



Staples, Inc.

When deciding to share equity with employees, Staples Inc. hits the “Easy Button.” The Staples Web site asks, “What’s the stock at today?” The answer: “Our entrepreneurial culture has created thousands of employee owners that are sure to know.”

For a 22-year-old publicly traded company to continue to tout this prominently on its hiring Web site proves that broad-based equity compensation programs are still alive and well.

It all started back in 1985 when a printer ribbon broke. Unable to find a replacement ribbon because it was the Fourth of July weekend, entrepreneur Tom Stemberg opened Staples, the first-ever office products superstore. Staples is now the world’s largest office products company with more than 75,000 associates, almost 2,000 stores, and operations in more than 22 countries.

Staples’ management believes strongly that sharing equity with employees is an integral part of the company’s compensation program because it allows them to attract, retain, and reward employees who contribute to long-term success. Staples has branded itself as “a company of entrepreneurs,” encouraging associates to contribute, innovate, and share in the company’s financial success through the equity compensation programs.

In a time when accounting rule changes have led companies to rethink their broad-based equity compensation programs, Staples has stuck with its philosophy and continues to offer robust equity compensation programs to associates, allowing virtually all eligible employees to easily become shareholders. Currently, approximately 8,000 associates are eligible to participate in these programs.

The Staples approach is particularly notable for brick and mortar stores, many of whom have cut back or eliminated equity sharing programs. This has set the company apart from competition for staffing especially when hiring store managers who may be looking at similar positions with competitors around the corner who do not share equity. A 2004 article in the *San Diego Business Journal* reported, “And it is her store. ‘From day one Staples has challenged me to take ownership of this store, and the customers who shop here,’ [Shawna Ault, general manager of a local Staples store] said. It is a challenge she relishes.” By sharing equity with the general manager and encouraging real ownership, Staples gives her a real ownership stake in her work. The unwavering message that Staples is sending its store managers is: “You own the store, do whatever you need to do to make it successful.” This belief has obviously worked well for the company.

To encourage ownership, Staples offers both passive and elective programs. Historically, Staples offered stock

options, but has shifted to offering restricted stock in place of special grants of options. Restricted stock allows employees to get a reward for ownership even if the stock price does not go up and up every year. The company continues to grant stock options and restricted stock in various combinations to management; and restricted stock awards and restricted stock units (RSUs) to non-executive level associates. Additionally, the company matches employees’ 401(k) plan contributions with common stock.

It also offers an attractive employee stock purchase plan (ESPP) that allows employees to purchase stock at a 15% discount and has a look-back feature, which means that the purchase price is based on the lower of the stock’s price on the first day or last day of the offering period. ESPP programs are one of the key empowering elective programs that allow employees to purchase shares of company stock—the employee decides how much stock to purchase (in Staples’ case up to 10% of their pay) and are relatively easy to understand.

How can companies help support their values by ensuring that equity compensation programs are as effective as possible?

First, education is paramount to employee’s understanding what they have; the more education that a company can provide, the better these complicated programs will be received. Most companies have found that in-person meetings work best—perhaps holding brown bag lunch sessions or other informal educational gatherings. Additionally, recording these seminars and posting them on your intranet allows participants listen at their leisure and replay them for family members to help spouses and others affected by the compensation program understand the benefit.

Second, find out how your current participants view their equity compensation by conducting a comprehensive survey to inquire if they understand the equity programs and how they value these programs. The responses will allow you to continue to improve your communications programs, and/or reinforce that employees understand and value these programs and to share this information with executive management and the board of directors. If you are interested in participating in the NCEO’s Equity Compensation Effectiveness Survey please contact NCEO Project Director Loren Rodgers at lrodders@nceo.org or 510-208-1307.

When it seems like every other article that we see discusses how companies are not granting equity compensation as broadly as they have in the past or that companies are modifying their ESPP programs to eliminate the look-back or discount, it is refreshing to see a large, well-known, established company continues to embrace broad-based employee ownership and publish that fact prominently on its public Web site. ■