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Analysis

Getting the Board ‘IPO Ready’: Why Chemistry and Experience both Matter

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Biography

Leyla Tindall is a Managing Director at Robert Half Executive Search. With over 15 years of experience in executive recruitment, and for much of that time running her own firm, Leyla has established expertise in senior finance and board level appointments. More recently, she has specialized in recruiting non-executive directors to AIM listed PLCs.

Recognised by clients for her boundless enthusiasm and tenacity, Leyla’s skill and dedication has ensured a track record of placing low attrition candidates with the staying power for longer lasting placements.

Robert Half’s Executive Search (https://www.roberthalf.co.uk/employers/executive-search) practice is one of world’s leading advisories for board or directors and supervisory boards. Its bespoke advisory model stands-out with combining a hands-on boutique approach with our global strength and versatility. Through its years of experience and in-depth knowledge of the industries, Robert Half has acted in a dual function for its clients, as market barometer and trustworthy ambassador.

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Abstract

Stock market turbulence around the world has shaken confidence among investors. But, behind closed doors, businesses can still prepare the ground for an IPO in the future. To succeed, companies need to view divestitures in a way that goes beyond the traditional M&A approaches. In this article the author explains more about the process – and why a combination of skills and relationships are needed to make public ownership a success.

Introduction

Taking a business public during a period of economic turbulence is tricky: valuations are harder to achieve because investors need to be convinced, and financial forecasts hit. But, like every opportunity to raise capital, there will be businesses able to look beyond short-term economic trends: those already preparing for public ownership, and those considering it for the future. Floating a business on any global stock market takes at least 18-24 months’ work (sometimes longer), preparing the executive team for a journey that will see them working together for years. In any case, it’s a long-term move.

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When conversations about Initial Public Offerings (IPOs) start, the Chief Executive (CEO) or Founder will often lead the process, having built the business, sometimes with the help of outside investors looking for an exit. The lure of public ownership comes with the chance to raise new funding, incentivize leadership, and gain credibility from a wide range of shareholders. But the vision will only become a reality with the right executive team in place – one that can respond effectively to the demands of public ownership – so getting the board 'IPO ready' is key.

The leaders on a 'plc board'

The closest and most important relationship on an executive plc board is between the CEO and the Chief Financial Officer (CFO); they will be leading investor roadshows and reporting to the market. While Chief Executives might need less experience of public ownership – because they have experience as the face of the business – the CFO will need experience of the disclosure and scrutiny that comes from working with the 'City'. It's a unique set of skills, and the CFO is sometimes replaced ahead of an IPO for this reason.

The third influential figure is the Chair, someone with a rich contact book and years of experience. A good chair will have worked with most of the people who have experience of public investors, advisors, and listed businesses. Their gravitas and influence are key to the IPO story and helping the board to step into public ownership. They will often be appointed alongside the advisers on a deal and give

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credibility to other appointments made; potential executive recruits ahead of an IPO will often ask about the Chair during the interview process.

The board might also include a Chief Technology Officer (CTO) or Chief Product Officer (CPO), which have become more influential roles since the pandemic because of the rising demand for digital transformation; a Chief Marketing Officer (CMO); and a group of Non-Executive Directors (NED). There is usually a ratio of two non-executives to each executive position: keeping an eye on governance for the shareholders, they will usually be appointed three to six months before an IPO.

Elsewhere, key appointments in the business to complement the board will include a Group Financial Controller well versed technically in the language and rigour of the stock market; a Director of Financial Planning and Analysis to help meet accounting standards; and a Director of Sustainability and/or environmental, social and governance (ESG). While this role hasn't reached board level yet, CEOs and CFOs will need assurances about where they sit among industry peers, as regulators pay ever closer attention to ESG issues and reporting.

Another aspect becoming increasingly important in this context – especially for investors – is the degree of diversity on the executive board and supervisory board. It is important to consider diversity in the pre-IPO phase as well as maintain a diverse board post-IPO. The resulting advantages of board diversity for a company in its long-term strategy are well publicized. By diversity, we mean gender, ethnicity and cognitive.

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Preparing the ground, with an eye on key skills

Getting the board 'IPO ready' is an exercise in preparation, but also one of professionalization, as businesses get themselves fit for the future. The board relationships are critical to get right ahead of any deal; but while experience of public ownership speaks for itself, the skills of communication and likeability are often overlooked during the process.

The chemistry fit is key between the CEO and the CFO; and the CEO and Chair, it's worth finding the right people to make the IPO a long-term success – when the time is eventually right to go public.