Hero and bogeyman: The public face of leadership after an IPO

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With an IPO, not only the company but also the leadership team goes public; in particular the Chairman, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO). Interest in the company and the behavior of the management gains a new dimension in terms of public attention. This is why it is so important to take a close look at corporate governance and related topics regarding public relations and establish guidelines and measures that are conducive to the successful management of a company at an early stage.

Alongside the technical aspects of corporate governance – mechanisms, processes and relations with which companies are managed and controlled – there are a number of specific challenges for the leadership team, particularly when it comes to public companies, which are related to corporate governance but have no precise boundaries. Top managers often become the screen on which a multitude of expectations, both within and outside the company, are projected. How to deal with it? Is it possible to escape from the media and the public? Or should you get involved, fully aware of the fine line between hero and bogeyman?

Due to the increased need for transparency, the leaders of a public company are the focal point for public interest. A certain inviolability, which was considered a given in earlier times, is nowadays critically questioned. Currently, of particular interest to the public and especially the press, are remuneration models and the associated expectations regarding social responsibility. For example, it is very difficult to understand how, when employees are laid off, the bonus-pool allocated to top management can simultaneously increase.

Merging of personal and professional

In the age of social media, information is received and shared much faster and more easily. A good example is the use of twitter to comment and share views on experience. The challenge here is to craft communications so that information is correctly received and understood thereby avoiding a maelstrom of bad press and possibly more serious consequences for the individual or organization. For example, customers no longer write a private letter of complaint to a company but instead make public their dissatisfaction with a product or service on twitter. Complicating the situation further is the fact that such information may be true but could also be fake. Success is all about coping with these communications in an effective and timely manner.

Another challenge is that reporting for professional reasons has widened its remit and now encompasses increased interest in (and expectations of) the behavior of individuals in a private capacity. The CEO in particular needs to be acutely aware of public expectations regardless of whether these are business-relevant activities or private concerns, or to what extent this may or may not be justified. There is now a clear expectation on people in such positions. A CEO must set an example within his or her company and also in public. A modest appearance and/or social commitment may be recognized in the form of a benevolent public response.

Interview with

Giacomo Di Nepi
CEO
Polyphor

Have the requirements and your own expectations of a leader changed since becoming CEO of a listed company, or during the IPO process itself?
I think that a few things have changed, mainly with regards to the requirements of a listed company, but possibly less than what could be the case for other companies going through a similar process. The fact that we already had more than 500 shareholders before the IPO helped us a lot when it came to having a somewhat smooth transition. For instance, this meant that we were familiar with AGMs (Annual General Meetings), results' teleconferences and business progress updates and the provision of equal and transparent information to all shareholders.

Also, the 'ethics of performance' have not changed: we need to deliver on our targets, provide a collaborative work environment to succeed as a team and push the organization towards ambitious but achievable goals. And, most importantly, we need to deliver innovative new medicines that provide substantial benefit for patients in need as this is the ultimate mission of our company.

What has changed as a public company are the regulatory requirements with which we must comply with. This increases the sensitivity of our corporate communication and has an impact on our investor relations strategy; this must be more explicit and elaborated and requires a proper allocation of management time and attention.

What has changed for you when you evaluate your leadership style before and after the IPO?
This question you had better asked my colleagues… seriously now, I didn't change my leadership style. As I mentioned before, we had already implemented our performance management system and our values as a private company. This of course hasn't changed during the IPO process. The one thing however that I am reminding everyone over and over again is the need to give equal and transparent information to all shareholders and

therefore the need to be very careful in what we say externally. This was true also before but now the need is even greater.

Were you aware of the leadership challenges post IPO, and how did you prepare e.g. trainings, studies?
Most of my professional experience has been in public companies so I already knew what would be awaiting me. My last experience with InterMune, as General Manager Europe, was of particular importance. Europe has been 'the story' for almost three years as Esbriet, our product for idiopathic pulmonary fibrosis was launched in Europe before the US. Europe was the 'beta test' for the expected launch in the US, which happened a few years later. I learned there how to provide factual, equal and transparent information while 'telling the story'. Paraphrasing the motto of a well-known agency, giving 'the truth well told'. What is specific to the biotech sector, including Polyphor, is that we have to deal with small companies in a high-stake business and therefore many more things may be material information. For example, a change in a single research or clinical program would be non-material for a Novartis or a Roche, but it would be very much for us.

This further increases my and our whole organization's responsibility, when it comes to how we deal with information. One week after the IPO we conducted a training with the whole organization, explaining what it means to be a public company. I took this opportunity to provide some practical examples and I'm planning to do a 'second shot' of training this year. It's based on a principle similar to a vaccination, where you really want to have a full, continuous and extended coverage. As we say in marketing language, 'repetition is the mother of retention!'.

In retrospect, would you do something different and if so, what?
The IPO process is very intense and extremely time-consuming, which can be very challenging for a small organization. It is almost unavoidable that some of the operations and the organization get a bit neglected. Therefore, I think it is very important to plan for a full immersion period after the IPO to make sure all the operations and the organization get the necessary attention and make sure that responsibilities, timelines, and deliverables for each project are clear and properly tackled. In other words… don't think that after the IPO you can get some rest. Wrong assumption!

Do you have any recommendations for CEOs of future listed companies?
Probably the usual recommendations! Make sure that the equity story and the value creation potential is well documented, clear and understandable. Make sure, test it again and again, and adapt where needed. Get a top team, internally as well as externally, to be well prepared for what will come. Learn quickly to manage the different stakeholders involved and be prepared to hold your nerve because until the end, you do not know what will be the real result. But, as we know, biotech is not for the faint of heart, so… we were well trained!

Ad Hoc Publicity

In the context of ad hoc publicity, the obligation to disclose information relates to potentially price-sensitive facts that have arisen in the sphere of activity of a listed company and are not in the public domain. The following parties must be informed as a bare minimum:
– SIX Exchange Regulation,
– two electronic news providers (e.g. Reuters and Bloomberg),
– two major Swiss daily newspapers and
– notification on request (push notification).

Examples of price-sensitive facts are:
– Significant changes in profits, profit collapses and profit warnings
– Mergers and acquisitions
– Restructuring
– Takeover offers
– Staff changes in the board of directors and the executive committee

§ Directive on Ad hoc Publicity:
www.six-exchange-regulation.com/dam/downloads/regulation/admission-manual/directives/06_17-DAH_en.pdf

The legal basis and further information can be found at the following address:
www.six-exchange-regulation.com/adhoc_publicity

You can send ad hoc notices to us simply and efficiently by e-mail to *adhoc@six-group.com*

The impact of public statements by management on share prices

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Interviews and other public statements issued by the management of a company can have a significant impact on the share price. That is why there is a comprehensive set of rules in place as to how companies must correctly communicate key information. In Switzerland, these are contained in the 'Directive on Ad hoc Publicity'. These guidelines apply to all types of potentially price-relevant information. They ensure that events that may significantly impact a company's share price are communicated in the same fair and transparent way to all interested stakeholders. And obviously, certain statements made by management can also be directly relevant to the share price.

But this specific instance of management communication, with its well-regulated guidelines, is just one side of the coin. The other relates to the question of what long-term impact public statements – that is to say, those that are not containing immediate price sensitive information – can have on the company's share price. From our perspective, management statements should help achieve a company's strategic objectives in exactly the way as all other communication measures. This means that management communication helps create and maintain a positive (and in an ideal case, mutually inspiring) relationship with various stakeholders, as well as boosting a company's reputation over the long term.

In this respect, management statements should be considered as a strategic tool, which should be used both internally and externally. We fully understand why companies are tempted to focus their resources on purely tactical communication measures at times. But communication departments and management must always bear in mind that the different messages sent by the various corporate representatives should do more than just coexist nicely. In this regard, obtaining an external expert perspective can often prove critical to success as external consultants with a broad and international experience help avoid the 'tunnel vision' that is so easy to develop when one is deeply embedded in a corporate environment.

Of course, it is possible to send board members to speak in front of stakeholder groups without providing them with a deeper understanding of their role in their corporate communications framework and a set of strategic key messages, trusting them to 'say the right thing'. But given the significant impact that management statements can have on how companies are perceived by the general public and their investor community, we always recommend combining this healthy trust in board members' abilities with a pragmatic communication strategy, customized to the needs of each individual member of management.

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