

Chapter 10

Does Employee Ownership Enhance Financial Performance of Moroccan Companies Listed on the Casablanca Stock Exchange?

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ABSTRACT

Employee Share Ownership (ESO) is a practice that is beginning to emerge in the managerial practices of Moroccan companies listed on the Casablanca Stock Exchange. This study examines the impact of ESO on the financial performance of these firms, focusing on employees' contribution to financial value creation. An empirical analysis was conducted using panel data and Estimated Generalized Least Squares (EGLS) via Eviews software. Financial data for the period of 2017–2023 were sourced from company reports, the Casablanca Stock Exchange website, and AMMC annual reports. The results indicate that ESO has a non-significant effect on Return on Assets (ROA) but a significant positive effect on Return on Equity (ROE) at the 10% threshold. This means that companies with employee share ownership

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plans (ESOPs) outperform their counterparts in terms of ROE but have no impact on ROA.

1. INTRODUCTION

Employee share ownership (ESO) is an internationally widespread phenomenon, which has attracted growing interest in recent decades from academics, professionals and policymakers because of its effects on company performance. According to the latest statistics from the European Federation of Employee Share Ownership (EFES, 2023), 35 million employees own shares in their company in Europe, and there are 14.7 million employee-shareholders in the USA (NCEO, 2024). In Morocco, ESO was introduced alongside the 2013 finance law (Errommani and Elbouanani, 2022), which developed a regulatory framework accompanied by tax incentives, as well as the introduction of the company savings plan. However, its adoption remains modest in the sense that only 35 out of 76 companies listed on the Casablanca Stock Exchange have conducted at least one ESO operation since their listing. Indeed, the majority of these 35 companies have done so only once.

This study examines the evolution of ESO in Morocco and seeks to address a central question: What is the impact of ESO on the financial performance of Moroccan companies listed on the Casablanca Stock Exchange? It holds both academic and managerial significance by contributing to the expanding body of research on ESO in emerging economies while offering actionable insights for business leaders aiming to enhance financial performance through innovative employee engagement strategies.

The main hypothesis of the study is that ESO positively influences corporate financial performance, as measured by two indicators widely recognized in the literature: return on equity (ROE) and return on assets (ROA). Methodologically, the variable of interest, ESO, is operationalized through a binary variable. The study's sample was categorized into two comparative groups: those that practice ESO and those that have never practiced it. The empirical investigation encompasses 76 listed companies, employing multiple regression via the EGLS method using EVIEWS software to assess this impact. Data for the analysis were comprehensively sourced from the annual reports of the Moroccan Capital Markets Authority, data from the CDG Capital Brokerage website, information available from the Casablanca Stock Exchange, and the annual reports of companies since their IPO.

To address the research question, the study is structured in three key phases. Firstly, a theoretical analysis of ESO is performed and enriched by a combination of previous empirical work examining the relationship between corporate financial performance and ESO. Secondly, the research methodology adopted in this study

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