

COMPANIES' USE OF AND REASONS FOR  
OFFERING INCENTIVE STOCK  
OPTION PLANS

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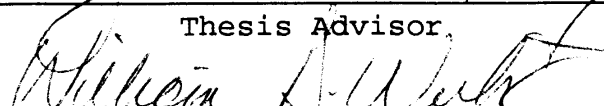
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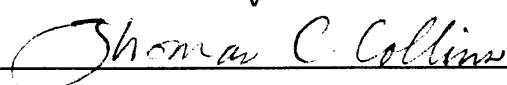
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Dean of the Graduate College

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"Unprovided with original learning, unformed in the habits of thinking, unskilled in the arts of composition, I resolved--to write a book", Edward Gibbon. That sums up the feeling that I have after completing this step of my educational career. As I grow in knowledge and experience, I am constantly reminded of how much that there is to learn. I am also reminded that I can only rise to great accomplishments when I surround myself with great people. I have so many people to thank for their help that it is almost impossible to name them all.

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## CHAPTER I

### INTRODUCTION

Company boards, top executives, and investors increasingly want managers to own more of their company's stock (Saville, 1991). Executive compensation programs need to ensure that new programs are appropriate not only from the company and executive viewpoints, but also from the viewpoints of stockholders, analysts, and the public (McMillan, 1992). In order for agribusiness to stay competitive with other industries and be able to attract and retain top quality employees, they must adopt compensation and benefit practices that are competitive. A popular alternative is the incentive stock option (ISO), which gives the holder the right to buy a certain number of shares at a set price some time in the future (Feldman, 1990). Incentive stock options (ISO) appear to be an ideal way to tie both the shareholders' and executives' financial well-being together (Kuraitis, 1990).

#### Statement of The Problem

According to the US Bureau of Labor Statistics, the number of persons in the workforce aged 35-54 will increase 54% between 1986 and 2000, while the demand for managers

will increase by only 29% (Rish and Florin-Thuma, 1990). This will result in increased competition for fewer promotions. To retain key employees, many organizations are adopting alternative reward systems (Rish and Florin-thuma, 1990). Employee ownership has been found to be an incentive that can attract, retain, and motivate people (Rosen, 1990). Therefore there is a need to determine what companies use, how they use, and why they offer incentive stock option (ISO) plans. This would provide other companies with data to help in making a decision concerning their use of ISO plans.

#### Purpose

The purpose of this study was to provide in-depth research into companies' use of and reasons for offering ISO plans. The research study was intended to provide companies and others, with the data to help make informed decisions concerning the use of ISO plans.

#### Objective

In order to accomplish the purpose of this study, the investigation was directed toward the following specific objectives:

1. To determine the use of ISO plans by publicly held companies.
2. To identify the reasons that companies offer ISO plans.

3. To identify what employees are offered ISO plans.
4. To identify what benefits are being offered by companies.

#### Rationale for the Study

There is a need for companies to attract, retain and motivate employees. The hiring and training of new employees is a part of the rising cost of doing business. McCaffery (1983) suggests that stock options have definite potential for motivating employees due to the opportunity to receive extra income and/or accumulate capital without requiring extra hours of work. Productivity studies show that people account for 50 percent of the controllable costs in production enterprises and 85 percent in labor intensive service companies (Guest, 1982). Companies need research data concerning the use of and reasons for offering ISO plans to help them make informed decisions concerning ISO plans.

#### Assumptions of the Study

To conduct this research study, the following basic assumptions were made:

1. The responses made by the respondents were accurate and sincere.
2. The respondents could and/or would identify and relate their use of and reasons for offering ISO plans.

3. The names and addresses of the companies obtained from the Compact Disclosure Database were accurate and unbiased.

#### Scope of the Study

An attempt was made to provide equal opportunity for all companies within the population to be included in this research study. The target population was defined as American based companies that are actively traded on the New York Stock Exchange (NYSE) that had 3000 to 6000 employees. These companies were identified by performing a search for companies meeting the stated criteria from the Compact Disclosure Database program. This database program contains information of companies that filed a 10-k report with the Securities and Exchange Commission (SEC) for the year ending 1991.

Although an attempt was made to provide equal opportunity for all companies within the established parameters to be included in this study, there were some companies that were not included. Those who were not included in this study were as follows: (1) those companies whose names were not furnished to the investigator by the compact disclosure database search; (2) those companies that had incorrect or missing addresses; and (3) those companies that would not participate due to a company policy regarding non participation in surveys.

Also, the study was limited to the degree that the surveys reached the appropriate personnel and/or the correct companies. In addition, the study was limited to the degree that the participants interpreted, understood, and responded to the survey instrument.

#### Definition of Terms

For better understanding of certain items presented in the study, the following terms were defined:

1. Incentive Stock Option (ISO): gives the holder the right to buy a certain number of shares of stock at a set price some time in the future.
2. Qualified Stock Option (QSO): the employee must meet certain performance criteria before obtaining the right to the option.
3. Non-Qualified Stock Option (NQSO), the employee is given the right to the option without any performance criteria.
4. RESTRICTED STOCK GRANT (RSG): the employee is granted or given the stock, with certain restrictions.

## CHAPTER II

### REVIEW OF LITERATURE

#### Introduction

Employee benefits have achieved increased prominence in the U.S. economy and are now clearly recognized as a significant part of employee compensation (McCaffery, 1983). There is a need to offer a variety of benefits to stay competitive in the labor market. One type of benefit that shows promise is the incentive stock option (ISO) plan. Most firms are supplementing market-based awards with performance-based incentives that "pay off" in stock rather than in cash. Stock option plans are being improved to reduce the effects of market volatility. Breetwor (1990), stated that:

One of the most popular compensation and incentives programs now offered by companies is the employee stock option plan. For a start-up company, offering stock options is an inexpensive way to attract talented people into the organization. Large companies also may find employee stock option plans attractive because there is no direct impact on company earnings from the exercise of stock options (p.30).

In 1988, of the Fortune 200 Industrial Companies, approximately 198 firms included economic incentive plans in their total compensation packages including stock options,

grants, and other incentive (Kim, 1990). Companies are providing pay packages with a less visible but highly lucrative form of compensation, stock options and other stock grants (Tulley, 1992).

Connolly (1989) stated that:

Stock option awards are being offered to mid- and low-level employees in growing numbers. Stock options or other compensation incentives are now available to mid- and low-level employees in 26% of 908 public companies and 11% of 952 private companies in the survey (p.13).

#### Types of Stock Option Plans

The possible incentive stock option arrangements include: 1. qualified stock options (QSO), 2. non qualified stock options (NQSO), 3. restricted stock grants (RSG) (Hawksley and Melbinger, 1992).

Breetwor (1990), stated that:

The type of stock options plan a company chooses should be determined by the number and type of employees that will be participating. Proper policies and procedures, as well as their administration, are key to the success of an employee stock options program (p.30).

Kroll (1991) stated that Non qualified stock options continue to be a popular executive compensation tool.

Crystal (1989), stated that:

Under a traditional stock option plan, the executive received the right, but not the obligation, to purchase the firm's stock during a 10-year period. The price the CEO was required to pay on exercise of the option - the strike price - was the market value of a share on the day the option was granted.

With restricted stock, the effective strike price is conveniently reduced to zero: The company simply gives an executive the shares with the restriction that they may not be sold for a specified period, usually 5 years. In the meantime, the executive receives the dividends and can vote the shares (p.101).

## Positive Aspects of Stock

### Option Plans

Stock options have been a means by which emerging companies can attract and retain talented individuals without placing an excessive drain on cash flow (Bickford, 1990). The Internal Revenue Code has long recognized the importance of employee stock options and has accorded them favorable treatment to (McKinney, 1990). If employee ownership can tap the motivational interest of workers, it has great potential for increasing productivity. Employee ownership has been found to be an incentive that can attract, retain, and motivate people (Rosen, 1990). While employees should own stock in their companies and be able to prosper when the firm does, employee stock options are preferable to ESOPs (Nasar, 1989).

## Negative Aspects of Stock

### Option Plans

The growth of employee ownership will raise many important issues, that will require resolution if the idea is to achieve it's potential (Quarrey et al., 1986).



Greenberg (1991) noted that:

Although stock options are the most popular form of long-term incentive for executives in major US corporations, they are seriously flawed for several reasons, including:

1. Options do not pay for expected performance.
2. Options gains do not parallel shareholder returns.
3. Options provide a weak incentive, because executives have limited influence on stock price.
4. Options allow executives to select the period over which performance will be measured.
5. Options are not cost-effective.

Possible solutions including the following:

1. Adjust the size of options grants based on expected company performance.
2. Index the option's exercise price to changes in the general level of stock prices.
3. Index the exercise price to changes in industry stock prices.
4. Use European options, which can only be exercised at the end of their term.
5. Adjust the size of options grants to account for risk (p.40).

Communication is essential to an effective stock option plan. If employees do not understand their plan, they can hardly be motivated by it (Quarrey et al., 1986). Quarrey et al. (1986) noted that there are no studies that have definitely linked employee ownership to improved corporate performance.

#### Summary

In 1988, of the Fortune 200 Industrial Companies, approximately 198 firms included economic incentive plans in their total compensation packages including stock options, grants, and other incentives (Kim, 1990). Incentive programs based on stock options that are discounted or stock options that are at premium prices are alternatives worth

exploring because both tie executive performance to long-term company growth (Kuraitis, 1990). A new proposal, therefore, is to create a relationship between employee rewards--pay and benefits--and the enterprise's success (Giblin et al., 1990). Employee ownership has been found to be an incentive that can attract, retain, and motivate people (Rosen, 1990). It is imperative that management design pay plans that help increase productivity and improve quality--while controlling costs (Giblin et al., 1990).

## CHAPTER III

### DESIGN AND METHODOLOGY

#### Introduction

The purpose of this chapter is to illustrate the methods used and the procedures followed in conducting this study. In order to collect data which would provide information relating to the purpose and objectives of this study, the sample was determined and the instrument was developed for data collection. A procedure was established and methods of data analyses were selected. Information was collected during the months of April and May 1993.

This study was coordinated with the assistance of the human resources director of a company similar to those included in the sample and the investigator's graduate committee members.

The mail survey instrument developed for this study was designed to elicit information concerning the use of and reasons for offering Incentive Stock Option (ISO) plans by American companies.

## The Population

The population for this study was derived from a list of companies obtained from the Compact Disclosure Computer Database. The information contained in this database was derived from the companies 10-K reports from 1991. The search parameters were set to query for American based companies that are actively traded on the New York Stock Exchange (NYSE).

There was a pilot survey sent to 621 companies that were found in the initial database search. The pilot study was used to fine tune the instrument and weed out companies that could not participate due to wrong addresses, non-participation policies, and those no longer in business.

The population was more narrowly defined to include those companies with 3000 to 6000 employees that met the original search requirements. The total number of companies found to meet the new search parameters was 193. To accomplish the purpose of this study, it was decided to survey the entire population of 193 companies.

## Selection and Development of the Instrument

In preparation of an instrument to meet the objectives of the study, the first step was to review and evaluate the instruments used in related studies.

The investigator decided to use a mail survey for data collection, due to the time and monetary limitations of the study.

The survey was developed by the investigator and refined by members of the committee and the human resources director of a company similar to those included in the study.

There was a pilot study conducted that helped to further refine the instrument and the cover letter.

The surveys were sent with a cover letter explaining the survey and who was conducting the study. The survey was placed on a paper that could be folded in half to be returned as a postcard. The surveys were pre stamped and addressed by the investigator to minimize the time requirements of the participant. The final form of the cover letter and the survey may be found in the Appendix.

#### Follow up of Non-respondents

Due to the low rate of return on the mailed surveys, it was decided to conduct a telephone survey of the non respondents to see if the data agreed with the findings of the mail survey. The follow up survey consisted of a telephone survey of 10 randomly selected companies. The results were very similar to the original data, therefore they were added into the overall data to be reported.

## CHAPTER IV

### PRESENTATION AND ANALYSIS OF DATA

#### Introduction

The purpose of this chapter is to describe the companies' use of and reasons for offering incentive stock option (ISO) plans. It analyzes the data, presents and interprets the results.

Data collected in this study were derived from American companies that are actively traded on the New York Stock Exchange (NYSE) that have between 3000 to 6000 employees. The characteristics of the companies who responded to the survey are reported using frequency distributions and a pie chart. A second section of this chapter contains the frequency distributions and graphs relating to the responses about benefit programs. The third section of this chapter deals with the type of ISO plans used. The fourth and final section reports the reasons for offering ISO plans.

#### Background of the Population

The population of this study included 193 American companies that are actively traded on the New York Stock Exchange (NYSE) with 3000-6000 employees according to their 1991 10-K report. However, of the 193 companies, 102

received and returned completed surveys. The results of this can be found in Table I. The 102 respondents comprised 52.85 percent of the 193 companies in the population.

TABLE I  
NUMBER OF COMPANIES

population	193
returned	102
population percent returned	52.85%

#### Type of Companies Responding

The survey instrument contained two questions regarding type of business and the number of employees. In responding to the survey, not all questions were answered by all respondents; therefore, the "N" of different tables may vary.

In Table II and Figure 1, the percentage (%) of respondents by the type of business is presented. Of the 102 respondents, 56.86% were involved in manufacturing, 5.88% in retail, 12.75% in energy, 10.78% in financial, 10.78% in service, and 1.96% in distribution type businesses.

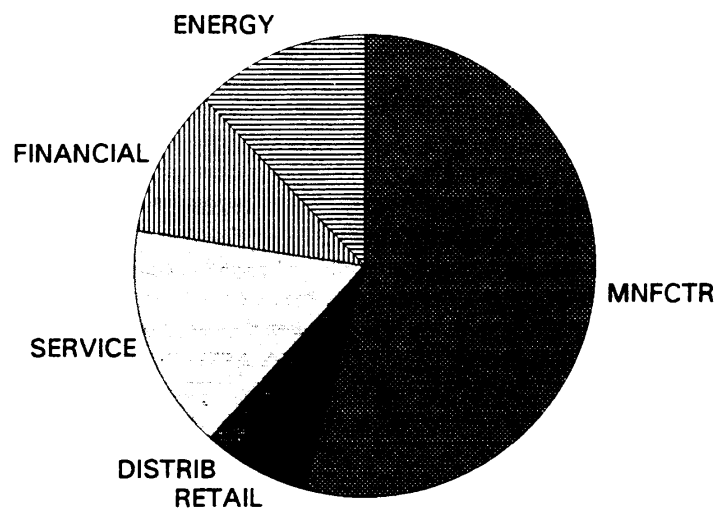


Figure 1. Type of Company



TABLE II  
TYPE OF COMPANY

Business	N	%
manufacturing	58	56.86
retail	6	5.88
distribution	2	1.96
service	17	16.67
financial	11	10.78
energy related	13	12.75

Presented in Table III are the number of employees for the responding companies. The average number of employees of the respondents was 3924 employees. The median number of employees for the respondents was 3950 employees. The mode of the number of employees for the responding companies was 5000 employees, at 16 of the companies.

TABLE III  
NUMBER OF EMPLOYEES

Mean	3924
Median	3950
Mode	5000

## Benefits Offered by Companies

The survey instrument contained one question regarding the type of benefits offered by the companies. The question was divided to include six types of benefits. The results of this question can be found in Table IV and Figure 2.

TABLE IV  
BENEFITS OFFERED

Benefit	N	%
major medical	99	97.06
ISO	60	58.82
ESOP	32	31.37
401-k	98	96.08
profit sharing	34	33.33
bonus	74	72.55
other	29	28.43

The percentage (%) of respondents by type of benefit offered was divided into six benefits. Major medical insurance was offered by 97.06% of the companies. Incentive stock option (ISO) plans are offered by 58.82% of the companies. Employee stock ownership plans (ESOP) are offered by 31.37% of the companies. 401-k plans are offered

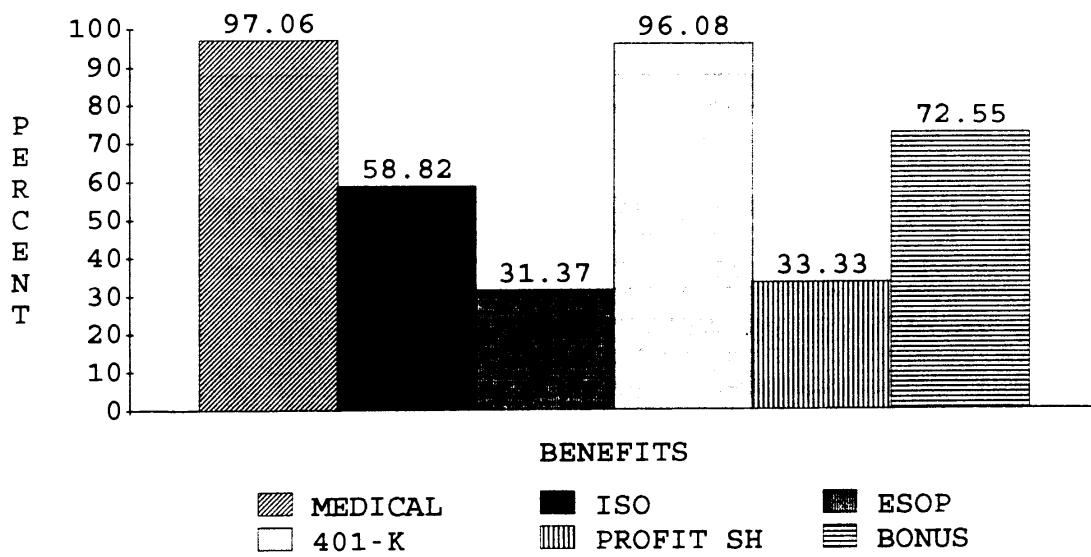


Figure 2. Benefits Offered

by 96.08% of the companies. Profit sharing plans are used by 33.33% of the companies. Bonus or incentives are used by 72.55% of the companies.

#### Type of Incentive Stock Option Plans Used

The survey instrument contained six questions regarding the type of ISO plan offered. Two questions were obviously misunderstood and the answers provided were not significant to report. Therefore, these two questions were eliminated from the findings and not reported. The results of the remaining four questions are reported.

The first question related to the type of ISO plan offered by the companies and the results can be found in Table V and Figure 3. Qualified stock options (QSO) are offered by 20.0% of the companies that offer stock option plans. Non qualified stock options (NQSO) are offered by 85.0% of the companies that offered stock option plans. Restricted Stock Grants (RSG) are offered by 11.67% of the companies that offer stock option plans.

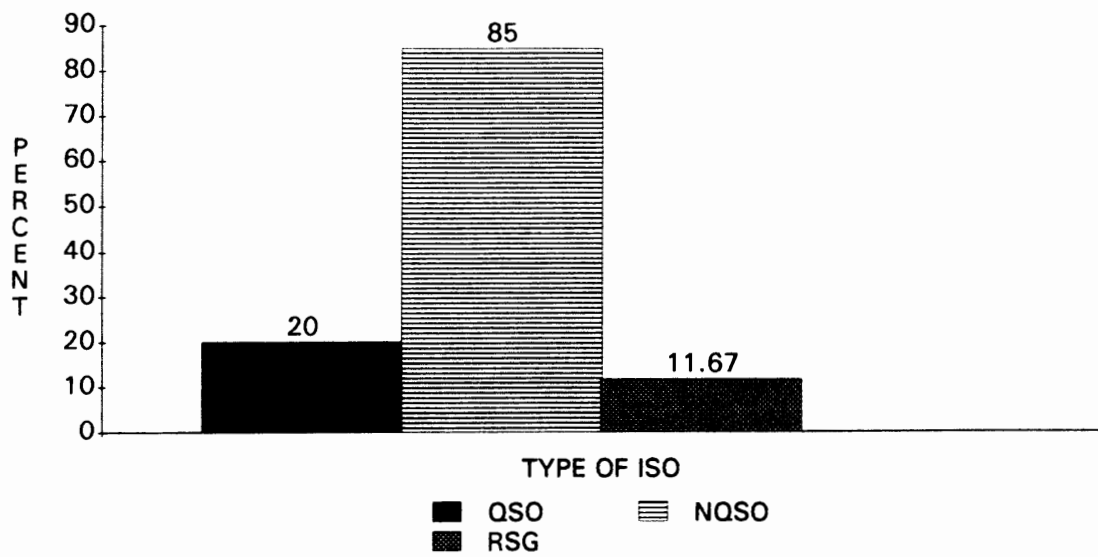


Figure 3. Type of ISO Offered

TABLE V  
TYPE OF ISO PLAN

Type	N	%
QSO	12	20.0
NQSO	51	85.0
RSG	7	11.67

The second question dealt with the level of employees that participated in the stock option plans. The results of this question can be found in Table VI and Figure 4. Upper management was offered ISO plans by 95.0% of the companies. Mid management was offered ISO plans by 41.67% of the companies. All full time employees were offered ISO plans by 6.67% of the companies. Key employees were offered ISO plans by 10.0% of the companies.

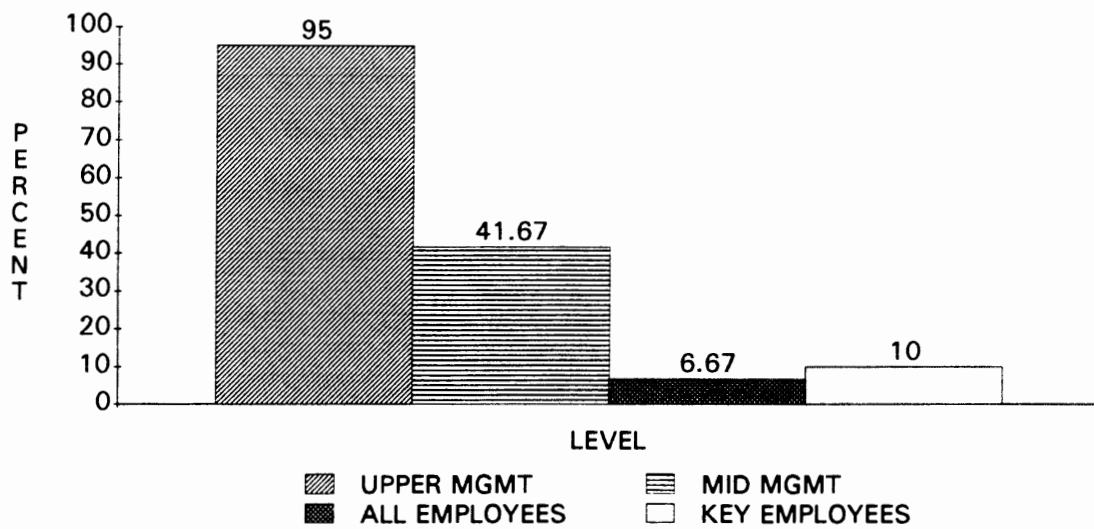


Figure 4. Level of Employees Offered ISO

TABLE VI  
LEVEL OF EMPLOYEES  
OFFERED ISO

Level	N	%
upper management	57	95.0
mid management	25	41.67
all full time	4	6.67
key employees	6	10.0

The next question dealt with the minimum length of time before an employee could participate in the ISO plan. The results of this question can be found in Table VII. The median and mode of length of time to participate in the ISO plan was 0.

TABLE VII  
LENGTH OF TIME TO PARTICIPATE  
IN ISO PLAN

Average	1.2 months
Median	0.0 months
Mode	0.0 months



The next question dealt with the length of the option term. The results of this question can be found in Table VIII. The average length of the option term was 7.9 years. The median of the length of the option term was 10 years. The mode of the length of the option term was 10 years.

TABLE VIII  
LENGTH OF OPTION TERM

Average	7.9 YEARS
Median	10 YEARS
Mode	10 YEARS

Reasons for Offering Incentive  
Stock Option Plans

The survey contained one question regarding the reasons for offering ISO plans. This question was divided into six areas. The results of this question can be found in Table IX and Figure 5.

Employee retention was a deciding factor to offer ISO plans at 76.67% of the companies that offer ISO plans. Tax benefits was a reason for offering ISO plans at 20.0% of the companies. Employee recruitment was a reason for offering

ISO plans for 25.0% of the companies. Increased employee involvement was a reason for offering ISO plans at 48.33% of the companies. Employee incentive was a reason to offer an ISO plan at 13.33% of the companies. To increase shareholder value was a reason to offer an ISO plan at 8.33% of the companies.

TABLE IX  
REASONS FOR OFFERING ISO

Reasons	N	%
retention	46	76.67
tax benefits	12	20.0
recruitment	15	25.0
employee involvement	29	48.33
incentive	8	13.33
shareholder value	5	8.33G

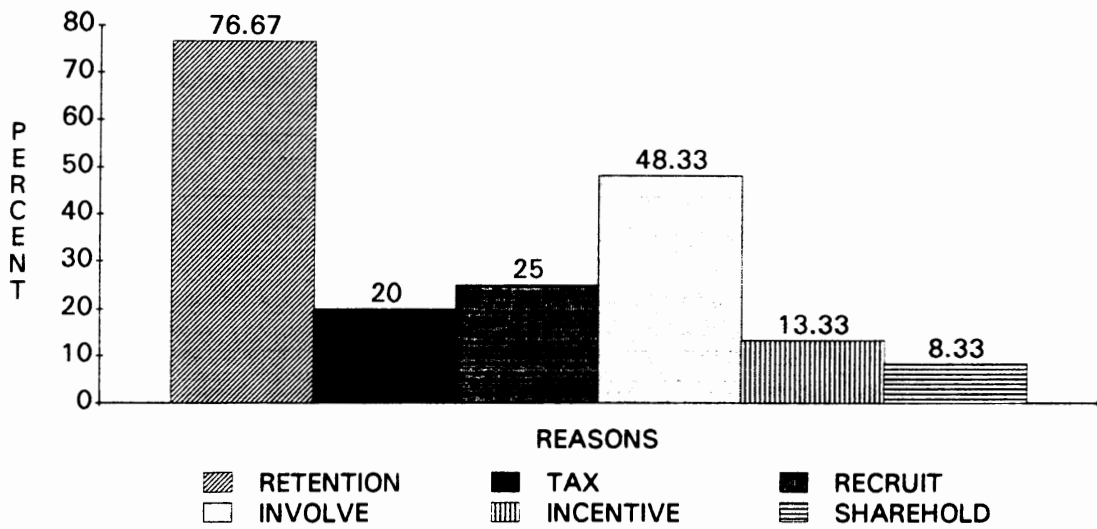


Figure 5. Reasons For Offering ISO

## CHAPTER V

### SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

#### Summary

The intent of this chapter was to present concise summaries of the following topics: purpose for the study, rationale for the study, design of the study, and the major findings of the research. Through a detailed inspection of these topics, conclusions and recommendations were presented based on the analysis of the data.

#### Purpose of the study

The primary purpose of this study was to determine the use of and reasons for offering incentive stock option (ISO) plans by American companies. In order to provide a basis for helping to make an informed decision concerning ISO plans.

#### Rationale of the Study

There is a need for companies to attract, retain, and motivate employees. The hiring and training of new employees is a major part of the rising cost of doing business. Stock options have been noted by many people to be a compensation tool that can be used to help with these

problems. Companies need research data to provide a basis for making an informed decision concerning the use of ISO plans.

### Design of the Study

Following a review of literature and research indirectly and/or directly related to the study, procedures were established to satisfy the purpose of the study.

The population for this study was derived from a list of companies obtained from the Compact Disclosure Computer Database. The information contained in this database was derived from the companies 10-K reports from 1991. The search parameters were set to query for American based companies that are actively traded on the New York Stock Exchange (NYSE) that had 3000 to 6000 employees.

The total number of companies found to meet the search parameters was 193. To accomplish the purpose of this study, it was decided to survey the entire population of 193 companies.

### Major findings of the Study

The major findings of this study were divided into five sections. They were as follows:

1. Background of companies
2. Type of companies responding
3. Benefits offered by companies
4. Type of incentive stock option (ISO) offered

## 5. Reasons for offering incentive stock option (ISO)

### Background of Companies

The population of this study included 193 American companies that are actively traded on the New York Stock Exchange (NYSE) with 3000-6000 employees according to their 1991 10-K report. The entire population of 193 companies was sent surveys. However, of the 193 companies, 102 received and returned completed surveys. The 102 respondents comprised 52.85 percent of the 193 companies in the population.

### Type of Companies Responding

The survey instrument contained two questions regarding type of business and the number of employees.

Of the 102 respondents, most (56.86%) were involved in manufacturing.

The average number of employees of the respondents was 3924 employees. The median number of employees for the respondents was 3950 employees. The mode of the number of employees for the responding companies was 5000 employees, at 14 of the companies.

### Benefits Offered by Companies

A summary of the responses pertaining to the type of benefits offered is presented in Table X. The survey instrument contained one question regarding the type of

benefits offered by the companies. The question was divided to include six types of benefits.

TABLE X  
BENEFITS OFFERED

Benefit	N	%
major medical	99	97.06
ISO	60	58.82
ESOP	32	31.37
401-k	98	96.08
profit sharing	34	33.33
bonus	74	72.55
other	29	28.43

The percentage (%) of respondents by type of benefit offered was divided into 6 benefits. Major medical insurance was offered by 97.06% of the companies. Incentive stock option (ISO) plans are offered by 58.82% of the companies. Employee stock ownership plans (ESOP) are offered by 31.37% of the companies. 401-k plans are offered by 96.08% of the companies. Profit sharing plans are used by 33.33% of the companies. Bonus or incentives are used by 72.55% of the companies. 28.43% of the companies offered

"other" benefits not listed. Most companies offer a variety of benefits to their employees.

#### Type of Incentive Stock

##### Option Plan Used

The survey instrument contained six questions regarding the type of ISO plan offered. Two questions were obviously misunderstood and the answers provided were not significant to report. Therefore, these two questions were eliminated from the findings and not reported. The results of the remaining four questions are reported.

Non qualified stock options (NQSO) are offered by 85.0% of the companies that offered stock option plans. Most companies that offer ISO plans use non qualified stock option plans. However, the related literature suggests that there could be a trend toward an increase in the use of qualified stock option plans and restricted stock grants.

Upper management was offered ISO plans by most of the companies.

Most companies allow immediate participation in their ISO plan.

The average length of the option term was 7.9 years. Most companies allow a option term length of 10 years.



## Reasons For Offering Incentive

### Stock Option Plans

The survey contained one question regarding the reasons for offering ISO plans. This question was divided into six areas.

Employee retention and increased employee involvement were the deciding factors to offer ISO plans at most of the companies that offer ISO plans. Other reasons stated by companies for offering ISO plans include tax benefits, employee recruitment, employee incentive, and to increase shareholder value.

### Conclusions

The analysis of data and subsequent findings were the basis for the following conclusions:

1. It was concluded, as a result of the findings, that the majority of companies use incentive stock option (ISO) plans.

2. Based on the findings, it was concluded that of the companies that use stock options, the non-qualified stock option (NQSO) plans are the most widely used.

3. It was concluded, as a result of the findings, that most stock option plans are offered to upper management.

4. It was concluded, as a result of the findings, that most companies offer immediate participation in ISO plans.

5. Based on the findings, it was concluded that most companies allow a 10 year term length on stock options.

6. Based on the findings, it was concluded that most companies offered ISO plans to increase employee retention and increase employee involvement.

#### Recommendations

As a result of the conclusions drawn from the analysis and interpretation of data, the following recommendations are made:

1. It was apparent in the findings and in the related literature that companies should use incentive stock option (ISO) plans to replace or supplement part of the cash compensation of employees, because it will not have a negative impact upon the cash flow of the business.

2. Although most companies that offer ISO plans use non-qualified stock option (NQSO) plans, the related literature suggests that companies should increase the use of qualified stock option (QSO) plans and restricted stock grants (RSG).

3. Although most incentive stock options are offered to upper management only, there is evidence in the related literature that suggests that companies should increase the levels of employees being offered stock options.

4. Although ISO plans offer promise to help companies recruit, retain, and motivate employees, they are only one part of a variety of benefits that companies should offer to stay competitive in the labor market.

5. Companies should offer ISO plans to increase employee retention and involvement.

6. Agribusiness companies should offer a variety of benefits, possibly including ISO plans to help recruit, retain, and motivate top quality employees.

#### Recommendations for Additional Research

The following recommendations are made in regard to additional research. The recommendations are judgments based on having conducted the study and on the examination of the findings of the study.

1. There should be a similar study conducted at a later time to ascertain if any changes have occurred in the use of and reasons for offering incentive stock option plans.

2. A more comprehensive study involving all publicly traded companies should be conducted and compared with the results of this study.

3. Specific research should be conducted to draw conclusions about the impact of incentive stock options upon company performance, employee retention, motivation, recruitment and other aspects of the reasons for offering incentive stock option plans.

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APPENDIX

CORRESPONDENCE

March 3, 1993

Human Resource Director  
This Company  
Anytown, USA

RE: Survey of company benefits

To Whom it may concern:

Enclosed is a questionnaire about the benefits offered at your company. The main focus of this study is the use of and reasons for offering incentive stock option (ISO) plans. The term incentive stock option (ISO) is used to include all types of stock option plans.

This survey is being conducted by a graduate student and faculty at Oklahoma State University as part of a thesis for a Master of Science Degree. Individual responses will not be reported, only combined data.

Your involvement in this research project will be greatly appreciated. Thank you for your cooperation.

Sincerely,

Cleatus Davis  
Graduate Student  
Oklahoma State University



## SURVEY

- 1) What type of business is your company involved with?  
A. manufacturing      B. retail  
C. distribution        D. service  
E. financial            F. other \_\_\_\_\_
  
- 2) How many employees does your company have? \_\_\_\_\_
  
- 3) What benefits does your company offer?  
A. major medical  
B. incentive stock option plan (ISO)  
C. employee stock ownership plan (ESOP)  
D. 401-K plan  
E. profit sharing  
F. bonus or incentive  
G. other
  
- 4) If your company offers an incentive stock option (ISO) plan, is your plan  
A. qualified    B. non-qualified    C. granted  
D. other \_\_\_\_\_
  
- 5) If your ISO plan is qualified, what are the qualifications? \_\_\_\_\_  
\_\_\_\_\_
  
- 6) What level of employees may participate in the ISO plan?  
A. upper management                      B. mid-management  
C. all full-time employees                D. other \_\_\_\_\_
  
- 7) What percent of eligible employees participate in your ISO plan? \_\_\_\_\_
  
- 10) What is the length of employment before an employee may participate  
in the ISO plan? \_\_\_\_\_
  
- 11) What is the length of the option term? \_\_\_\_\_
  
- 12) How did you decide to offer the ISO as a benefit?  
A. employee retention    B. tax benefits    C. employee recruitment  
D. increased employee involvement    E. Other \_\_\_\_\_

Thank you for your help. For your convenience, the survey is already stamped and addressed. Please fold end to end, staple and mail.

OKLAHOMA STATE UNIVERSITY  
INSTITUTIONAL REVIEW BOARD  
FOR HUMAN SUBJECTS RESEARCH

Date: 03-08-93

IRB#: AG-93-017

Proposal Title: COMPANIES' USE OF AND REASONS FOR OFFERING  
INCENTIVE STOCK OPTION PLANS

Principal Investigator(s): ~~Dr. James Key~~, Cleatus Davis

Reviewed and Processed as: Exempt

Approval Status Recommended by Reviewer(s): Approved

APPROVAL STATUS SUBJECT TO REVIEW BY FULL INSTITUTIONAL REVIEW  
BOARD AT NEXT MEETING.  
APPROVAL STATUS PERIOD VALID FOR ONE CALENDAR YEAR AFTER WHICH A  
CONTINUATION OR RENEWAL REQUEST IS REQUIRED TO BE SUBMITTED FOR  
BOARD APPROVAL. ANY MODIFICATIONS TO APPROVED PROJECT MUST ALSO  
BE SUBMITTED FOR APPROVAL.

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Comments, Modifications/Conditions for Approval or Reasons for  
Deferral or Disapproval are as follows:

Signature:

*Maria S. Tilley*  
Chair of Institutional Review Board

Date: March 10, 1993

VITA

Cleatus Wade Davis

Candidate for the Degree of  
Master of Science

Thesis: COMPANIES' USE OF AND REASONS FOR OFFERING  
INCENTIVE STOCK OPTION PLANS

Major Field: Agricultural Education

Biographical:

Personal Data: Born in Mangum, Oklahoma, June 10,  
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January 1992, sales at Cash America International,  
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