ownership), employee majority ownership, employee minority ownership, employee stock purchase plan, partnership of small group of employees, etc. In this study, the authors treat all these variations as employee stock ownership plans (ESOP) and rely on Ismiyanti & Mahadwartha (2017) definition that Employee Stock Ownership Plan (ESOP) is a plan of share ownership by employees on shares of companies where employees are employed.

Hundreds of companies in the United States, including such giants as the United States Steel Corporation, the American Telephone and Telegraph Company, and the General Motors Corporation, already used employee stock options almost 100 years ago. In 1928, it was estimated that about 1% of the stock holdings of American corporations were held by employees. (Foradham, 1929)

The employee stock ownership plan as it is known today dates back to 1956, when San Francisco economist and lawyer Louis O. Kelso created the first ESOP to make a transition from the two founders of Peninsula Newspapers Inc. to the company's managers and employees (Menke & Buxton, 2010). In 1958 he released "Capitalist Manifesto" book

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

co-authored with the philosopher Mortimer J. Adler, in which they outlined the social, economic, and political benefits of broad-based employee ownership (Freeman, 2007).

The different types of employee ownership are possible to define in terms of three types of ownership: the right to control, the right to profit, and the right to capital growth (Mygind & Poulsen, 2021). To gain more control and decision-making rights in the company, or to receive financial benefits from the company's financial results (French, 1987). Most employee ownership types do not grant employees control over the company, but the plan's strength lies in the better information rights of shareholders compared to ordinary employees (Pendleton & Robinson, 2011). Table 1 provides more details regarding the various ownership plans.

Table 1. Different types of employee ownership

Type of employee ownership	Right to...		
	control	profit	capital growth
Broad individual majority stake	Yes	Yes	Yes
Worker cooperatives (collective ownership)	Yes	Yes	Limited
ESOP with democratic majority ownership	Partially	Yes	Yes
Partial employee ownership / ESOP	Limited	Partially	Partially
Partnership of small group of employees	Partially	Partially	Partially
Profit sharing	No	Partially	No
Employees in the company board	Partially	No	No
Employee funds (economic democracy model)	Centralized	Across firms	Across firms
Pension funds	Often via unions		

Source: compiled by the authors based on Mygind and Poulsen (2021)

Prior studies examined the most used stock ownership plans, and three primary models were emphasised: the employee cooperative, the Employee Ownership Trust (EOT) originating from the United Kingdom, and the Employee Stock Ownership Plan (ESOP) originating from the United States. The execution of the models is contingent upon the regulations of various nations and the subjective decisions made inside each individual organisation, whereas different types of programs also have different fulfilment terms, such as the price and period for option vesting, the target group for the ESOP, the duration of the programme, etc. (Mackin, 2023; Mygind, 2023)

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

The relationship between an ESOP and an employee's perception of it can sometimes be complex. It may involve a variety of factors that influence how employees perceive and interact with the ESOP. These factors could include the ESOP design and implementation, organisational culture, communication about the ESOP, employee perceptions of fairness and trust, the overall financial health of the company, and individual employee motivations.

During 1998–99, the American Compensation Association carried out a salary survey and found that about 94% of companies offered stock options to their executives, but only 19% of firms offered this possibility to non-executive employees (Lazear, 2003).

Nevertheless, various studies have found positive effects of ESOP on corporate innovation (Chang, Fu, Low & Zhang, 2014), company's performance (Blasi, Freeman, Kruse, 2016), equity return (Blasi et al., 2016; Fang et al., 2015), teamwork (Hochberg & Lindsey, 2010), employee's turnover (Blasi et al., 2016; Kruse et al., 2010), and even corporate environmental performance (Sun & Liu, 2023).

In addition to advantages, stock ownership plans also contain several disadvantages. First disadvantage from the employee's point of view is the increased level of risk since ownership and employee participation in the company shift the risk from capital to labour. People invest both their working time and financial capital in the same company under the ownership plan and thus become particularly dependent on their employer and its performance (Lazear, 2003), as the stock value may also go downward, causing a loss to the stake owners (Pendleton & Robinson, 2011). A major role in the company's share price is played not only by internal factors that can be influenced by employees themselves but also by external factors such as macroeconomic trends and management decisions, which also puts employees participating in the ownership plan at greater risk (Freeman, 2007).

Companies may have several different reasons for implementing stock ownership plans, but the main keyword is to improve the company's performance. Academic studies by Kedia & Mozumdar (2002) and Oyer & Schaefer (2004) confirm that, in addition to employee productivity, a decrease in labour turnover also has a positive effect on company performance. It is widely believed that granting employees a part of ownership in the company where they are working is beneficial not only for the companies but also for the employees (Rosen et al., 2005). With the ownership plan, companies want to give employees an additional incentive to stay with the company for a longer period, and sharing ownership plans can create employee commitment to the company and help engage employees (Pendleton & Robinson, 2011).

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

The idea of employee ownership is simple: employees who own a stake in the company are likely to be more loyal, work smarter, and put in more effort, thereby creating greater value for the organisation (Gilmore, 2022). Ownership enhances the employee's organisational identity and creates a perception of greater contributions to the company's success, which stimulates employees with shares to take actions that can affect the value of the company and thus the value of their share (French, 1987).

Each share granted during the working period will provide a different source of premium, unlike other forms of salary premiums such as annual bonuses or cash profit sharing. If, in the medium and long term, share prices rise more than inflation, the value of the shares will also accumulate. In this respect, employee stock plans can have more potential than other salary-related premiums. Regular allocations of shares will therefore lead to an income bonus that can sharply rise during employment. Furthermore, some companies link annual share allocations to wage levels or seniority, thereby strengthening the rise in wage premiums from stock ownership. (Pendleton & Robinson, 2011)

It is often believed that stock ownership plans replace or reduce other cash bonuses for employees, which, according to research, is not true. According to (Fang et al., 2015), ESOP did not substitute other cash bonuses, but cash compensations increased after adopting the stock ownership plans.

Economic theories point to the fact that although the interests of shareholders and employees may differ, their information is imperfect and asymmetric, ESOP can have a positive effect on the company's results because it reduces the conflicts of interest between employees and shareholders (Richter & Schrader, 2017) and also allows employees to participate more in decision making process and thereby create more positive company culture, information sharing and company's financial results (Blasi et al. 2016), while Zhou et al. (2022) found, that by providing employees with internal psychological incentives and external economic incentives, can improve company's CSR performance.

If the shares distributed in the stock ownership plan also have the right to vote in the company's management decisions, then this entails the risk that a non-executive employee is primarily concerned about the present and future cash flows. However, this can inhibit the company's development and is therefore not in the interest of all shareholders. Especially in large companies with many employee shareholders, there is often a heterogeneity of employee interests, like job security, wages, time preference, risk attitudes, working conditions, etc. (Dow & Putterman, 2000), which causes friction in decision-making

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

processes, which can lead to collective decision-making costs. These arguments are not as important at low ESOP levels because employee involvement in important decisions is relatively limited in such situations, but they become more important as the ESOP level increases. (Richter & Schrader, 2017)

Several studies by Paul Oyer (Oyer, 2000; Oyer et al., 2004) show that the expected motivational effects are small, and in his research, he has called stock ownership “incentives with no incentive effects” (Oyer & Schaefer, 2004). They argue that, unlike executives, such incentives are motivating for employees only in very limited cases, since a single employee usually cannot have a sufficient impact on the company's performance.

In addition, in his study, Oyer (2000) points out the so-called "free rider" problem, which considerably weakens or even outweighs the beneficial effect of the ownership plan and Kruse (2022) agreed that in all group incentives, “free-riding” is indisputably one of the most important one. "Fundamentalists" are employees who benefit from the ownership plan without putting in any additional effort, while other employees' efforts increase so that the company's performance and value increase. In the case of a large number of shareholders, the received part of the total compensation can weaken the employee's motivation to increase individual performance since the ratio of the contribution given to the income received seems insufficient. If many employee shareholders experience this effect, it may restrict the growth of the created value. (Richter & Schrader, 2017)

Ding & Sun (2001) found in their study that the problem of "free riders" increases as the company grows, since many employees participate in the ownership plan and their participation in the entire company is very small, and thus the impact of their activities on the value of the company and the share price is also small. However, various studies have proven that the “free-rider” problem is solved by increased mutual control in employee-owned companies, which results from employees' greater identification with their company, and this leads to a greater tendency to control the efforts of other employees (Blasi et al., 2008; Bryson & Freeman, 2019; Freeman et al., 2008; Kruse et al., 2010). This, in turn, leads to the fact that in these companies the need for middle managers is usually smaller, as they do not need a management layer that primarily deals with control tasks (Fakhfakh, Pérotin & Gago, 2012).

The employee stock ownership plan is an effective method for fostering employee ownership and effectively implementing the corporate culture of employee ownership. The research on employee ownership emphasised the crucial significance of management's

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

philosophical dedication to financial involvement and extrinsic incentives. Companies can demonstrate their dedication to fostering employee ownership through an ESOP by providing financial incentives to their employees. Experts have identified several incentives that influence employees' engagement, including leveraged funds, share price discounts, inflow origins, and payment facilities. (Aubert, 2008) According to Benartzi (2001), these actions yield the "endorsement" effect, where employees perceive the company's financial contribution as an implicit recommendation to purchase shares in the company.

The European Commission is advocating for the development of comprehensive policy recommendations to promote employee ownership and encourage EU initiatives within EU enterprises, aiming to support long-term employment and worker involvement. (PEPPER V Report, 2024). Cooperation increases trust and reduces the cost of negotiations related to human labour. Since front-line employees are process experts in their workplaces, commitment to the company's success encourages their involvement in productivity improvement and makes them more likely to make suggestions to increase productivity. (Richter & Schrader, 2017)

Bryson & Freeman (2019) research indicated that employees who avail themselves of the opportunity to purchase shares at reduced prices demonstrate more work effort, longer working hours, and lower inclinations to quit and rates of absenteeism compared to individuals who are similar in terms of observable characteristics but do not participate in the plan. Despite certain individual impacts attributable to stock ownership plans, the effectiveness of ESOP mostly relies on the synergistic combination of remuneration and labour policies (Kruse et al., 2010).

Without supportive workplace policies, employees with stock ownership may potentially experience reduced satisfaction and an increased intention to leave the organisation. In such cases, particularly where there has been a deterioration in fixed compensation and other terms, the implementation of employee ownership can be perceived as an endeavour to transfer financial risk onto the workers rather than to empower them. (Kruse, 2022)

1.2. Employee stock ownership plans effects on employee outcomes

Despite certain beliefs that employee ownership and stock options are better suitable for service organisations, as finance and banking, startups and tech companies, they are really rather common in the manufacturing sector. It is more prevalent in such organisations, in occupations where it is more observable to assess the performance of other employees, and in

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

occupations that entail teamwork, minimal supervision, employee participation, employer-funded training, and job stability. (Freeman et al., 2008)

The most comprehensive international survey on commitment, Gallup Q12, highlighted that every third employee (34%) in Europe keeps an eye on or is actively seeking a new job (Gallup, 2023). McKinsey also reached a similar result in 2022; they found that 40% of employees worldwide might leave their job in the near future (De Smet, Dowling, Hancock, & Schaninger, 2022). Understanding whether, when, and how the employee stock ownership plan affects employee motivation, work behaviour, self-development, and loyalty helps company managers decide whether to implement a stock ownership plan in their company. Gallup Q12, pointed out that on average, 23% of employees are professionally committed, while in Estonia this figure is 25% (Gallup, 2023). The survey also reveals that managers are more stable, which is not surprising, as leaders typically have a higher sense of responsibility towards the company and teams and could be connected to longer-term goals (Gallup, 2023).

Since the option plan usually has a defined exercise period and usually the employee loses the right to acquire shares when leaving the company, it is considered a form of deferred reward, and the loss when the employee leaves is greater than in the case of regular cash rewards (Oyer & Schaefer, 2004). Oyer & Schaefer (2004) also found in their research that the ownership plan can contribute to the reduction of employee turnover.

If labour turnover reflects the past, then turnover intention indicates a potential possibility that the employee will depart in the future. The question to workers on their intent to stay with the firm is forward-looking and subjective, while the company-level measure of voluntary turnover is backward-looking and objective (Blasi et al., 2016). Gallup (2023) has defined employee engagement as the involvement and enthusiasm of employees in their work and workplace.

The authors of the thesis assert that Lestari & Margaretha (2021:166) definition most accurately characterizes the essence and substance of this study: “The desire to leave from organization called as turnover intention (TOI) that defined as the desire to move or leave of employees from their organization with reason to get a better job.” Some of TOI's definitions are provided in the following Table 2.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Table 2. Definitions of turnover intention

Author	Definition
Tett & Meyer (1993:262)	“Turnover intention was conceived to be a conscious and deliberate willfulness to leave the organization.”
Lestari & Margaretha (2021:166)	“The desire to leave from organization called as turnover intention (TOI) that defined as the desire to move or leave of employees from their organization with reason to get a better job.”
Ngamkroekjoti et al. (2012:121)	“Turnover intention revealed the likelihood of leaving the current job by an employee.”
Lazzari et al. (2022:279)	“Turnover intention, which is an employee’s reported willingness to leave the organization within a defined period of time, is considered the best predictor of actual employee turnover.”

Source: compiled by the authors

Employee turnover intention is a significant concern for many companies, including those in the manufacturing sector. Minimising the rate at which employees leave the company and the subsequent expenses associated with turnover can enhance the overall performance of the organisation (Oyer & Schaefer, 2004; van Erp, 2017). Aside from the price associated with replacements (staffing, vacancies, and training), there are additional hidden expenses, including decreased productivity, workplace safety concerns, and a negative impact on morale (O’Connel & Kung, 2007). O’Connel & Kung (2007) computed the expenses associated with replacing employees in various industries. Their analysis reveals that in 2005, the average cost of replacing an employee in the manufacturing sector amounted to almost \$15,000. Furthermore, Kedia & Mozumdar (2002) and Oyer (2000) discovered that stock ownership compensation increases in situations where staff turnover is expensive, highlighting the significance of employee retention for the organisation.

In an employee role, workers seek to secure the most favourable job by transitioning to another company that provides a greater wage and working conditions that are in line with their preferences. Within the employee-owned company, the employee has the option to utilise their voice to modify the working conditions in accordance with their preferences. This results in reduced employment mobility and decreased turnover rates, thereby enhancing the mutual inclination of both the employee and the organisation towards internal training plans focused on acquiring company-specific skills. (Mygind & Poulsen, 2021) Blasi et al. (2016) believed that broad-based employee ownership, profit sharing, and stock ownership help the best firms do even better. These circumstances are particularly significant for manufacturing

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

enterprises, given that it is a sector that demands a substantial amount of manpower (Statistics Estonia (a), 2023) and faces intense rivalry for labour.

Since employees who have ownership rights in the company have the right to receive a share of the company's income it increases the motivation of employees to work hard, stay longer in the company, increase the motivation, and raises company's return of equity (Blasi et al., 2016). These arguments support the behavioural view that participation in ownership creates a sense of commitment and a greater sense of responsibility and loyalty towards the firm. The stability of employees in turn facilitates investment in human capital and into valuable company-specific skills (Kruse, 2022) thereby improving the company's performance (Pendleton & Robinson, 2011; Robinson & Zhang, 2005).

Innovation has emerged as an important strategy for competitiveness and long-term growth (Chang et al., 2014). Large companies, such as Google and Cisco Systems, Inc., affirm ESOP's positive effect on corporate innovation." Employee stock options fuel innovation and the entrepreneurial spirit," stated Cisco in January 2005. And Google declared in 2010:" Our commitment to innovation depends on everyone being comfortable sharing ideas and opinions. Every employee is a hands-on contributor, and everyone wears several hats." (Chang et al., 2014) Implementing ESOP presents a favourable chance to foster innovation also within Estonian manufacturing enterprises. Various analyses also demonstrate that expenditures on research and development (R&D) in the Estonian manufacturing sector have increased. If in 2022 institutes and enterprises invested 641.74 million euros in R&D, then the year before this number was 16,48% less (Statistics Estonia, 2024).

The objective of innovation is to generate value and attain a competitive edge, thereby promoting the enterprise's progress and enhancing productivity while also contributing to economic expansion (Cheng, Ji, & Chen, 2023; Drucker, 1998). As innovation requires risk-taking actions (Holmstrom, 1989), tolerance for early failure, and rewards for long-term achievement (Manso, 2011), stock ownership plans for non-executive employees can have a positive effect on corporate innovation (Chang et al., 2014).

Share plans offer two distinct benefits from an employer's point of view. Share plans have the potential to create a sense of shared interests between employees and employers, which can increase employees' commitment to their job and also make employees more likely to participate in employer training programs. Encouraging employees to identify with the

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

company may discourage them from taking advantage of the power they have acquired via training to extract excessive profits. (Pendleton & Robinson, 2011)

Employee engagement and participation in company matters are positively correlated with increased attachment, loyalty, and work ethic, decreased attrition rates, and suggestions for innovations from employees regarding the diligence and involvement of colleagues. Enhanced employee motivation can result in several forms of employee behaviour that enhance productivity, and these impacts can mutually reinforce each other. However, there may also be elements that modify or alter the situation. When employees hold only minority roles and the majority ownership is held by external capital or a smaller group of partners, typical behaviour is expected to occur in both the short and long term, according to theory. (Mygind & Poulsen, 2021)

The objective of an ESOP is to leverage the employees' drive to contribute to the success of the firm and facilitate the equitable distribution of the company's achievements among all employees. This statement acknowledges that ownership schemes typically incentivize future behaviour and seek to promote a strong sense of dedication and alignment with the company (Pérotin & Robinson, 2002).

According to Mygind & Poulsen (2021), companies which are using deeper and broader ESOPs utilise the employees' potential with regards to:

- Innovation – employees generate ideas to enhance products and streamline production processes.
- Development of human capital directly tied to the specific company – increased emphasis on ongoing training.

Cheng et al. (2023) and Kruse et al. (2010) found that companies with ESOPs had a greater commitment to investing in innovation compared to companies without ESOPs, suggesting that implementing ESOPs could boost innovation investment in enterprises. From the article by Renz & Posthuma (2021), the authors identified four significant underlying mechanisms between ESOP and innovation:

- ESOPs have the ability to foster a feeling of ownership and synchronisation among employees, ensuring their alignment with the company's prosperity. When employees have a vested interest in the organisation, they are likely to be more motivated to actively contribute their ideas and efforts towards fostering innovation.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

- By promoting a shared ownership culture, ESOPs can improve teamwork and collaboration among employees. This collaborative environment can be conducive to generating and implementing innovative ideas.
- ESOPs can be a valuable tool for attracting and retaining talented individuals. A talented workforce is often a key driver of innovation, as innovative ideas often come from skilled and experienced individuals. Training and development practices aim to enhance the human capital of managers and employees. During training, the emphasis is on job-specific information, skills, and talents, while development aims to foster personal growth and readiness for future employment prospects.
- ESOPs often encourage a long-term perspective among employees, as the value of their shares is tied to the company's overall performance over time. This focus on the future can lead to investments in research and development (van Erp, 2017). This long-term perspective may lead employees to take calculated risks that could benefit the company in the long run rather than focusing solely on short-term gains. However, it can also be the other way around, and the owner's feelings may prefer stability, and these employees are more risk-averse and have less commitment to innovation (Gamble et al., 2000).

Van Erp's (2017) study examined the factors and impacts of the stock ownership plan on company performance across various sectors. The study revealed that the effects of the ESOP on manufacturing companies were comparable to those in sectors such as transport, wholesale, finance, and the service sector.

In summary, the literature indicates that stock ownership plans have numerous positive attributes as well as a few negative ones. Appendix 1 and Appendix 2 contain tables with theoretical approaches to the effects of employee stock ownership plans. In this study, the authors selected previously understudied subjects as the focus of their research.

In the empirical part, the authors examine the objectives of the organisation in implementing the ownership plan and the employees' goals in participating in the plan. In addition, authors examine the terms of the ownership plans implemented by different companies and whether employees who participate in the stock ownership plan demonstrate a lower level of turnover intention and a stronger willingness to innovate and engage in self-improvement.

2. Data and methodology

In this chapter, the authors provide an overview of the data and chosen methods in the empirical part and the research process. The study is conducted using a qualitative research approach, during which both employers and employees from selected Estonian manufacturing companies are interviewed based on a confidential, semi-structured interview plan. The authors believe that the presented qualitative research approach helps them to open the issue more with the interviewees and, in addition to particular questions, to go deeper into the topic with clarifying questions as needed. To avoid bias in the results, both those who have joined the stock ownership plan and those who have not are interviewed.

As the influence of ownership plans has not been researched from this perspective in Estonia, this study can provide the required insight into the various terms used in implementing ownership plans and how turnover intention, development, and work-behaviour in the company can be formed through the implementation of the ESOP.

2.1. Data

According to Statistics Estonia, in the last 10 years, the number of companies in the manufacturing sector in Estonia has been constantly increasing, and in 2022 it was 9435, whereas in 2012 there were almost half as many companies in the manufacturing sector, 5927, occupying nearly a fifth of the workforce on the labour market (Statistics Estonia, 2023). This is the reason why authors are studying the ownership plans of the engine of Estonian economic growth—the manufacturing sector. According to the authors, previous works have also been written on the topic of ESOP, but they have not focused on manufacturing companies.

The authors gathered data from the internet and public databases to identify companies that use employee stock ownership plans. They also used their network of acquaintances on social media to pose questions about suitable manufacturing companies. Considering the workload, the goal was to study 5–7 organisations to guarantee a representative sample.

The next step was to create a selection of companies and employees for the interviews. As mentioned above, the authors were interested in manufacturing sector companies that have more than 100 people and have implemented employee stock ownership plans. Table 3 presents a comprehensive summary of the sectors of activity and the magnitude of enterprises in relation to both their workforce and revenue.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Table 3. Selected companies in the manufacturing sector

Company	Area of activity	Sales revenue 2022	Operating profit (loss) 2022	Number of employees	Country of origin	Year of establishment
ABB Aktiaselts	Manufacture of electric motors, generators and transformers. Repair of electrical equipment. Wholesale of other machinery and equipment. Other business support service activities n.e.c.	132 962 000 €	1 989 000 €	789	Switzerland	1996
Cleveron AS	The main activities are the development, production, global sales, and maintenance of parcel lockers and robots.	25 968 553 €	-1 811 547 €	142	Estonia	2006
Ericsson Eesti AS	Manufacture of communication equipment. Wholesale of electronic and telecommunications equipment and parts.	516 474 000 €	12 235 000 €	1804	Sweden	1995
AS Harju Elekter	Manufacture of electricity distribution and control apparatus. Wholesale of electrical material and their requisites and electrical machines, inc cables	47 784 000 €	-55 000 €	302	Estonia	2005
Saint-Gobain Glass Estonia SE	Shaping and processing of flat glass. Car washing and other services. Other personal service activities n.e.c.	45 614 000 €	6 752 000 €	301	France	1996

Source: compiled by the authors, using data from Estonian Business Register

The interviewee pool includes 16 employees and representatives from five different Estonian manufacturing companies. Seven of the interviewees were men, and nine were women. The average age of female employees was 45, while the average age of male employees was 35. The youngest interviewee was 28, and the oldest was 50. Average length of service in the company is eight years. The interviewees were people from different professional positions. 10 of the interviewees have participated in the ownership plan, while the remaining six have not. The average age of ESOP participant was 42. Selection of interviewees and details of the interviews are in the Appendix 3.

2.2. Methodology

To fulfil the established objectives, the authors prepared an interview questionnaire and conducted semi-structured interviews with managers and employees of selected companies using stock ownership plans. In the second and third subsections of the empirical part, the authors analyse the obtained research results, compare them with theoretical approaches, and present the conclusions.

The first step of the work involved theoretically treating the themes, and the interview questions were developed based on the most relevant topic blocks that emerged from it. After theoretical research the authors chose to focus on the empirical section, on three features of ESOP:

- ESOP- terms and objectives for plan implementation and participation criteria

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

- Employees turnover intention
- Employee's and company's developments and work-behaviour.

Themes and sub-themes of interviews were developed based on theory to construct interview questions. The questionnaire is divided into two blocks: one block of questions for the employers to find out the terms of the ownership plan, goals, target group, and cognitive connection to labour turnover, self-development, and work-behaviour. The other block was for the company's employees, with which the authors wanted to clarify the employees' views on the ownership plan, its connection to their work activities, and turnover intention. Topic blocks and interview questions can be found in Appendix 4 and 5.

The interviews were performed using three distinct methods, based on the preferences or circumstances of the interviewees: through in-person meetings, on the Microsoft Teams platform, and, in the case of one company, even by written correspondence. Face-to-face and Microsoft Teams interviews were documented in audio format, while written interviews were documented in a Word file. The combined duration of the interviews in the audio files was five hours and 48 minutes, and the transcriptions spanned 81 pages (Times New Roman font with a text size of 12 and a line spacing of 1.5). The master's thesis appendices exclude the audio recordings and written transcripts of the interviews to maintain confidentiality. The authors provide quotes from the interviews that are not personalised but are significant for communicating opinions.

The transcription and coding of all interviews were conducted for the purpose of analysis. The acquired outcome was utilised to assess the facts and was subsequently given alongside the findings and the synthesis of theory. The authors transcribed interviews using the Avidnote application.

The coding and content analysis were conducted using the MS Excel software and the Avidnote application. Initially, the transcriptions of the interviews underwent editing. The authors initially identified keywords in each interview to characterise distinct sections. In the subsequent phase of the procedure, the authors compiled the keywords identified in all the interviews into a unified table and conducted an analysis to identify commonalities and distinctions across many categories (Giudici et al., 2018). During the second-order analysis, the authors sought to identify correlations between the categories identified in the interviews and existing theoretical frameworks. The procedure employed a dynamic approach characterised by a "back and forth" principle. Throughout the empirical portion of the study, the authors carefully examined the disparities between the original files and the codes to

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

prevent redundancies and duplication of similar concepts. The authors specifically concentrated on keywords validated in previous studies and those lacking sufficient theoretical support (Gioia et al., 2013). The empirical study process was depicted in Figure 1.

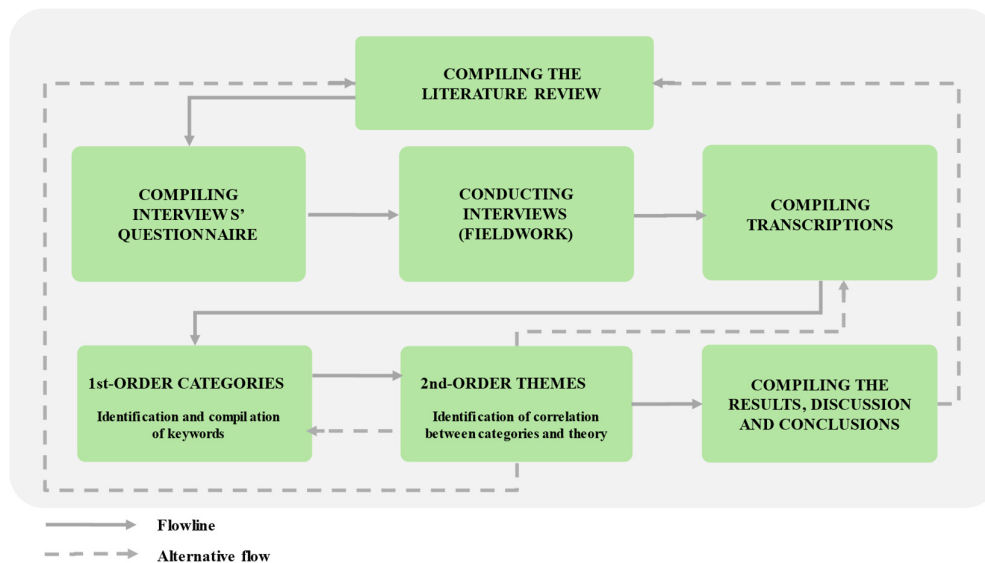


Figure 1. Empirical study process (compiled by the authors)

These categories elucidate the factors influencing individuals' decisions to participate or not participate in the ownership plan, as well as its correlation with employee goals, work-behaviour, self-improvement, and turnover intentions. The interview results were summarised by the authors in subsections 3.1, 3.2, and 3.3. Then they conducted a discussion and conclusions by synthesizing the results of the interview analysis with theory.

3. Results of the empirical study

3.1. Goals of employee stock ownership plan and terms for plan implementation and participation

According to the results of interviews, the terms and conditions of the stock ownership plan emerge as a pivotal determinant in the decision-making process regarding plan participation. At the same time, the summary of employee interviews yielded seven primary categories that exerted an influence on the decision-making process. The summary of interviews yielded seven primary categories that exerted an influence on the decision-making process:

- Share price-related factors,
- Key factors influencing the ownership plan,

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

- ESOP's communication,
- Profit share or involvement and sense of ownership,
- Perception of the ownership plan,
- Saving and preparing for the future,
- Interest in investing.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

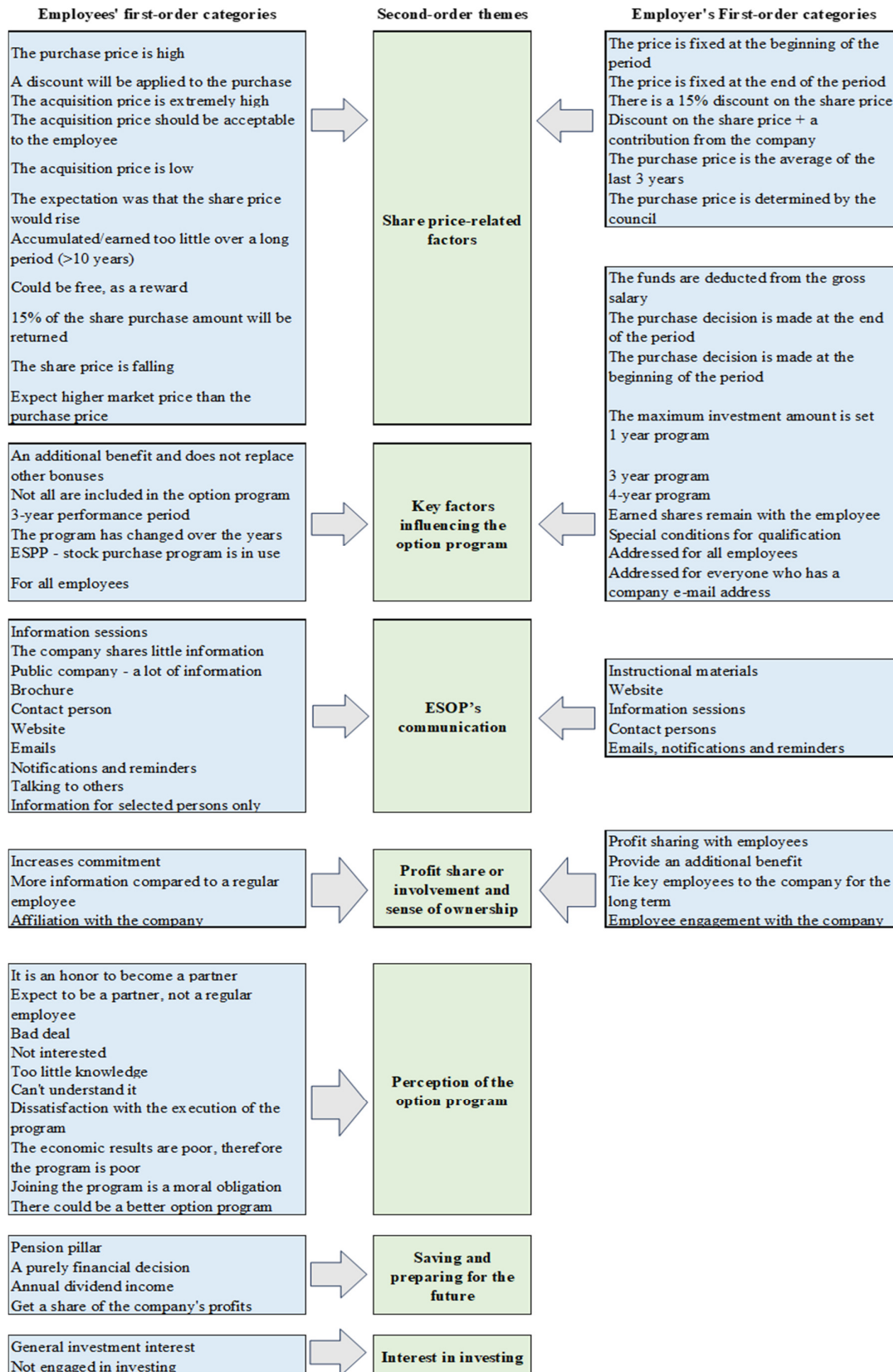


Figure 2. Codes and categories of ESOP's terms and goals (compiled by the authors)

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Share price-related factors. The primary focus of this theme revolves around the factors pertaining to the share's acquisition cost and the terms and conditions provided by the company. Different companies have different methods of determining the purchase price. Exchange companies have them either at the beginning of the subscription period, at the end of the subscription period, or instead as the running average of the entire period. The company council determines the purchase price in non-publicly traded companies. One notable advantage is the potential to purchase the share at a price lower than the existing market value and additionally it was observed that the corporation can provide an additional amount for each euro given by the employee. Providing extra funds motivates the employee to obtain a stake with reduced risk from the company's perspective.

The adverse factors included the elevated unit acquisition cost, the persistent decline in the share price over an extended period, and the inclination to obtain units without charge as a form of loyalty bonus. If the stock market has a prolonged downward trend, the option programme adversely impacts employees who have acquired shares, leading to frustration and negatively affecting their work behaviour. The high vesting price of options in non-listed corporations also generates a pessimistic outlook for stock ownership plan and thereby produces the antithesis of the intended result.

“I know that many companies have it for certain years; you get shares immediately. The thing is, after you complete five years in the company, you get a certain number of shares; maybe one or two are added every year. That it might motivate much more, like staying in one company for a longer period.” (Interview 9)

Regarding the **key factors influencing the share ownership plan**, the employee respondents highlighted the parameters of the ESOP that had varying degrees of influence on their decision to participate in or abstain from the plan. It was noted that the ESOP does not serve as a substitute for any existing bonuses, but it provides an additional opportunity for employees to participate in the company's success.

The target beneficiaries of the share ownership plan and the modifications in terms over time were discussed. Interviews conducted with corporate officials provided a comprehensive understanding of the many structures and conditions associated with ownership plans. These included the plan's tenure, ranging from one year in companies listed on the stock exchange to four years in non-public companies, the time when to make a purchase decision, the target group of the plan, and any special conditions.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

“There are three criteria here. The employee must still be in the building at the time of filling. The vesting period is three years, and at that time, the employee must have a valid employment contract. Then the second is that there are some kinds of conditions, whether financial or other KPI-related, that must be fulfilled year after year. And the third is that the employee pays the agreed amount for them.” (Interview 15)

While conducting interviews with employees yielded a comprehensive study that shed light on the advantages and disadvantages of various plans. The benefits included the straightforwardness of the registration procedure and the program's inclusivity for all employees. On the other hand, the drawbacks encompassed the program's evolving conditions over time and excessively stringent fulfilment requirements.

The authors assert that the terms and circumstances of the ownership plan are the primary factors in the plan's performance and the satisfaction of both employees and the company with its outcomes.

And this leads to the next topic: **ESOP's communication**. When implementing ESOPs, organisations strive to disseminate comprehensive information to employees through several channels. Out of the 16 employee interviewees, only two expressed dissatisfactions with the adequacy and comprehensibility of the company's ESOP information. The remaining 14 were satisfied with the information they received, deeming it adequate, delivered through appropriate channels, and comprehensible.

Both the interviews with employers and employees revealed that organisations allocate significant efforts towards communicating about ESOPs. A wide range of communication methods, including e-mails, brochures, bulletin boards, announcements and reminders, information sessions, and contact persons, are utilised in order to effectively contact every individual within the target audience.

“Yes, in the last year, when this so-called plan came out, there were emails, then there were also so-called introductory meetings, and I think there was also an additional email at the end of the last year or at the beginning of this year, so to speak, /.../ we received an email about this again, and then you can go to a separate SharePoint page and read information about it.” (Interview 10)

Perception of the stock ownership plan. The interviewees exhibited varying attitudes regarding the choice plan. Some interviewees regarded participation in the plan as a matter of prestige or a moral duty or possibility to be a partner, not a regular employee. These were employees, who in interviews also acknowledged that their sense of connection to the

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

firm is strengthened by their participation in the option programme. They also expressed that the company's provision of options or opportunities for stock ownership demonstrates a higher level of concern for the well-being of its employees.

Whereas others expressed dissatisfaction with the plan's parameters, and some were unaware of the plan's terms and the investment processes in general. The primary cause of discontentment was from the unfavourable terms of the stock ownership plan, which did not benefit employees who joined later or the criteria for acquiring new shares for those who were joined earlier.

Simultaneously, there were employees who exhibited a complete lack of interest in the subject matter. Either they lacked interest in getting a share in the company, or they believed that their influence on the company's results was minimal and so they preferred a higher cash incentive based on their own contribution as an employee.

“If such an offer is made and you read the conditions, then it could be like an honour for the employee.” (Interview 7)

Profit share plus involvement and a sense of ownership were the primary goals for firms when implementing stock ownership plans. Companies deemed significant the objectives of distributing earnings among employees and providing additional benefits, in addition to traditional cash incentives.

The goal is to establish a longer-term commitment of important personnel to the organisation, provide them with enhanced access to company-related information, and thus enhance employee dedication and motivation.

“It is the decision of the group's top management that the main objective is employee engagement. /.../ The main goal is the involvement of people and the desire to bind them to the group.” (Interview 13)

When responding to the related questions, the employee interviewees emphasised the same things as important factors while participating in the ownership plan. Five interviewees reported that ESOP provided them with enhanced information regarding the firm's performance, while seven individuals expressed the belief that stocks foster heightened commitment and loyalty to the organisation.

Employees who did not participate in the ESOP believe that owning such a small portion does not create a sense of ownership, and if the share price decreases, there is a possibility of incurring a financial loss instead of earning money.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

This aligns with the employees' aspiration to **save and prepare for the future**. Seven participants in the ownership plan responded to the question, "Why did you decide to participate in the ownership plan?" by stating that they primarily saw it as a financial investment, with the primary expectation of income from the increase in share price and dividends.

"I decided to join based on the fact that it is still necessary to look to the future, specifically to my own retirement age, in order to try... to secure my back a little and spread out and distribute my portfolio." (Interview 2)

Four participants also expressed their perception of it as an additional component of their pension.

When the authors looked for a connection between participation or non-participation in the ownership plan and overall **investment interest or experience**, they could obtain some definitive outcomes. While four out of six people who are not involved in the ownership plan choose not to invest at all, two respondents have made investments in shares outside of their company and the reasons for abstaining from participation in the option programme are primarily attributed to the parameters of the programme, rather than a lack of interest in investment.

"Investing itself is interesting, but I haven't quite gotten around to doing it that way yet. Since it has been made so easy here at work, that is why I have dealt with it here." (Interview 2)

Five out of the 10 participants in the ownership plan, stated that they do not make investments beyond their company's stock ownership plan.

The authors assert that the plan's success heavily depends on the conditions required for the execution of the ESOP. This perspective considers both the employees and the corporation. The key factors are effective communication, a price reduction, and/or financial assistance offered by the corporation for the acquisition of shares. Furthermore, it is crucial that the ESOP does not replace any other bonus offered by the company but is an additional option.

3.2. Employee stock ownership plan connection with employee's turnover intention

As turnover intention refers to the desire to relocate or leave an organisation to find a better job (Lestari & Margaretha, 2021), the authors asked about the employee's **intention to leave**. The authors asked how often an employee thinks about changing jobs or looks at job offers.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Three major categories emerged from the interview responses:

- Motivating factors,
- The impact of the ESOP on turnover intention,
- Professional future plans.

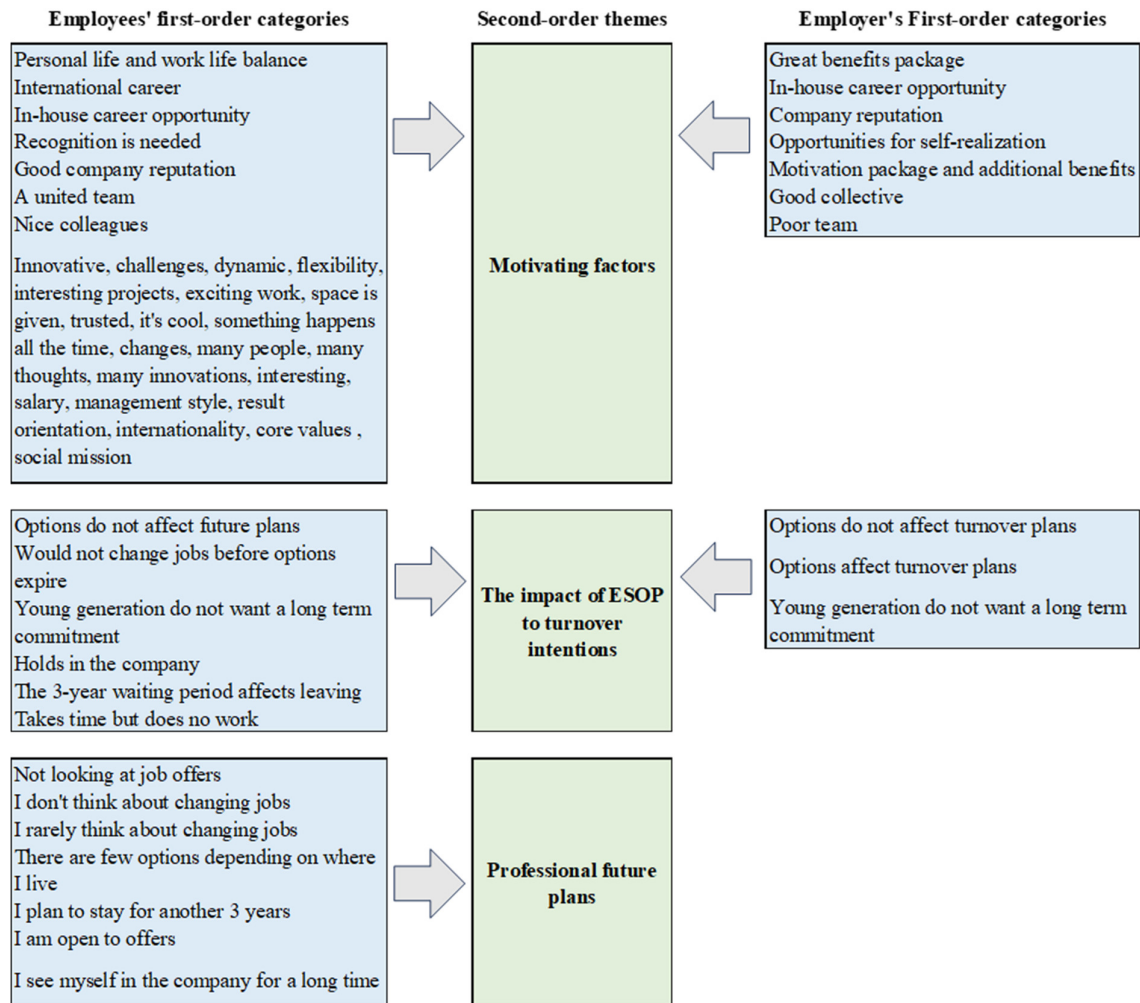


Figure 3. Codes and categories of turnover (compiled by the authors)

Although authors acknowledge that even in the case of confidential interviews, the intention to leave is highly personal and sensitive information, and there is a possibility of dishonest responses. A majority confirmed that they do not look at job offers and only one employee confirmed that he is open to new offers.

In companies where the ownership plan is tied to a specific time period, time is a significant influencing factor in determining whether and when an employee may be open to new challenges. For instance, if the vesting period is three years and the plan continues for

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

another year, it would be sufficient to remain engaged for that period in order to collect earned shares. But in organisations that have implemented a stock purchase programme, the ESOP does not influence employees' plans to leave, as they can keep already bought shares.

"If there is a very short time until the vesting of the stocks here, and this end is very close, then it has influenced the decisions. That's what I know. "I'll still try to make an effort" or "I'll still try to negotiate" so that maybe I can stay that long that I get these shares."

(Interview 15)

The primary factors contributing to the desire to depart were an unfavourable team dynamic, poor working conditions, inadequate compensation, and limited prospects for professional growth and advancement. One reason mentioned for the future intention to leave is the presence of strong employee retention, which should be given the opportunity to develop. The younger generation's lack of desire to commit to a single company for an extended period of time has been observed multiple times, thus making the share option programme unappealing to them.

While the primary drivers for working for the company were interesting and meaningful work, along with a sufficient level of challenges, fair salary, pleasant coworkers, and prospects for personal growth and career opportunities. The ESOP did not factor significantly into the decision to remain in the current position.

3.3. Employee stock ownership plan connection with work-force development and work-behaviour.

The evaluation of employees' work-behaviour was considered challenging for two reasons:

- First, the ownership of stocks is not public information.
- Second, there are too few employees who have joined the ownership plan to draw comparative conclusions.

However, three primary categories have arisen in this subject, effectively summarising the aspects that impact the work-behaviour and developments of both employees and firms:

- New ideas and innovation
- Training-related circumstances
- Impacts of ESOP on work behaviour and development

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

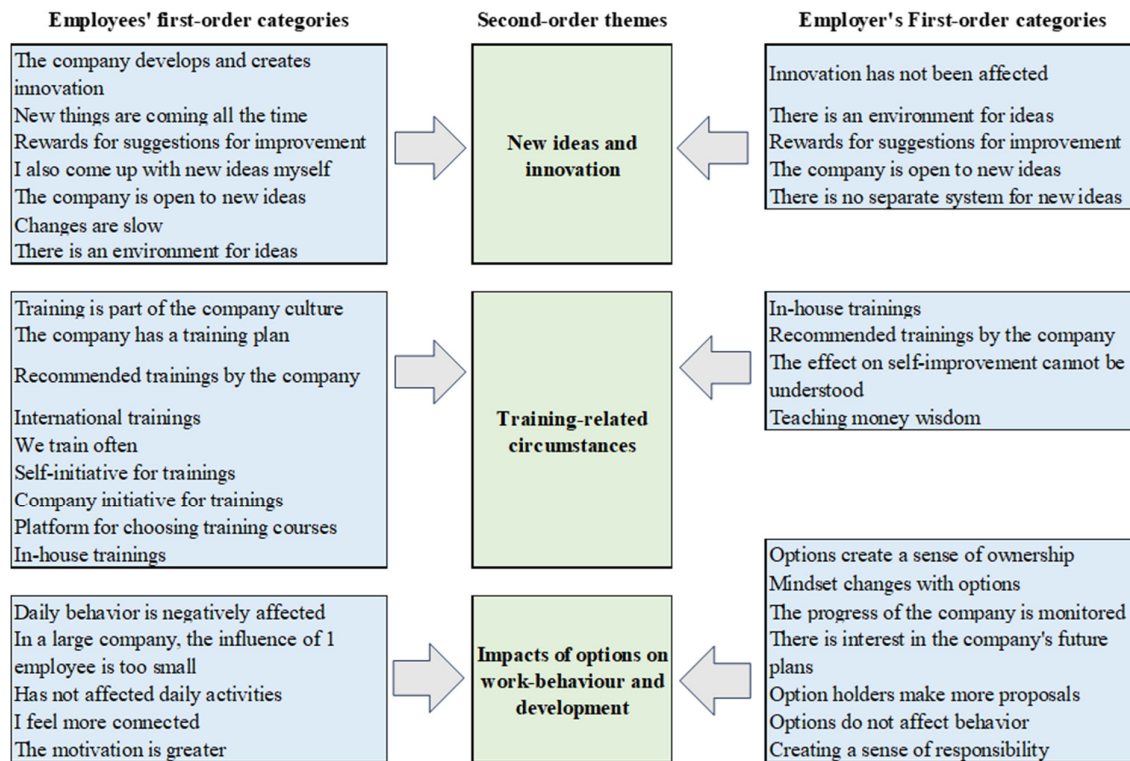


Figure 4. Codes and categories of development and work-behaviour (compiled by the authors)

All the selected interviewees from the manufacturing sector confirmed that **innovation** is of the utmost importance and is dealt with on a daily basis. According to the authors, it is not feasible to link innovation with the ESOP for the organisations mentioned in the study. This is due to the fact that three of these companies operate in high-tech sectors, where innovation is inherent in their DNA. Furthermore, one of the interviewed companies' missions is to develop the most innovative solutions in the world.

"We are certainly very much oriented towards innovation, and in the group, we have eight research and development centres around the world, so that we actually deal with it all the time." (Interview 3)

All the interviewees acknowledged that companies are **open to new ideas, and employees consistently provide improvement suggestions**. Several companies mentioned in this study had a dedicated environment for managing new ideas and proposals. Additionally, one company offered financial incentives for the most successful suggestions that were put into action. However, changes may be slow, depending on the size of the company.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

“Someone once told me, a long-time employee of the company, that our company is like a dinosaur that moves very slowly. He is willing to take your thoughts and new ideas, but you must consider that he goes forward with them very slowly ... And that's it. I have a feeling that because it's so big, well... I won't say very big now, but well, still a big enough corporation that then... You just must come up with your idea at the right time.” (Interview 6)

At the same time, all the interviewees denied any correlation between making proposals and the option programme. This perspective is relevant to both employees and employers.

Employee **self-improvement** is just as important as company development and just as innovation is inherent in the DNA of those companies, staff training is similarly ingrained in the company's culture. Three out of five companies had an annual corporate training plan that encompassed both internal and external training. Employees in all five organisations had the option to select their desired training and have it fully covered by the company in coordination with their manager. Employer-driven initiatives and self-selected training courses typically combine to facilitate employee professional development.

“We have... there are a lot of these opportunities; there are various trainings all the time /.../ I can choose myself; and I also have some kind of mandatory training provided by the company.” (Interview 10)

According to the interviews, employers do not perceive any correlation between involvement in the stock ownership plan and the aspiration for self-improvement. And companies offer both in-house and off-site training to all employees, regardless of their involvement in the stock ownership plan. The influence is primarily determined by an employee's professional aspirations.

However, the authors found that employees who have joined the company's stock ownership plan now have a greater interest in financial literacy and are also educating themselves in this field. In addition, one company stated that they provide annual financial literacy training to their employees.

Most of the participants who had joined the plan stated that the ownership had not **influenced their daily work-behaviour**. Only a few stated that due to ownership, motivation is higher, and they feel a stronger connection with the organisation, as indicated by the theory.

“That is, to say... that now is such a situation, that now I would throw the pen in the corner, that now I am a shareholder, that it does not exist. On the other hand, there is no

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

feeling that I am now trying much harder. I think it's like... kind of a balancing act, isn't it?"

(Interview 7)

According to some interviewed employees, the impact of an individual in large corporations is minimal to the extent that participating in the stock ownership plan does not enhance motivation or dedication. Instead, it subjects the participant's investment in the company's shares to the actions of a huge group of employees.

However, employers identified certain connections between ESOPs and employee views. According to their assertion, participants in the stock ownership plan have a greater sense of ownership and a changed mindset. The personnel engaging in the ESOP shown a heightened curiosity about the company's future intentions, a heightened sense of accountability, and a stronger inclination to provide proactive suggestions.

3.4. Discussion

This study conducted a comprehensive analysis of the influence of ESOP on employee turnover intention, work-behaviour, and development in selected manufacturing companies in Estonia. The research also provided insight into the goals and terms of employee stock ownership plans.

The terms and conditions of the plan play a crucial role in employees' decision-making process regarding plan participation. This is concurrent with the theoretical approach, where Aubert (2008) has emphasised the significance of proper preparation and effective implementation of the ownership plan in his research. Furthermore, the results of this paper indicated that some employees view participation in the plan as a matter of prestige or a moral duty, while others may have dissatisfaction with the plan's parameters or a lack of understanding about the plan's terms. Therefore, it is necessary to acknowledge that terms and goals vary significantly among the companies studied, adopting a sophisticated strategy that is customised to meet the specific requirements and circumstances of each organisation.

Another important aspect identified, whether to join ESOP or not, was the share price-related factors, including the acquisition cost of the share, the terms and conditions provided by the company, and the company's additional financial contribution. It was pointed out by the employees that the discount on the share price for purchasing shares makes participation in the ESOP more attractive and reduces the financial risks linked to their investments. In these aspects, our study contributed to the literature, especially from the company's point of view. The objectives of distributing earnings among employees are deemed important, as the possibility of a sustained rise in the share price and the subsequent receipt of dividends might

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

generate supplementary revenue for employees (Aubert, 2008; Benartzi, 2001; Pendleton & Robinson, 2011). However, it is important to note that a decline in the share price may result in a financial loss.

Furthermore, the ESOP is seen as an additional benefit alongside traditional cash incentives, and it is not intended to replace any existing bonuses; thereby, the plan can provide employees with a sense of financial security for their future. The same conclusion was reached by Fang et al. (2015), who examined the utilisation of ESOP in conjunction with pre-existing financial incentives.

Effective communication about the plan is crucial to ensuring that employees have adequate information and comprehend the plan's benefits and processes. The theoretical literature also emphasized this point. ESOPs communication should be regarded by corporate management as a valuable chance to directly connect with employees regarding company strategy and investment initiatives, and an effective communication policy should integrate multiple forms of support, including the intranet, information sessions, brochures, e-mails, notifications, and reminders (Aubert, 2008). Additionally, it was pointed out that employees want transparency and fairness in the plan's structure to avoid any perceived inequality.

Previous research has highlighted that ESOPs help reduce labour mobility (Fang et al., 2015; Oyer & Schaefer, 2004; Pendleton & Robinson, 2011; PEPPER V Report, 2024). However, based on the results of this study, the authors believe that the stock ownership plan has little impact on employees' intentions to leave. Most employees do not consider leaving the organisation, and the ownership plan does not seem to be a major factor in their decision to stay or leave. There are some influences in the final phase of the plan, which occurs a few months before the share acquisition transaction, but the most significant factors are the employer's other benefits, such as working conditions, colleagues, salary, bonuses, corporate culture, career chances, etc.

In terms of work-behaviour and development, the ESOP does not seem to have a significant impact on employees' daily work-behaviour. While Kruse (2022) found that employees who have joined a company's stock ownership plan are more motivated and interested in professional self-improvement, and companies also want to contribute more to the development of employees who have joined the ownership plan, the authors of this study did not find such a correlation between these two; all interviewees who do not participate in the plans also affirmed their continuous engagement in self-improvement and acknowledged that the company provides possibilities for everyone.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

The topic of “free-riders” discussed in previous research publications (Oyer, 2000; Kruse 2022; Ding & Sun (2001) was not identified in the companies examined in this study. Both employees and employers have seen no reduction in employee effort associated with the employee stock ownership plan.

Based on prior research, stock ownership plans increase employees' organisational identity, create a perception of a greater contribution to the company's success (French, 1987) and create a more positive company culture (Blasi et al., 2016). However, this study found that while some employees may feel a stronger connection to the organisation and have a higher motivation due to the ownership, others do not perceive any major changes in their behaviour.

This study once again confirmed that Estonian companies are increasingly focusing on innovation and self-improvement, and innovation is already an important aspect of the companies studied, regardless of employees' participation in the ownership plan. Therefore, the authors perceived a clear correlation with the data presented by Statistics Estonia, which has highlighted that Estonia is a moderate innovator, and in 2022, the proportion of GDP given to research and development investment was 1,8 % (Statistics Estonia, 2023). Further, last year Estonia achieved the 16th position in the Global Innovation Index (Dutta et al., 2023). Although Renz & Posthuma (2021) identified several connections between ESOP and innovation, in the author's opinion, the stock ownership plan does not seem to be directly linked to innovation or training opportunities, and all the companies that participated in the study deal with innovation on a daily basis.

Conclusion

In conclusion, the previous scientific studies indicates that corporations implemented ESOP with the aim of fostering a sense of ownership among employees, thereby strengthening their commitment to the company. Consequently, there was an increase in employee and company productivity, employee dedication and work behaviour, and corporate financial performance. The rate of employee turnover fell, and there was an enhancement in the company's culture.

However, the actual findings of the current study do not align with the results of all prior studies. The objective of companies in implementing the employee stock ownership plan remains consistent. However, this study did not discover a correlation between employee turnover and enhanced work behaviour resulting from the option plan.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Nevertheless, the authors discovered that the terms and conditions of the ESOP are the primary requirement for achieving the highest level of effectiveness in implementing the plan and attaining all intended objectives. The work-behaviour and intention to leave of employees are primarily influenced by factors such as company culture, colleagues, compensation and incentive structure, and career prospects.

In summary, the goal of an employee stock ownership plan (ESOP) is to establish a sense of ownership and commitment among employees, enhance their motivation and engagement, and provide them with financial benefits. And companies should consider different factors when implementing and managing an ESOP to maximise its effectiveness and achieve the desired outcomes.

It is essential to acknowledge the limitations of our study. Firstly, although there is a potential link between ESOP and development and ESOP and turnover intention, the actual impact can depend on various factors, including the organisational culture, leadership, industry, etc. Secondly, a factor that undoubtedly influenced the results and was difficult to eliminate was the employee's own character traits. That is making it challenging to draw broad conclusions within the chosen organisations.

This study may have some implications for further research; for example, it would be interesting to investigate why companies stop using ESOP. Another question worth exploring, as companies are taking more and more social responsibility towards their employees, is whether ESOP could have a wider impact on employees' financial security in the long term. Last but certainly not least, since the study indicated a higher likelihood of employees with a general interest in investing participating in the plan, it is worthwhile to examine the correlation between ESOP and financial literacy.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

References

1. Aubert, N. (2008). Developing an Ownership Culture with Employee Share Purchase Plans: Evidence from France. *German Journal of Human Resource Research*, 22(2), 130–151. Retrieved from www.Hampp-Verlag.de
2. Benartzi, S. (2001). Excessive Extrapolation and the Allocation of 401(k) Accounts to Company Stock. Source: *The Journal of Finance* (Vol. 56).
3. Blasi, J., Freeman, R., & Kruse, D. (2016). Do Broad-based Employee Ownership, Profit Sharing and Stock Options Help the Best Firms Do Even Better? *British Journal of Industrial Relations*, 54(1), 55–82.
<https://doi.org/10.1111/bjir.12135>
4. Blasi, J. R., Kruse, D. L., & Markowitz, H. M. (2008). Risk and Lack of diversification under employee ownership and shared capitalism. *NBER Working Paper No. 14229*, Retrieved from <http://www.nber.org/papers/w14229>
5. Bryson, A., & Freeman, R. B. (2019). The Role of Employee Stock Purchase Plans — Gift and Incentive? Evidence from a Multinational Corporation. *British Journal of Industrial Relations*, 57(1), 86–106.
<https://doi.org/10.1111/bjir.12420>
6. Chang, X., Fu, K., Low, A., & Zhang, W. (2014). Non-executive employee stock options and corporate innovation. *Journal of Financial Economics* 115 (2015)168–188. <https://doi.org/10.1016/j.jfineco.2014.09.002>
7. Cheng, F., Ji, S., & Chen, Y. (2023). The Contract Design of Employee Stock Ownership Plan and Enterprise Innovation Investment: Evidence from China. *Sustainability (Switzerland)*, 15(3). <https://doi.org/10.3390/su15032601>
8. De Smet, A., Dowling, B., Hancock, B., & Schaninger, B. (2022). The Great Attrition is making hiring harder. Are you searching the right talent pools? *McKinsey Quarterly*, July 2022.
9. Ding, D. K., & Sun, Q. (2001). Causes and effects of employee stock option plans: Evidence from Singapore. *Pacific-Basin Finance Journal*, 9(5), 563–599.
[https://doi.org/https://doi.org/10.1016/S0927-538X\(01\)00027-0](https://doi.org/https://doi.org/10.1016/S0927-538X(01)00027-0)
10. Dow, G. K., & Putterman, L. (2000). Why capital suppliers (usually) hire workers: what we know and what we need to know. *Journal of Economic Behavior & Organization* (Vol. 43).

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

11. Drucker, P. F. (1998). The Discipline of Innovation. *Harvard Business Review* 11-12.1998.
12. Dutta, S., Lanvin, B., León, L. R., & Wunsch-Vincent, S. (2023). Global Innovation Index 2023: Innovation in the face of uncertainty. *WIPO*.
13. Eamets, R., Mygind, N., & Spitsa, N. (2008). The development of employee financial participation in Estonia. *Baltic Journal of Management*, 3(2), 1746–5265. <https://doi.org/10.1108/17465260810875523>
14. Fakhfakh, F., Pérotin, V., & Gago, M. (2012). Productivity, capital, and labor in labormanaged and conventional firms an investigation on French data. *ILR Review*, 65(4), (Vol. 65) October 2012.
15. Fang, H., Nofsinger, J. R., & Quan, J. (2015). The effects of employee stock option plans on operating performance in Chinese firms. *Journal of Banking & Finance* 54 (2015) 141–159. <https://doi.org/10.1016/j.jbankfin.2015.01.010>
16. Foradham, J. B. (1929). Some Legal Aspects of Employee Stock-Purchase Plans. *North Carolina Law Review*, vol. 8, no. 2, 1929-1930, pp. 161-178. *HeinOnline*.
17. Freeman, R., Kruse, D., & Blasi, J. (2008). Worker responses to shirking under shared capitalism. *NBER Working Paper No. 14227*. Retrieved from <http://www.nber.org/papers/w14227>
18. Freeman, S. F. (2007). Effects of ESOP Adoption and Employee Ownership: Thirty years of Research and Experience. *University of Pennsylvania, Center for Organizational Dynamics, Working Paper #07-01*. Retrieved from https://repository.upenn.edu/od_working_papers/2
19. French, J. L. (1987). Employee Perspectives on Stock Ownership: Financial Investment or Mechanism of Control? *Source: The Academy of Management Review*, 12(3), 427–435. Retrieved from <https://www.jstor.org/stable/258510>
20. Gallup. (2023). What Is Employee Engagement and How Do You Improve It? Retrieved 01/12/2023 from <https://www.gallup.com/workplace/285674/improve-employee-engagement-workplace.aspx>
21. Gamble, J. E., Petty, M. M., Scott, C. J., Dugan, M. T., & Barrett, B. E. (2000). Management Commitment to Innovation and ESOP Stock Concentration. *Journal of Business Venturing* (Vol. 36688).

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

22. Gilmore T.J. (2022). Employee Incentive ESOPs: An Equity Tool to Promote Engagement and Performance. *Sage Journals* ,54(3), 100-102. Retrieved from <https://doi.org/10.1177/0886368721107089>
23. Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, 16(1), 15–31. <https://doi.org/10.1177/1094428112452151>
24. Giudici, A., Reinmoeller, P., & Ravasi, D. (2018). Open-system orchestration as a relational source of sensing capabilities: Evidence from a venture association. *Academy of Management Journal*, 61(4), 1369–1402. <https://doi.org/10.5465/amj.2015.0573>
25. Günter, A. (2005, September 13). Skype'i müük lisab Eestile miljonäre. Retrieved 15/02/2023 from <https://www.postimees.ee/1497453/skype-i-muuk-lisab-eestile-miljonare>
26. Hochberg, Y. V., & Lindsey, L. (2010). Incentives, Targeting and Firm Performance: An Analysis of Non-executive Stock Options. *The Review of Financial Studies*, 23(11), 4148–4186.
27. Holmstrom, B. (1989). Agency costs and innovation. *Journal of Economic Behavior & Organization*, 12(3), 305–327. [https://doi.org/10.1016/0167-2681\(89\)90025-5](https://doi.org/10.1016/0167-2681(89)90025-5)
28. Ismiyanti, F., & Mahadwartha, P. A. (2017). Does Employee Stock Ownership Plan matter An empirical note. *Investment Management and Financial Innovations*, 14(3), 381–388.
29. Jaakson, K., & Kallaste, E. (2016). Who uses employee financial participation in an adverse environment? The case of Estonia. *Economic and Industrial Democracy*, 37(3), 449–467. <https://doi.org/10.1177/0143831X14546240>
30. Kedia, S., & Mozumdar, A. (2002). Performance Impact of Employee Stock Options. *SSRN Electronic Journal*. Retrieved from <http://dx.doi.org/10.2139/ssrn.304188>
31. Kruse, D. (2022). Does employee ownership improve performance? *IZA World of Labor*, 311 v2. <https://doi.org/10.15185/izawol.311.v2>
32. Kruse, D. L., Freeman, R. B., & Blasi, J. R. (2010). Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-based Stock Options. *University of Chicago Press*.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

33. Lazear, E. P. (2003). Output-Based Pay: Incentives, Retention or Sorting? *Research in Labor Economics*, 2004, 23, 1-25. Retrieved from www.iza.org
34. Lazzari, M., Alvarez, J. M., & Ruggieri, S. (2022). Predicting and explaining employee turnover intention. *International Journal of Data Science and Analytics*, 14(3), 279–292. <https://doi.org/10.1007/s41060-022-00329-w>
35. Lestari, D., & Margaretha, M. (2021). Work life balance, job engagement and turnover intention: Experience from Y generation employees. *Management Science Letters*, 165–170. <https://doi.org/10.5267/j.msl.2020.8.019>
36. Mackin, C. (2023). Defining employee ownership: four meanings and two models. *Journal of Participation and Employee Ownership, ahead-of-print*(ahead-of-print). <https://doi.org/10.1108/jpeo-10-2022-0019>
37. Manso, G. (2011). Motivating Innovation. *The Journal of Finance*, LXVI (5). <https://doi.org/10.1111/j.1540-6261.2011.01688.x>
38. Mehran, & Tracy. (2001). The Impact of Employee Stock Options On The Evolution of Compensation In The 1990s. *NBER Working Paper Series*, (8385).
39. Menke, J. D., & Buxton, D. C. (2010). The Origin and History of the ESOP and Its Future Role as a Business Succession Tool. *Journal of Financial Service Professionals*, May 2010, 58 – 67.
40. Mygind, N. (2023). Three models of employee ownership: worker cooperative, EOT and ESOP – overcoming barriers – important choices – pros and cons. *Journal of Participation and Employee Ownership*, 6(3), 264–280. <https://doi.org/10.1108/JPEO-10-2022-0027>
41. Mygind, N., & Poulsen, T. (2021). Employee ownership-pros and cons-a review. *Journal of Participation and Employee Ownership*, 4(2), 136–173. <https://doi.org/10.1108/JPEO-08-2021-0003>
42. Ngamkroekjoti, C., Ounprechavanit, P., & Kijboonchoo, T. (2012). Determinant Factors of Turnover Intention: A case study of Air Conditioning Company in Bangkok, Thailand. *International Conference on Trade, Tourism and Management (ICTTM'2012) December 21-22, 2012 Bangkok (Thailand)*. Retrieved from <https://repository.au.edu/items/bce4f379-17c9-4ef9-84ec-ecfc60f6c43b>
43. O'Connel, M., & Kung, M.-C. (2007). The Cost of Employee Turnover. *Industrial Management*, 49(1): 14-19.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

44. Oyer, P. (2000). Why Do Firms Use Incentives That Have No Incentive Effects? *The Journal of Finance Vol. 59, No. 4 (Aug, 2004), pp. 1619-1649*
45. Oyer, P., & Schaefer, S. (2004). Compensating Employees Below the Executive Ranks: A Comparison of Options, Restricted Stock, and Cash. *NBER Working Paper 10221*. <https://doi.org/10.3386/w10221>
46. Oyer, P., Schaefer, S., Barkume, A., Hall, B., Lazear, E., Levin, J., ... Zweibel, J. (2004). Why Do Some Firms Give Stock Options to All Employees?: An Empirical Examination of Alternative Theories. *NBER Working Paper 10222*. Retrieved from <http://www.nber.org/papers/w10222>
47. Pendleton, A., & Robinson, A. (2011). Employee share ownership and human capital development: Complementarity in theory and practice. *Economic and Industrial Democracy, 32(3)*, 439–457. <https://doi.org/10.1177/0143831X10387650>
48. PEPPER V Report, 2024. *Benchmarking Employee Participation in Profits and Enterprise Results in the European Union, the United Kingdom and the United States*.
49. Pérotin, V., & Robinson, A. (2002). Employee Participation in Profit and Ownership: A Review of the Issues and Evidence. *Leeds University Business School*. Retrieved from <https://www.efesonline.org/library/employee%20participation%20in%20profit%20and%20ownership%20p%E9rotin%2003.pdf>
50. Renz, F. M., & Posthuma, R. A. (2021). Employees Can Feel Like Owners: Perk Up Attitudes, Performance, and Teamwork. *Organizational Dynamics, 50(2)*. <https://doi.org/10.1016/j.orgdyn.2020.100788>
51. Richter, A., & Schrader, S. (2017). Levels of Employee Share Ownership and the Performance of Listed Companies in Europe. *British Journal of Industrial Relations, 55(2)*, 396–420. <https://doi.org/10.1111/bjir.12169>
52. Robinson, A. M., & Zhang, H. (2005, September). Employee share ownership: Safeguarding investments in human capital. *British Journal of Industrial Relations*. <https://doi.org/10.1111/j.1467-8543.2005.00365.x>
53. Rosen, C., Case, J., & Staubus, M. (2005). Equity: Why Employee Ownership Is Good for Business. *Harvard Business Press*.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

54. Statistics Estonia. (2023). *Statistics Estonia: Industry statistics*. Retrieved 01/12/2023 from <https://www.stat.ee/et/avasta-statistikat/valdkonnad/majandus/toostus>
55. Statistics Estonia. (2024). *Statistics Estonia: Research and development*. Retrieved 10/04/2024 from <https://www.stat.ee/en/find-statistics/statistics-theme/technology-innovation-and-rd/research-and-development>
56. Statistics Estonia (a). (2023). *EM001: Financial Statistics of Enterprises by Economic Activity and Number of Persons Employed*. Retrieved 10/05/2024 from https://andmed.stat.ee/en/stat/majandus__ettevetete-majandusnaitajad__ettevetete-tulud-kulud-kasum__aastastatistika/EM001/table/tableViewLayout2
57. Sun, H., & Liu, C. (2023). Employee Stock Ownership Plans and Corporate Environmental Performance: Evidence from China. *International Journal of Environmental Research and Public Health*, 20(2).
<https://doi.org/10.3390/ijerph20021467>
58. Tett, R. P., & Meyer, J. P. (1993). Job satisfaction, organizational commitment, turnover intention, and turnover: Path analyses based on meta-analytic findings. *Personnel Psychology*, 46(2), 259–293.
59. Vadi, M., Raun, M., Õunapuu, T., & Jaakson, K. (2021). Eesti Juhtimisvaldkonna Uuring 2021.
60. van Erp, M. (2017). Determinants and effects of employee stock option plans: Evidence from Germany. *Erasmus School of Economics*. Retrieved from <https://thesis.eur.nl/pub/39600>
61. Zhou, L., Wei, F., & Kong, Y. (2022). Do Employee Stock Ownership Plans Affect Corporate Social Responsibility? Evidence from China. *International Journal of Environmental Research and Public Health*, 19(3).
<https://doi.org/10.3390/ijerph19031055>

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Appendix 1

Theoretical approaches to the positive effects of employee stock ownership plans

Outcome	Study
Profit	Jones et al. (2005); Rosen et al. (2005); PEPPER V Report (2024); Freeman (2007)
Growth	Blasi et al. (2016);(Rosen et al., 2005); PEPPER V Report (2024)
Financial results	Richter & Schrader (2017); Freeman (2007); PEPPER V Report (2024); Fang et al. (2015)
Innovation	Chang et al. (2014); Manso (2011)
Productivity	Blasi et al. (2016); PEPPER V Report (2024); Freeman (2007); Kedia & Mozumdar (2002); Oyer & Schaefer (2004); Richter & Schrader (2017)
Lower labour turnover	PEPPER V Report (2024); Pendelton & Robinson (2011); Fang et al. (2015); Oyer & Schaefer (2004); van Erp (2017); Blasi et al. (2016); Kruse et al. (2010); Kruse (2022)
Commitment	Culpepper et al. (2004); French (1987)
Teamwork	Renz & Posthuma (2021)
Motivation	Mehran & Tracy (2001); French (1987)
Performance	Freeman (2007); van Erp (2017); Sun & Liu (2023); Blasi et al. (2016); Hochberg & Lindsey (2010); Kedia & Mozumdar (2002); Oyer & Schaefer (2004); Renz & Posthuma (2021)
Human capital investments	Kruse (2022)

Source: compiled by the authors

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Appendix 2

Theoretical approaches to the negative effects of employee stock ownership plans

Outcome	Study
Higher dependence on the employer	Lazear (2003); Pendleton & Robinson (2011); Freeman (2007); Hansmann (1996)
Longer decision-making process	Dow & Putterman (2000); Richter & Schrader, (2017)
Higher burnout risk	Renz & Posthuma (2021)
Increase the numbers of “free-riders”	Oyer (2004); Richter & Schrader (2017); Ding & Sun (2001)

Source: compiled by the authors

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Appendix 3

Selection of interviewees and details of the interviews

Employees

Interviewee	Gender	Age	Position	ESOP participant	Seniority	Date of interview	Duration of the interview	Method
1	M	30	Middle manager	No	1,5	09.02.2024	00:17:04	Face-to-face
2	W	42	Head of the payroll group	Yes	3,5	16.02.2024	00:18:57	MS Teams
3	W	45	CFO	No	6	16.02.2024	00:30:56	MS Teams
4	M	31	Technologist	No	10	19.02.2024	00:19:24	MS Teams
5	W	49	Risk and Internal Control Manager	Yes	6	22.02.2024	00:24:57	MS Teams
6	W	44	Purchasing specialist	No	7	22.02.2024	00:16:24	MS Teams
7	M	34	Intellectual property and patent specialist	Yes	7	23.02.2024	00:22:39	MS Teams
8	M	41	Service Delivery Manager	Yes	17	29.02.2024	00:22:10	Face-to-face
9	W	45	Office manager	No	5	06.03.2024	00:23:17	MS Teams
10	W	38	Sustainability manager	No	2	07.03.2024	00:26:19	MS Teams
11	M	42	Middle manager	Yes	21	12.03.2024		Written
12	M	28	Head of Engineers	Yes	4	13.03.2024	00:23:51	MS Teams

Source: compiled by the authors

Employer's representatives

Interviewee	Gender	Age	Position	ESOP participant	Seniority	Date of interview	Duration of the interview	Method
13	W	48	HR manager	Yes	19	19.02.2024	00:31:51	MS Teams
14	W	43	HR Manager of the Baltics	Yes	8	22.02.2024	00:25:17	MS Teams
15	W	50	HR manager	Yes	7	23.02.2024	00:45:20	MS Teams
16	M	42	Board member	Yes	10	12.03.2024		Written

Source: compiled by the authors

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Appendix 4

Interview questionnaire for employees

Theme block	Questions
ESOP goals	1. On what basis did you decide to join/not join the stock ownership plan? How much information does the company provide about the plan? Do you invest outside of your company's stock plan? 2. a) What are your expectations when accepting stocks or options? (Additional question, if necessary: In what manner has this led to increased engagement and participation in decision-making or in what way has this resulted in a financial benefit?) b) Question for those who have not joined the plan: what benefit would you like to have instead of the stock ownership plan?
ESOP communication	3. How much information does the company provide about the plan?
Self-development	4. How and how often do you train yourself on company-specific topics? (Additional question if necessary: is the training planned at the company's initiative or yours?) 5. How open do you think the company is to new ideas coming from the company's employees? (If necessary, additional questions: how often do you propose new ideas yourself? Does the company have a form or a special platform for submitting ideas/proposals?)
Turnover intention	6. How frequently do you think about changing job or looking for job offers? (Additional question if necessary: how long do you see yourself working in this company?) 5. What are the main reasons why you work in this company?
Behaviour	4. a) How has the ESOP affected your daily behaviour at work and your professional future plans? (Additional question if necessary: how much do you consciously behave differently?) b) A question for those who have not joined the plan: How do you think the colleagues who have joined the plan behave differently from those who have not? What factors affect your daily activities at the workplace and your professional future plans?
Additional questions	7. What did you think before coming here, what do we ask from You? And what do you think we shall ask, but didn't ask?

Source: compiled by the authors

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Appendix 5

Interview questionnaire for employers

Theme blocks	Interview questions
ESOP goals	<ol style="list-style-type: none"> 1. Why have you decided to implement the option plan and what are the company's goals in implementing it? (Additional question if necessary: Is there a desire to provide increased participation in the decision-making process, a financial benefit, or any other motivation?) 2. Please describe the target group of your option plan: who is targeted, how to join it, what are the conditions, etc.? 3. Are options used as a substitute for other forms of compensation, such as performance-based pay?
ESOP communication	<ol style="list-style-type: none"> 4. How do you explain to employees what it means for them to get stock options or stocks?
Development	<ol style="list-style-type: none"> 5. How have the options affected in your company: <ul style="list-style-type: none"> • innovation • employees' desire and opportunities for self-improvement?
Turnover intention	<ol style="list-style-type: none"> 6. How have the options affected in your company: <ul style="list-style-type: none"> • employees' turnover
Behaviour	<ol style="list-style-type: none"> 7. Have you noticed any change in employee behaviour after the acquisition of stock options or shares?
Additional questions	<ol style="list-style-type: none"> 8. If you were starting a stock ownership plan from scratch today, what would you do differently? 9. What did you think before coming here, what do we ask from You? And what do you think we shall ask, but didn't ask?

Source: compiled by the authors

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Kokkuvõte**TÖÖTAJATELE SUUNATUD OSALUSOPTSIOONIPROGRAMMIDE
KARAKTERISTIKUTE JA TÖÖJÕUALASTE NÄHTUSTE VAHELINE SEOS: UURING
VALITUD TOOTMISETTEVÕTETES EESTIS**

Argo Iin ja Kristiina Soovik

Käesoleva magistritöö eesmärk oli välja selgitada töötajatele suunatud osalusoptsiooniprogrammide (ESOP) seotust töötajate lahkumiskavatsustega, töökäitumisega, enesearenguga ja ettevõtte innovatsiooniga valitud tootmisettevõtetes Eestis. Lisaks hinnata optsiooniprogrammide eesmärke ja tingimusi.

ESOP-i teemadel on tehtud palju erinevaid teadustöid Ameerika Ühendriikides (USA), vähem on teemat analüüsitud Euroopa riikides ja Aasias. Eestis on optsiooniprogrammide mõju väga vähe uuritud. See on üllatav, kuna USA-s, Euroopas ja Aasias tehtud uuringud näitavad ESOP-i kasulikkust ettevõtte tulemuslikkusele, sh loovad optsioonid töötajate seas omanikutunnet ja pühendumust, suurendavad motivatsiooni ja kaasatust ning annab neile potentsiaalse võimaluse teenida täiendavat rahalist tulu. Teaduskirjandus toob välja, et optsioonid võivad kaasa tuua ka negatiivse mõju. Näiteks suurenenud sõltuvus tööandjast ja nn “free-rider” probleem. Lisaks on oluline märkida, et aktsiahinna languse tõttu ei pruugi töötaja oodatud tulu teenida. Eestis on läbi viidud küll mõningaid juhtimisuuringuid, kus on esitatud küsimusi optsioonide kohta ning tehtud uuringuid kasumi jagamise osas.

Käesoleva uuringu aluseks olid poolstruktureeritud intervjuud valitud optsiooniprogramme kasutavate Eestis tegutsevate tootmisettevõtete töötajate ja ettevõtete esindajatega. Kokku viidi läbi 16 intervjuud, viies erinevas ettevõttes. Valimisse kuulusid nii optsiooniprogrammis osalevad kui ka mitteosalevad töötajad ning ettevõtete esindajad.

Töö tulemused näitavad, et autorite poolt uuritud ettevõtete töötajad ei tunneta optsiooniprogrammi mõju töökoha vahetusele ning enese- ja oma kolleegide töökäitumisele. Olulisemateks aspektideks töökohal püsimiseks või selle vahetuseks on pigem töötasu, kolleegid, karjäärivõimalused, väljakutsed, paindlikkus ja suhe juhtidega. Ka töötajate enesearengu ja optsiooniprogrammi vahele ei saa antud uurimistööl põhjal võrdusmärki tõmmata. Kõik käsitletud ettevõtted pakuvad oma töötajatele suurt hulka koolitusi ja enesetäiendamise võimalusi. Samuti olid intervjueritud töötajad enese arendamisest huvitatud, vaatamata nende osalemisele või mitteosalemisele optsiooniprogrammis. Lisaks

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

andis uuring kinnitust, et valitud tootmisettevõtted Eestis tegelevad innovatsiooniga aktiivselt ja igapäevaselt.

Kokkuvõtvalt leidsid autorid, et hästi eesmärgistatud, läbimõeldud ja töötajatele soodsate ESOP liitumis- ja osalemistingimuste pakkumine on eduka optsiooniprogrammi aluseks.

CONNECTION BETWEEN EMPLOYEE STOCK OWNERSHIP PLANS' ...

Non-exclusive licence to reproduce the thesis and make the thesis public.

We, Argo Iin and Kristiina Soovik,

1. grant the University of Tartu a free permit (non-exclusive licence) to reproduce, for the purpose of preservation, including for adding to the DSpace digital archives until the expiry of the term of copyright, our thesis Connections Between Employee Stock Ownership Plans' Characteristics and Employee Outcomes: The Study of Selected Manufacturing Companies In Estonia, supervised by Krista Jaakson.
2. grant the University of Tartu a permit to make the thesis specified in point 1 available to the public via the web environment of the University of Tartu, including via the DSpace digital archives, under the Creative Commons licence CC BY NC ND 3.0, which allows, by giving appropriate credit to the authors, to reproduce, distribute the work and communicate it to the public, and prohibits the creation of derivative works and any commercial use of the work until the expiry of the term of copyright.
3. We are aware of the fact that the author retains the rights specified in p. 1 and 2.
4. We certify that granting the non-exclusive licence does not infringe other persons' intellectual property rights or rights arising from the personal data protection legislation.

Argo Iin and Kristiina Soovik
21.05.2024