

EVALUATING THE FINANCIAL IMPLICATIONS OF EMPLOYEE STOCK OPTION PLANS: COSTS AND BENEFITS FOR FINANCIAL INSTITUTIONS

Camil Ciprian Cîrnu*

The Bucharest University of Economic Studies, Romania

Abstract

This research investigates the costs and benefits associated with the Employee Stock Option Plan (ESOP) as a non-salary benefit package aimed at motivating and retaining employees within financial institutions. The study highlights that while ESOPs incur direct costs, such as the purchase of shares and administrative expenses, they also present indirect costs related to employee performance and market fluctuations. The findings reveal that ESOPs not only serve as a financial incentive but also foster a sense of ownership among employees, enhancing their motivation and commitment to the organisation. This alignment of employee interests with company performance can lead to improved productivity and retention rates. Furthermore, the transparency and communication fostered by ESOPs contribute to a positive corporate culture, which is crucial for long-term sustainability. The research also identifies potential risks, including market volatility and the psychological costs associated with unsuccessful implementation and ineffective costs. The study emphasizes that while the costs of implementing an ESOP can be significant, the potential benefits, such as enhanced employee motivation, retention, and overall organisational performance, can outweigh these costs.

Keywords

ESOP, cost, employee benefits, financial institution

JEL Classification

G32

* Corresponding author, **Camil Ciprian Cîrnu** – cirnucamil19@stud.ase.ro.