



Five Things To Consider When Evaluating Your Equity Compensation Administration Spend

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In today's uncertain economy, companies continue to look for ways to reduce expenses and improve efficiencies.

Evaluating the current cost of managing your company's equity compensation services is one way to gain efficiency and be more effective.



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01. What are the actual costs of managing your plan internally?



Equity plan administration is a complex undertaking. It takes considerable time to effectively manage your company's equity plan, from keeping apprised of local regulations and reporting requirements, to making disbursements and analyzing data.

Smaller companies often handle plan administration and oversight with part-time staff, which can present challenges in staying updated with regulatory changes and managing tasks like compliance and administration. This situation can lead to missed deadlines, delays in report generation, and slower processing of participant disbursements and releases.

Larger companies may have a matrix of 10 to 15 people throughout the organization managing different plan aspects. When you have multiple people in different departments involved, such as finance, legal and human resources, it may present additional challenges in managing employee compensation programs. This type of decentralized control can lack consistency, resulting in costly miscommunications, missed opportunities or even compliance errors.

If you are self-administering, taking an inventory of everyone involved in managing your equity plan is an important first step in evaluating its true cost. Have you considered where there are ways to improve internal processes to help save time and money?

Outsourcing your equity plan administration can help reduce employee workload, reduce risk and cut costs. When you work with an equity compensation plan provider, you are supported by experts who are well-versed in compliance considerations. With your equity compensation provider performing the administration, the company's role becomes a review audit and control function, thereby freeing up your time to focus on other initiatives. Plus, you have access to robust technology that simplifies plan management by automating administrative tasks and saving valuable time.

If you are self-administering your equity compensation plan, take inventory of everyone involved. Are there ways to improve internal processes to help save time and money?

02. Does relying on human capital put your data at risk?

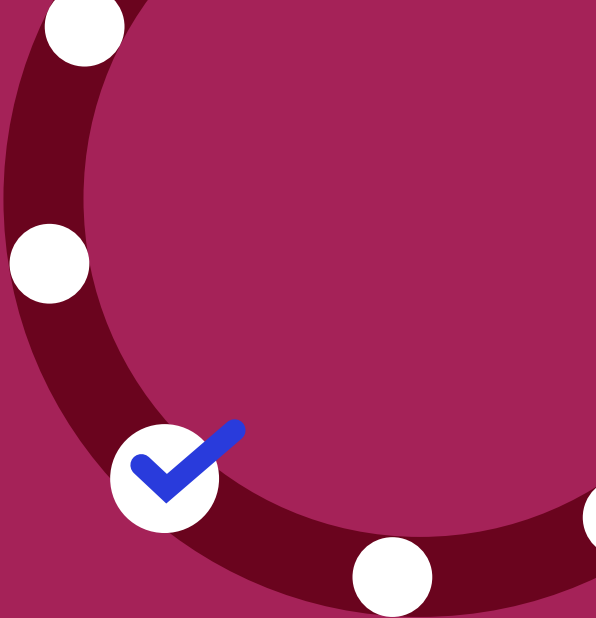


Plan administrators also hold a wealth of valuable knowledge about the inner workings of your company's equity plan. For businesses where only one person handles the equity administration, it can become particularly problematic if that team member leaves the company, taking that knowledge with them. With no one to train the replacement, a new plan administrator will have to reinvent the wheel when it comes to compiling and sharing data. This can lead to mistakes or oversights when preparing data for quarterly or annual reports.

Simultaneously, when too many people are involved in managing the plan, your equity compensation strategy may lack continuity and focus. As a result, a lot of time may be wasted clarifying information and working on getting everyone on the same page.

Outsourcing your equity administration reduces your risk of lost knowledge and provides continuity – even when plan administrators leave the company.

03. Do you have access to accurate data when you need it?



When it comes to your equity plan, every department needs a different set of data points to ensure effective communication and overall compliance. However, getting timely, accurate data may not be a simple task. Consider who controls your data:

- Who has access to it?
- Is it a single administrator or multiple department heads?
- Who is responsible for compiling data and sharing that data when you need it?
- Is the data real-time?

Some companies are still using spreadsheets and paper to manage their plans. With papers being signed, checks written and letters being mailed, this is time consuming and inefficient.

In addition, this traditional method would be incredibly challenging to ensure data accuracy. The equity administration technologies of today, streamline many critical administrative tasks through automation. Online equity plan administration platforms also provide access to insights that can be used to drive strategic decision making. Security measures can be greatly enhanced by utilizing a robust online platform with authentication processes, rather than leaving a paper trail of valuable information.

Technology automates many critical administrative tasks.

04. Are you effectively communicating the value of your equity programs and educating employees about your equity plan?



When evaluating your equity administration spend, consider the satisfaction level of your participants. Offering a broad-based equity compensation plan can be expensive. However, the more buy-in you have among participants, the more valuable your equity plan is as a financial asset and a recruitment tool.

Ensuring participants are fully engaged and understand your equity compensation plan's value requires consistent communication, education and support. If your company chooses to administer your employee stock purchase plan (ESPP) via spreadsheet, participants could be missing crucial visibility into their plan benefits.

Using an online platform will provide the technology you need to be more efficient and effective in communicating with participants. Using an online platform for communication, education, grant acceptance, ESPP enrollment and other administrative tasks can improve your participants' experience. The easier you make it for participants to invest in your company, the greater the possibility of fostering engagement.

The more buy-in you have among participants, the more valuable your equity plan is as a financial asset and a recruitment tool.

05. Do you work with multiple vendors to administer your plans?



If you have already outsourced some or all of your equity plan administration to one or several vendors, depending on the type of plan, you've probably discovered that working with multiple vendors for different types of equity plans requires ongoing coordination. This can be both time-consuming and frustrating for all involved.

Consolidating to a single vendor could save you significant time and money. Working with a single service provider eliminates the need for multiple reconciliations. It also reduces risk and creates efficiencies with integrated services. By providing a single portal and login for employee communications, enrollment and accepting awards, working with one vendor simplifies your employees' experience. Also, some equity administration vendors will provide a discount to companies that consolidate vendors.

It's hard to predict what the economy will look like in the future. Many prudent decision-makers will continue to look for ways to reduce expenses. If you are looking to improve efficiencies and cut costs after evaluating your equity administration spend, consider outsourcing your equity administration.

Consider working with a provider with the industry expertise and technology for not only increasing efficiency, but growing participant engagement through communication and training.

Consider outsourcing to a provider with the technology, expertise and passion to not only increase efficiency, but grow participant engagement.



About the author

Jim Wulforst is Executive Vice President, head of Equity Plan Solutions and head of Private Company Solutions at EQ. Jim has built businesses throughout his 20+ years in the equity compensation arena, and grew market share by implementing equity plans for each clients' specific employee compensation and engagement objectives.

Jim's extensive experience includes heading businesses for Fidelity Stock Plan Services,

E*TRADE Corporate Services and most recently at Shareworks by Morgan Stanley (formerly Solium) as president and USA country head. During his time at Shareworks, Jim led the Partner Channel business which supported more than ten financial service firms including Morgan Stanley, UBS, JPMorgan Chase, Royal Bank of Canada and Bank of America Merrill Lynch.

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