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# Sharing the ownership in Peru and Mexico: The case of a French MNE prompting the SDGs achievement

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## Abstract

**Purpose:** We investigate how a French Multinational Enterprise (MNE) is developing Employee Stock Ownership (ESO) in its subsidiaries in Peru and Mexico, both Latin American countries with deep social and economic inequalities. **Methodology:** This is a qualitative case study, which conducted interviews with representatives of the French MNE and its subsidiaries in Peru and Mexico. **Findings:** The Employee Stock Purchase Plans (ESPP) offered by the company to its employees support the achievement of the Sustainable Development Goals (SDGs) 1, 8, and 10 in these countries. **Originality:** By contributing to better workplace outcomes and enhanced corporate performance, ESO is in line with SDG 8. ESO also fulfills SDGs 1 and 10 by allowing employees to build up savings and wealth whose lack is the main source of inequality and poverty. Reciprocity and binary economics theories explain these relationships. **Social implications:** We argue that MNEs could become flagships in the SDGs achievement in emerging economies.

**Keywords:** employee stock ownership, employee stock purchase plans, shared capitalism, MNE, sustainable development goals.

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## Introduction

Traditional capitalist systems have evolved allocating most of the resources and opportunities for development in a few hands. Countries in emerging economies which have adopted capitalism as an economic model have included several modifications, adapting it to their own turbulent contexts and business environments (Schneider, 2013). Naturally, these local experiments had sometimes unexpected results such as high unemployment rates, increased poverty, informality, and wider social as well as economic inequalities (Durand, 2019; Gonzalez-Perez, 2013; Vergara, 2018), generating several constraints as well as opportunities for sustainable development (Mohieldin *et al.*, 2022). Furthermore, the COVID-19 health crisis has emphasized these inequalities, limiting access to technology, financial resources, and business opportunities (CEPAL, 2022; Chancel *et al.*, 2021; Gonzalez-Perez *et al.*, 2021; United Nations, 2020).

According to the Sustainable Development Goals (SDGs), reducing poverty includes providing people equal rights to economic resources as well as developing mechanisms and policies to democratize ownership and property in different forms (SDG 1, targets 1.4 and 1.b). Also, creating decent jobs and reinforcing financial institutions, facilitating the access to financial services are key elements for proper public policies as well as an overall economic growth and productivity (SDG 8, targets 8.1, 8.2, 8.3 and 8.10). In addition, promoting social and economic inclusion as well as ensuring equal opportunities for all are the basis for reducing inequalities of outcomes (SDG 10, targets, 10.2 and 10.3). Nevertheless, the global sustainability agenda was continuously underperforming and delayed (Chan and Amling, 2019; Gonzalez-Perez, 2016).

Shared capitalism relates employees' wealth and income to their company's performance (Freeman *et al.*, 2010). One of the mechanisms used by shared capitalism is employee stock ownership (ESO), when employees own shares in the

company they work for<sup>1</sup>. However, each country has adopted its legal framework and incentives for ESO, which could be implemented through different ways such as employee stock ownership plans (ESOP) and employee stock purchase plans (ESPP) among others. This paper focuses on an ESPP offered by a French multinational enterprise (MNE) to all its employees in many countries including Peru and Mexico. ESPPs are employers' sponsored offers aimed at developing ESO usually in large-listed companies. These plans are broad based meaning that all the employees are eligible with the same conditions whatever their rank or salary. ESO is known to have positive results for organizations. According to the literature, ESO improves firms' performance. Some of these positive results are better cooperation, improved monitoring, decreased staff turnover and absenteeism. According to this, O'Boyle *et al.* (2016) reported a positive relationship between ESO and firm performance regarding efficiency and growth. In addition, most of the stock listed firms included in the Fortune 100 Best Companies to Work For report for 2020 have implemented some type of ESO plan (Rosen, 2021). Since the decision to incorporate and develop ESO usually depends on the top management of the firm, these executives have to be aware not only of the short-term benefits, but of the long-term trade-offs of it too (Aubert and Cordova, 2020).

Thus, how reluctant companies could be to implement mechanisms such as ESO would depend on the maturity of financial markets, the financial education level of employees, the local business culture, and the proneness of their top management. Nevertheless, these factors could be shaped by contextual patterns that surround firms (DiMaggio and Powell, 1983; Peng *et al.*, 2009). Hence, how familiar the country's business culture and context would be towards ESO would be instrumental in its acceptance and implementation.

Latin America has a turbulent context for business, which holds several opportunities as well as important constraints (Vassolo *et al.*, 2011). Also, Latin American countries have deep socio-economic inequalities and lack institutional strength (Durand, 2019;

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<sup>1</sup> Most academic research focuses on ESOPs in the United States. One important feature of US ESOPs is that employees hold at least 30% of the shares, and in many cases 100% of the shares. In the case of a listed company like the one we are studying, it is very rare for employees to hold such a high proportion of shares.

Gonzalez-Perez, 2022). This paper is focused on MNE's subsidiaries in Peru and Mexico, countries which are not an exception for this situation (Cordova *et al.*, 2022; Nava-Aguirre *et al.*, 2022; Oulhaj & Hernández, 2020). Organizations in both countries would have a specific business culture, led by business groups and managerial elites which are primarily oriented to economic development (Cordova, 2020; Musacchio & Read, 2007; Schneider, 2013). Therefore, Peru and Mexico would be countries where ESO implementation could be undermined by the reluctance for change as well as by local institutional constraints.

This paper investigates how a French MNE is developing ESO in its subsidiaries in Peru and Mexico, both Latin American countries with deep social and economic inequalities, overcoming the context characteristics and supporting the achievement of the SDGs 1, 8, and 10 in these countries. Furthermore, this study describes how French MNE's subsidiaries could serve as local agents for change, introducing as well as leading the development of ESO in their financial markets. Even though there is no legal framework to incentivize ESO in these Latin American countries, this French MNE offers its Peruvian and Mexican employees the opportunity to invest in it. Hence, similarly to Zhao *et al.* (2020) regarding how MNEs' innovation could impact emerging economies, through this case study we posit that foreign companies having a strong ESO culture are offering it under different types of mechanisms to their subsidiaries' employees, developing ESO as a financial alternative to deal with local uncertainty. Thus, on the one hand, ESO allows employees to directly invest and committedly participate in their company's performance, providing them access to the company's ownership, and encouraging a financial alternative to increase their wealth. On the other hand, while innovating through the extension and implementation of ESO instruments abroad, MNEs would be enhancing the development of their subsidiaries' local financial markets, overcoming social inequalities in Peru and Mexico, contributing to the achievement of the SDG 1 –*No Poverty*– (targets 1.4 and 1.b), SDG 8 –*Decent Work and Economic Growth*– (targets 8.1, 8.2, 8.3 and 8.10) and SDG 10 –*Reduced Inequalities*– (targets 10.2 and 10.3). Although there is abundant academic literature on ESO, there is no consensus on the theories that explain its effects. One contribution of this paper is to highlight the importance of reciprocity and binary economics theories. Reciprocity theory was popularized in economics by the winner of the

Nobel Prize in Economics George Akerlof with gift exchange theory. Binary economics was developed by Louis Kelso in the 1950s. Kelso was the inventor of the ESOP in the United States and the main inspiration behind the country's employee stock ownership legislation.

This paper makes several contributions. From a theoretical point of view, we highlight the relevance of reciprocity and binary economics theories to understand the effects of ESO, particularly in relation to the SDGs. From an empirical point of view, we highlight the characteristics of ESPPs that enable SDGs to be met in Mexico and Peru, two of Latin America's largest economies. We propose to associate these characteristics with theories that explain the effects of ESO.

Section 1 describes literature on ESO and relates this form of compensation to the achievement of SDGs 1, 8 and 10. Section 2 presents our empirical and holistic study (Maxwell, 2004; Stake, 2008) of the global ESPP annually offered by a French MNE to its subsidiaries in Peru and Mexico. ESPP's main features are also explained since they are a major way to develop ESO in large companies. The main institutional characteristics of the three countries involved are explained. Section 3 presents our investigation of the innovations developed to help the employees to become owners of the company's stocks. These innovations overcome local constraints to promote ESO, resulting in the achievement of SDGs 1, 8 and 10. Finally, section 4 presents concluding remarks, the limitations of the study, and alternatives for further research.

### **Literature review: The contribution of ESO to the SDGs**

This section reviews the literature on the effects of ESO on decent work and economic growth (SDG 8) and the reduction of poverty and inequalities (SDG 1 and 10). Few studies have examined the direct effects of ESO on the SDGs to date. Through the many positive outcomes identified by the academic literature, ESO has consequences for the achievement of the SDGs. This first section identifies the main theoretical and empirical works that study the effects of ESO on workers and companies. Despite the existence of

numerous empirical works on ESO, there is no consensus on which theories best explain its effects. We highlight the interest of two theories in understanding how ESO can contribute to the achievement of the SDGs. Reciprocity or gift exchange is well known in economics and management thanks to the work of Georges Akerlof. Binary economics was developed by Louis Kelso, creator and promoter of the ESOP in the United States.

### *ESO, decent work and economic growth (SDG 8)*

The relation between ESO and SDG 8 is well supported by the academic literature. Empirical results suggest that holding shares of the company one works for can affect individual work attitudes and behavior and, consequently, corporate performance.

ESO has been the subject of much academic research since the 1970s and the creation of ESOPs in the United States. Research on ESO has come from several disciplines in the humanities and social sciences. Psychology and human resource management have focused on the effects of ESO on employee attitudes and behavior such as job motivation, job satisfaction, turnover intention, job involvement and commitment. Klein (1987) has developed three models that have structured the subsequent empirical work in this area and that explain the beneficial effects of ESO. She considers that employees change their work attitudes because their status changes when they become shareholders of their company (intrinsic model). They would also be more productive because they are involved in decision making (instrumental model). Finally, employee owners would be more motivated because they are financially rewarded (extrinsic model). Motivation is an important expected outcome of ESO and well-studied by the literature. Pierce *et al.* (1991) developed a conceptual model of the effects of ESO as a driver of the different forms of motivation: work attendance motivation, motivation to engage in acts of good organizational citizenship, and performance motivation. They also claim that: “As the employee-owner increasingly identifies with the organization and becomes integrated into the ownership experience there will be an increase in the level of experienced meaningfulness of work, and an enhanced sense of responsibility for work and organizational outcomes, which in turn will positively affect employee motivation” (p. 135). Kaarsemaker (2006) and Caramelli (2011) offer comprehensive literature reviews

of the empirical effects of ESO . Caramelli (2011) states that "75% of the studies reviewed evoke changes in employee attitudes and behaviors to explain why ESO is believed to affect corporate performance" (p. 184). Kaarsemaker (2006) concludes that "Turnover (intentions), commitment, job satisfaction, motivation, and absenteeism are the most commonly researched employee behavior and attitudes" (p. 16).

The individual positive outcomes of ESO affect organizational performance measured in terms of productivity and profitability. O'Boyle *et al.* (2016) offers a meta-analysis covering 102 samples comprising over 56,000 firms. Their work shows that ESO has a small but a significant positive effect on performance measured by several indicators. Caramelli (2011) proposes three chains of causality starting from: the financial value, the participation in decisions making, and the tax savings. Financial value affects motivation, involvement provokes feelings of fairness and stimulates information sharing with management. These attitudes result in lower employee turnover, less absenteeism, and fewer strikes. The participation of employee shareholders in decision-making improves the quality of decisions, legitimizes the authority of management, and reduces staff turnover. The quality of working relations and the trust in the workplace are improved while limiting conflicts. Finally, governments offer tax incentives to develop ESO , and these have a direct effect on accounting measures of performance. Caramelli (2011) considers that we lack a theoretical framework to explain the effects of ESO . But theories of social exchange and reciprocity may be a way forward. Freeman *et al.* (2010) conducted a comprehensive study of shared capitalism including ESO. They define shared capitalism as "employment relations where the pay or wealth of workers is directly tied to workplace or firm performance" (p. 1), including in these relations broad-based collective incentives such as: ESO, profit sharing, gainsharing, and broad-based stock options. They conclude that gift exchange theory (Akerlof, 1982) can explain the positive effects of shared capitalism on productivity and human resource management outcomes. They suggest that shared capitalism schemes create a reciprocal relationship between the company and the workforce. Employees would reciprocate the gift of a share of the profit or the equity by increasing their productivity and involvement. Bryson and Freeman (2019) confirmed the gift exchange approach and claim that "both the gift exchange and pure ownership channels begin with the firm gifting matched shares to employees through the Employee Stock



Purchase Plan (ESPP)” (p. 89). Their results conclude that ESPP participants have lower turnover intentions and lower job search and that they press co-workers to work hard in workplaces. ESPP participants also work harder and longer in response to the group incentives induced by shared ownership. Gift exchange corresponds to a relationship of reciprocity that Kolm (2006; p. 25) defines as follows: "A gift or favour motivated by another gift, for instance the return gift of an initial gift, constitutes the very important social relation of reciprocity. This is very different from a self-interested exchange where each transfer (or favour) is provided under the condition that the other is provided, and hence is not a gift (in the proper sense of the term)." Kolm (2006) describes three patterns of reciprocity that can be combined: balance reciprocity, liking reciprocity and continuation reciprocity. The first maintains the balance of donations by avoiding any moral indebtedness, the second intervenes because of an affective link between the donor and the recipient, and the third aims to continue a relationship by inducing a new donation. Reciprocity is particularly developed in groups with multiple interactions, such as in the workplace. Reciprocity is particularly well-suited to understanding the mechanisms at work in ESPPs, where the employer grants a gift to employees and expects greater productivity in return. Unlike other profit- and capital-sharing mechanisms, workers can accept or reject this initial gift. According to Putterman (2006), reciprocity cannot be understood in a strictly rational way, as it results from past experience, reputation, socialization and social pressures. Reciprocity can also be negative for an employee shareholder who has lost his savings by investing in his company. It is conceivable that this loss could prompt him to adopt a negative attitude towards his employer that affects productivity and degrades working relations: a work-to-rule, lateness or absenteeism, for example. On the other hand, negative effects have also been documented at the firm level. ESO could be used by managers to maintain their position in case of poor performance. It would act as an entrenchment mechanism (Pagano and Volpin, 2005). ESO is also a collective incentive system subject to free riding problems, even though behaviors against those potential free riders can be observed in the workplace (Freeman *et al.*, 2010). Among the motives for developing ESO, Kim and Ouimet (2014) also identify the wage substitution effect of replacing fixed wages with variable compensation. This strategy increases the risk of employees' compensation and may affect their job attitudes negatively.

The literature on ESO allows us to make the following proposition:

**Proposition 1:** Broad based ESO contributes to the achievement of SDG 8 and favors better work conditions and shared economic growth by favoring reciprocity in the company resulting in improving employees' job attitudes and behaviors through intrinsic, instrumental and extrinsic motives.

*Employee stock ownership to reduce poverty (SDG 1) and inequalities (SDG 10)*

The extrinsic model developed by Klein (1987) claims that ESO affects employees' attitudes because it is financially rewarding for the employees. This model suggests a link between ESO and productivity at the firm level. This causality assumes that employee-owners respond positively to collective monetary-based compensation systems. The extrinsic model is consistent with the economic theory of incentives (Laffont and Martimort, 2009) which states that monetary incentives are effective to increase effort and productivity. Productivity is the consequence of other economic and psychological factors, but monetary incentives are often regarded as the main one. This is especially the case for low-income workers and is even more prominent in emerging countries. ESO meets SDG 1 and SDG 10 by enabling employees to build up financial assets. The unequal distribution of financial wealth is one of the main causes of inequality. Blasi *et al.* (2015) state that the concentration of wealth in the hands of a few is leading the United States toward a new feudalism. The same conclusion applies to many countries in the world. According to the Oxfam (2022) annual report, the 10 richest men in the world own more than the bottom 3.1 billion people and their wealth doubled since the pandemic began. One important conclusion of Piketty (2014) is that the tendency of returns on capital to exceed the rate of economic growth is the main driver of inequalities in the world. This standpoint underlines that capital ownership is the source of inequalities. Such inequalities threaten democratic values and stir discontent. Blasi *et al.* (2015) propose a solution that seems simple and of common sense: "We say, if more citizens of all political orientations are capitalists, there will be more citizen support for capitalism" (p. ix). According to them, broadening the property of capital with ESO is an effective way of reducing inequalities in the 21<sup>st</sup> century just like the founding fathers of the United States of America shared the capital (the

land at this time) in the 19<sup>th</sup> century. According to them, sharing the land in the US would have been a major driver of the prosperity of the country. From this standpoint, reducing inequalities is a cause of economic development and of democratic stability. ESO also affects participation, inclusion, value, trust, equity, fairness and contributes to the development of skills, knowledge, leadership, mentorship, and advancement (Institute for the Study of ESO and Profit Sharing, 2019). Dudley and Rouen (2021) relied on US government data to show that if all private firms became 30% employee-owned, the Gini coefficient would decrease nearly 10%. According to them, “all demographic groups would see gains to their median wealth” and “the decline in wealth would be concentrated among the top 1%.” (p. 2). The wealth increase would be especially significant for the poorest communities. Weissbourd *et al.* (2021) suggest that ESO can help to strengthen job quality and address race, gender income and wealth gaps. Binary economics is the theory that explains how ESO can decrease poverty and inequality. The term "binary" stems from the idea of a two-tiered structure in the ownership of productive assets: capital and labor. Binary economics explicitly refers to Marxism starting with the idea that the “the only problem with capitalism is that there are not enough capitalists” (Jeff Gates cited by Freeman, 2001). Binary economics was initially developed by Louis Kelso in his book co-authored with Mortimer Adler and entitled “The capitalist manifesto” in 1958. An overview of binary economics is presented by Ashford (1996 and 2012). Kelso was both a practitioner and a theorist. He had a major influence on the development of ESOPs in the United States, of which he is considered the inventor. He saw the ESOP as a response to the problem of the unequal distribution of capital and income. In the 50s, Kelso considered that the share of economic value produced by labor (he calls it productiveness) was decreasing, even though productivity was increasing. Consequently, the remuneration of labor is bound to fall, while that of capital must rise. With different premises, he reached the same conclusions as Marx in the 19th century. In fact, his 1958 book is entitled "The capitalist manifesto", in reference to Marx and Engels' "communist manifesto". Kelso's solution is quite different. He believes that, if wages cannot meet workers' needs, they must benefit from the income of capital. Encouraging a more widespread ownership of capital among workers as a means of providing them with supplementary income is essential to fight poverty and inequality. The solution he proposes is to make ESO available to as many

people as possible. According to Ashford (1996; p. 2): “Binary economics not only provides a unique explanation of the problem of poverty in the postindustrial world; it also offers a unique strategy for achieving general economic well-being based on private property and market principles. If it is valid, it offers a comprehensive way to help poor and working people everywhere without taking from the rich.” Economists often differentiate between income redistribution policies (reallocating income, wealth, or resources from one segment of a population to another) from income predistribution policies (intervening in the distribution of income and wealth at its source). Bozio *et al.* (forthcoming) consider that predistribution policies have a greater impact on inequality than redistribution policies, comparing France and the United States. Encouraging broad based ESO can be considered as a predistribution economic policy. From 1973 to 1986, Kelso’s lobbying of Senator Russell Long led to the introduction of tax benefits for ESOPs in the Employee Retirement Income and Security Act (ERISA) regulating the US pension system. In 2023, almost 7,000 ESOP companies employ 14 million US workers who are also shareholders of their company. Although the ESOP and ESPP allow employees to hold shares in their company, these plans have different characteristics. Firstly, the ESOP is a retirement plan, which means that employees' shares can only be cashed out at retirement, with certain exceptions. With ESPPs, employees can invest their money in the plan, but they are free not to. If they decide to participate, their money is not locked in until retirement. In the United States, money invested in ESPPs is not locked in, whereas in France it is locked in for 5 years. With ESOPs, shares are allocated to employees without them investing their money, but they don’t decide to participate.

But ESO has also some drawbacks that were underlined by the academic literature. At the individual level, behavioral finance has called ESO a dubious strategy or an investment mistake (Benartzi *et al.*, 2007). The behavioral finance stream of research investigated the bankruptcy of Enron whose employees had invested in the company stocks losing their job and retirement savings. This event fuels the criticism of ESO until now. Holding employer’s stocks would be irrational and the consequence of cognitive biases. Benartzi (2001) was one of the first to study the motivations to invest in company stocks in the 401(k) pension plans. He concluded that ESO is a “dubious strategy” and that “individuals do not fully understand the risk of company stock” (Benartzi, 2001; p. 1760).

The risks taken by employee shareholders would be unconsidered and very costly (Meulbroek, 2005). The Nobel Prize winner Harry Markowitz contradicted these statements and computed that “the optimal portion of an otherwise diversified portfolio that could conceivably be in company stock is 8.33 percent, while 10 to 15 percent would have a small effect on the volatility of the employee portfolio” and would be “not too imprudent” (Markowitz *et al.*, 2010; p. 121, 126). Kruse *et al.* (2022) concludes that “Employee share owners express higher risk tolerance and financial knowledge and greater understanding of the value of diversification. While financial risk does not appear to be a substantial problem for most employee share owners, a small minority may face excessive risk” (Kruse *et al.*, 2022; p. 716).

Thus, the literature on ESO allows us to make the following propositions:

**Proposition 2:** By giving workers a share in the company they work for, broad based ESO reduces poverty thanks to wealth accumulation and contributes to the achievement of the SDG 1.

**Proposition 3:** By sharing the capital with the workers, broad-based ESO decreases inequalities and contributes to the achievement of the SDG 10.

## **Methodology**

In this section, we first present the contextual patterns regarding ESO for the three selected countries in the study and the reasons for this choice. We analyze Mexico and Peru considering that they share common elements as Latin American countries but also specific characteristics for their financial markets. Secondly, we describe the empirical case study, a French MNE that offers to its employees to invest in its stocks every year for three decades. Finally, we focus on the method of the study.

*Employee stock ownership in France, Peru and Mexico*

Several reasons motivated the choice of France, Peru and Mexico. France is a leading country in ESO with the largest population of employee owners in Europe. France is the fourth country in terms of the number of MNE ranked in the Fortune 500 global ranking after the US, China and Japan. Mexico and Peru are among the largest economies of the Latin American region in terms of GDP. But the two countries were strongly affected by the COVID 19 pandemic. They are among the Latin America countries which experienced the sharpest decrease of the GDP per capita (-12.4% for Peru and -9.3% for Mexico) having the highest Gini index. We present the French legal system in more detail because the conditions offered by the company apply to employees in other countries. France has well-developed ESO and profit-sharing systems that date back to the 1960s. It is the only country in the world where profit-sharing schemes are compulsory for companies hiring more than 50 employees. Gainsharing and profit-sharing bonuses can be cashed out by employees or saved in a company savings plan (*Plan d'Epargne Entreprise* in French or CSP from now on) or a pension plan. Employees working for French companies have two main means to acquire stocks of the company they work for. Free shares can be granted to employees, but most of the time they have to invest their own money. As we will see, there are several ways to reduce the cost of this investment. They can buy stock directly on the financial market. In this case, they hold the shares directly and do not benefit from the associated tax advantages. They can also hold the stocks indirectly through the CSP. This second option is the most widespread, as it offers significant tax advantages and benefits granted by the company. ESO is not the only investment choice offered to employees by the CSP. Each of the choices offered by the CSP takes the form of an investment fund known as an employee savings fund (*Fonds commun de placement entreprise* in French, ESF from now on). So, there are employee stock ownership ESFs, ESFs invested in other equities, ESFs invested in bonds and so on. The ESFs are unique to France and are usually managed by an asset management company in charge of the plan administration. ESFs are alternative investment funds (AIF) regulated by the European Union directive Alternative Investment Fund Managers (AIFM) of June 8, 2011. The governance of the ESFs is also very specific. The financial, administrative, accounting management, and the operation of the fund, as well as employees' information are entrusted to a supervisory board. At least half of the members of the ESF supervisory board (*conseil*

*du surveillance du FCPE* in French) must be employees and the chair of the board is also an employee. All employee representatives of the supervisory board must be elected directly by the employees. The other members of the CSF supervisory board represent the company. The money saved in the CSP cannot be withdrawn for five years. At the end of this 5-year period, the employees can sell their shares without paying tax on capital gains. The matching contribution is the employer monetary bonus that complements the employees' investment. The employer can direct the matching contribution to investment in company stocks. The money collected during the ESPP is often held within the CSP which allows the employees to benefit from the full tax deductibility. ESO is mostly developed in French large-listed companies. There are currently around 3 million employee-owners in France according to the European Federation for employee share ownership annual report (2021). 42 ESPPs were offered to their employees by the largest 120 French companies in 2021 for a total amount of 3.7 billion euros .

From the 90s, Peru has developed a general privatization process that included the important economic sectors such as agrarian, telecommunications, mining, hydrocarbons, energy, and others. This privatization wave allowed the country to overcome the negative effects of the Brazilian and Asian financial crises of 1997, promoting a fast recovery and more investment from abroad (Consejo Privado de Competitividad – Perú, 2019). However, even though the rates for extreme poverty and poverty decreased (World Bank, 2018), other relevant promises of the traditional capitalist system were still in debt to the Peruvian population (Vergara, 2018). According to Vergara (2018), the breaches left by the uneven implementation of the capitalist system in the country have turned wider the economic and social inequalities in Peruvian society. According to the World Bank, Peru's Gini index was 43.8 in 2020. Moreover, social unrest has turned into usual concern in the country (Rochabrun and Aquino, 2021), emphasized by a generalized corruption (Romero Montes, 2019) and the inefficacy of the State to properly distribute financial resources, essential services, and growth opportunities (Grompone and Tanaka, 2009). Furthermore, the few that compose the Peruvian elite have been indifferent with the rest of the population who does not have the same access to opportunities and resources (Durand, 2018; Klarén, 2004). These conditions have plunged the country into a deep institutional weakness

(Klarén, 2004; Vergara, 2018) as well as into wide economic and social inequalities that undermine the attempts for sustainable development (Cordova *et al.*, 2022).

ESO is known in Peru as “Programa de Incentivos en Acciones” (PIA) or “equity awards”, and is still underdeveloped. According to the literature, these plans provide different opportunities to sell company’s shares to the employees, splitting the business risk and improving short-term liquidity, as well as enhancing firm performance and employees’ satisfaction levels in the long run. Contrary to other countries' financial markets , PIA in Peru has not a specific regulation yet nor any promotion from the government or the private sector.

Mexico has been experiencing a crisis that resembles the global one for more than 30 years. From the economic sphere, in addition to the local governance challenges and the characteristics of an emerging economy, it has suffered the effects of economic crises in other countries. Post-pandemic effects have accentuated these degradation processes. The Mexican worker has seen a drop in the net value of the real minimum wage by 70% in the last three decades (Campos *et al.*, 2017). According to Esquivel (2015), even though Mexico is the 14th largest economy on the planet, 53.3 million inhabitants live in poverty; although the GDP grows only 1% annually, the fortune of the 16 wealthiest Mexicans was multiplied by five. Therefore, the country is located within the highest unequal quartile on the planet. In addition , Esquivel (2015) points out that the wealth of the wealthiest people continues to increase. From 1996 to 2015, this wealth grew from 25.6 billion dollars to 142.9 billion dollars. Studies in recent years (Corona, 2014; Enamorado *et al.*, 2014) demonstrated the relationship between these levels of enrichment and the economic and educational inequality and access to decent jobs with rates of violence in populations. Some previous studies (Muller, 1985) have shown that economic inequality can generate political violence in certain regions. Mexico is ranked as second in the highest Gini index (45.4) in the O.E.C.D., and inequality is also expressed and studied concerning opportunities and traits of origin such as language, gender, ethnic, and skin color. The culture of participation and ownership is developed in Mexican cooperatives. According to data from the 2015 intercensal survey, there are around 18,000 cooperatives and 8.8 million cooperative members in the country (Rojas, 2021). In October 2020, there were 194



savings and loan cooperatives with nearly 2.7 million members (ICA, 2020). More statistical data is needed to allow evaluations of the sector and research to delve into it. There is no specific Mexican law promoting ESO. According to De Presno *et al.* (2021), "the most common types of share plans are incentive share options and restricted share units (R.S.U.s), with some minor variations between plans in employee participation, vesting periods, and other terms" (p. 2). Although such plans are a practice that is gaining ground in large transnationals, listed companies, and limited liability companies, they are maintained as an extra benefit for workers with a more executive profile.

#### *Empirical case study: a French MNE offering ESPPs*

We focus on a French MNE yearly offering ESPP to Peruvian and Mexican employees.

The ESPP benefits its foreign employees. ESPPs are employers' sponsored offers aimed at developing ESO usually in large-listed companies. These plans are broad based meaning that all employees are eligible to them with the same conditions whatever their rank or salary. Employees who participate benefit from a discount on the stock price (15% in the US and up to 40% in France). The plan design varies from one country to another since International ESPPs consider the local legal and fiscal constraints. Employees' contributions to the plan can come from different sources: profit-sharing bonuses, payroll deductions, or employees' own contributions. There are often limitations to the amount invested in the plan which is defined as an amount and a percentage of the annual gross salary. Eligible employees should work at the company for a minimum period. As opposed to other forms of compensation, with ESPPs, employees invest their own money and this investment acts as a commitment that does not exist for other compensation. Contrary to other compensations that are decided unilaterally by the management, participating in the ESPP requires the employees' explicit free decision. The literature on ESPPs is very scarce (Ouimet and Tate, 2020). The challenges a company faces to foster ESPP participation of their employees were documented by Engelhardt and Madrian (2004) and Rapp and Aubert (2011). They found that four explanations undermine ESPP's participation: liquidity constraint, imperfect knowledge of the plan, asset choice and transaction costs. Companies

must develop innovations to limit the impact of these four determinants of employee participation and contribution to the ESPP.

For reasons of confidentiality, the name of the company studied is not disclosed. The investigated company is engaged in four business activities: Innovative Materials; Construction Products; Building Distribution and Packaging, and is present in 75 countries with more than 166, 000 employees. It is listed on the French market and has a turnover of 44.2 billion euros in 2021. 13,000 employees work in nine Latin American countries employees in more than 50 plants. Thus, the selection of the MNE was made by convenience of the research team given the access to information but following the criteria of stock exchange listed (due to the ESPP mechanism under analysis), French firm (due to the ESO experience in the country), and having subsidiaries in Latin America (emerging markets). In terms of corporate responsibility, the company is committed to following numerous standards of environmental preservation, social promotion, and governance. They also have partnerships with many organizations promoting Environmental Social and Governance (ESG) principles.

Regarding the company's ESO policy, 60,000 employees hold 8% of the company's stocks and they are the first shareholder. One member of the board of directors is elected by the employee shareholders. Two other employees represent the workforce on the board of directors. Board ESO representation is mandatory in France when employees hold more than 3% of the shares and board employee representation is required by the French law in listed companies depending on the size of the board. The company stated the ESPP's objective as follows:

*“The operation is part of the ongoing development of employee shareholding, which has been a constant objective of the Group for 33 years. This offer will strengthen the sense of belonging of the Group's employees by offering them the possibility to be more closely associated with the future development and performance of the firm .”* (Source: company's website)

The MNE has offered shares to the employees every year since 1988. The compensation and benefits executive explained that “indicators on ESO are indirectly included in the universal registration document in the shareholding section.” To illustrate this point about

the link between ESO (as a percentage of equity held and proportion of employees covered) and the SDG 8, Table I shows the details of a universal registration document of the company. They also make the link with the Global reporting initiative (GRI).

INSERT TABLE I ABOUT HERE

We underline that the EU legislation requires companies to disclose their extra-financial performance in terms of ESG issues. Regarding the link between ESO and corporate social responsibility (CSR), the executive made it very clear that “the direct link between ESO and CSR is not made because of our responsibility as an employer not to consider ESO as the only savings tool. It is also a matter of prudence.”

#### *Method of the study*

The investigated company offers stocks to its employees in 58 countries including Peru and Mexico. We specifically interviewed executives of the company in charge of the implementation of the plan in France, Mexico and Peru. The French executive (FEXEC) leads the management of the ESPP in all 58 countries and he has worked for the company for 16 years. In Peru and Mexico, we interviewed the corresponding executive of the ESPP in the country. In Mexico, we interviewed an executive (MEXEC) who joined the company 17 years before. He is the highest ranked executive in terms of sustainability in the country. In the last seven years, our Mexican interviewee has focused on leading the sustainability actions for Mexico and Colombia. In addition, he is part of, and in some cases, chairs, national and international groups, and alliances linked to energy efficiency and sustainability. In Peru, we interviewed an executive (PEEXEC) who joined the firm in 2014, when the firm’s operation in the country only had 34 employees. He began as Head of Human Resources and in 2016 he was promoted to Human Resources Manager. Also, he is the person responsible for ESO in the Peruvian subsidiary. The investigation we conducted is exploratory as very few academic research focuses on ESPPs. Ouimet and Tate (2019) identified only 4 papers focused on the topic and there is no research on how ESPPs affect the SDGs. In addition, at the exploratory stage of a research, for Bogler *et al.* (2009; p. 2) talking to experts is “ a more efficient and concentrated method of gathering data than,

for instance, participatory observation or systematic quantitative surveys. (...) Beyond the direct benefits, it is also evident that expert interviews offer researchers an effective means of quickly obtaining results and, indeed, of quickly obtaining good results.” The executives we interviewed are experts of ESPPs that they organize every year. They provide key cross-country information related to the same MNE but from subsidiaries located in Latin American contexts (external validity). They are compensation and benefits executives (including the compensation and benefits officer at the global level).

The primary data collected through interviews was supplemented by secondary data. The company has a comprehensive corporate website that is dedicated to the ESPP with specific information for each country and updated every year (internal validity). Contrary to other companies' websites, this website does not require any login and is totally open to the public. The website features several sections: a message from the CEO, a brief description of the offer, the brochure, a simulator, assistance videos, FAQ, the contacts of all correspondents in the different countries, cities and subsidiaries. We also use the information collected from the company's annual reports, the ESPP and the company's website. Hence, we have triangulated the information using these different sources.

Each semi-structured interview lasted one hour and was conducted by video conference. Each interview was transcribed and coded. The interviews were conducted in the local language (French and Spanish) and translated to the other language. We use Deepl.com to run the translation and the authors checked the translation in their own language. Finally, the verbatims used in the next sections are reported in English. Qualitative data codification enabled the development of categories presented in the Empirical results section. We applied thematic content analysis which consists in using a portion of a sentence, a whole sentence, or a group of sentences relating to the frequency of the themes identified and taking up the dimensions of the research analysis framework as the unit of analysis.

In the following subsections, we report the results of our qualitative investigation. We organize the presentation of the results according to the SDGs identified in the literature review.

## **Empirical results**

In this section, we analyze the impacts of the strategies and actions of the MNE concerning its ESPP . We first present the coding categories relating ESO to the achievement of the SDG 8 (Integration of ESO in the corporate strategy and governance, Alignment of interests and communication policy, and Alignment between ESO and the corporate social responsibility policy). We relate this first SDG to the literature on the effects of ESO and workers' attitudes and behaviors and the subsequent impacts of corporate performance that were extensively investigated in the literature. Then we present the coding categories relating ESO to SDGs 1 and 10 (Employees' financial well-being, Lowering the participation cost for employees, and ESPP management). We specifically relate these SDGs to the literature on the effects of ESO on asset building and inequalities reduction. Engelhardt and Madrian (2004) and Rapp and Aubert (2011) find that four factors can undermine ESPP participation: liquidity constraints, imperfect knowledge of the plan, asset choice and transaction costs. Our interviews show that one goal of the company studied is to limit the effect of these four factors. Table II summarizes the empirical results and relates them to the theories presented in the literature review.

INSERT TABLE II ABOUT HERE

### *ESO to promote Decent Work and Economic Growth (SDG 8)*

*Integration of ESO in the corporate strategy and governance* - According to the compensation and benefits executive at the MNE level "ESO is the DNA of the company" (FEXEC). The importance of ESO for the company can be seen first in the share held by employees in the company. Indeed, "Employees are the controlling shareholder of the company" (FEXEC).

"As the share price has not changed much in recent years, employees have kept their shares and their percentage of capital held has therefore increased automatically. The second

largest shareholder is a major US institutional investor [name not disclosed] with 5% of the equity” (FEXEC). The French executive considers that ESO is not always appreciated by the financial investors who have a shorter investment horizon. “They [activist investment funds] consider companies as a cash machine. French employees are not in that logic” (FEXEC).

He puts the emphasis on the dilution effect of ESO: “The financial markets do not like ESO because it is dilutive. In absolute terms, the financial markets are not in favor of it” (FEXEC). This investors’ conception of ESO may be related to the involvement of employees in corporate governance and the highest level that is mandatory in France and has been reinforced since a 2019 law. According to the French law, the largest companies must appoint one ESO representative on the board of directors when the employees hold more than 3% of the shares. The ESO board member is elected . In the studied company, two other employees have seats on the board of directors: “Since the Pacte law, two elected employee representatives are also represented on the Board of Directors. Out of 14 members of the Board of Directors, there is therefore one employee shareholder representative and two employee representatives” (FEXEC).

*Alignment of interests and communication policy* - A large part of the academic literature on ESO investigates if and how it affects work attitudes and corporate performance, two outcomes that are closely linked to the SDG 8 indicators. The compensation and benefits executive acknowledges such a connection and is even aware of the literature on the topic: “There is a link between ESO and company performance. Numerous studies on the subject show that beyond the commitment of employees, ESO leads to increased performance” (FEXEC). According to him these desired effects are a consequence of a virtuous circle: “ESO is a kind of virtuous circle that can be an investment experience at first. This first experience leads to a commitment to the employer. Employees become more aware of the company's life and take an interest in it. If they are interested, the employees follow the company's results and understand what is the turnover and economic data that they did not understand before” (FEXEC). From this standpoint, ESO would play the role

of an education tool to share the company's objectives and strategy. This statement is also consistent with reciprocity theory.

Communication seems to be the first step to start the virtuous circle of ESO. It is especially crucial during the ESPP that is organized every year. The compensation and benefits department uses several different communications channels. A dedicated website open to the public with tutorials, CEO videos, financial communications, and a simulator. All the communication material is translated and adapted by local teams. "The management of the company in France provides a package which is adapted in each country or group of countries according to the legislation and the conditions of the offer which have been decided" (MEXEC). The communication campaign to all employees is particularly emphasized by the Peruvian executive, especially because of the risks that may be involved in investing in the company's shares. "ESO is communicated by several channels to all employees, ensuring that they receive the complete information to make a responsible and well-thought decision" (PEXEC). The objective of the ESPP is to have as many participants as possible. "The objective of ESPP is above all the [employees'] subscription rate (% of employees who participate) and not the average amount invested. Everyone should be able to participate according to their means [...]. What matters to us is the subscription rate and if we had 100% of employees participating in the operation we would be delighted even with a very small amount." (FEXEC). "At the end of 2019, we reached an ESPP participation of 85%, becoming the largest participation in Latin America" (PEXEC). The consequence of this strategy is that all the categories of employees participate in the ESPP. They have "all types of populations" and not only executives and the ESPPs don't target a specific population within the company: "Our communication strategy does not distinguish top executives from the rest of the employees. Everyone receives the same information through the same communication channels" (PEXEC). "Also, the conditions of how ESO works are the same for everyone in terms of the benefits and procedures" (MEXEC). The Mexican executive mentions big differences between top and middle management and the workers in the plants. It seems that the level of education affects the decision to participate. According to one executive regarding his shares in the company: "Personally, it has been a great satisfaction to invest in the company because when I needed it, and I sold my shares to invest in housing, you are happy with what you

receive, and you say it is not possible that my money has grown as it did” (PEXEC). Finally, the French MNE carries out annual campaigns to promote share ownership and accompanies its employees with educational programs and counseling. As a result, more than 86% of the workers have some shareholding (Company’s annual report). The challenge remains to convince younger workers, workers with less education, and workers who have recently joined the company of the benefits of these programs.

The local correspondents play an important role explaining the functioning of the plan: “The Peruvian employees, they did not know anything about this financial mechanism. So, we deployed an intensive promotional campaign for them to get to know this initiative and understand it” (PEXEC). The ESPPs’ correspondents also promote financial education: “We teach them everything about the stock exchange, how stock prices go up and down, how to make 5-year revenue forecasts, and the logic behind these financial movements” (MEXEC).

*Alignment between ESO and the corporate social responsibility policy* - The Mexican executive underline the link between sustainable corporate policies and ESO . He affirms: “Since 1987 with the Brundtland Report at the UN, the company joined the global pact and began to work on all these sustainability issues, seeking not only to offer sustainable solutions but also to make our processes sustainable. So, today we have a global commitment to be a zero-carbon company by 2050, which commits us in all our industrial processes and in working with our suppliers and all our stakeholders, the whole group with which we are involved, in making a construction market and a much more open development capacity. And of course, the issue of sustainability is hand in hand with all our processes” (MEXEC). While the company has been developing all these activities in the pursuit of compliance with the SDGs, time is pressing, according to the executive interview. Regarding the SDGs achievement towards the global 2030 agenda, he shares this with us: “the challenge we have for 2030 is extremely high, and we have seven and a half years left to achieve them. So, time is passing, and we are not acting, or we are acting, but we are acting very slowly. From the private side, we cannot talk about governments to



know what they do or do not do then; we must do our bit and do as much as we can” (MEXEC).

The interviewee mentions that their principles are divided into codes of conduct and action, where health care, safety conditions, human rights, and overall well being of the more than 7,700 workers in Mexico are paramount. In this sense, he mentions that “the most valuable resource a company has is its employees; in other words, companies would be nothing without their people” (MEXEC). The MNE, with a presence in 75 countries, has solid certifications such as ISO 14000, ISO 25000, the EFR certificate (Family-Responsible Company), and the Mexican CSR certification among other internal certifications created and applied by the company itself (Company’s annual report). The company has been growing and continues to open highly specialized production plants in Mexico. “If we look at the numbers from 5 years ago to today's numbers, the group has had a significant growth in the region, there have been important investments, acquisitions and important changes or growth in our business units, which reflect the confidence in the sector” (MEXEC). In short, sustainability is a fundamental part of the company's internal policies and strategies, as well as those with its stakeholders, to ensure that its impacts are considerably reduced by 2030 (Company’s annual report).

ESO is being developed in parallel with these sustainable strategies and policies of the company in Mexico. The broad-based nature of the ESPP is a key feature of the scheme related to sustainability. The senior executive states: “Our stock ownership program is open; all employees have, after the sixth month of hiring, the opportunity to participate in the stock program. You have a limit of shares up to 25% of your income” (MEXEC). Although he comments that they are just restructuring the HR area, the strategies and benefits linked to the share program are still very much alive among the employees.

*ESO to reduce Poverty (SDG 1) and Inequalities (SDG 10)*

*Employees' financial well-being* - One of the most noticeable consequences of the ESPPs is asset and savings building. The lack of savings is often regarded as the main driver of poverty and inequalities. "One of the most important benefits for the employees is that the program allows them to save their money. They signed a contract with the company declaring that they will not be able to use this invested capital for 5 years. However, the company constantly provides information regarding how much capital employees have in ESO" (FEXEC). One interview highlighted that the savings built thanks to the ESPP can allow the funding of financial needs: "ESO is something like a long-term saving plan, an unemployment insurance. We teach employees how important saving money is. We motivate them by talking about their upcoming children's university expenses or personal future investments" (PEXEC).

ESO can be considered as a dubious investment strategy consisting in concentrating the employees' savings in only one share. The interviewees are really concerned by this issue: "We should not put all our eggs in one basket, it is too dangerous" (FEXEC). They consider the financial well-being of the employees. "Financial well-being is a buzzword and an important topic. ESO must be taken into account in financial well-being. We are very careful not to oversell a system to people who do not always have the capacity to understand the repercussions of their investment because of their education or the local system" (FEXEC). The company is aware that it has a responsibility regarding diversification of its employees' wealth and the communication highlights the risk of overinvestment in ESO: "We don't want to take the responsibility of promoting ESO too much, which could be detrimental to people if the share price were to fall with the financial markets" (FEXEC). The issue of overinvestment in company stocks is particularly relevant for the lowest paid employees: "Diversification of savings may be a subject for the rich or for populations that are able to save, but it is also a subject for other populations, other countries that suffer from complicated situations" (FEXEC). It looks like there is a tradeoff between helping the employees to build savings in company stocks and the diversification problem it causes. "Even if we have to make the difference between no assets and employee shareholding assets, we also have to demand that the employer's responsibility is present" (FEXEC). The risk taken by the employees cannot be monitored by the company directly because it does not have access to the data on their personal savings. But some

strategies can be implemented. The generosity of the discount and of the matching contribution policy is the first way to limit the impact of the potential decrease of the company stock price: “The company looks forward to protecting the employees who decide to buy stocks, by giving them a discount price of 20% per share, which would cover unexpected results in the stock exchange” (MEXEC). “Also, the company gives extra shares to the employees that decide to buy stock” (PEXEC). After the ESPP, the management of the employees’ savings is delegated to a plan administrator which communicates on the issue of risk: “The plan administrator also communicates on the diversification of the savings” (FEXEC). The French law sets legal limits to prevent excessive investment. “[The French law] sets a maximum percentage of gross annual compensation (25%) to be invested in employee savings” (FEXEC). Having one ESPP every year is also a means to decrease the risk of investing in ESO. One year the stock price can be lower and higher the year after. “The recurrence of operations (every year for the company) provides a hedge against risks, but it remains possible to lose everything if the company goes bankrupt” (FEXEC). The opportunity given to the employees to invest in a stable currency was underlined by the executives in the three countries. “There are countries where, on the contrary, the currency is quite depreciated and, as the share is quoted in Paris in euros, it is a safe haven. In these cases, we can have very high subscription rates” (FEXEC).

*Lowering the participation cost for employees* - Several tools are used by the company to promote the broadest ESPP participation. Unlike transactions on the financial markets, which are subject to a fee, employees do not have to pay anything to participate in the ESPP. The transaction costs are covered by the company and the administration of the individual capital accounts is outsourced to a plan administrator. “Even though there is a transactional cost while deciding for ESPP, the company covers all of it through a third-party which is responsible for the administrative procedures of buying the stocks” (PEXEC).

The matching contribution policy is important and can be designed to reach certain categories of employees. The matching contribution represents the amount the company

adds to the employees' personal investment. In Table III, we report the presentation of the different ranges of matching contributions according to the amount invested by the Mexican employees. We can see that the first range is very low meaning that there is no minimal amount to invest. The company contributes 100% for an investment between 0 and 30 euros, 50% for an investment between 30 and 250 euros and 10% for an investment between 250 and 1,300 euros. In total, an employee investing 1,300 euros benefits from a 245 euros match (Company's ESPP dedicated website).

INSERT TABLE III ABOUT HERE

The percentage of the company matching contribution is relatively higher for the lowest contribution to stimulate the participation of the greatest number of people. Another way to lower the savings effort of the employees is to grant a discount on the stock price. "There is also a 20% discount on the share price. For the 2020 operation, as the share price rose significantly during the 20 days of the subscription, the discount was actually 30%" (MEXEC). As underlined by Bryson and Freeman (2019), the ESPP is the only ESO scheme where the employees have to invest their own money. This feature tends to restrict the participation of the lowest paid employees. To relax the financial constraints of its employees, "the company also proposes to pay the shares in eight installments from May to December. Some countries do not allow payment in several installments as they consider this as a credit" (PEXEC). In some countries "the date for the ESPP is set at the time of payment of profit-sharing bonuses. This way, employees can invest their bonuses in company shares without having to pay out their own money. Thus 90% of the bonuses are invested in the ESPP" (FEXEC). The rules of the ESPP also promote asset building. "Employees benefit from the dividends paid by the company, which are reinvested in the plan and increase the value of the employees' investments" (FEXEC and Company's ESPP dedicated website).

*ESPP management* - The executives we interviewed lead the management of the ESPPs at the multinational and the country levels. The company is very decentralized and so is the

organization of the ESPP. Except for the decision to launch an ESPP and the stock price discount decided at the MNE level, most of the decisions regarding the ESPP conditions including the level of matching contributions are taken at the local level. There are two levels of decentralization: the region and the country. The local decisions must take into consideration the local currency exchange rate and the tax system. They have also to decide on the matching contributions policy and of the payment facilities even if some general principles are defined at the MNE's level: "As for the contribution, for the means of payment, it is also recommended at the central level that there should be as many facilities as possible to attract the greatest number of people. But it is the decision of the local level" (MEXEC). Such a decentralization is not the rule in other French MNE which "tend to have centralized decisions where everything is defined at group level and applied in the same way everywhere" (FEXEC). "This means that the country's CEO is the one who decides on several matters, including the decision to offer the ESPP" (PEXEC). Two decentralized levels are therefore involved and the ESPP management: "The region<sup>2</sup> [a group of countries] can either manage the conditions for setting up operations in the same way or differently country by country. For example, if there is a lot of heterogeneity, we have different decisions per country that are still validated by the region. In the same region, the size of the workforce is not comparable from one country to another" (FEXEC). For Mexico and Peru, the conditions are different and defined at the country level. The decision to extend the benefit of the ESPP lies with the country management team. The virtuous circle mentioned previously was especially underlined for the Peruvian employees who have been very proactive in taking advantage of the ESPP. "We saw the potential for the employee stock ownership implementation and the benefits for Peruvian employees here, so we demanded it to the headquarters and after insisting many times they told us that they were ready to bet on Peru" (PEXEC).

The organization of the ESPP relies greatly on "a network of 450 correspondents whose contacts are on the website" (FEXEC). "[The correspondents] participate in the promotion campaign each year but they do not decide. It is the human resources managers of each country and region in conjunction with their general management who decide. The

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<sup>2</sup> Peru and Mexico belong to the Latin America region.

headquarter contact are firstly the Latin American regional managers and then the countries such as Mexico and Peru” (FEXEC).

For reasons of data protection, the EU General Data Protection Regulation (EU GDPR) prevents the employing company from accessing the employees’ personal savings data (Company’s ESPP dedicated website). So, the administration of the savings is delegated to a plan administrator. The plan administrator plays an important role in managing the savings and all the administrative tasks related to the individual capital accounts. Once the ESPP ends the employees are in relation with the plan administrator more than the company. “The consequences of these operations no longer belong to us, and it becomes a subject between the employee who has become a shareholder and the plan administrator who gives visibility on his savings” (FEXEC).

## **Discussion and conclusions**

The French MNE is leading an integration of ESO in its corporate long-run strategy as well as in its corporate governance structure. Both have positive impacts for the SDG 8 regarding its subsidiaries’ financial leverage and providing better jobs for their employees all over the world. However, according to our findings and following Aubert and Cordova (2020), these strategic and governance practices are not a common pattern in the Latin America region, where companies would be more focused on short-term goals and retain traditional hegemony in the governance of the firm.

In addition to this, the MNE has turned ESO into an educational tool for its employees, communicating and teaching them through it about the drivers for the company's performance and how the stock exchange works, no matter the position they hold in the firm. Thus, it trains its employees in Mexico and Peru with this additional knowledge, generating well-trained workers and providing them a comprehensive reason to do their jobs, which are relevant factors to create decent jobs (SDG 8), and to reduce social and economic inequalities (SDG 10).

On the other hand, the French MNE is promoting a strong sense of savings, investment diversification, and future covering of financial needs through ESO , overcoming the

implementation constraints identified by Engelhardt and Madrian (2004) and Rapp and Aubert (2011). These would be key elements for ESO in Latin American countries such as Peru and Mexico, due to their economic and social development issues, and their citizens' weak tendency towards savings and planning. Also, it provides specific allowances to its employees such as discounts and several installments to pay, protecting their investments. Therefore, by promoting employees' investment in ESO and taking care of it, the firm would be reducing economic inequalities and alleviating poverty in the long run (SDGs 1 and 10).

Furthermore, according to the findings of the study, ESO in the MNE is more focused on number of participants rather than the average amount invested in the ESPP. This means that the company encourages the participation of every employee in the firm and its subsidiaries, promoting a sense of diversity and inclusion. At the same time, the firm does not make any distinction between blue- or white-collar employees, opening the ESPP to everyone in the company and using the same communication channels as well as information mechanisms for all. In addition, even though the MNEs headquarters in France has an overall supervisory role, its subsidiaries in Peru and Mexico have enough autonomy to modify their own ESPPs with specific features according to their employees and local context characteristics. All these actions would support the development of the SDG 10, by lessening social inequalities.

Hence, our main conclusion is that the ESPP's implementation that the investigated MNE is conducting in its subsidiaries in Mexico and Peru is contributing to shift traditional paradigms on both business cultures, prompting the achievement of the SDGs 1, 8 and 10. Thus, we argue that ESO could be a reliable and innovative financial mechanism to support the achievement of the SDGs. Moreover, this study contributes to the scarce literature that relates ESO with sustainable development and the SDGs, developing a case study in a developed country that has been nurturing social as well as economic opportunities abroad, into its subsidiaries in developing countries.

The practical implications of our research concern first and foremost companies planning to offer an ESPP in emerging countries, and more particularly in Latin America. We have highlighted the mechanisms used by a French multinational to stimulate employees'

participation. This company has decades of experience in running international ESPPs . ESPPs have given rise to very few academic works. The main theoretical and empirical contribution is the article by Bryson and Freeman (2019), which uses the gift-exchange theory (Akerlof, 1982) to explain relations between employees and their company in the context of ESPPs. The aim of our article was not to test this theory. However, our results reinforce the relevance of this theory to understanding ESPPs and their relation with SDG 8. Indeed, we show the importance of limiting the financial cost of investing in company shares, and therefore the risks borne by employees. The discount on the share price and the company's matching contribution policy appear to play the role of a gift offered by the company in anticipation of their involvement. A particular feature of ESPPs is that employees can choose whether or not to invest. Compared to other ESO schemes, the employees choose to invest their own money. Because this reciprocal relationship (i.e. the employee receives a gift and must give one in return) involves a personal investment by the employees, they have to be well informed and trained. That's why promoting training and information is so important to the executives we interviewed to help employees make the choice to invest their own savings in their company's shares. Such a choice has potentially greater consequences for less affluent employees. In addition, our findings build upon the binary economics theory (Ashford, 1996, 2012), explaining the effect that ESO has on poverty as well as on economic and social inequalities (SDG 1 and 10). Our results also underline the importance of public policies favoring ESO . Indeed, tax incentives represent an important motivation for developing ESO . The recent literature on ESO development in the UK (Pendleton *et al.*, 2023) shows that public policy played a critical role. In the US, ESO benefited from the 1984 tax reform as well as ESO in France due to privatization waves in 1986 .

The results obtained are difficult to generalize due to the characteristics of the case study method. This is a French company with a generous compensation policy in a country where the social security and retirement systems are well established and benefit to all. French profit-sharing schemes have existed for several decades. However, our results are valid for other multinational companies who want to promote the SDGs 1, 8 and 10 starting with their own employees. The company we studied offers company stocks to all its employees without any discrimination criterion, unless local legislation prohibits it. It is therefore a



democratic plan that benefits everyone. Our article has also identified techniques that can be implemented by other multinationals. Thanks to the management of the ESPP, these techniques aim to promote the integration of ESO in the corporate strategy and governance, the alignment of interests and communication policy, the alignment between ESO and the corporate social responsibility policy, and employees' financial well-being.

One of the limitations of this study is that we only have interviewed the compensation and benefits executives or correspondents in Mexican and Peruvian subsidiaries, and the General Manager in the French headquarters. Another limitation is that the research is focused on just two Latin American countries, Peru and Mexico, and even though they play key regional roles, we cannot obtain an overview of the French MNE's ESP in the whole region.

According to the limitations of this study, we propose that further research must include rank and file employees' voice, and not only executives. Hence, the study could be reinforced by extending the interviews to other subsidiaries' employees and conducting surveys with them, leading the way towards quantitative oriented research as well. Future research should investigate how the characteristics of ESPPs affect SDGs using quantitative data with questionnaires and/or secondary data. Such research would make it possible to test the propositions generated by our article.



On the other hand, future research could incorporate other emerging markets' subsidiaries of this MNE not only in Latin America, to obtain a regional perspective of what this company is doing through ESO. Also, further research could go beyond this MNE, identifying other MNEs in North America and Europe to develop a multiple case study regarding the impact of ESO in the SDGs.

Finally, future research avenues could explore the consistency of the CSR strategy with the ESO strategy, incorporating quantitative data about the financial performance as well as other important indicators, and to develop longitudinal studies. Since SDGs are global concerns for humanity, ESO would need to be aligned to their main expectations about social, economic, and environmental responses, as well as analyzed under a long-term perspective.

## Appendix

<b>Group Savings Plan</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>GRI</b>	<b>SDG</b>
Proportion of shares held by employees through the Group Savings Plan	8.3%	9.1%	8.7%	401-2	8
Number of countries participating in the Group Savings Plan	48	46	47	401-2	8
Group Savings Plan coverage rate for the entire Group headcount	95.5%	88.1%	88.0%	401-2	8

Table I: Extract from the company's universal registration document

IMPACTED SUSTAINABLE DEVELOPMENT GOALS (SDGs)	THEORETICAL ESO'S PREDICTED OUTCOMES	EMPIRICAL ESPP'S CHARACTERISTICS	OUTCOMES INVOLVED
	(a) Gift exchange/reciprocity (Akerlof, 1982; Kruse et al, 2010; Bryson and Freeman, 2019)	<i>Integration of ESO in the corporate strategy and governance</i> Employees as meaningful shareholders Employees' preferences integration Dilutive effect of ESO Board level ESO representation	(a), (b) (a), (b) (c) (b)
	(b) Intrinsic, instrumental, and extrinsic motivation and corporate performance (Klein, 1987; Pierce et al, 1991; Caramelli, 2011 ; Kaarsemaker, 2006 ; O'Boyle et al, 2016)	<i>Alignment of interests and communication policy</i> Incentive mechanism Virtuous circle ESO as educational tool Decentralization and variety of communication channels Network of local correspondents	(a), (b), (d), (e) (a), (b), (d) (a), (b) (b), (g2) (b), (g2)
	(c) Management entrenchment and shareholder's interest (Pagano and Volpin, 2005 ; Aubert et al, 2014)	<i>Alignment between ESO and the corporate social responsibility policy</i> Zero carbon emission target Inclusion of sustainability in corporate processes Employees' rights, health, and safety CSR certifications	SDG 13 SDG 12 (b), SDG 3 SDG 12
	(d) Wage substitution (Kim and Ouimet, 2014)	<i>Employees' financial well-being</i>	(f) (f), (g4), SDG 5 (f) (f) (f) (h), (g2) (f), (g1), (h)
	(f) Binary economics and shared capitalism (Kelso and Adler, 1958; Blasi et al, 2015; Dudley and Rouen, 2021; Weissbourd et al, 2021)	<i>Lowering the participation cost for employees</i> No entry fees or transaction cost Matching contribution adapted to employees' profiles 20%-30% discount on the stock prize Payment in several installments Profit-sharing bonuses investment Dividends reinvestment Free shares granted	(f), (g1), (g4) (f), (g1) (f), (g1), (g3) (f), (g1), (h) (f), (g1) (f) (f), (g1)
	(g) Factors undermining ESPP participation (g1) liquidity constraint (g2) imperfect knowledge of the plan (g3) asset choice (g4) transaction costs (Engelhardt and Madrian, 2004; Rapp and Aubert, 2011)	<i>ESPP management</i> Alignment with the company's management structure Key features decided at the local levels Personal data protection and transactions delegated to a plan administrator	(f), (g2), (g3), (g4) (f), (g2), (g3), (g4) Not applicable
	(h) Diversification risk (Meulbroek, 2003; Benartzi et al., 2007; Markowitz et al, 2010 ; Kruse et al, 2022)		

**Table II : Summary of theoretical predictions and empirical findings**

Notes: This table summarizes the relevant theories in column 1 and empirical results in column 2. Column 3 relates the theories to the empirical findings.

### Focused on employee contribution. Simulation of contributions per employee in euros

Rank-category	Start of range	End of range	% Contribution	Contribution value
1	0.00€	30.00€	100%	30.00€
2	30.01€	250.00€	50%	110.00€
3	250.01€	1,300.00€	10%	105.00€
<b>Total</b>				<b>245.00€</b>

Table III: Company's matching contributions according to employees' investment ranges in Mexico

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