

Outsourcing: Outrageous or Outstanding?

Setting up a Stock Plan department and the possibility of outsourcing the function is an important consideration in managing a business.

We summarize our experience about what we've seen evolve over many years within the industry. The management of stock programs has generally resided in Accounting/Finance, Human Resources, Legal, and occasionally in Treasury or Payroll. Based on this factor, my first bit of advice was to review the current organization structure of the functions listed above. Putting stock plans under Accounting and Finance assigns the focus to financial reporting (Roll-forwards, Valuation assumptions, compensation expense accruals, plan reconciliations, etc.). If stock plans is placed under Human Resources, the focus tends to shift to compensation, peer group analysis and participant communication. Under Legal, stock plans is generally responsible for overall maintenance of capitalization table (private companies), Section 16 filings, and maintenance of all plan documents. Under whichever department stock plans falls, one thing we've noted in common is they are all responsible for the daily transactions, employee inquiries, and coordination between various departments and vendors. As there is no industry standard in how a stock plan group is set-up, companies should look at their internal resources and organizational structure first before making the next decision.

The next step is to decide if you should outsource or which pieces you can outsource. One of the biggest issues we've seen is that some companies decide to outsource and believing that any and all issues are resolved by that decision. In most cases, if you haven't defined responsibilities and process flow internally, outsourcing won't work effectively. A company must get its own records and procedures in order before they consider outsourcing their stock plan management. If you're not there yet, ask your vendor or outsourcer if they can assist you in developing "best practices" or an analysis of your recordkeeping and processes. The process of evaluating your internal environment and concerns will bring to attention what's unique about your plans, culture, and company when discussing outsourcing with a vendor.

Our last bit of advice to him was that continuous oversight of the program is required. Who internally is managing the outsourcer? Or is the outsourcer managing your company? In the majority of successful outsourcing relationships we've experienced, a common denominator has been that individual. This individual is the equivalent of a coach or an orchestrator of sorts. They know what needs to happen when special projects and requests materialize. Without someone in that capacity, each department will drift in their own direction in relations to stock plans.

There are many qualified service providers in our industry and just as many variations on setting up your stock plan department. The company should analyze their needs, environment, personnel, and expertise in order to know what works for them and what may not. Outsourcing can be very effective if expectations are set correctly and the required expertise is present. I didn't give my former roommate one solution to his question, but we hope we provided him with some useful information on which he can base his big decision.

About Stock & Option Solutions

Stock & Option Solutions (SOS) has built a team of extremely qualified and dedicated professionals for the outsourced management or staffing of your stock plans and special projects. SOS's Stock Plan Outsourcing Solution is the most comprehensive outsourcing service in the marketplace, making the choice easy. Beyond our total outsourcing solutions, we are focused on helping companies like yours through challenging steps with temporary staffing, permanent placement, expert project resources, and high level project management. Call us today at 408.979.8700 to learn more or visit us online at www.sos-team.com.