Equity To Loyalty: Unravelling the Power of ESOPs And Organisational Support in Retaining Top Talent in Pune's MNCs

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***Abstract*—Multinational corporations (MNCs) clustered along Pune's information technology and manufacturing corridors continue to lose trained professionals to rival employers, and equity grants have become the most visible counter-measure. Whether employee stock option plans (ESOPs) actually convert equity into loyalty, however, remains unclear. Drawing on organisational support theory, the international employee-ownership literature and India-specific evidence, this conceptual paper develops a mediation-with-moderation model in which ESOP participation is read by employees as a signal of perceived organisational support (POS), POS builds work engagement, and engagement sustains volitional retention, while the vesting horizon, communication quality and cross-border mobility costs condition the chain. Indian evidence cautions that ESOPs have not reliably improved productivity or retention in the short run; the model explains why: equity retains only when employees interpret it as care rather than cost. Five hypotheses, a testable framework and practical recommendations for reward leaders in Pune's MNCs are offered, with a roadmap for future testing.**

***Index Terms*—Employee stock option plans, perceived organisational support, work engagement, talent retention, multinational corporations, Pune**

I. INTRODUCTION

Pune has grown into one of India's densest concentrations of multinational operations, hosting software delivery centres, engineering research units and manufacturing campuses that compete with Bengaluru and Hyderabad for the same skilled professionals. Turnover in this labour market is punishing. Indian technology companies have been reported to lose between ten and fifteen per cent of their workforce annually, with spikes approaching thirty per cent in particular segments (Pallathadka et al., 2022), and a synthesis of seventy-two studies concludes that high attrition has become a structural feature of the Indian tech industry rather than a passing phase (Haque, 2024). Every resignation from a Pune MNC carries a double cost: the replacement expense and the erosion of client knowledge in a delivery organisation. The standard answer is equity. Employee stock option plans tie part of an employee's wealth to the firm's future, and Indian regulation has made them easier to run: the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 consolidated the earlier rules into a single framework for listed companies (Securities and Exchange Board of India [SEBI], 2021). MNCs and Indian technology firms alike now treat ESOPs as normal reward practice, and Indian researchers document their spread as a retention and compensation device (Athar, 2020). Yet a reason to stay is not a desire to stay. An option holder who serves out a vesting period while interviewing elsewhere has not been retained in any meaningful sense. This paper argues that the ESOP-to-loyalty route in Pune's MNCs runs through perceived organisational support (POS) and work engagement rather than through the lock-in effect of unvested shares alone. Section 2 reviews the literature, Section 3 explains the methodology, Section 4 develops the framework and hypotheses, Section 5 discusses their meaning, and Section 6 offers recommendations and a conclusion.

II. REVIEW OF LITERATURE

2.1. Employee Ownership and Employee Attitudes

The foundational insight is conditional. Klein (1987) tested three models and found that ownership improves satisfaction and commitment only when it carries meaningful information, influence and financial gain. Pierce et al. (1991) formalised the idea in a process model: ownership must be genuinely experienced before it changes attitudes and behaviour, so a plan on paper is not ownership in the mind. For option plans specifically, Selvarajan et al. (2006) argued that grants create a psychological contract capable of fostering attachment, though the strength of that contract depends on how employees interpret the grant.

At firm level, a meta-analysis of 102 samples reports a small but reliable positive association between employee ownership and performance (O'Boyle et al., 2016), and cross-country evidence shows employee owners are less likely to exit their employers than comparable non-owners (Hennig et al., 2023). Bryson and Freeman (2019) add a decisive nuance from a single MNC: the same share plan operates as a gift that builds goodwill or as an incentive that prices effort, and the framing changes its effect on turnover intentions.

2.2. Perceived Organisational Support

Organisational support theory holds that employees form global beliefs about how much their organisation values their contribution and cares about their well-being (Eisenberger et al., 1986). Discretionary benefits are potent carriers of this message because employees read them as voluntary gestures rather than contractual obligations. The review by Rhoades and Eisenberger (2002) confirmed that such treatment raises felt obligation, affective commitment and performance while reducing withdrawal. POS is built less by the size of a benefit than by the perceived intent behind it.

2.3. Organisational Support, Engagement and Retention

POS feeds energy, not merely gratitude. Imran et al. (2020) showed that POS raises work engagement partly through thriving and flourishing at work, and Damtew and Gorfie (2026) found that POS lowers turnover intention almost entirely through engagement and citizenship behaviour. Engagement, in short, is the working mechanism through which support becomes endurance.

2.4. Indian Evidence on ESOPs and Attrition

The Indian record is sobering. Dhiman (2009) found that ESOPs did not improve the short-run productivity performance of the Indian corporate sector, and Athar's (2020) meta-analysis concluded that the performance of Indian companies was not affected by ESOPs and that the plans did not directly help retention, although they reduce turnover and absenteeism in broader international evidence. At the same time, attrition research in Indian software firms points to supervisory relationships, work pressure and HR policy rather than pay alone as retention levers (Pallathadka et al., 2022), and Haque (2024) identifies learning and developmental conditions as the lessons the Indian tech literature keeps repeating. Equity, in other words, has been granted widely in India without delivering predictable loyalty.

2.5. The Research Gap

Three literatures run in parallel without meeting. Employee-ownership research treats equity as compensation economics and psychological ownership; the POS tradition rarely considers share plans as a support signal; and the Indian MNC context, where vesting interacts with international mobility, rupee-dollar exposure and multi-jurisdiction taxation, is absent from both. No study has specified the POS-mediated route from ESOP participation to loyalty in Pune's MNCs. This paper supplies that specification.

III. RESEARCH METHODOLOGY

3.1 Research Design

The study is conceptual. It collects no primary data and reports no new statistics; it builds a testable framework by integrating established theory with published empirical findings. Such designs are appropriate when empirical streams exist separately but have not been connected, the situation described in Section 2.5.

3.2 Objectives

First, to examine whether and under what conditions ESOP participation signals perceived organisational support among employees of Pune's MNCs. Second, to specify the mediating role of work engagement between POS and retention endurance. Third, to

identify contextual moderators that strengthen or weaken the chain in multinational settings.

3.3 Literature Base

Sources were drawn from peer-reviewed journals, including meta-analytic, cross-country and India-specific studies, together with the applicable Indian regulatory text.

Every reference was verified against the original record of publication, and in-text citations match the reference list one to one. Because no human participants were involved, ethical clearance was not required; the integrity obligations of accurate citation and faithful representation of prior findings were applied throughout.

3.4 Analytical Approach

The analysis proceeds by theory-driven synthesis. Findings from the three streams were mapped onto the sequence of organisational support theory, disagreements were treated as boundary conditions rather than noise, and each mapping was formalised as a hypothesis that future survey work in Pune's MNC clusters can test.

IV. DATA ANALYSIS, INTERPRETATION AND FINDINGS

The framework is presented in Figure 1 and the hypotheses in Table 2. Because the paper is conceptual, all relationships are stated as hypotheses rather than tested results, and Table 1 offers an illustrative interpretive mapping, not primary measurements.

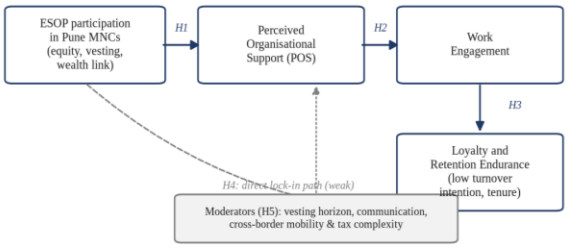

Figure 1 *Conceptual Framework Linking ESOP Participation, Perceived Organisational Support, Work Engagement and Loyalty in Pune's MNCs*

Source: Developed by the authors based on Eisenberger et al. (1986) and Pierce et al. (1991).

4.1 ESOP Participation as a Support Signal (Hypothesis 1)

Employees weigh their employer's discretionary gestures when judging how much they are valued (Eisenberger et al., 1986; Rhoades & Eisenberger, 2002). A share plan qualifies as such a gesture only under conditions: broad eligibility, a genuinely favourable grant, and open explanation read as the organisation sharing its future with the employee. Narrow eligibility, or an option grant announced alongside wage restraint, reads instead as cost substitution. Table 1 illustrates this mapping for Pune's MNC settings.

4.2 From Perceived Support to Engagement (Hypothesis 2)

Supported employees engage: POS feeds energy, absorption and flourishing at work (Imran et al., 2020). Within a Pune MNC, an engineer who believes the organisation has invested in her future is more likely to invest attention and initiative in return, the reciprocity logic at the heart of organisational support theory.

4.3 From Engagement to Loyalty (Hypothesis 3)

Engaged employees stay, not mainly because departure is expensive. POS lowered turnover intention almost entirely through engagement and citizenship behaviour in recent evidence (Damtew & Gorfie, 2026), and employee owners across countries are less likely to exit their firms (Hennig et al., 2023). Loyalty here means volitional staying grounded in attachment and involvement, not the passive compliance of an employee waiting out a vesting clock.

4.4 The Direct Lock-In Path and Its Limits (Hypothesis 4)

Unvested options do create a financial cost of leaving, and this direct path exists. Its reliability, however, is doubtful. Bryson and Freeman (2019) showed that the same plan can work as gift or incentive with very different behavioural consequences, and the Indian evidence is blunt: ESOPs did not lift short-run corporate productivity (Dhiman, 2009) and did not directly secure retention (Athar, 2020). A retention strategy built on handcuffs buys time, not commitment, and collapses when a competitor buys

out the unvested value, a realistic scenario in Pune's poaching market.

4.5 Moderating Conditions in Pune's MNCs (Hypothesis 5)

Three moderators deserve attention. First, the vesting horizon strengthens the support signal up to a point, because a multi-year horizon says the organisation plans to keep investing in the relationship; beyond that point it hardens into a constraint. Second, communication quality determines whether employees understand vesting, exercise and taxation at all, since a plan that is not understood cannot be read as care.

Third, cross-border mobility and tax complexity can invert the signal: an option package that becomes a tax liability or loses value when the employee accepts an international transfer teaches employees that the plan restrains rather than rewards them. Compliance with the SEBI (2021) framework, including its minimum one-year vesting requirement, sets the regulatory floor for Indian-listed plans but says nothing about these interpretive conditions.

Table 1 *Illustrative Mapping of ESOP Design Features onto Perceived Organisational Support Signals in Pune's MNCs*

Design feature	Employee's likely reading	Theoretical anchor
Broad eligibility and genuine discount	The organisation shares its future value with me	Eisenberger et al. (1986)
Multi-year but reasonable vesting	The organisation expects me to grow with it	Pierce et al. (1991)
Clear communication at grant and vesting	The organisation explains what my options mean	Klein (1987)
Options alongside wage restraint or layoffs	Equity substitutes for pay I have lost	Bryson and Freeman (2019)
Vesting lost on international transfer	The plan punishes mobility instead of rewarding loyalty	Conceptual synthesis

Source: Developed by the authors from the literature reviewed. Illustrative interpretive mapping; not primary data.

Table 2 *Summary of Hypotheses*

Hypothesis	Statement (in brief)	Supporting literature
H1	ESOP participation raises POS, conditional on plan design and communication	Klein (1987); Pierce et al. (1991)
H2	POS raises work engagement	Eisenberger et al. (1986); Imran et al. (2020)
H3	Work engagement raises loyalty and lowers turnover intention	Damtew and Gorfie (2026); Hennig et al. (2023)
H4	The direct lock-in path from unvested equity to staying is weak and unreliable	Athar (2020); Bryson and Freeman (2019)
H5	Vesting horizon, communication quality and cross-border mobility costs moderate the mediated chain	Conceptual synthesis

Source: Compiled by the authors from the literature reviewed.

4.6 Major Findings

First, the ESOP-to-loyalty link in Pune's MNCs is best understood as an indirect, psychologically mediated chain rather than a direct financial effect, which also explains why Indian ESOPs have not produced predictable retention gains. Second, the same plan design can read as care or as control depending on eligibility, communication and what happens to equity when employees move. Third, engagement is the mechanism that converts support into endurance, so equity programmes should be evaluated on engagement outcomes and not only on attrition rates.

V. DISCUSSION

If equity worked purely as money, retention would be a simple auction that any better-funded competitor could win, and Pune's MNCs would have settled it

with richer grants long ago. The evidence assembled here points instead to interpretation. Option holders stay when the plan convinces them that the organisation values them and intends to honour the relationship over time. This reading reconciles the conditional findings of Klein (1987) with the small average performance effects of O'Boyle et al. (2016) and with the disappointing Indian record reported by Dhiman (2009) and Athar (2020): where plans fail to signal support, their attitudinal effects thin out. It also explains why vesting-heavy designs disappoint; they strengthen the weak lock-in path (H4) while leaving the support chain untouched. Theoretically, the paper extends organisational support theory to equity grants, a class of discretionary benefit the POS literature has largely ignored, and names the support mechanism that connects ownership to staying. Practically, an ESOP is a communication event as much as a financial one, and its loyalty value is created or destroyed in how it is explained and administered across borders.

VI. SUGGESTIONS, RECOMMENDATIONS AND CONCLUSION

6.1 Suggestions and Recommendations

First, Pune's MNCs should audit what their equity plans actually signal, comparing eligibility breadth, grant generosity and communication practice against the readings in Table 1. Second, grant communication should be treated as a support intervention: plain-language explanations of vesting, exercise and tax consequences, repeated at vesting milestones rather than only at grant.

Third, international transfer policies should preserve unvested equity wherever possible, since plans that punish mobility invert the support message. Fourth, engagement metrics should sit beside attrition metrics when equity programmes are reviewed, reflecting the mediated chain in Figure 1. Fifth, firms operating from India should document plan governance under the SEBI (2021) regulations and communicate that compliance as part of the trust narrative.

6.2 Limitations and Scope for Future Research

This is a conceptual study; its hypotheses are argued from existing evidence and have not been tested on primary data. Future work should survey option holders across Pune's IT and manufacturing MNCs, measure POS and engagement alongside objective vesting records, and compare plans framed as gifts against plans framed as incentives within the same corporation, following the design logic of Bryson and Freeman (2019).

6.3 Conclusion

Equity can retain, but only when it is experienced as support. The ESOP-to-POS-to-engagement-to-loyalty chain proposed here suggests that Pune's multinational corporations should stop asking how long their vesting schedules can be and start asking what their option letters actually say to the people who receive them. Loyalty that rests on attachment survives competitors' offers; loyalty that rests on unvested shares lasts only as long as the vesting.

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