

Case Study: From Vision to Reality
SPARTA

A New **Stock Plan Administration & Reporting Tool Application**

June 29, 2007, 8:45 – 9:45am

Jean Wong, CEP

Sr. Manager of Global Stock Plan Services
Sun Microsystems, Inc.

Veena Bhatia

Sr. Equity Compensation Consultant
Stock & Option Solutions



Topics Covered

Make your vision a reality

- Major components of SPARTA
- Create structure around the vision
 - Review current processes and define key improvements
- Evangelize the vision
 - Get buy-in from management and internal business partners
- Obtain senior management approval in a tight budget environment

Topics Covered (cont.)

- Create and manage a project team
 - Steps taken, challenges overcome
- Keep management apprised of project status
 - Methods used
- Lessons learned
 - What worked, what didn't work and why
- Special challenges of working with an outsourced IT development team



Major Components of SPARTA

- End-to-End solution
 - Integrated all equity types (options, ESPP, Restricted Stock)
- Upgrade stock administration system
 - Required conversion of stock database from one vendor to another
 - Large database, approximately XXK participants and 750K records
- Develop plan administration tools for use by:
 - Corporate Stock Plan Services group
 - In-country payroll & HR
- Enhance global employee portal to:
 - View and accept grants online (where legally allowed)
 - Enroll in ESPP
 - View all equity benefits through web-based interface
 - Review all historical transactions



Where do you start?

- Articulate the vision
- Document current processes
- Define and prioritize the issues
- Develop strategic objectives



Articulate the Vision

- Vision Statement
 - What message you want to convey
 - Who is the target audience for your vision
 - Sun's vision was targeted to management, and applied specifically to this project
 - Clear message
 - Keep it short: 2-3 sentences
 - Summarize critical elements pertaining to the project



Sun's Vision for SPARTA

- A web-based, scalable self-service tool that would facilitate the use of common stock benefits plan administration procedures worldwide while providing a single global portal for all employees to access and manage their equity benefits (e.g. online agreements, account records)

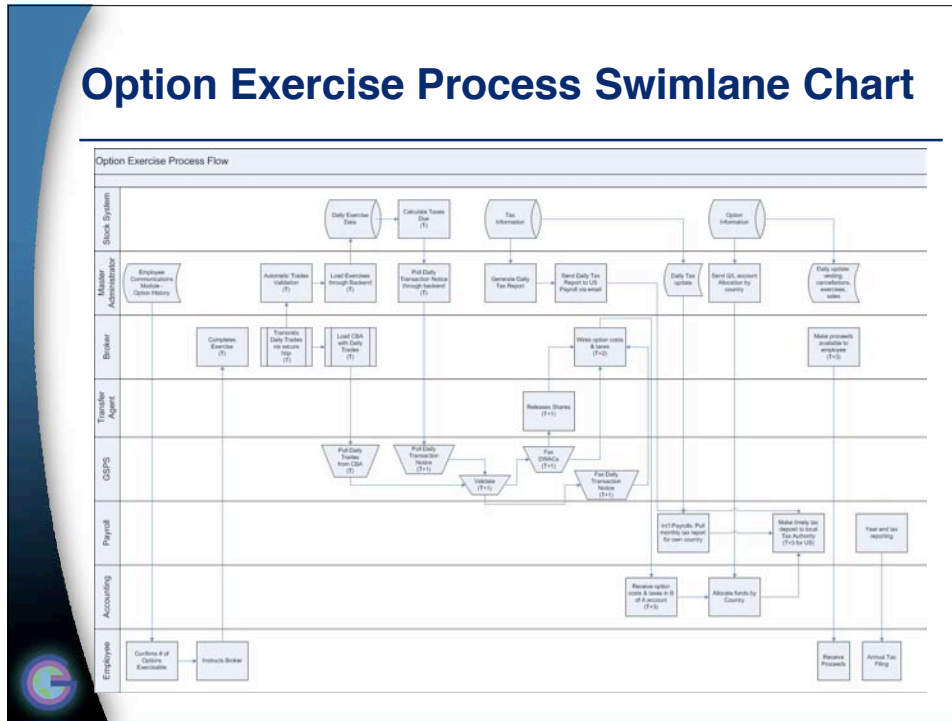


Document Current Processes

- Compare current workflows to ideal
 - Highlight key improvements which address bottlenecks
 - Use swimlane diagrams to show process flows and responsible parties
- Identify systems used in major processes
 - End to end, including stock administration system
 - Manual/Automated
- Diagram interactions/interfaces with business partners showing information flow
 - Example: Option Exercise Process



Option Exercise Process Swimlane Chart



Define & Prioritize Issues

- Create “Problem Statement”
- Summarize issues which will be addressed
 - Use of key words to grab management attention
 - Data privacy/security
 - Internal controls
 - Financial reporting
- Example:

Current Stock System is outdated, non-compliant with FAS123R and can no longer support administration of Sun’s equity programs (ESPP, Options, and Restricted Stock); Administration modules interfacing with the Stock System (SpaLink, Galaxy, and iESPP) have limited functionality and must be augmented with manual workaround processes and high levels of IT support.

Define Strategic Objectives

- Define top 4 or 5 objectives
 - Keep them high-level: this is not the time for details
- Objectives should align with company philosophy
 - SPARTA objectives aligned with Sun's 5 C's:
 - Customer
 - Cost
 - Capability
 - Competency
 - Control
- Define timeframes
 - How quickly can objectives be met?



SPARTA Strategic Objectives

- Create automated straight-through processes
- Improve SOX controls through fewer manual key controls
- Create a modular & scalable operating model
- Enhance interface processes with business partners (HR, US & International Payrolls, Tax, & Accounting)
- Enhance customer (employee) experience
- Increase staff retention and morale through easier administration of equity programs



Evangelize the Vision: What to do

- Identify your business partners:
 - IT, Payroll, and HR management
- Socialize vision with business partners
 - Use informal forums to introduce vision
 - Reinforce concepts through frequent reference in more formal forums, i.e. discussions of future projects, budget meetings, system enhancement discussions
 - Group consensus
- Get management buy-in
 - ***Management must agree there is a problem and they want to address it***



Evangelize the Vision: How to do it

- Present Business Case
- Develop Implementation Approach
- Define Roles & Responsibilities



Present Business Case: Cost/Benefit Analysis

- Tangible Costs
 - Headcount
 - Stock System
 - IT Support
 - Computer Systems
- Intangible Costs
 - Compliance Risks
 - Employee Satisfaction Levels
 - Staff Morale
 - Hidden resource costs
- Review alternative approaches
 - In-house development & administration vs. outsourcing

Develop Implementation Approach

- Present risks and mitigation
- Consider
 - Phased implementation to:
 - Reduce costs
 - Gain management trust and comfort with overall vision
 - Improve overall product quality with extensive post-development reviews for each phase
 - Modular implementation to
 - Facilitate design of each function
- Provide sample timelines
 - Aggressive
 - Conservative

Risks & Mitigation – SPARTA Example

Risk	Mitigation
<i>Technical:</i>	
Development risk due to comprehensive functionality/design	Phased approach, using modules and incremental value-add
<i>Implementation:</i>	
Integration of partner interfaces may require new processes	Early Business partners buy-in
Business partners may change current systems	Enhanced communications with business partners
Bandwidth of GSPS resources	Temporary External resources
Project management	
<i>Financial:</i>	
IT development cost of SPARTA	Phased approach

Roles & Responsibilities

- Identify resources across all business functions involved
- Get agreement on roles and responsibilities
- Get commitment to actively participate in project tasks
- Develop cross-functional implementation plan

Obtaining Approvals

- Informal approvals via socialization
 - Direct management up to CFO
 - Time consuming, but critical to project approval
- Formal Approvals
 - Formal presentation to approving executive, i.e., Sun's CFO
 - Executive stamp of approval
 - Funding approved!
 - SPARTA added to company's Top 20 Initiatives list
- ***Funding = Project Traction***



Creating & Managing Your Project Team

- Project Steering Committee
 - Executive-level Project Champion
 - SPARTA: VP Finance
 - Business Partner Champion
 - SPARTA: Director IT
 - Business manager & user
- Project Team: primary stakeholders
 - Business manager & user
 - IT, HR, Payroll
- Sun's internal development process
 - Project Life Cycle



Keeping Management Up to Date

- Regular status meetings
 - Weekly
- Steering committee meetings
 - Once per month
- Dashboard
 - List of major milestones and status
 - Status: Green/Yellow/Red
 - Updated weekly



Lessons Learned: What Worked & Why

- Excellent Project manager
 - Senior PM assigned because of status on Company Top 20 Initiatives list
- Project Team
 - Big kick-off meeting with project champion to emphasize project importance
 - Top priority for all business functions
 - Common goals
- Communications and training plan for roll-out
 - Business partners: global HR, payroll, and local administrators
 - Employees



Lessons Learned: What Didn't Work & Why

- Project timeline became too aggressive when aligned with Sun's software deployment schedule
 - Constrained by fixed business timeframes:
 - ESPP Enrollment and purchase
 - Must align business timeline with corporate software deployment schedule
- Business timelines: fine line
 - Roll-out may be delayed due to fixed business timeframes
 - Tight schedule may miss business timelines



Challenges with an Out-sourced IT Development Team

- Prior stock administration/process knowledge
 - IT development team had no prior knowledge of stock administration or stock processes
 - Huge ramp-up required on part of developers
- New stock system
 - Conversion to new stock system occurred simultaneously
 - Development team had to learn a new stock system at the same time based only on documentation provided by vendor
 - No corporate or outsourcer experience with new stock system



Challenges with an Out-sourced IT Development Team (cont.)

- Communications
 - Explicit communications required
 - Developers
 - Only did exactly what they were told
 - Could not provide alternative methods for accomplishing goals since they were not familiar with business needs
 - Outsourcer has very structured chain of management
 - Direct communication channels not readily available
 - Could not communicate directly with developers, had to go through intermediaries on both sides
 - Time zone differences with remote developers



Challenges with an Out-sourced IT Development Team (cont.)

- Budget constraints
 - Budget based on using off-shore resources
 - Tight change controls
 - Avoid rework in order to stay within budget
 - Result: little opportunity to change functionality/look & feel
 - Constant trade-offs between:
 - Best system
 - Best system within budget
 - Applied 80/20 rule
 - Met at least 80% of business needs in order to stay within budget
 - Address remaining 20% of business needs in future phase



Conclusion

You can make your vision a reality

- Create structure around the vision
- Evangelize the vision – Get buy in
- Obtain senior management approval in a tight budget environment
- Create and manage a project team
- Keep management apprised of project status
- Lessons learned from SPARTA
- Special challenges of working with an outsourced IT development team



What Questions Do You Have?

Thank you for your participation



Contact Information

Jean Wong, CEP

Sr. Manager of Global Stock Plan Services
Sun Microsystems, Inc.
jean.wong@sun.com
+1 408-404-5199

Veena Bhatia

Sr. Equity Compensation Consultant
Stock & Option Solutions
vbhatia@sos-team.com
+1 408-979-8718

