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Business Extra

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Employers weigh options on options

By Margaret Steen
Mercury News

As companies digest the proposal by the Financial Accounting Standards Board on Wednesday on expensing stock options, a survey by Presidio Pay Advisors finds employers considering a range of ways to reduce or replace options.

It's clear that most companies will make changes if options count as an expense: Even for executives, only 30 percent of the companies said they wouldn't change the way they give out equity-based compensation. For non-management employees, that percentage dropped to less than 20 percent.

But the changes may not be drastic: Fewer than 10 percent of the companies said they would give up all forms of stock as compensation.

Instead, it appears companies are considering more moderate choices. For executives, the most popular possible

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changes -- considered by 52 percent of the companies -- were to replace stock options with restricted stock grants and to use performance-based equity incentives. About 44 percent of companies said they might grant fewer options to each executive.

For non-management workers, about 30 percent of the companies said they were considering limiting participation in the stock option plan. (Only about 22 percent said this for management employees.) Almost half said they were considering reducing the number of options granted to non-management workers.

"There's just really no consistent approach that people are looking at," said Brandon Cherry, principal and consultant with Presidio Pay Advisors.

Most of the 23 companies that responded to the survey were from the tech industry. They included 3Com, Adobe Systems, Applied Materials and Hewlett-Packard.

Cherry predicts that for most employees, stock options will be a smaller portion of compensation in the future. Companies may start to emphasize cash bonuses more.

However, he said, some companies, especially smaller ones, may find it to their advantage to continue to use options.

the next step: What's a logical next step for workers who have had their fill of corporate life? For some, it's buying a small business.

A statewide association of business brokers -- who facilitate the sales of small businesses in much the same way real estate agents help people buy and sell homes -- says the number of businesses for sale in California has increased 22 percent in the past year, to more than 1,000.

A majority of buyers are first-time business buyers, often people who were laid off or tired of the corporate world, according to Ken Oppeltz, president of the California Association of Business Brokers.

"They have good management experience and they'd like to put that to work, so a lot of them opt for a business to purchase," Oppeltz said. These buyers want to "control their own destiny, not have to worry about the next downsizing," he said.

Oppeltz said many owners who have considered selling in the past few years were waiting for a full calendar of good financial results. The attacks of Sept. 11, 2001, hurt many retail establishments' profits in both 2001 and 2002.

"2003 represented the first full year back from that," he said. Most banks, when approving financing for these sales, look at a full year's tax returns.

Buying a business can be both risky and expensive. But Oppeltz said loans are available, and many buyers use equity in their homes to pay the usual down payment of 20 percent.

For a list of businesses for sale, go to <http://www.cabb.org/>.

Cubicle clutter: What do you think about your work space? Logitech commissioned a survey of more than 1,000 U.S. office workers and found that many are less than satisfied with their cubicle or office setup.

Some findings:

- Survey respondents spend an average of 14.2 more hours each week in their office or cubicle than in their living room or family room.
- The biggest annoyance about the respondents' work space? Lack of privacy.
- Paper was the biggest source of work space clutter cited by the survey respondents, followed by file folders and cords.

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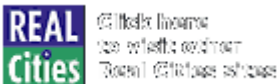
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