



TAPESTRY

**INTERNATIONAL SHARE PLANS
TRAINING MANUAL**

Module 1 – Why companies have global plans

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Why companies have global plans

1 Welcome

Welcome to our series of training modules which aim to provide knowledge and insight into operating your company's share plans around the world.

If you have any questions, please [contact us](#), we are here to help.

If you have any views on our training modules, or would like to share any information with others, please let us know.

Our training modules will help you to address questions like:

- Why do companies extend their plans globally?
- Why is it important to identify the company's goals for extending a plan globally?
- Who you should involve to develop and maintain the global plan?
- Can you operate one plan around the world, wherever you have employees?

These modules are going to look at the issues which arise when an employee or executive share plan is operated internationally. By "internationally" we mean a plan that it is going to be operated outside of the home country.

These modules apply equally if your company is incorporated in the US, UK or Uruguay. It's about legal and tax requirements outside your main country.

The key issue which will arise throughout these modules is the tension between the desire of companies to operate a globally consistent plan and the fact that we live in a world made up of nation states which operate their own rules.

Globalisation has become a fact of life, both in our personal lives and business lives. Companies which operate on an international basis may not think of themselves as, for example an "English business" or "American business", but they think of themselves as businesses which operate throughout the world. What companies are generally trying to do is create products and processes which can operate consistently on a global basis. A good early example of this is Coca-Cola. At the end of World War II, the Coca-Cola company decided that it would offer Coca-Cola in the same bottle and made to the same recipe and at the same price everywhere in the world. It did not want to develop regional products or have regional pricing or regional branding. It wanted global consistency. Consistency is efficient and manageable.

The same is true of HR processes. Companies generally want to create processes which as far as possible can operate on a global basis. Companies may therefore have global pay grades, a global bonus system, a global mobility program and so on. Often companies also want to operate a global share plan.

In contrast to this desire for global consistency is the fact that we all live in nation states. Each state has its own politics, its own history, its own legal system, its own tax system and its own set of normal behaviours. The crucial thing to remember is that you cannot assume that just because something is done in a particular way in your home country then it will be done that way in any other country.

In these modules we are going to look at:

- why companies operate global plans
- the types of plan frequently used on a global basis
- tax
- legal issues, including securities law, employment and data privacy
- approaches to global compliance
- post vesting issues like how to handle employees as shareholders to make it easy for them to hold and sell shares later.

2 Why do companies operate global plans?

2.1 Reasons to have employee share plans

Companies have operated share plans for many years. They do this for many reasons:

- Incentive/productivity
- Encouraging innovation
- Reward
- Cash flow / cost advantage
- Retention / golden handcuffs
- Recruitment
- Gain / wealth sharing
- Risk management
- Regulatory compliance (for example many financial services firms must use equity for senior managers as part of their regulatory compliance and

Many other reasons specific to a company's circumstances. The above are some of the most popular reasons.

Those reasons (to incentivise: to retain: to align the interests of shareholders and employees etc.) all apply to a global plan just as they do to a one country plan.

The additional reasons why the company may offer a global plan include:

- to achieve consistency and uniformity in their reward structure, to be fair and achieve the same objectives as you would for your HQ plan.
- to facilitate mobility (if you only make share awards in your home country or only a few, and they are seen as valuable, you may find it hard to move the right people to where you need them, like China.
- to create a global brand identity and community.

2.2 Reasons not to operate globally

The real question to ask if a company has decided to operate a share plan is then why would it **not** operate the plan on a global basis? The real answers to this question are:

- cost and
- complexity

The fact is that operating a global plan is complex. You will see from other parts of our training modules, there can be a lot of "Moving Parts", a lot more to deal with when a plan is operated outside a company's home area.

The costs can be managed and controlled. The complexities, for many companies, can be kept to a minimum. With experience, expert advice, these things can be managed to help a company add real value through properly designed and targeted share plans.

2.3 Clear objectives

As you will see in the rest of these modules operating a global share plan is a considerable commitment. Therefore, just as with a national plan, it is sensible to discuss and agree exactly what the objectives of the plan are. If objectives are clearly identified it helps the whole team focus the plan design and communications to achieve those objectives.

You can consider plan changes or introduce new features to help better achieve those goals. You can help the plan stay on track.

If you do not identify clear goals it will never be possible in the future to evaluate the plan and to decide whether the money and effort were well spent.

From the share plan manager's perspective you need to know what your targets are in order to be able both to deliver those targets and to be able to demonstrate that you have done what you were asked to do. If you start without clear objectives and then spend a significant amount of money at some point in the future, however well you have managed the plan, you will have to answer the question - was it worth the money? If you did not have clear objectives which the plan can be judged against then that is a very difficult question to answer.

2.4 Why do other companies have global share plans

Companies have been extending their share plans globally for many years. Some of the first companies to do this were British Airways in 1986/7 and BP in 1988¹. British Airways offered shares to its employees, mostly flight staff, in around 80 countries. It did this as part of its privatisation/IPO. At times it has been over 10% owned by its employees. Many companies extend their plans globally because they want to treat all employees fairly and equally. They believe it is good to have employees involved in and interested in the company's shares. Since then 1,000's of companies have extended their employee share plans globally, successfully. Many great case studies can be seen at the Global Equity Organisation conferences, webinars and other GEO Chapter events: www.globalequity.org. Look out particularly for the GEO Award winners.

2.5 Action!

If it has not been explained to you what your company's goals are in having a global share plan, see if you can find out and keep a note of them.

Review the plan's objectives regularly and at times when changes are being proposed, to make sure the plan remains on target.

3 Recap

- Why do companies extend their plans globally?
- Why is it important to identify the company's goals for extending a plan globally?

¹ Janet Cooper at Tapestry was involved in developing and establishing those plans for BA and BP.