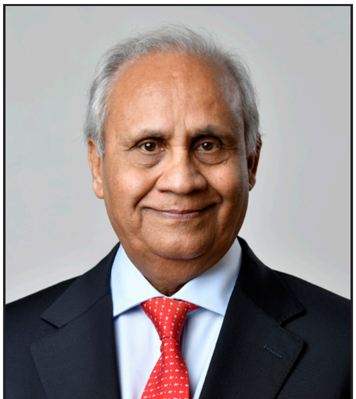
Going Public, Growing Up

A Mandate for Governance, Culture & Strategy



Dr.Anil K.Khandelwal
Former Chairman & Managing Director
Bank of Baroda

When a company goes public, it transitions from being a closely held entity to a custodian of public trust. This transformation demands more than just regulatory compliance; it calls for a deep commitment to professionalisation in structure, strategy, and systems. Going public is not an end—it is a new beginning. It marks a shift in accountability -from promoters and early investors to a broad base of institutional and retail shareholders.

After a promoter-driven company takes the bold step of going public, it often marks the culmination of years of entrepreneurial grit, calculated risk-taking, and deep operational involvement by the founder(s). However, an Initial Public Offering (IPO) is not the endgame—it is the beginning of a far more demanding phase: **institution-building**.

Post IPO phase, brings with it visibility, capital, and opportunities—but also scrutiny, expectations, and risks. Companies that fail to reimagine themselves post-IPO often flounder under the weight of misaligned decision-making, poor transparency, or weak organisational processes. On the other hand, those that consciously professionalise thrive and often set industry benchmarks.

Responsibility of Companies Post IPO: The Need for Professionalisation

The capital markets reward companies not just for past performance but for **future promise, transparent governance,** and the **ability to scale sustainably**. In this context, a listed company can no longer operate with the informality and personalized decision-making that may have defined its earlier journey. The **post-listing phase demands a cultural, structural, and strategic shift—from promoter power to professional prowess.**

This article outlines a **comprehensive playbook** for promoter-driven companies to navigate this critical transformation

In the Indian context, with the surge in IPOs over the past few years, a new generation of listed companies is emerging. Many have professionalised and thrived; others have stumbled due to weak governance, unclear strategies, or unstructured human processes. The post-IPO period is when professionalisation becomes not just desirable—but essential.

Why Professionalisation Becomes Critical Post-IPO

While companies may achieve IPO-level scale through entrepreneurial energy and promoter vision, the post-IPO journey demands a shift towards structured, sustainable growth. The key reasons why companies must professionalise post-IPO include:

1. **Investor Expectations**: Public shareholders expect clarity of strategy, consistent returns, and transparent disclosures.
2. **Regulatory Compliance**: Post-listing, companies fall under the increasing oversight of SEBI, stock exchanges, and other regulatory bodies.
3. **Reputational Risk**: Public perception can directly impact market capitalisation and stakeholder confidence.
4. **Strategic Longevity**: The complexities of a listed business call for depth in leadership, systems, and governance that go beyond promoter intuition.

Key Pillars of Post-IPO Professionalisation: Initiatives at many levels are called for like

1. Governance Structures

Professional governance is the foundation of trust in a listed company. This includes:

- Setting up strong, independent boards.
- Clear delineation of board roles versus executive roles.
- Creating and empowering key board committees:
  - **Audit Committee** for overseeing financial integrity.
  - **Risk Management Committee** to assess and mitigate business risks.
  - **Nomination & Remuneration Committee (NRC)** for board and leadership succession and evaluation.

Case Example – Infosys:

Post-IPO, Infosys institutionalised one of India's most respected boards. Its audit and nomination committees were globally benchmarked, ensuring transparent succession and leadership evaluation. This built investor confidence, especially among international stakeholders.

2. Structural Reorganisation

Listed companies need organisational clarity with accountability-driven structures. Key actions include:

- Appointing a professional CEO/CFO/ CHRO and CDO especially , if there are gaps in these categories.
- Creating defined business units with measurable KPIs.
- Flattening hierarchies and reducing informal decision-making.
- Moving from personality-driven to system-driven organisations.
- Most importantly, promoters have to slowly integrate professional views in the decision making and step back from the mindset that 'They have all the wisdom.'
- The next generation of promoters have to learn in a significant way before they are made decision makers

Case Example – HDFC Bank:
After its IPO, HDFC Bank created a clear, functionally segmented organisation with strong verticals in retail, corporate, treasury, and operations. This helped the bank maintain quality across geographies and scale profitably.

3. People Processes and Leadership Development
Professionalisation is incomplete without institutionalising people systems. Leadership cannot be personality-driven; it must be capability-led.

- Institutionalising an open culture for **seeking ideas, promoting engagement and fair HR systems**
- Building a **leadership pipeline** through internal grooming and external hiring.
- Investing in **learning, diversity, and employee experience**.
- Formalising a **code of conduct, whistleblower policy, and grievance redressal systems**.

Example: Marico Ltd.
Post-IPO, Marico's founder Harsh Mariwala consciously stepped back, appointing professional CEOs to drive performance. The company institutionalised leadership development, HR processes, and board governance, transforming into a well-run FMCG player with international reach.

4. Transparency and Communication
Investor confidence is driven not just by performance but by predictability and disclosure. Key actions:

- Timely quarterly earnings, conference calls, and investor briefings.
- Transparent disclosures on risks, ESG metrics, and related-party transactions.
- Building a mature investor relations (IR) function.

Case Example – Zomato:
Post-IPO, Zomato professionalised its reporting by sharing detailed financials, cost structures, and unit economics—something rare for tech startups. This helped rebuild trust after initial volatility.

5. Robust Risk and Compliance Management
Risk exposure grows in scale and complexity after listing. Companies must:

- Implement enterprise risk management (ERM) systems.
- Regularly review and stress-test financial and operational risks.
- Build cyber, legal, and compliance capabilities internally.

Case Example – Dr. Reddy's Laboratories:
With its NYSE listing, Dr. Reddy's had to adopt global risk standards. It built internal systems aligned with U.S. and EU regulatory frameworks, ensuring continuity in compliance across markets.

The New Role of Key Board Committees
As companies professionalise, three committees become essential pillars of trust and accountability:

1. Audit Committee

- Oversees financial reporting, statutory audits, and internal controls.
- Ensures compliance with SEBI's listing obligations and accounting standards.
- Acts as a watchdog for financial discipline.

2. Risk Management Committee

- Identifies key strategic and operational risks.
- Assesses emerging risks (e.g., cyber, ESG, climate, geopolitical).
- Guides the company's risk appetite and mitigation frameworks.

Example: At HDFC Bank, the risk management function has played a key role in maintaining asset quality over decades.

3. Nomination and Remuneration Committee (NRC)

- Selects and evaluates board members and senior leadership.
- Reviews compensation policies in line with performance and peer benchmarks.
- Encourages gender and skill diversity on the board.

Example: Marico's NRC facilitated smooth succession planning and leadership grooming, allowing for continuity even after the promoter stepped back.

Why Some Companies Falter Post-IPO
Many startups and family-run businesses struggle post-IPO because they delay or resist professionalisation. Common pitfalls include:

- Retaining family control without accountability
- Lack of strategic clarity or scale readiness
- Weak leadership bench strength to initiate or trigger changes
- Old mind set of promoters, limited perspective, absence of firm resolve to initiate change and transformation
- Ineffective or symbolic boards
- Inadequate risk management as business complexity grows

Key Overarching Principles for Post-Listing Success:

- **Communication is Key**: Consistent, transparent, and timely communication with all stakeholders (investors, employees, customers, regulators) is paramount.
- **Long-Term Vision**: Shift from short-term, opportunistic decisions to a long-term strategic vision focused on sustainable growth and shareholder value.
- **Embrace Stakeholder Capitalism**: Recognize that a public company has responsibilities not just to shareholders, but also to employees, customers, suppliers, and the community.
- **Continuous Improvement**: The process of professionalization is ongoing. Regularly review and refine processes, policies, and structures.
- **Leverage External Expertise**: Don't hesitate to seek advice from consultants specializing in corporate governance, investor relations, HR, and legal matters.

This comprehensive approach will enable a promoter-driven company to successfully navigate the complexities of public listing and build a sustainable, professionally managed enterprise.

Role of independent Directors: IDs have a special role in helping their companies make swift transition to new order. It is not an easy task to move from comfort zone to a discomfort zone when promoters may feel psychologically unprepared except at the intent level. The nomination committee has a critical role to push the changes in the larger interest of the company. The NRC has to ensure right mix of competencies on the Board, a strong and professional HR function and systems based HR policies.

Conclusion: IPO Is the Beginning, Not the End

The IPO is a milestone—but the true test begins after. The market rewards not just vision but governance. Professionalisation is not about diluting the founder's legacy but institutionalising the DNA in a scalable, resilient way.

The responsibility is not merely to shareholders but to the entire stakeholder ecosystem—to build companies that last, learn, and lead.