How Society's Constraints Would Undermine ESPP Adaptation in Latin America: The Case of Peru

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Abstract
Shared capitalism proposes that employees' revenues or wealth are directly related to a firms' performance, while they participate in the organizational decision-making processes as well (Kruse et al., 2010). Employee stock ownership, one of the mechanisms of shared capitalism, can be implemented through different ways including Employee Stock Purchase Plans (ESPP). This paper examines such plans offered to Peruvian employees by three French companies. Previous literature has documented that ESPPS' participation and investment are undermined by four factors: liquidity constraint, imperfect knowledge of information, asset choice, and transaction costs. We highlight the actions developed by these three companies to limit the effect of these four factors and thus stimulate employee participation and investment in their company's shares. We also identify other important elements of participation.
Keywords: *shared capitalism, employee ownership, employee stock purchase plan, Peru, France*

Charles Darwin said once, "If humans' social inequalities are not a natural cause, then we should be conscious of our infamy." According to the United Nations (2015), the Sustainable Development Goal (SDG) number 10, reduced inequalities, aims to achieve equal conditions for all humans within and among countries, in order to not leave anyone behind, ensuring everyone has access to essential services as well as social protection. However, global crises such as COVID-19 has widen those differences between groups of people, threatens millions of livelihoods around the world, and increases the social and economic inequality in societies worldwide (United Nations, 2020).

Current capitalist systems adopted by most nations, which differ according to their regional characteristics (Schneider, 2013), are not clear as to how they address inequality. Shared capitalism links employees' revenues or wealth to a firms' performance, and their participaction in its organizational decision-making processes as well (Kruse et al., 2010). A mechanism used by shared capitalism is Employee Stock Ownership (ESO). According to the US National Center for Employee Ownership, ESO can be implemented through different ways: Employee Stock Ownership Plans (ESOP), equity compensation plans including Employee Stock Purchase Plans (ESPP), worker cooperatives and others like retirement plans for instance. The legal form and fiscal incentives attached to ESO vary dramatically from country to country. In Peru, ESO is usually called "Programa de Incentivos en Acciones" (PIA). These plans provide the opportunity to sell a company's shares to employees, as a way to split the risk and improve short-term liquidity, while incorporating new shareholders to the ownership structure of the firm. ESO is sometimes criticized because it may put the employees' wealth at risk. But academic literature shows that investment in the employer's shares is not too risky for employees when it is not more than 10-15% of their overall wealth (Markowitz et al., 2009). This percentage is rarely exceeded in the United States where employee ownership is the most developed in the world (Kruse et al., 2019). The decision to introduce and develop employee ownership generally lies with management. Nevertheless, ESO implementation produces relevant long-term trade-offs that may drive firms to the loss of traditional hegemony or position of power (Aubert & Cordova, 2020).

Losing power would mean not only sharing the risk or ownership of the firm, but its decisions and control as well. How reluctant to implement mechanisms such as employee ownership would depend on the maturity of financial markets, the employees educational level, the local business culture, and the proneness of business leaders to share power over their organizations. Leaders' behavior could be shaped by the conditions of the context that surrounds the firm (DiMaggio & Powell, 1983), so the organizational environment as well as the country's business culture play a significant role in the firms' decisions toward employee ownership.

ESO is also known to have very positive outcomes at worker and corporate level. The academic literature's main conclusions is that employee ownership improves corporate performance. The positive effects of employee ownership come from better cooperation, mutual monitoring, decreased staff turnover, and absenteeism. The meta-analysis by O'Boyle et al. (2016) reviewed 102 samples representing 56,984 firms in different countries. They reported an overall positive and significant relationship between employee ownership and firm performance measured in terms of efficiency or growth. Several chapters of the book by Kruse et al. (2010) also evidence the positive relationship between employee ownership workplace outcomes and corporate performance based on survey and archival data collected on a sample of 40,000 employees representative of the US workforce. In addition, more than half of the stock listed firms within the *Fortune'* list of 100 Best Companies to Work for in 2020 have some sort of employee ownership plan (Rosen, 2021).

Latin America has a complex business environment, brimming with opportunities as well as constraints (Vassolo et al., 2012), which co-exist within a region that has had different types of crises for many years (Azevedo et al., 2020). Latin American countries are characterized by socio-economic inequalities and Peru is not an exception. Peruvian government still has a long way to enhance equal conditions (Grompone & Tanaka, 2009), and its efforts are usually undermined by a weak institutional context (Vergara, 2018). According to Ganoza and Stiglich (2015), inequality conditions in Peru are prompted by a specific organizational culture and traditional forms to exert control, promoted by a business elite primary oriented to economic development rather than social well-being. Hence, Peru would be a country where ESO implementation on firms could be constrained by a business culture reluctant to abandon its *statu quo* as well as the country's institutional context.

This chapter discusses how the business culture prompted by a particular type of capitalism in Latin America undermines the context characteristics. This unfertile terrain constraints and impedes employee stock ownership mechanisms to develop. Moreover, the chapter describes the case of Peru, a Latin American country rooted in unequal social systems, exploring how difficult the adoption of ESO for local firms would be, and how MNCs' (Multinational Corporation) subsidiaries could turn the tide, and develop ESO mechanisms in the Peruvian financial market. Even if legal and fiscal policies do not incentivize ESO, we found that several foreign companies offer their Peruvian employees investments in their stock. US and French companies with a strong ESO culture offered employees ESOP or ESP plans as an attractive financial instrument to deal with local uncertainty. ESPPs are employers' sponsored offers aimed to develop employee stock ownership usually in large, listed companies. Thus, ESPPs allow employees to invest in their company stocks, providing access to the company's ownership structure and overcoming social inequalities in Peru. Finally, MNCS were able to mobilize their global ESO strategy into local operations such as Peruvian subsidiaries, overcoming the barrier of employees' trust, through the implementation of strategic efforts focused on socializing knowledge, diffusing valuable information, and developing an investment long-term perspective. This paper investigates the implementation conditions of these plans in Peru.

INVESTING IN PERU

In Peru, as in other Latin American countries, institutional development as well as business culture shape how financial markets are evolving over time, and how organizations and individuals respond to investment opportunities. Hence, ESO initiatives in the country would be enhanced or constrained according to the Peruvian context.

Peruvian Economy and Institutional Context

Since the nineties, Peru responds to a free-market economy model, imported from the capitalist system developed by the United States and the United Kingdom. It began with Alberto Fujimori's regime and focused on an overall privatization process that included the most important industries such as telecommunications, mining, energy, and others. According to Consejo Privado de Competitividad (2019), after the Brazilian and Asian financial crisis of 1997, Peru was experiencing a dramatic fiscal deficit and a worrisome devaluation. Henceforth, privatization allowed for a rapid economy recovery and fostered foreign investment to increase public funds as well as opportunities for jobs and facilitate better livelihood conditions for the population. Nevertheless, even when rates for extreme poverty and poverty have overall decreased (World Bank, 2018), those traditional capitalism's expected benefits are still in debt for the majority of Peruvians.

Vergara (2018) states that capitalist system's promises regarding well-being for all and a better society have been treacherous to the most vulnerable people in the country and have broadened the social inequalities that underlie the lower Peruvian society. Meanwhile, social unrest is contiguous in the country as a business-as-usual situation, prompted by a generalized corruption inside government's levels (Romero, 2019) and the inability as well as the inefficiency of the State to reach regions outside main cities to deliver essential services and development opportunities (Degregori, 2004; Grompone & Tanaka, 2009). Moreover, the political and business elite composed for few as well as the upper-class derived from this economic and social power, which are benefited directly due to the inequalitarian conditions in the country, are not interested and demonstrate no empathy with the rest of the population who does not have the same access to resources and advantages (Durand, 2018; Ganoza & Stiglich, 2015; Matos et al., 1969). The aforementioned conditions have driven the country to a profound institutional weakness, losing the Republican compass and falling deep into society's different development handicaps and constraints (Vergara, 2018).

Peruvian Financial Market

Peruvian economy grew only 2.2% in 2019, the lowest over the last decade. As a result by the contraction of primary economic sectors such as manufacturing, fishing, mining, and hydrocarbons (ASBANC, 2020). In 2020, it fell 11.1% due to the COVID-19 crisis, after 22 years of continued GDP growth (El Comercio, 2021). According to El Comercio (2021), the most affected activities were mining and hydrocarbons, manufacturing, construction, commerce, transport, and warehouse, lodging and restaurants, and services provided to business. Counter wise the country's trade balance showed a surplus of US$ 6,614 million in 2019 (ASBANC, 2020) and, despite COVID-19, an increase of 17% for the next year, exhibiting a result of USD$ 7,752 million in 2020 (BCRP, 2021a). Mainly driven by the exports of traditional products as well as the resilience of the agricultural and fishing sectors (RPP, 2021).

Additionally, regarding the inflation rate, Peru exhibited 2% by the end of 2020 (BBVA, 2021), slight increase from 1.9% in 2019 (ASBANC, 2020), but still within the Peruvian government´s objective—between 1% and 3% (BCRP, 2020)—. Moreover, credit for businesses expanded to 12.3% in 2020, mainly due to the government's responses against COVID-19, thus favoring the economic reactivation of private sector's organizations (BCRP, 2021b).

Hence, despite the institutional voids in its context, the Peruvian financial market is stable and considers several financial mechanisms for individuals and firms in order to facilitate their development in the economic market. However, some ESO instruments, such as PIA's or "equity awards," are underdeveloped.

Contrary to other countries' legislation, PIA's in Peru have no specific regulation, and the rudimentary interpretation of this financial mechanism done by the Peruvian Tax Court could suppose some tax obligations and social benefits payment for the employer as well as for the employee, which could discourage its implementation (Núñez, 2013; Rebaza et al., 2018). These legislative gaps demand proper regulation in order to establish how employee's role fit in the stock options plans and if these options should be considered as part of the salary or not (Echaiz, 2008).

The main motivations to study global ESPP offered by foreign companies in Peru is to provide evidence of how these subsidiaries deal with local constraints and follow the companies headquarters' strategy toward ESPP. In addition, conducting an empirical study of ESPP in an emerging economy context such as Peru, sheds light about how these financial mechanisms, already well used in other parts of the world, could incentive Peruvian firms to adopt them in order to strengthen their liquidity as well as deliver important benefits to employees, while reducing turnover rates and increasing overall performance.

LITERATURE REVIEW ON ESO AND THE DETERMINATION OF ESPP INVESTMENTS

Understanding how ESO can be promoted in Peru requieres to understand what motivates employees' investment in ESPPs. We first review the theoretical literature on ESO and ESPP before presenting the empirical findings regarding the determinants of employees' ESPP investment.

Employee Stock Ownership in the Academic Literature

Theoreticaly, employee ownership lacks a unified framework due to the different management disciplines that have focused on it. Corporate finance and governance literature underlined that ESO can be used as a managerial entrenchment mechanism reporting that management and employees are natural allies that can defeat hostile takeovers (Pagano & Volpin, 2005). In this perspective, ESO is often analyzed within the agency theory framework. Behavioral finance studied ESO as an investment option available to retail investors that is associated with investment mistakes and cognitive biases (Benartzi et al., 2007). Industrial relations and human resource management focus on ESO effects on corporate performance as a consequence of better workers' attitudes and HRM outcomes (O'Boyle et al., 2016). Kruse et al. (2010) carried out the most comprehensive study of shared capitalism including ESO studying a large sample of US workers and companies. They define shared capitalism as "employment relations where workers' pay or wealth is directly tied to workplace or firm performance" (p. 1), and include in these relations broad based collective incentives such as: ESO, profit sharing, gainsharing, and broad-based stock options.

Kruse et al. (2010) conclude that gift exchange theory (Akerlof, 1982) can explain positive effects of shared capitalism on productivity and HRM 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 studying responses to a survey filed by 1,740 employees of a UK and Ireland based company. They quote Akerlof (1982) as stating that, under gift exchange, workers acquire a "sentiment for the firm' that leads them to respond to the firm gifting them greater compensation than necessary by reciprocating with a gift of 'work in excess of the minimum work standard" (pp. 543-544).

Bryson and Freeman (2019) assume that "both the gift exchange and pure ownership channels begin with the firm gifting matched shares to employees through the 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. Aubert and Hollandts (2015) also confirm the gift exchange hypothesis showing that increased ESPP participation in the subsidiaries of a large French company is associated with lower absenteeism. The company offered a discount on the stock price. The discount represents a gift that can be accepted or rejected by each employee. The relation is not confirmed for turnover.

Employee Stock Purchase Plans as a Way to Develop Employee Stock Ownership

ESPPs are employers' sponsored offers aimed to develop employee stock ownership usually in large-listed companies. These plans are broad based meaning that all the employees can benefit from them with the same conditions whatever their rank or salary. ESPPs allow employees to invest in their company's stocks. Usually, the employees can invest during a predefined offering period that can range from a couple of weeks to 27 months in the United States (Engelhardt & Marian, 2004; Babenko & Sen, 2016). The purchase stock price is defined by the plan. It can be the fair market value or the minimum of the fair market value at the beginning and end of the offering period. In the latter, it is called a lookback feature. Some plans have a reset option that ensures the employees benefit from the lowest purchase price. From a corporate finance perspective, the stocks can be newly issued shares or existing ones.

Employees who participate benefit from a discount on the stock price (15% in the United States and up to 40% in France, for instance). The plan design can differ from one company to another and these variations can be even higher for an international ESPP that needs to take into account different legal systems. For example, the taxation of the capital gains can be cancelled or lowered after a minimum legal frozen period (e.g., five years in France). Contributions to the plan can come from different sources: profit sharing bonuses, payroll deduction, or employees' own contributions. There are often limitations to the amount invested in the plan that is defined as an amount and a percentage of the annual gross salary. Eligible employees should work at the company for a minimum period of time.

According to Ouimet and Tate (2020), the literature on ESPPs is scarce. They mention just a few papers that investigate these operations. Most of the references focused on US ESPPs where ESO is widespread. 14 million US workers own stocks of the company they work for, mostly in ESOP that are the most popular ESO plans. A large majority of ESOP companies are private. Engelhardt and Marian (2004) and Babenko and Sen (2016) provide a detailed presentation of the ESPPs' functioning in the United States from 1998 to 2009. Babenko

TABLE 5.1 TYPOLOGY OF INCENTIVE SCHEMES

	Performance Metric		Reliant on Individual Performance?	Choice Over Joining	Own Money	Residual Right to Firm Surplus
Individual PRP, for example piece rate	Individual output/sales		Yes	No	No	No
Merit pay	Employer evaluation of worker		Yes	No	No	No
Team or group PRP	Group output/sales		Not directly	No	No	No
Profit-related pay	Firm profits		Not directly	No	No	Yes
Gain sharing	Firm performance (other than profits)		Not directly	No	No	Yes
Share options	Individual and/or firm performance		Sometimes	No	No	Yes
ESPP (Employee Stock Purchase Plan)	Firm performance		No	Yes	Yes	Yes

Notes: PRP stands for performance related pay.
Source: Bryson and Freeman, 2019, p. 88.

and Sen (2016) report that 473 firms offered ESPPS. As opposed to companies with an ESOP, companies offering ESPPs are publicly traded and rather large with average total assets of 19.9 billion dollars (Babenko & Sen, 2016).

According to Bryson and Freeman (2019), ESPPs have specific features that make them different from other forms of compensation. We report these differences in Table 5.1 extracted from their paper. As opposed to other forms of compensation, employees have to invest their own money in the plan and this investment acts as a commitment. Depending on the country, they can also use their profit sharing or gainsharing bonuses. Using these bonuses apparently decreases the savings cost because this money does not require additional savings. Contrary to other standard group incentive mechanisms that are decided unilaterally by the management, participating in an ESPP requires the employees' explicit free decision.

Not only does the Bryson and Freeman's gift exchange hypothesis explain the organizational outcomes of ESPPs but also highlights the potential motivations of ESPP participation. Indeed, employees who choose to invest their own money in these plans engage themselves in a reciprocal relationship with their employer. We can assume that such employees anticipate to stay longer in the company and contribute more to its development. Similarly, Babenko and Sen (2016) find that non-executive employees participate in ESPPs because they have valuable information about their firm's future performance, as a signal of its future returns reducing information asymmetry on the financial markets.

Determinants of ESPP Participation and Investment

Engelhardt and Marian (2004) investigated ESPP participation determinants at a large US company with 30,000 eligible employees. They found that four explanations undermine ESPP's participation: liquidity constraint, imperfect knowledge of the plan, asset choice, and transaction costs. The same set of determinants were identified in the French context by Rapp and Aubert (2011). We organize the presentation of ESPP participation empirical determinants around these four elements.

Liquidity constraint. According to academic research in financial economics, liquidity constraint are a decreasing function of age, wealth and current income. The type of job contract is also an important determinant. Temporary employees may be less willing to invest in an ESPP. Degeorge et al. (2004), Rapp and Aubert (2011) and Babenko and Sen (2014) document that financially unconstrained employees tend to participate and invest more in ESPPs. Interviews with senior advisors working at a French plan administrator show that several mechanisms can relax the employees' liquidity constraint and foster employee stock ownership (Aubert, 2008). The discount on the stock prize is a specific feature of ESPPs which directly decreases the amount invested by the employees. The employer can also match the employees' contribution. The discount and the matching contribution policy can be adapted according to the objectives of the operation. Allowing employees to pay their investment in several installments is another means to relax the liquidity constraint. Leveraged funds are another way to boost employees' participation and investment. These funds were engineered in France during the privatization of France Telecom (now Orange), the French national telecommunications operator. Degeorge et al. (2004) studied this privatization where part of the equity was offered to the company's employees. The leveraged offer is very attractive at first glance because it is often marketed as "buy one stock and get # free without any chance to lose any money." The employees get additional shares for the same amount invested and their investment is guaranteed. But these attractive conditions come with a cost. This system can be used to convince the less paid employees to invest in the plan. But the mechanism behind it is very complex. Degeorge et al. (2004) describe the leverage offer called Multiplix as follows:

> For a fixed contribution, the employee would receive back a prespecified amount of money (like a bond) and also obtain the upside on ten shares. While not described in these terms, Multiplix delivered the economics of a bond-plus-call portfolio or alternatively a protected-put position. Legally, this payoff was delivered through a peculiar "guaranteed" loan that allowed the employee to buy nine additional shares for each share purchased through personal contributions. What makes this loan unusual is that the repayment is effected through the withholding of the dividends and tax credits (over the five-year life of the plan) and a variable repayment schedule at maturity that was a function of the ultimate France Telecom stock price. In effect, the loan repayment amount was equal to the positive difference between the value of ten shares less the payoff to the employee. The employee was never required to repay more than the value of the shares after five years. (p. 173)

This system requires a complex financial engineering that is costly to the company and that many employees can barely understand. According to Aubert (2008), "the complexity associated with leveraged funds is all the more paradoxical that these financial tools were developed to allow the less paid to participate in ESPPs" (p. 142). Aubert (2008) also mentions that the schedule of an ESPP is very important for it's success. For instance, the companies can set the date of the operation when the bonuses are paid to the employees. The psychological cost of investing is lowered by the feeling that the money invested does not come from the employee's pocket.

Imperfect knowledge of the plan. Employees who invest in their company stocks can be considered as having a better knowledge of the company than external investors. Babenko and Sen (2015) show that lower ranked level employees have valuable information they can use to generate abnormal returns in the context of an ESPP. According to Babenko and Sen (2015), regular employees have access to more information than external investors and their trading decisions are less restricted by financial regulations than executives' ones. They emphasize that firms in the top quartile of ESPP purchases outperform those in the bottom quartile by 10% in the year after purchase. They also find that this relationship is stronger for firms with high information asymmetry. Babenko and Sen (2015) investigate specifically aggregate employees' participation to ESPPs launched by US listed companies belonging to the S&P 500, S&P 400 Midcap, NASDAQ 100 between 1998 and 2009. Since ESPPs aggregate participation predicts future performance over one year, they conclude that employees have prize relevant information. This relation is stronger in contexts where employees are better informed than outside investors such as in smaller firms or followed by fewer analysts. Even though employees may be better informed on the company prospects, the literature documents that the imperfect knowledge of the plan hinders ESPP's participation and investment may discourage participation (Engelhardt & Madrian, 2004; Rapp & Aubert, 2011; Babenko & Sen, 2014). Ouimet and Tate (2020) document that peer effects play a significant role in stimulating participation and trading. In line with these findings, to overcome the imperfect knowledge of the plan, companies may develop a network of correspondents in the business units. Some companies have a toolbox which can comprise videos, simulators, brochures, posters, information meetings, a dedicated intranet website. Marketing and communication campaigns can promote ESPP's participation (Aubert, 2008; Degeorge et al., 2014).

Asset choice. In some countries like France, ESO is one investment option among others within the company-based savings plan. The law there makes it mandatory to offer at least one other investment option beside ESO which can be a mutual fund invested in liquidity, stocks, or bonds. This characteristic may affect the employees' decision to invest in the ESPP. Some employees may benefit from another more attractive company-based scheme like stock options or a pension plan (Engelhardt & Madrian, 2004). Within the same company, there can exist several alternatives to become an employee owner.

There can be a distinct ESO program targeting top management like long term incentive plans. Not to mention other investment options outside the company that can be available to employees. In many countries, real estate is the main component of wealth and home ownership may affect ESPP's participation.

Transaction costs. They are often lower in ESPP than in traditional stock market investment. The direct costs of buying the stocks can be supported by the company and the employees do not have to pay for it. A non-trivial unobservable cost is the cost of learning about the ESPP (Engelhardt & Madrian, 2004). Because of learning about the plan, employees would tend to procrastinate their decision to invest in the ESPP. Although ESPP has very attractive features, many employees do not participate. In the case of France Telecom's privatization, Degeorge et al. (2004) document the existence of "search costs" that discourage the employees to invest. Degeorge et al. (2004) find a divergence between the determinants of the likelihood to participate and of the amount invested. They interpret this divergence as evidence of a fixed cost of analysing the information about the plan. They claim that "a threshold level of desired investments must be attained for participation to occur, perhaps because of the cost to employees of analyzing the offering" (p. 199). Employees would participate only if the desired investment reaches a certain level. Financial literacy was used as a proxy of transaction costs assuming that financially literate employees would bear lower efforts to understand the characteristics of the plan (Rapp & Aubert, 2011; Babenko & Sen, 2014; Ouimet & Tate, 2020). Ouimet and Tate (2020) find that the presence of highly informed employees magnifies the peer effects related to the imperfect knowledge of the plan. Babenko and Sen (2014) also find that employees who are familiar with stocks and more educated tend to participate more in ESPPs.

AN EMPIRICAL INVESTIGATION OF GLOBAL ESPPS IN PERU

We focus on ESPPs offered to Peruvian employees by French multinational corporations. The most interesting feature of these French ESPPs is that companies having operations abroad extend these benefits to their foreign employees. We identified some companies that offered ESPPs to their Peruvian employees in 2020. After a brief presentation of the French ESO features, we show the results of three case studies investigating the determinants of ESPPs' participation in Peru. We specifically interviewed executives of these companies in charge of implementing ESPPs in France and in Peru.

The French ESO Culture and Features

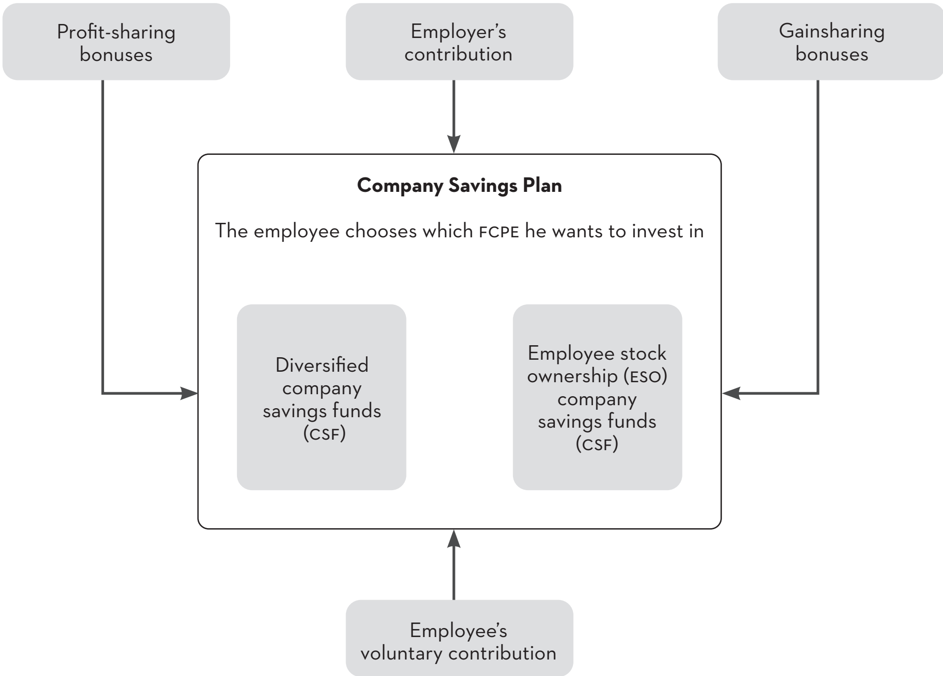
Aubert and Bernheim (2021) point out that

> [...] over the second half of the twentieth century, France has developed and combined several systems of employee participation and gainsharing with three main goals: to give employees a share of firm profits; to promote employee savings through company savings plans (CSP or Plan d'Épargne Entreprise—PEE); to boost employee share ownership within the CSP framework. (p. 44)

France is the only country in the world where profit sharing schemes are compulsory for companies hiring more than 50 employees. Profit sharing bonuses depend directly on the profit of the companies while gainsharing can be the result of financial and extra financial objectives set by management and unions. Gainsharing and profit-sharing bonuses can be cash out by employees or saved in a CSP or a pension plan. For the companies, the bonuses granted to the employees are deductible from corporate tax. On the employees' side, the bonuses saved in the plans (CSP and pension plan) are deductible from their taxable income, which they would otherwise have to include. For this reason, the tax advantage is higher for better paid employees who have a stronger incentive to save. ESO is only available in CSP that can offer at least one other savings option in addition to employee ownership. But these plans may not also offer ESO at all. That's why the CSP is not entirely comparable to the most famous ESO scheme: US ESOP. Another difference is that the money saved in the CSP is not frozen until retirement but only for five years and that the French law prohibits offering ESO in a pension plan.

The money saved in the CSP is invested in two kinds of assets: ESO and diversified funds which resemble the classical mutual funds offered to retail investors (money, bonds, stocks, diversified with the three last categories). Profit sharing and gainsharing bonuses are the two main sources of company-based

FIGURE 5.1 FUNCTIONING OF THE FRENCH COMPANY SAVINGS PLAN



Source: Aubert & Bernheim, 2021, p. 45.

savings in France including ESO. A last important source is the employers' matching contribution. The employer's contributions are usually granted to match the employees' investment. For example, if the company wishes to favor ESO, it can decide to match any investment of the employees directed in ESO. This is usually what happens in the case of an ESPP. Money collected during the ESPP is often held within a CSP which allows the employees to benefit from the full tax deductibility available. Figure 5.1 presents the overall functioning of the French CSP.

French companies have a long tradition of employee ownership. General de Gaulle implemented ESO in the country in the 60s. Several laws favored the development of profit sharing and employee ownership with the last one voted in 2019. ESO is fueled by the profit sharing bonuses that benefit from tax exemptions when invested in a company savings plan offering ESO among other investment options. Many large, listed companies developed ESO, especially at the end of the eighties when most of the largest French corporations were privatized. A notable example of privatization that was investigated by academic research (Degeorge et al., 2004) was Orange in 1997 (France Telecom at that time), a multinational telecommunications corporation. The company offered its stocks to 200,000 employees.

There are currently around three million employee owners in France according to the *European Federation for employee share ownership annual report* (2019) and this number experienced an increase of 22% since 2007. The French employee owners hold 30,000 euros of their company stock on average worth. Employee owners hold 2.4% of the shares of the top 120 listed companies. In 2018, the average amount invested in ESPPs was 5,569 euros. 30 ESPPs are offered every year on average. 38 ESPPs took place in 2018 for a total amount of 3.5 billion euros.[1] The vast majority of ESO plans in French companies are broad based meaning that they benefit all employees with the same conditions. With ESPPs, employees can buy their company stocks with a discount that can also take the form of free shares or an employer matching contribution under the condition that they hold them for five years. At the end of this period, they can sell their shares without paying tax of capital gains. They have the possibility of using their profit sharing bonuses.

Three Case Studies of International ESPP Targeting Peruvian Employees

We interviewed executives from three companies which offered worldwide ESPPs to their employees in Peru. For each company, we interviewed two executives in each country. On the French side, the three HRM executives in charge of the global ESPP were contacted. In Peru, the three corresponding people in charge of the management of the ESPP in the country. Each interview lasted between 40 minutes and one hour and was conducted by

1. ERES (n.d). Panorama de l'Actionnariat Salarié 2019. https://www.eres-group.com/panorama-actionnariat-salarie/

telephone or via video conference. Each was transcribed and coded. The interviews were conducted in the local language (French and Spanish) and translated. We use Deepl.com[2] to run the translation from French to Spanish and from Spanish to French and finally to English. Both authors checked the translation in their own language. Finally, the verbatims used below are reported in English. To preserve the anonymity of the companies, we have renamed them Housing corp., Tires corp., and Wire corp. In the next subsection, we present the findings from the three case studies investigating the determinants of ESPP participation and investment that took place in 2020 and benefited Peruvian employees of three different French multinational corporations operating in Peru. For each case, we first present the company[3] and its ESO policy. We then turn to the characteristics of the offer that addressed the four principal barriers to ESPP participation identified in the literature (liquidity constraint, imperfect knowledge, asset choice, and transaction costs). In the three cases, other determinants of participation emerged from the interviews that had not been identified previously in the literature. We focus our presentation on the specific features of the Peruvian offers.

Housing corp. Case: A Long Experience of Sharing Ownership

The Housing corp. company is present in 70 countries with more than 167,000 employees. It is listed on the French market and has a turnover of 47 billion dollars in 2020. It is a producer, processor, and distributor of construction and high-performance materials and packaging. The company is engaged in four business activities: innovative materials, construction products, building distribution, and packaging. Housing corp. meets the criteria to be part of the French ESO index: At least 25% of the employees are shareholders in France and 15% worldwide and they hold more than 3% of the shares. Housing corp.'s employees hold 9% of the company's equity. The company stated the ESPP's objective as:

2. Deepl is an artificial intelligence based translation tool available at Deepl.com.
3. Companies' data are from Bureau Van Dijk Orbis.

> 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 Housing corp. (Source: company's website)

Liquidity constraint. At Housing corp., the matching contribution may be one-off or based on investment tranches or different depending on the amounts invested by employees. For example, in Peru, the objective is that as many employees as possible participate. There is therefore a matching contribution per bracket which is very high for small amounts and decreases when the amount invested increases. The Housing corp. group wants as many employees as possible to participate and recommends a maximum matching contribution on the first tranches. There is no minimum amount to participate.

A 20% discount on the share price is also offered, which extends to other countries, such as the subsidiary of Housing corp. in Peru. For the 2020 operation, as the share price rose significantly during the 20 days of the subscription, the discount was actually 30%.

In addition to the matching contribution and the discount, the employees benefited from free shares that company Housing corp. offers for buying regular shares in the program (for buying ten shares employees receive four additional shares).

In France, the date for employee shareholding operations is set at the time of payment of profit-sharing bonuses. In this way, employees can invest their bonuses in company shares without having to pay out their own money. Thus 90% of the premiums are invested in company shares.

Housing corp. also proposes to pay the shares in eight instalments from May to December. Some countries do not allow payment in instalments as they consider this as a credit. Contrary to this, Housing corp.'s subsidiary in Peru allows employees to pay their shares through several instalments during the year of the program; however, the alternative to pay in advance for the shares is always open.

Employees must hold Housing corp.'s shares between five and ten years depending on the country. The five-year holding requirement is very restrictive in some countries where saving money is difficult.

Imperfect knowledge of the plan. Housing corp. had 34 employee shareholding operations (once a year) since 1988. The fact that there are ESPPs once a year favors a better knowledge of these plans. In Peru, Housing corp. started ESPPS in 2018 reaching 85% of participation that year. Since then, yearly participation in Peru has been one of the highest among Housing corp.'s subsidiaries around the world. In 2020, even when the ESPP in the Peruvian subsidiary underperformed (58% of participation) due to COVID-19 and political unrest in the country, it positioned as the second regarding participation in Latin America. ESPP participation in the Peruvian subsidiary has decreased because of COVID-19 effects, which reduced and constrained the employees' financial liquidity.

The management of Housing corp. in France provides a package that is adapted in each country or group of countries according to the legislation and the conditions of the offer which have been decided. Local legislation requires a brochure to be made available in each country. Housing corp. offers a simulator (see Figure 5.2), posters, and above all an open website which is available in each country and is updated for each new operation. The website therefore has 40 different pages, one for each country or group of countries. There is one dedicated to Peru.

Extranet was the best solution to ensure that as many people as possible could access the information and is made available to everybody. Furthermore, Housing corp. in Peru has launched ESPP campaigns organizing face-to-face meetings and virtual meetings (due to COVID-19) and using other employees (from different levels in the firm), who were involved in the program in the past, talk about thier experience either with videos or gathering employees to hear them. In Peru, the communication strategy of Housing corp. firm had to include specific aspects to help overcome the barrier of trust with employees, such as the opportunity to listen to other employees and how they participated in the program and what the results were. Also, the communication strategy includes explaining about how the stock market works and how shares behave over time, providing them simulations for different scenarios to employees (see Figure 5.2), without making any hierarchical difference among them. Once employees participate in the program, they receive the credentials that allow them to monitor their shares' evolution.

Asset choice. Stocks were therefore offered directly rather than through a dedicated Company Savings Fund (CSF or FCPE in France). In France, a di-

FIGURE 5.2 ESPP INVESTMENT SIMULATOR AVAILABLE IN PERU

VALOR MÁXIMO DE SU INVERSIÓN				
		contacte a su RRHH		
SIMULE SU INVERSIÓN				
Registre el valor que desea invertir				PEN 1,000.00
Contrapartida Saint-Gobain				**PEN 565.95**
Total de su inversión				**PEN 1,565.95**
VEA EL RESUMEN DE SU INVERSIÓN				
Usted invierte			PEN 1,000.00	
Usted recibe en su cuenta del PEG			**PEN 1,565.95**	PEN 565.95 más que el valor invertido
y puede pagar en 8 cuotas de			**PEN 125**	cada mes, entre los meses may/21 y dic 21
COMPARE SU INVERSIÓN CON LA DE UN INVERSOR EXTERNO EN RELACIÓN CON CUOTAS DE ACCIONES ADQUIRIDAS				
	Inversor Externo	Usted		
Inversión en pesos argentinos	PEN 1000.00	PEN 1,565.95	Inversión en soles peruanos	
Tasa de cambio	**PEN 4.39870**	**PEN 4.39870**	Tasa de cambio	
Inversión en euros	**PEN 227.34**	**PEN 356.01**	Inversión en euros	
Precio de referencia →	**PEN 44.755**	**PEN 35.81**	← Valor de suscripción	
Cuota de acciones adquiridas	**PEN 5.00**	**PEN 9.94**	**P PEN EN 95.71**	más cuotas que un inversor externo

Source: Housing corp. ESPP dedicated website in Spanish.

versified fund is offered alongside employee share ownership (mandatory in France in the PEE to diversify investments), but this is not the case in all countries where it is possible to offer only employee share ownership. There are three employee shareholding formulas: an FCPE France for French employees, an FCPE Monde for foreign employees including Peruvians, and shares held directly in the eight countries where it is not possible to offer FCPE.

Housing corp. does not offer leveraged FCPEs with capital guarantees (Degeorge et al., 2004). These operations are difficult to explain to employees who do not always understand what a share is. Leveraged FCPEs are also very expensive because of the fees charged by the contracting investment bank.

Another advantage provided by an ESPP is to allow employees to invest in euros because the stocks are listed on the French financial market. Euro is a safe currency compared to other counties currencies that can be very volatile. For example, investing in euros has been a real opportunity for employees in Lebanon where the national currency lost value in 2020.

According to the Housing corp. in Peru, one of main reasons to participate in an ESPP is because of the long-term saving alternative that it offers. During the five years mandatory blocking period, employees are not able to withdraw their investment.

Transaction costs. It is very easy for the employees to participate through the dedicated website. The employees can subscribe directly from the website site with a straight link to a French bank which acts as the plan's administrator. This website is accessible to everyone because the company's intranet is available at the level of subsidiaries (500 different companies), business lines, and countries. In the Peruvian subsidiary of Housing corp., the benefit of charging the operational costs to the plan administrator for the commercial transactions of shares is highly valued by the firm. However, there is still a challenge regarding how to involve employees within their own ESPP process, because even though they have the platform credentials, they rarely use them. They prefer to send an email to the country correspondent. Peruvian employees are reluctant to use technology to lead their own ESPP process. Even when they have their credentials and training, they choose to use informal ways for approving their participation such as emails or phone calls.

The company has a network of 450 worldwide correspondents whose contacts are on the dedicated website. They are responsible of buying and selling the company Housing corp.'s shares. In Peru, the ESO program is called Plan d'Epargne Groupe (Employee Saving Program).

Other ingredients of participation. ESO is the DNA of Housing corp., since employees are the company's largest shareholders with 9% of the capital. ESO is offered in 48 countries, representing 90% of the company's workforce. Hence, it plays an important role in the corporate culture.

The company strives to delegate decisions as much as possible to the level closest to the field. Although the coordination of the plan is done at the central level, the matching contributions policy is defined at each country's level or group of countries.

Employees benefit from the dividends paid by the company, which are reinvested in the FCPE and increase the value of the employees' investments.

As for the employee owners' participation in corporate governance of Housing corp., one employee shareholder representative has a seat on the board of directors. French law mandates to elect one employee owner representative on the board when employees hold more than 3% of the equity. Given the size of the board (14 board members), a new French law mandated the election of two employee representatives. As a result those three employees (one representing the employee owners and two representing employees) out of the 14 board members are employees.

Tires Corp Case: Increasing Employees' Share in the Capital

The Tires corp. company operates in 170 countries worldwide and hires 123,000 employees. It is listed on the French stock exchange with a turnover of 25 billion dollars in 2020. It specializes in manufacturing and marketing of tires. The company operates in three business segments: passenger car/light truck, truck, and other activities. The 2020's ESPP was the seventh of its kind. Tires corp.'s employees control 2% of the shares of the company. The company defines the objective of the operation as follows:

> By launching the 7th employee shareholding plan "Y 2020", the Group is affirming its desire to make employee shareholding one of the pillars of its development, the commitment of its staff and the strengthening of its independence. It will allow the employees as shareholders, to be more closely associated with its success. It is a long-term personal and financial commitment. Eligible employees of the Group will be able to purchase Y shares on privileged terms. In France, certain retirees are also eligible. (Source: company's website)

Liquidity constraint. Peruvian employees had exactly the same conditions for buying shares as all other Tires corp.'s employees. The only countries where the offer was adapted were the UK and Hungary. Employees could buy shares at a 20% discount to the share price (76.37 euros per share). They received a matching contribution of 350 euros from the company. For one share purchased, three shares were offered. For every four shares purchased, a fourth was offered. This was done to allow as many employees as possible to subscribe to shares. In Tires corp., there was a desire not to put employees at risk.

The shares could be paid for in one go and up to 12 times free of charge withdrawn directly from the payroll. This payment alternative was highlighted by the correspondent in Peru, as a mechanism that facilitates the employees' decision to participate in the program, despite that in the case of the Peruvian subsidiary, those 12 dues have an annual interest rate of nearly 2.5% that is considered low by the participants. Additionally, each employee has the allowance to buy shares up to 20% of the yearly salary. According to the correspondent in Peru, "nobody has ever reached to buy that limit, because it is actually high."

Imperfect knowledge of the plan. Tires corp.'s ESO plans are recurrent and take place once every two years. The first ESPP took place in 2002 and was initiated by a member of the founding family. There have been nine operations since then and take place every two years since 2016. In Peru, Tires corp. has had seven ESPP since 2003, almost every two or three years, the last one in 2020. This launching frequency in the Peruvian subsidiary has supported a consistent employees' participation over time because, according to Peru's correspondent, "they are already familiarized with these programs and know how they work." Hence, annual employee's participation was more than 90%, in 2020, even with the COVID-19 crisis that affected the organizations' performance.

Tires corp.'s communications regarding ESPP in Peru is through mail and WhatsApp messages, as well as meetings that include all the company's employees, and there is no difference between the information delivered to the executives and the other employees.

To manage these plans, the company uses the services of a communications company and a legal adviser who studies the feasibility of the plan in the various countries. The account holder collects information on the amounts subscribed. Tires corp. provides the correspondents with communication kits that are translated into several languages and adapted to each country.

However, subscription platforms are only translated in six languages. As a result, some countries are not covered by the operations, such as Russia. In contrast, the dedicated website offers more languages. The communication kits were produced with a communication consultant, but the company plans to bring this activity in-house. The local correspondents adapt the communication kits to the specificities of the country's language. The communication kit is adapted by Peruvian employees.

Asset choice. The employees also benefit from a Long-Term Incentive (LTI) plan. The Peruvian correspondent is also responsible for LTI plans which are targeted to the company's executives. As far as the LTI plan is concerned, it benefits the group's senior managers. Internationally, the implementation of LTI depends on the country's culture. In some, these targeted plans are not practiced. The LTI plan was linked to the Tires corp.'s plans in the past, but this has not been the case for several years. Under this plan, eligible employees receive free shares. The stock option plans were discontinued in 2012. These plans posed the same problems as the leveraged deals in terms of complexity. As a consequence, the employees often did not buy the vested stock options. The benefits of the stock options were lost when the employees forgot to exercise them. They also required cash to be available for the company when the options were exercised to buy the stocks on behalf of the employees.

Tires corp. does not propose a leveraged guaranteed offer (see above for a definition by Degeorge et al., 2004), which according to the French executive is "not in line with the employee ownership philosophy." She considers that "leveraged offers entail risks for companies and that banks have a very commercial approach with these offers." According to her, the "leverage effect is accompanied by a dilution of the share price and the company loses its shareholders after five years" (the blocking period in CSP).

In Peru, Tires corp.'s employees think of ESO as a mid or long-term saving plan. Thus, they are not able to sell stocks before five years, but the monthly revenue that Tires corp. pays for them is about $7 per three shares, and at the end employees can sell a larger amount of shares (because they bought one and Tires corp. gave three more for free). According to Peru's correspondent, each country decides how to approach the program to its employees, and Peru decided to present it as a savings alternative. The latter is reinforced by how difficult it could be to save money within Peruvian financial culture.

Transaction costs. Tires corp. is convinced of the importance of ensuring a good employee ownership experience by providing the best tools. For instance, even when Tires corp. in France provides a specific package, each country has to adapt it to its local legislation. Thus, Peru has adapted this contract with the assistance of an external legal firm before participating employees sign in. Having the opportunity to adapt these formal documents with local support represented a more reliable system to employees. Also, they believe that banks that support ESO transactions do not play the game of internationalization. Following this, headquarters in France designated correspondents for each region and country to lead ESPP. In Peru, Tires corp. has a correspondent who is responsible for the entire process that includes the implementation plan, legal, and tax issues, and the stock buying process—15-day length every time it is launched—for employees.

In addition, once the program is launched in Peru, each employee of Tires corp. has a user ID and password to enter in the ESPP subscription platform. So, they can go through the entire process on their own. Specifically in Peru, digitalization seems to be a primary factor that would help to make the ESPP process better. If Tires corp.'s employees have more digital knowledge, they would be able to handle their own shares purchase procedure, making it faster and providing more confidence to their colleagues to do the same.

Employees also have the alternative to ask by email for the country correspondent's assistance, who is in charge of carrying out the process for them. Moreover, sometimes the correspondent in Peru organizes brief meetings with small groups of interested employees to guide them through the platform in real-time. According to the Peruvian correspondent, "it is easy to manage those meetings because our subsidiary does not have too many employees."

Finally, the shares are held directly by employees because Tires corp. wants them to benefit directly from the company's dividends. With a French CSF, dividends are reinvested, and employees do not see the monetary return on their investment which is important for the company.

Other ingredients of participation. The objective of Tires corp. for its 2020 plan was to increase the share of the company's capital held by employees. In the long term, it is envisaged that employees will become the largest shareholders in Tires corp. The aim was to have the maximum number of employees holding Tires corp. shares. ESO is a stable share ownership that protects the company from takeover. The company's employees held 2.1% of Tires corp.'s capital after the last 2020 plan.

In terms of corporate governance, there is no employee shareholder representative on Tires corp.'s board of directors, but the issue is being considered by a think tank. The French mandates to have an employee shareholder elected on the board above 3% of the equity.

Tires corp. highlights the importance of monitoring or exchanging practices with networks of employee ownership specialists. For instance, the L'Oréal plan served as a benchmark in 2020.

In addition, besides the four elements discussed in the previous section, Peruvian employees tend to participate in ESPP due to three factors:

- As a forced savings plan.
- As a belonging desire.
- As a decision of trust.

These factors would be strongly related to the economic and social constraints of the Peruvian context.

Wire Corp Case: Democratizing Ownership in the Company

Wire corp company hires 24,000 employees with industrial presence in 29 countries. It is also listed on the French stock exchange with a total sale of 7.4 billion dollars in 2020. The company specializes in cables and cabling systems manufacture and is engaged in a wide range of copper and fiber-optic wires. Wire corp. meets the criteria to be part of the French ESO index: At least 25% of the employees are shareholders in France and 15% worldwide and they hold more than 3% of shares. Wire corp.'s employees hold 4.5% of the company's shares. The 2020 ESPP was the seventh offered by the company which defines the objective of the operation as:

> This shareholding plan, which is part of the Group's employee shareholding development policy, will cover twenty-five (25) countries. With this operation called "Wire corp 2020," the company wishes to involve its employees, both in France and abroad, even more closely in the Group's development. The operation will consist of a single leveraged and capital-guaranteed offer that can be adapted according to the country in the form of a comparable offer to meet the objectives of the main offer while

taking into account local tax and legal requirements. (Source: company's website)

Liquidity constraint. A single offer with matching contribution (lower amount than in 2018), payment facilities in 12 months, capital guarantee in euros which is attractive for employees in countries with a more volatile currency. A 20% discount on the share price was offered and the offer was guaranteed leveraged. The motivation behind offering capital guaranteed leveraged funds invested in company stocks was to prevent the employees from losing money. The minimum investment amount was very low (10 euros or one share) to allow as many employees as possible to participate, including those with low salaries. With this low investment, the important thing for Wire corp. was to highlight the status of employee shareholder partner in the company.

Imperfect knowledge of the plan. In Wire corp., nine employee shareholding operations have taken place and five have proposed leveraged offers.

The communication materials were translated into Spanish and then checked by the person responsible in Peru and the operations managers in South America countries. Hence, validating the translation by local employees is very important according to the French executive in charge of the management of the global ESPP.

The means of communication used are intranet, mailing, on-site presentations with slides, brochure, animation video, and excel investment simulator.

Wire corp. does not carry out a satisfaction survey among employee shareholders, but instead uses a questionnaire sent to correspondents in each country and is used to identify areas for improvement.

Asset choice. Investing in euros is reassuring for foreign employees. The company offers direct stock ownership. The guarantee leveraged offer allows employees to be sure of not losing money, which is an argument to convince low-paid employees to invest. The guaranteed leveraged offer has advantages but also disadvantages. It is complex to understand, especially for less educated employees. However after having experienced four or five capital-guaranteed leveraged offers, employees become familiar with the system.

Transaction costs. In Wire corp. company, ESO and compensation schemes are presented to new employees. Training is also offered to human resources managers and to the ESPP network of correspondents in all countries.

Wire corp. has also made short two minutes thirty seconds videos to explain how the guaranteed leverage offer works. The firm believes that these videos are a reliable instrument to provide confidence to employees as well as information about the program.

Other ingredients of participation. Regarding Wire corp., in this context, the 2020 ESPP had several objectives:

- Stabilize employee share ownership.
- Enable employees with the lowest salaries to invest as well.
- Reach a maximum number of employees. The aim of employee shareholding operations is to strengthen the feeling of belonging to the company.

In addition, Wire corp. is convinced that employee shareholders remain long-term partners. Moreover, regarding the objectives of the international 2020 offer, 20% of employees are shareholders of the company and employees hold 4.7% of the company's capital at the end of 2019. Employee shareholders have been able to make significant gains through their investment in the company. Employees have made gains of 300% with their investment in shares for those who released their money in 2020.

One employee director sits on the company's board of directors following the legal obligation for French companies since 2006 and two employee directors (a legal obligation for French companies since 2020). The employee shareholder board member is elected by employee shareholders. The two other employees board members are elected by employees. Employee shareholders hold shares in CSF and participate in the election of employee members of the CSF's supervisory board. The supervisory board of the ESO CSF comprises three employees shareholders and three corporate representatives designated by the company. All French and foreign employees participate in elections. The supervisory board of the employee shareholding CSF has three compartments: France, countries outside France with leveraged offer, and countries outside France without leveraged offer. For each of these compartments, a representative is elected.

In Peru, two people were in charge of coordinating the operation: one in charge of human resources management and another from the financial department. For Wire corp., in 70% of the cases, employee share ownership operations in the different countries are managed by the human resources departments, and by the financial departments in 30% of the cases. In Peru, there was a HR/finance pairing, but it was mainly the HR department that was involved.

CONCLUSION

Latin American countries, specifically Peru, present several contextual constraints toward the implementation of new financial mechanisms such as ESO. Given crises as business-as-usual in the region, financial constraints due to specific ones such as the COVID-19 situation could severely undermine the development of ESO since these countries' populations may suffer more severe effects than in developed economies. This situation could boost ESO as a financially attractive mechanism because MNC's Peruvian subsidiaries have reported that employees consider that a forced savings plan is highly beneficial for them; financial constraints in the country have not developed a conscious saving culture over time. Hence, ESO could be considered as another way to be prepared for the usual uncertainty in the business environment.

In addition, trust seems to be a barrier to deal with in order to fully develop these ownership programs in Peru. Institutional weakness may characterize an inadequate environment for trust growing, where the population tends to be suspicious of those kinds of financial mechanisms. Companies need to invest a lot of resources to overcome the trust barrier, being these more accessible for MNCs that already have the structure and the knowledge for ESPP, which result in quite beneficial elements to fill the confidence gap. Results of the study show that having a country's correspondent, organizing face-to-face meetings, and designing effective communication material will assist the company to deal with the trust issue. Also, employer's frequent offers of ESOP would reinforce employees' trust while developing a mindset of long-term investment.

Embracing the digital revolution is another factor that has to be considered for ESPP developing in Peru. The results of this study found that employees rely more on informal ways to communicate their decision to participate in

ESPP rather than doing the process by their own means using the available platforms. Hence, overcoming informal business culture may represent another relevant challenge for ESO in Peru.

Moreover, economic and social inequalities in Peru would shape an environment where employees need to feel to be part of something. This belonging desire would help ESO to find motives to participate in it, providing potential access for employees to be part of the governance of the company and decision-making processes. Therefore, sharing ownership could be oriented to reduce social unequal conditions in the Peruvian labor market while challenging the traditional business structures in the country.

Finally, this study argues that MNCs' subsidiaries would be the flagships of ESO in countries such as Peru that have a business environment which has to deal with several institutional voids and is reluctant to change its traditional structure, allowing the development of ESO as a new financial alternative to overcome COVID-19 crisis effects. Thus, by mobilizing their global ESO strategy into subsidiaries' local operations, they would be contributing to the development of the Peruvian financial market. Hence, taking the example of those MNCs' subsidiaries in Peru, other local firms could identify some good practices and insights to developdiverse Employee Stock Ownership models.

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