A medicine or a poison? The effect of Taiwan’s high-tech industrial employee stock ownership plans

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Abstract
The Taiwan’s high-tech industrial profit-sharing employee stock ownership plans (ESOPs) are the financial innovation and have been adopted by most of the information technology (IT) companies in Taiwan. According to public opinion, this policy has greatly contributed to the IT industry. These firms not only lower their compensation expense through the ESOPs but also increase the firm’s productivity. However, the execution of ESOPs has also brought about several adverse side effects. First, the ESOPs will dilute the equity value of the shareholders and this dilution effect has increased since late 1990s. Second, it has brought about information asymmetry between individual and institutional investors. Lastly, this study shows that the ESOPs are poison pills for both the shareholders and some less competitive companies.

Keywords: Employee stock ownership plans (ESOPs), information asymmetry, dilution effect.

I. Introduction
According to 2002 report of Taiwan Industrial Technology Research Institute (ITRI), an official institute founded by government, the value

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