Workforce

Should We Change HR Practices as a Public Company?

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Dear Scrutiny,

First, congratulations on your recent IPO. Transitioning to a publicly traded company brings new topics to the human resources table, from developing a new value proposition for employees to considering new legal and accounting issues in administration and decision-making.

Here are some important issues and actions HR should consider:

The most far-reaching regulation a new public company faces is the Sarbanes-Oxley Act of 2002, passed to protect shareholders and the general public from accounting errors and fraudulent practices in the enterprise (http://searchwindowsserver.techtarget.com/definition/enterprise), as well as to improve the accuracy of corporate disclosures. The U.S. Securities and Exchange Commission administers it, setting deadlines for compliance (http://searchdatamanagement.techtarget.com/definition/compliance)and publishing rules on requirements. HR should:

- Assist in the process and documentation for CEO/chief financial officer approvals for material financial actions, including all pay processes (such as salary increases, bonus payouts, equity grants, etc.)
- Ensure all appropriate information is accurate and readily available for purposes of SEC reporting of pay actions to officers of the company.

Work closely with the compensation committee and other internal functions to collect, share, and document pay and benefits at the executive level and equity programs that are offered to other employees.

- Support the legal department with the required executive compensation narrative and factual documents to be included the Compensation Disclosure & Analysis section for the proxy statement.

Executive compensation decisions are vastly more visible, scrutinized and subjected to greater regulatory oversight.

- Review components of the executive compensation package — particularly company stock — to ensure they are compliant with regulatory requirements, such as the Dodd-Frank Act and IRC Sections 409A, 162(m) and 280G.
- Consider plan design requirements set forth by proxy advisory groups (such as ISS) that shareholders may follow.

There are other issues that may be seen as “soft,” but are no less important to ensuring success as a public company. These may include:

- Ensuring that the organization’s people strategy has transitioned with the IPO, and that recruiters can articulate the new value proposition to prospective employees.
- Assessing the effectiveness of the current mix of base pay, stock and cash incentives and determine whether any plans require revision.
- Determining that the company’s pay programs are competitive with its peers.

This is by no means an exhaustive list of post-IPO concerns. We suggest utilizing counsel to ensure all of the regulatory and business issues are adequately covered.

SOURCE: Kathi Myers, senior consultant, Linda Ulrich and Alan Nadel, principals, Buck Consultants at Xerox (http://www.services.xerox.com/hr-consulting/enus.html), Sept. 27, 2014.