

functions, if contracted outside the company, usually entail a cost of 1-2% of the compensatory program.

Development of such in-house expertise should aim at improving the company's understanding of the risk elements involved in individual transactions. Along with an improved ability to integrate CAs into finance engineering arrangements, the expertise usually results in a redefinition of manageable risks for the company, as well as in a commitment to sustained proactive planning based on access to current market intelligence flows.

During the early phases of a company's involvement with CAs, a specially formed in-house unit should assist top management in the development of corporate policies involving the firm's participation in CAs and to translate these into guidelines for the company's product divisions. The unit acts as a catalyst facilitating strategic conceptual directives from top down, and concrete and practical information flows from bottom up.

As experience is accumulated by the product divisions and as they become more self-reliant in CAs, the role of the CA unit shifts from overseeing and actively participating in such transactions, to providing only requested support services, information, and liaison with outside specialists which can, on a case-by-case basis, assist the company with the handling of individual CAs (strategic planning example at GE).

A decision to develop the company's in-house expertise vested in a permanent unit has, however, to overcome major internal obstacles.