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Employee Stock Options: A New Possibility at Beximco Pharmaceuticals Limited

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Abstract

Employee stock option is an employee equity ownership plan that can include stock, stock options or what is often referred to as phantom stock. Employee stock option plans have been popularized by the success realized by technology firms such as Microsoft, Cisco Systems, and Grameenphone in that the implementation of stock option plans has resulted in great personal wealth for the early employees of these companies. ESOPs represent more as a mechanism whereby employees can generate a different source of income through their stock options. These plans represent a means for a given enterprise's various stakeholder groups to mutually benefit and generate lasting wealth, not only for the individuals associated with the company, but also for the region in which it is located.

Keywords: Business assets, Business performance, Job performance, Employee attitudes, Employee stock options, External investment, Organizational encouragement, Firm profitability

Contents

1. Introduction

The provision for employee stock options helps attract and retain key or skilled employees. ESOP helps to creates provision for ownership mentality among employees. Through this provision employees can recognize the valuation of their contribution. This provision increases the productiveness of company through the employee individual performance. Employee stock option use as a potential exit strategy for owners and lower the expectation for a company pension plan. ESOP offer employee to have directly share in the success of the enterprise. Potentially ESOP is helpful for significant tax savings upon share disposal.

From the viewpoint of individual companies, the implementation of ESOP requires the attention of the following issues:

- Employee productivity;
- Employee attitude towards work;
- Employee performance;
- Company competitiveness;
- Firm profitability;
- Effects on business assets;
- Low cost business financing; and
- Succession planning.

The key idea of ensuring a successful implementation of employee stock option is ensuring it has a firm wide effect. It may include only shares or a combination of the above mentioned form of equity. The successful implementation of such ESOP plans in the past has been significant but in today's world it is one that can guarantee a success. While implementing such plans special attention should be paid to the fact that it aligns with company mission and vision and employee needs and satisfaction.

A company's strategy culture and management style dictates the way in which such ESOP plans should be implemented. This may seem like rather an oversimplified approach but decisions pertaining to establishing the ESOP should also be considered in parallel. Firm's which have a need to attract, retain employees or restrict cash employment options are better suited for ESOP than firms which just which to consider ESOP as just an alternative to employee pension schemes, or use it as a tool for liquidity for current ownership.

1.1. Problem Statement

Employee stock option is common practice for many corporations, when negotiating an employment contract with an administrative officer, to grant the employee an option to purchase a designated number of shares in the corporation which employees own. In general it increase work forcemeat of the employee when they own a portion of share of the organization. But some case some condition may apply while offering stock to the organizational employees. Employee stock option is one of the favorable and acceptable ways to compensate executive and employees to level comparable to major corporations. It's one of the most acceptable ways to motivate employees by the organizations instant of offering other incentives. It helps to stimulate employee's effort for good work and reduce gap between owners and employees. In the prospects of Bangladesh analyzing employee stock options is quite hard because only one organization offers this opportunity to the employee. So it's difficult to compare the data and analyzing these employee stock options. Here I am going to Examine Bangladeshi companies, which provide these facilities' to their employee and also examine the companies which do not provide these facilities to their employee. Why they do so? What is the benefit of providing these facilities to their employee? But the concuss level of information of this opportunity is not so high in Bangladeshi organization. So it is quite difficult to make the concern about this opportunity that comes from organization.

To investigate, employee stock option and its availability and the effect of business performance and effective use of assets alongside an external sharing investment effect on business performance and finding out the total relationship on business performance with this two shareholdings and also investigate the individual employee interest and their preference, and owners expectation from their employee if this offer to them. In general management turning employees into shareholders increase their loyalty to the organization and lead to improved performance also its offered as a potential significant financial rewards.

1.2. Study Objectives

1. To investigate how many companies are doing employee stock option.
2. To investigate why they need to do employee stock option.
3. To investigate who are the employee stock option recipient.
4. To investigate how much external investment comes from external shareholder of big company.
5. To investigate the profitability of big company in terms of employee stock option.
6. To investigate the business performance in terms of assets and liabilities in terms of employee stock option and external shareholders.
7. To investigate individual employee interest on employee stock option.
8. To investigate organizational encouragement to their employee on employee stock option.
9. To investigate employee attitude to their organization if they offer employee stock option.
10. To investigate employee overall performance on employee stock option.
11. To investigate stock holder interest to offering stock option to their employee.
12. To investigate individual motivation on employee stock option when they are offering employee stock option.
13. To investigate level of responsiveness to their organization if they offer employee stock option.

2. Literature Review
2.1. Independent Variable
2.1.1. Business Assets

Integration of finance, planning, engineering, personnel and information system to effectively manage assets in terms of its cost is known as Asset Management. In order to achieve this asset management includes tools that includes systematic processes, tools and data that enables the firm and its manager to take informed and rationale decision with a view of achieving investor expectations. For this purpose asset management can also be referred to as a technique for resource planning and utilization and decisions associated with process are usually a reflection of policies, goals and objectives of an organization. Performance indicators and benchmarks are established to measure the current and desired level of outcomes. Asset management requires detailed attention to the effects of investing in various different kinds of assets at a structured level. A structured asset management system must provide information about both the short term and long-term impacts of allocating different amounts of resources among those activities. Results from program delivery are monitored using performance measures to quantify the asset management program's effectiveness and to allow timely corrective actions as needed. These tools develop decision support information from quantitative data regarding the agency's resources, current condition of physical assets, and estimations of their current value. To manage assets effectively, the decision-making process must be aligned with the agency's goals, objectives, and policies. Policies regarding engineering standards, economic development, community interaction, political issues, administration rules, and the agency's organizational structure influence asset management components. Another study *estimates the value of U.S. corporate investment in intangibles during 2000 to be around $1.0 trillion, making it roughly equal to the total investment of the non-financial sector in property, plant and equipment*." (Bangs David, 1998)

2.1.2. Business Performance

Business performance refers to a performance measurement and management process which focuses on managing organizational performance throughout the firm through various multidisciplinary activities.Business performance involves you understanding and acting on performance issues at each level of your organization, from individuals, teams and directorates, through to the organization itself. It is a systematic way of integrating various performance management techniques to investigate and study the effects of the various ways human resource within an organization work and perform and observe its resulting effects. However even in the HR field best practice emphasizes the contribution of people to the achievement of organization performance. In order to ensure that an effective decision making process is established it is very important to ensure proper identification of objectives and performance management tools. A Research from Ernst and Young shows that when investors valuate companies they consider strategy execution to be the key factor in comparison to the strategy quality. In spite of this very little attention is paid to planning integration and implementation. (Ankita, 2014)

2.1.3. Job Performance

Job performance is one of the most important independent variables and has been studies for a long decade. A study identified two types of employee behavior that are necessary for organizational effectiveness: task performance and contextual performance. A study focusing on factors that have an impact on job performance illustrated that these behaviors play a key role in shaping the organizational, social and psychological features which acts as a catalyst for performing tasks and activities. Elizabeth (2012)Task performance was defined as the effectiveness with which job incumbents perform activities that contribute to the organization's technical core. The results of this study reveal that transformational leadership, organizational justice, work engagement have direct effects on task, and contextual performance. Transformational leadership, however, has indirect effect on task, and contextual performance through organizational justice, work engagement. If the effect of job performance on job satisfaction is insignificant firm action designed to increase job performance should not have a direct effect on job satisfaction and related outcomes like employee turnover. It's intuitive that effort and compensation are critical determinants for the viability of any employment situation. A contract needs to be individually rational both parties must expect to be better off by engaging in the work relationship. Motivation acts a key factor in performance management and if the workforce is not motivated in the right manner it will lead to higher turnover and cost the firms expenses associated with turnover, negative morale and various other factors. A study has described motivation to be proactive in the sense of; in dealing with employees who are high performers, motivation is essential, otherwise their performance will decline or they will simply leave the job. (Idris Adamu and Wan Fauziahbt, 2011)

2.1.4. Employee Attitude

Employees, both directly interacting and indirectly interacting with the customers can have a major impact on the type and quality of customer service being delivered and this will have a major effect on the business performance. A non cooperating behavior from the employees will result in dissatisfaction from the customers and will cause the employees to act as a failure in identifying their needs. Customers can prove to be a very big barrier to effective employee performance and particularly be a hindrance to employees possessing a negative attitude. An important study demonstrated that an individual satisfaction from their job becomes stable over time even though they switch between jobs. (Lise and Timothy, 2013)

2.2. Dependent Variable
2.2.1. Employee Stock Option

Employee stock options (ESOs) are an important type of employee compensation in the USA. Towards the late 1990s, ESOs outstanding at large corporations averaged 7% of total outstanding shares, with top executives holding approximately one-third of total ESOs. Underlying the ESO debate is the concern that the choice among alternative financial accounting treatments have real economic consequences. Opponents of expensing ESOs argue that deducting ESOs' cost from earnings conveys an impression of weaker financial results to investors and, under the assumption that investors fixate on reported earnings, could raise the firms' cost of financing and stifle corporate investment and innovation. There is also a concern that external parties, such as taxing authorities, might use changes in financial accounting treatment as a cue to alter regulatory and tax policy. Issuance of ESO's require two different accounting transactions. In the first transaction, the firm sells warrants to the employee for cash. This is a pure financing transaction, resulting in the generation of cash and an increase in the firm's equity capital. In the second transaction, the firm pays the cash to the employee as compensation for services rendered. This is a pure operating transaction, resulting in the subsequent use of resources and a corresponding charge to earnings. In accounting terms it is a reflection of an entry which results in an increase in contributed equity alongside a simultaneous entry depicting a decrease in reporting income of the firm from which it is subtracted. To see this point, consider two economically equivalent firms: Firm A issues common stock warrants to investors for cash and then uses cash to pay for all production inputs. Firm B uses ESOs to pay for all production inputs. Firm A computes earnings as revenue received from the sale of the inputs less the purchase price of the inputs. Assuming no expense for ESOs, Firm B's earnings equal revenues. Thus, earnings are very different across the two firms, yet both firms raise the same amount of capital and generate the same economic earnings. As with all barter transactions, determination of the fair value of the Stock. Exchange is an accounting issue. Although option-pricing techniques (e.g., Black Scholes) are well developed, ESOs have features, such as vesting provisions, no transferability, and accelerated maturity when the holder terminates employment, that deviate from the assumptions underlying standard option pricing models for publicly traded options. ESOs are a key component of top executive compensation that serve useful contracting functions. However, the goal of accounting is not to distort financial performance to subsidize particular business activities. Accounting should reflect the true costs of doing business, and labor acquired through ESO grants is a real economic cost that firms should deduct from earnings as an expense. Armed with clear information on operating costs, investors, creditors, boards of directors and regulators should be left to determine business practice. (Wayne Guay and Kothari Richad, 2003)

2.2.2. Business Performance and Employee Stock Option

In cases of executive pay, employee stock options have shown significant growth and has resulted in several debates because in many cases it may not be related to performance pay or employees performance levele, and be just a mere representation of executive awarding. Employee stock options have become an integral part of CEO compensation packages in large American companies and about 30% of senior operating managers' pay. Options and stock grants also constitute almost half of directors' remuneration(Alfred Rappaport, 1999). If markets are fully efficient and can perfectly infer to performance consequences of employee incentives, then an analysis of short run returns around the announcement of an employee stock option program would be an appropriate means to determine the relation between firm performance and option based incentives. But there is a conflict, if market is fully and immediately able to anticipate all of the performance consequences of a stock option plan, and expect that the announcement date reason for questioning whether stock prices immediately reflects options' full performance implications is that relatively little historical data guides investors about their expected performance consequences. It is essentially relying on a long window event study. This approach allows us to discern more of the total performance consequences of using option as their implications and results become incentives and firm performance to the extent that this relation is reflected during the announcement period. If market is perfectly efficient and if firms are constantly optimizing with respect to option based incentives then no statistical association should emerge between stock options and firms stock performance once researchers have controlled for the exogenous determinants of the optimal level of options. Equity based incentives and firms performance held by top managers and CEO's, omission of unobservable in the performance regressions. After controlling for unobserved heterogeneity using a firm fixed effects framework, they find no significant associations between managerial holdings of equity incentives and firm performance.(Stephen A and Fernando, 2004)

2.2.3. Business Assets and Employee Stock Option

If businesses are largely owned by employees, customers etc. they become accountable to the various community needs the business caters to. The important way a business can give their employees a direct stake to the business's activities is through employee stock options. These employee stock options can be a part of their retirement packages and requires high level of liquidity. Smaller businesses may be structured as worker-owned co-operatives or collectives, in which employees maintain various degrees of shared ownership and management(Gates, 1998). Financial institutions serve as a bridge to reduce the gap between socially-minded investors and community-based initiatives. This helps in providing financial and legal forms of ownership that distribute benefits and responsibilities of ownership both equitably and with accountability. This results in community accountable ownership thus giving growth to financial institutions which can provide assistance to people from all income levels resulting in the buildup of resilient local economies and reinvest back in the local community. (Morrison, 1989)

2.2.4. Job Performance and Employee Stock Option

It is a difficult task to determine how managers and employees believe what will be the outcome of their compensation at rewards at the workplace. The key question that every manager needs to ask themselves is that whether compensation plan can act as an external motivator for employees or not. Unfortunately, as author G. Douglas Jenkins, Jr., has noted, most organizational studies to date—like the articles published—have tended "to focus on the effects of variations in incentive conditions, and not on whether performance-based pay per se raises performance levels." Especially at the executive level, the compensation is more concerned with getting a share in the company's profit rather than the organizational performance. Indeed, several studies over the last few decades have found that when people are asked to guess what matters to their coworkers—or, in the case of managers, to their subordinates—they assume money heads the list. (Alfie, 1993).

2.2.5. Employee Attitude and Employee Stock Option

Employees with a positive attitude at the workplace will have a sense of belonging to their job given that they perceive that their job gives their satisfactory income and security of job. However if they perceive to have a negative effect it can pose a great threat to the organization performance. (Dr Douglas, 2002). They also found that, as a group, only the takeover related ESOs are associated with increased leverage. They finally concluded that ESOPs provide, at best, only a short term boost to corporate performance Hoven *et al.* (2007).Firms have always used equity grants as sweetener not only to attract managers to their firms but to also make them think like stockholders. In particular employee option grants affect value per share because they affect current and future earnings and also because they have the potential for altering the number of shares outstandingCore and Guay (2002).

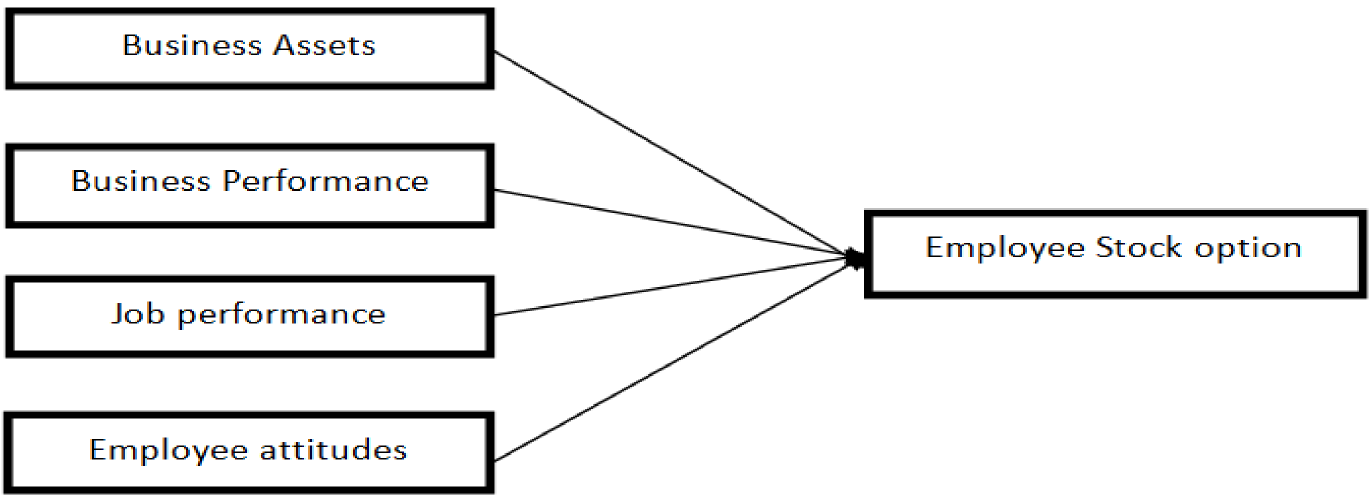

Figure-1. Conceptual Framework

2.3. Hypothesis

Business Assets

Q$_1$: How do business assets create opportunities to provide employee stock option?
Ho$_1$:*Utilization of business assets does not provide opportunities to provide employee stock option.*
Ha$_1$:*Utilization of business assets provides opportunities to provide employee stock option.*

Business Performance

Q$_2$: Does employee stock option provision depend on business performance?
Ho$_2$:*Employee stock option provision does not depend on business performance.*
Ha$_2$:*Employee stock option provision depends on business performance.*

Job Performance

Q$_3$: How does employees job performance creates opportunities for them to avail employee stock option?
Ho$_3$:*Employees job performance does not create opportunities for them to avail employee stock option.*
Ha$_3$:*Employees job performance creates opportunities for them to avail employee stock option.*

Employee Attitudes

Q$_4$: Does employee attitude towards their work and workplace influence employers to provide them with employee stock option?
Ho$_4$:*Employee attitude towards their work and workplace does not influence employers to provide them with employee stock option.*
Ha$_4$:*Employee attitude towards their work and workplace influence employers to provide them with employee stock option.*

3. Research Design

In this report a formal research design has been used. This study is a structured précised way which represents the relationship between independent and dependent variable for testing hypothesis. Understanding the investor's perception about issue of ESOP by the company was one of the key factors of this study. Here communication study applies to do the questioner survey. Because it's needed to communicate with different level of employee in different departments and understand their perception of this study. Their trust, believe, attitude, and interest has significant impact on employee stock option. This study is about causal explanatory, it explains the relationship between dependent and independent variable as how employee stock options affect employee attitude. Firms disclose specific information on Employee stock option and remuneration. This study also explains range and scope, established the guide line of research and develop hypothesis. This research reflects the snapshot of on point of time. In this research 60 employees have been considered as the sample size. This study focuses on statistical study. This research design to test hypothesis quantitatively, it is require a good number of samples which reflected the population. This research occurred in actual environmental conditions. This option was chosen because we had to receive information from our sample on field and relationships in variables of our study were required to represent via mathematical models. Participants' were aware of presence and knew the reason of being selected as sample.

3.1. Sampling

3.1.1. Sample Unit

The basic idea of sampling is that by selecting some of the elements in a population, I may draw conclusions about the entire population. It may be a person but it could also be any object of interest. Sample unit of research is based on the employee working in the organizations. In order to gather information, participants had been asked to fill up questionnaires. The population for the current research was employee who working in Beximco Pharmaceuticals' Ltd. Bangladesh. In Bangladesh, employee stock option is offered by only Grameen phone Ltd. This research is about the get the overall perception of other organizations employees. In particular, the research revealed that the sample consisted of more males than females and also most of them were corporate executives.

3.1.2. Sample Size

Sample size relates to how many people to pick for the research. In this research both male and female were picked of different ages, educational back ground and occupation. The sample size for this research was 60.

3.1.3. Sample Procedure

This research utilized probability sampling technique that involved selecting participants randomly for questionnaires. Two facts were considered to select the participants for the questionnaires. Firstly, the sample members should be aware of the research topic. Secondly, their interest of their organizations stock option for employee. Sample member has been selected from different department of different organizations. Information has been collected via questionnaire by meeting them in front of their institutions as well as at their home. A population is the total collection of elements about which tried to make some inferences.

4. Questionnaire Design

The key variables in this research were measured by a self-report questionnaire. The first part of the instrument included demographic characteristics of gender, age, occupation and educational background. The rest of the questionnaire assessed the five variables in the research hypotheses. There were 31 numbers of questions excluding demographic questions in the questionnaire.

Every variable has different questions for each and each questionnaire introduces five points Likert scale to each participants. The information had been collected about employee stock option from different participants from different department. The points are First one is strongly agree, Second one is agree to some extent, Third one is neutral, forth one is disagree to some extent and lastly fifth one is strongly disagree. The participants easily understand our rating scale and successfully completed the survey. Business assets: By this variable we came to know that how employee stock options' recommendation affects the organizations assets and how employees are inspired by the recommendation. Business performance: This has question about how business performance affected by the employee stock options. Job performance: Performance of job of an employee is important for an organizational success. So this variable address the condition of job performance if they are offered the employee stock option opportunity. My research question addresses the job performance of individual employees. Employee attitude: Every participant gave the good response on research questioner; our question is about their attitude toward organization and employee stock options. Employee stock options: This variable informs us about the participants' future tendency on employee stock options and in questionnaire there are 5 questions about employee stock option.

5. Data Collection

Both primary and secondary data were collected. Both methods used to do the research. There were live interviews of participants of different department of BPL and other organizations which fell in the primary data collection method. The primary data's of the research were mainly collected by questionnaires that were filled up by corporate employees and who engage in corporation. Using data from other research fell in the secondary data collection method. The secondary data for this research was collected from articles, internet, and also from books.

Table-1. Gender Frequencies

Statistics		
Gender		
N	Valid	60
	Missing	0
Mean		1.20
Median		1.00
Mode		1

Gender

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Male	48	80.0	80.0	80.0
	Female	12	20.0	20.0	100.0
	Total	60	100.0	100.0	

In this research I did my survey on sixty people among them twelve are female consist of twenty percent and 48 are male consist of eighty percent. AGE: This sample data are collected from different age of people, among sixty people 17 of them are in 23-29 consist of 28.3 percent, 16 of them are in 30-36 consist of 26.7 percent, 10 of them are in 39-43 consist of 16.7 percent, only 6 person is in between 44-50 consist of 10 percent, and 11 of them are 51 and above consist of 18.3 percent. Different ages are given below:

Table-2. Age Frequency

Statistics		
Age		
N	Valid	60
	Missing	**0**
Mean		2.63
Median		2.00
Median		1

Age

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	23-29	17	28.3	28.3	28.3
	30-36	16	26.7	26.7	55.0
	39-43	10	16.7	16.7	71.7
	44-50	6	10.0	10.0	81.7
	51 and above	11	18.3	18.3	100.0
	Total	60	100.0	100.0	

In this survey questioner set our lighter scale in five points and that is strongly agree (1), agree (2), neutral (3), disagree (4), and strongly disagree (5).

5.1. Reliability

Reliability means the relation between the variable and the questions of the research. It basically shows that, how much the questions are reliable.

Reliability analysis is conducted when researchers have two or more questions that will be summed to determine a specific variable If the questions on the survey or items being tested have very high inter-correlations, the questions are considered to be measuring different dimensions of the same construct.

- Cronbach Alpha value (should be between 0.5-0.6 which is sufficient, 0.7 and above is desirable)
- If the value is too low, then look for “Item deleted” table

1. If Cronbach’s Alpha is greater than 0.07 than the Alpha value is desirable and it is highly reliable variable.
2. If Cronbach’s Alpha is between 0.5-0.6 that the Alpha value is sufficient and it is a reliable variable.
3. If Cronbach’s Alpha is smaller than 0.5 than the Alpha value is not acceptable and it is not reliable variable.

Internal consistency reliability is the accuracy or precision of a measuring instrument, which is the extent of unidimensionality, that is, the detailed items (questions) measure the same thing. The internal consistency reliability was assessed by calculating Cronbach’s a value. A commonly accepted rule of thumb for describing internal consistency using Cronbach's alpha is as follows-

- $\alpha \geq 0.9$ Excellent
- $0.7 \leq \alpha < 0.9$ Good
- $0.6 \leq \alpha < 0.7$ Acceptable or desirable
- $0.5 \leq \alpha < 0.6$ Poor or sufficient
- $\alpha < 0.5$ Unacceptable

Table-3. Business Assets Reliability Summary

		N	**%**
Cases	Valid	60	100.0
	Excluded[a]	0	.0
	Total	60	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.771	6

According to Cronbach’s Alpha if the reliability statistics is in 0.7≤0.9 this answer is acceptable. As the data above the value of the Alpha is within the acceptable range as a result of which the hypothesis is taking the relationship between the two variables is accepted and null is rejected. Here the result is 0.771 so it is good result. First in the reliability analysis of Q1 to Q6 for the variable “*Business Assets*”

Table-4. Business Performance Reliability Summary.

	N	**%**
CasesValid	60	100.0
Excluded[a]	0	.0
Total	60	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.914	7

Here the reliability statistics is 0.914 which is in more than.09 so it's an excellent result. As the data above the value of the Alpha is within the acceptable range as a result of which the hypothesis is taking the relationship between the two variables is accepted and null is rejected. This reliability analysis consist of question number Q7 to Q13 for the variable "Business performance"

Table-5. Job Performance Reliability Summary

		N	%
Cases	Valid	60	100.0
	Excluded[a]	0	.0
	Total	60	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.814	7

Here the reliability statistics is 0.814 which is in between 0.7 to 0.9 so it's a good result. As the data above the value of the Alpha is within the acceptable range as a result of which the hypothesis is taking the relationship between the two variables is accepted and null is rejected. This reliability analysis consist of question number Q14 to Q20 for the variable "Job performance"

Table-6. Employee Attitudes Reliability Summary

		N	%
Cases	Valid	60	100.0
	Excluded[a]	0	.0
	Total	60	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics: Employee Attitudes

Cronbach's Alpha	N of Items
.871	6

Here the reliability statistics is 0.871 which is in between 0.7 to 0.9 so it's an good result. As the data above the value of the Alpha is within the acceptable range as a result of which the hypothesis is taking the relationship between the two variables is accepted and null is rejected. This reliability analysis consist of question number Q21 to Q26 for the variable "Employee Attitudes"

Table-8. Employee Stock Option Reliability Summary

		N	%
Cases	Valid	60	100.0
	Excluded[a]	0	.0
	Total	60	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.787	5

Here the reliability statistics is 0.787 which is also in between 0.7 to 0.9 so it is also good result. As the data above the value of the Alpha is within the acceptable range as a result of which the hypothesis is taking the relationship between the two variables is accepted and null is rejected. This reliability analysis consist of question number Q27 to Q30 for the variable "Employee Stock Option"

5.2. Correlation Analysis: Pearson's Correlation

Pearson's correlation is used to see the strength of relationship between variables. If significance or p≤ 0, then null hypotheses (H0) will be rejected and alternate one will be considered. Calculations are done under 'Table 05'. Correlation is an effect size and so we can verbally describe the strength of the correlation using the guide that Evans (1996) suggests for the absolute value of R. if there is a no stars in the result then the relationship is negative, if one stars is present then somehow correlated, if two stars is present it's a pretty good correlations, if three stats is present then it's a very good correlations.

- .00-.19 "very weak"
- .20-.39 "weak"
- .40-.59 "moderate"

- .60-.79 “strong”
- .80-1.0 “very strong”

Table-9. Correlation between Business Assets (BA) and Employee Stock Option (ESO)
Correlations

		BA	ESO
BA	Pearson Correlation	1	.688**
	Sig. (2-tailed)		.000
	N	60	60
ESO	Pearson Correlation	.688**	1
	Sig. (2-tailed)	.000	
	N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

There is a correlations between the two variables at the significant level 0.01 the correlations value is 0.688** hence the hypothesis depicting there is a relations between the two variable *Business Assets and Employee Stock Option* and alternate variable is accepted and null hypothesis is rejected. The interpretation result is 0.688** which is in between 0.60 to 0.79 so it refers strong relationship between this two variable.

There is a correlations between the two variables at the significant level 0.01 the correlations value is 0.999** hence the hypothesis depicting there is a relations between the two variable *Business performance and Employee Stock Option* and alternate variable is accepted and null hypothesis is rejected. The interpretation result is 0.999** which is in between 0.80 to 1.0 so it refers very strong co relationship.

Table-10. Correlation between Business Performance (BP) and Employee Stock Option (ESO)
Correlations

		BP	ESO
BP	Pearson Correlation	1	.999**
	Sig. (2-tailed)		.000
	N	60	60
ESO	Pearson Correlation	.999**	1
	Sig. (2-tailed)	.000	
	N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

Table-11. Correlation between Job Performance (JB) and Employee Stock Option (ESO)
Correlations

		JP	**ESO**
JP	Pearson Correlation	1	.688**
	Sig. (2-tailed)		.000
	N	60	60
ESO	Pearson Correlation	.688**	1
	Sig. (2-tailed)	.000	
	N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

There is a correlations between the two variables at the significant level 0.01 the correlations value is 0.688** hence the hypothesis depicting there is a relations between the two variable *Job Performance and Employee Stock Option* and alternate variable is accepted and null hypothesis is rejected. The interpretation result is 0.688** which is in between 0.60 to 0.79 so it refers this relationship is strong.

Table-12. Correlation between Employee Attitudes (EA) and Employee Stock Option (ESO)
Correlations

		EA	**ESO**
EA	Pearson Correlation	1	1.000**
	Sig. (2-tailed)		.999**
	N	60	60
ESO	Pearson Correlation	1.000**	1
	Sig. (2-tailed)	.999**	
	N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

There is a correlations between the two variables at the significant level 0.01 the correlations value is 0.999** hence the hypothesis depicting there is a relations between the two variable *Employee Attitudes and Employee Stock*

Option and alternate variable is accepted and null hypothesis is rejected. The interpretation result is 0.999** which is in between 0.80 to 1.0 so it refers this relationship is very strong.

5.3. Nonparametric Correlations

5.3.1. Spearman's Correlation

Spearman's correlation is used to see whether there is any relationship among variables or not. If correlation coefficient or ρ (rho) ≠ 0 and significance or α (alpha) <0.05, there will be a relationship between variables.

Table-13. Correlation between Business Assets (BA) and Employee Stock Option (ESO)
Correlations

			BA	ESO
Spearman's rho	BA	Correlation Coefficient	1.000	.811**
		Sig. (2-tailed)	.	.000
		N	60	60
	ESO	Correlation Coefficient	.811**	1.000
		Sig. (2-tailed)	.000	.
		N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

Communications and cumulative satisfactions as correlations of 0.811** to each other at the significant level of 0.01, hence this shows very strong correlations.

Thus the result is more than 0.05 so null hypothesis should be rejected and 0.811** so there is a positive relationship between the variable (Business Assets and Employee Stock Option).

Table-14. Correlation between Business Performance (BP) and Employee Stock Option (ESO)
Correlations

			BP	ESO
Spearman's rho	BP	Correlation Coefficient	1.000	.688**
		Sig. (2-tailed)	.	.
		N	60	60
	ESO	Correlation Coefficient	.688**	1.000
		Sig. (2-tailed)	.	.
		N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

Communications and cumulative satisfactions as correlations of 0.688** to each other at the significant level of 0.01, hence this shows very strong correlations. Thus the result is more than 0.05 so null hypothesis should be rejected and 0.688** so there is a positive relationship between the variable (Business Performance and Employee Stock Option).

Table-15. Correlation between Job Performance (JP) and Employee Stock Option (ESO)
Correlations

			JP	ESO
Spearman's rho	JP	Correlation Coefficient	1.000	.811**
		Sig. (2-tailed)	.	.000
		N	60	60
	ESO	Correlation Coefficient	.811**	1.000
		Sig. (2-tailed)	.000	.
		N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

Communications and cumulative satisfactions as correlations of 0.811** to each other at the significant level of 0.01, hence this shows very strong correlations. Thus the result is more than 0.05 so null hypothesis should be rejected and 0.811** so there is a positive relationship between the variable (Job Performance and Employee Stock Option).

Table-16. Correlation between Employee Attitudes (EA) and Employee Stock Option (ESO)
Correlations

			EA	ESO
Spearman's rho	EA	Correlation Coefficient	1.000	.881**
		Sig. (2-tailed)	.	.
		N	60	60
	ESO	Correlation Coefficient	.881**	1.000
		Sig. (2-tailed)	.	.
		N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

Communications and cumulative satisfactions as correlations of 0.881 to each other at the significant level of 0.01, hence this shows very strong correlations. Thus the result is more than 0.05 so null hypothesis should be rejected and 0.881** so there is a positive relationship between the variable (Employee Attitudes and Employee Stock Option).

5.3.2. Regression Analysis

Here R^2 values represent how much a dependent variable is explained by the independent variable and if p≤ 0, then null hypotheses (H0) will be rejected and alternate one will be considered.

Table-17. Regression Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.852[a]	.625	.425	.70328

R^2 (square) value represent that 0.625 or 62.5% of dependent variable is explained by the independent variables. Thus null hypothesis is rejected.

6. Limitations

- It was quite difficult for me to explain the interviewer about my research topic, because use of it in Pharmaceuticals Company more over use of ESO in our country is not popular. Though it was difficult but I tried my level best to concern them about this topic.

7. Conclusion

ESO plans are now the norm in multi-national companies and are becoming popular in many companies in other industries as part of an overall equity compensation strategy. ESOPs are an invaluable tool for the modern enterprise. From long-time devotees, history dictates that a firm's employee can derive a long-term benefit from these plans as they enable the recruitment & retention of talented staff, foster an entrepreneurial environment and provide a mechanism for the alignment of interests between employers & employees. Over time and in the wake of successful companies, these plans also tend to build sustainable wealth for employees and their communities. ESOPs represent an opportunity for companies to establish a relative advantage in an increasingly competitive global marketplace. The flexibility available to a firm contemplating ESOP implementation is also an important factor, as these plans should be tailored in order to support the long-term strategy of the enterprise. While these plans typically come at a cost to both parties, be it dilution and out of pocket expenses for the employer or lower cash compensation and an illiquid investment for the employee, the overall benefits of such plans have been historically shown to outweigh the related costs for both stakeholder groups.

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