

## HOW TO MEASURE STOCK PLAN EFFECTIVENESS

### Consider this:

- > Your plan was designed with goals in mind, but has anyone revisited and measured against those goals?
- > Your equity plans contribute cash and tax deductions to the company, but this is rarely reported to management.

Companies are increasingly looking to prove that their equity plans are effective, but how do you measure and, ultimately, validate that your plans are a worthwhile investment? The following is a summary of the basic information necessary to analyze your own stock option, RSU and ESPP plans, and prepare an analysis for management.

### Understand which metrics to track and analyze

As stock plan professionals, you track all kinds of information – vesting schedules, plan parameters, grant prices, participant details, award expiration dates – but if you aren't doing anything with the information you're tracking, you may as well be playing ball without keeping score. Using valid evidence and analyzing certain metrics available in your administration system is one of the best ways to help measure plan effectiveness and determine whether your programs are working as intended.

### What type of information should I be tracking and analyzing?

You can collect the following types of reports from your system to help respond to the questions you are trying to answer.

Options	RSUs	ESPPs
Number of total employees in the company	Total number of units/shares granted	Number of eligible employees
Number of stock option participants	Number of RSU eligible recipients	Number of eligible employees who have participated in the past 18 months (percent participation in current offering)
Total shares granted in the past 48 months	Number of RSU grants that matured	Total amount of cash contributed during the past offering period
Total shares exercised in the past 12 months	Expense cost to the company for RSUs that were granted	Cost of shares purchased (not including discount)
Number of employees who have left the company in the past 12 months	Expense cost to the company for RSUs that were lapsed	Total discount (in cash) provided to participants
Number of shares cancelled in the past 12 months	Number of RSUs that were forfeited and cancelled	Value of stock held by participants
Number of option grant shares set to expire within the next 12 months		Number of shares and number of employees who still hold shares at broker (one month after purchase; six months after purchase; 12 months after purchase)
Stock option expense over the past 12 months		
Total amount collected by the company from stock option exercises (not including tax withholding)		

### What will this information tell me?

The information you gather from your systems will enable you to answer questions about the effectiveness of your equity programs, evaluate outcomes and make adjustments where necessary. Questions you'll be able to answer include:

- > What was the average gain for an employee who was completely vested in their stock option grant?
- > How many RSU's never matured (i.e., they were granted but did not serve their retention purpose)?
- > Do my employees understand the plan and are they enrolling to participate? If not, why?
- > How much money is the company collecting versus the cost of the plan (administrative costs, plan expense)?
- > Is employee participation increasing or decreasing? Do stock price changes correlate with changes in participation?

Measurements can also set the record straight. Running a report that outlines the number of eligible employees who have participated in the company's ESPP program in the past 18 months can mitigate rumors of low plan participation where the report shows high percentage participation in the current offering.

Measuring the effectiveness of your company's equity plans doesn't have to be a painful task, and it's never too late to get strategic about plan effectiveness. You can measure about anything if you have the right tools.

### Need help managing your own stock plans?

Whether it's simply managing the day-to-day operations of your plan or helping you design and execute custom solutions tailored to your company's unique needs, Computershare offers you expertise, experience and flexibility to help you meet your goals. And of course, we have plenty of tools and reports to help you understand just how effective your plans really are. **Visit us at [www.computershare.com/employeeplans](http://www.computershare.com/employeeplans) to learn more.**

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