stock options, Downturn
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stock options are a kind of reward that seeks to retain the employee in the long run and link him or her with the company’s future. Although they are usually offered only to senior managers, Microsoft has been the flagship of a generation of companies that have used options to attract talent at a moment of high employee rotation, due to the spectacular growth of the economy, above all in the new technologies sector. Options, a system that allow employees of a company to buy shares in the future at a present price, are an especially effective way to give incentives to employees in fast growing sectors. In fact, the employees who have worked in Microsoft since 1986 have seen how the value of their shares have multiplied by 750.

The system even turned out to be counterproductive in the middle of the tech bubble, creating multimillionaires overnight who then didn’t need to work. However, the number of people who got rich thanks to options hasn’t been so many. The value of the stock options is very linked to the future of the share, not to the companies’ results and, in the last few years, Microsoft’s growth has become stagnated at the same time as the value of its shares. Because of this, stock options aren’t an attractive formula to provide incentives for employees any more, at least, for the employees of the software giant. This doesn’t mean that all companies must abandon this system of reward. In fact, to fix an employee’s retribution you mustn’t follow trends, but analyse what the situation of the company is like, its sector, the economic period it is going through and the business culture of the country –in Spain, for example, few employees prefer a variable retribution to a fixed one.

Moreover, it’s important to communicate to employees what exactly the proposed model means. In the case of stock options, they mustn’t be considered as part of the salary, but an additional reward. It must be pointed out that it is a system more similar to a lottery than a fixed bank deposit. On the contrary, the user can create wrong expectations and not get anything but frustration. If these requirements are carried out, stock options are as good a system as any other. If there are any doubts just ask any Yahoo manager.