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Roller Coaster Ride

Organizations envisage more profits in going public these days.

Employees also join this bandwagon expecting similar returns for their efforts. However, once the initial euphoria dies, employees realize that they are only brewing more trouble. According to the organizations that have gone public, IPO is a change initiative that changes their culture. Most employees might feel apprehensive and threatened by the initiative and it is essential for management to dispel such apprehensions.

Dispelling fears and thoughts

Going public could be a money-spinning venture for the entrepreneurs, but it is a roller coaster ride for the employees. The initiation might be thrilling but the process can get really tough. This results in low morale, high turnover and widespread absenteeism. The ultimate spin off? Unrealized human capital potential! A careful execution of the following three steps could help pacify employees.

Step 1: Spread the word

Since going public is a major change program, communication becomes an integral function. Organizations tend to ignore the simple HR issues' of an IPO and focus only on the financial nitty gritties. Communication is absent during the pre transaction period. Employees lose trust in the senior management and as a result, there is low morale and high turnover in organizations.

At a certain organization that was going public, employees who were granted stock options were initially unaware of how the organization was going to function. When the initiative failed to yield expected results and the organization's stock price plummeted, there was panic among the employees. The organization gave further stock options to bolster employee morale. When this did not work the business was sold at a price less than half the investment.

A similar situation was tackled differently by a manufacturing organization. The organization's HR department studied the IPO proposals of other organizations. Each member of the department was assigned to study the organization before and after IPO through Internet, news, company websites, committee reports and other government filings. The research focused on five important perspectives. They are:

- Business
- Investment analyst
- Market
- Employee
- Employee ownership

The studies conducted by the organization identified granting stock options as a key problem that organizations face during IPO. The manufacturing firm came up with an annual incentive plan-an alternative to stock options. The stocks were offered as a part of the organization's recognition program.

By doing so, HR seeks to 'negate' the negative effects of stock options to acquire higher performance from the employees. Open communication to employees regarding intended actions and their consequences, and preparing them for the same is the best method of encouraging better performance from the employees.

Step 2: Follow the 'outsider looking in' approach

Once the organization has prepared its employees for an uncertain future it must identify and analyze its future operations. It must set goals for the post IPO business once their pre-IPO objectives are met. The senior management should play an active role in evaluating the goal setting process through an 'outsider looking in' approach. The process entails evaluating the pre transaction performance, setting the post transaction objectives and communicating it across the organization.

The evaluation process involves five important elements:

- The post transaction objectives
- Ways to achieve the set objectives
- The stakeholder perspective of organization's success
- Strategy and behaviors to be displayed to achieve the objectives
- The obstacles in achieving the objectives and overcoming them

A multi-billion dollar organization pulled off the feat successfully. Analysts had written off the IPO initiative and predicted a one billion dollar debt. Unfazed by the predictions, the organization went ahead with the 'outsider looking in' approach systematically. The following year they implemented the strategies and focused on information sharing and gathering. As a result, debt reduced considerably, returns were higher than expected and stock prices were comparatively higher.

Step 3: Post transaction candor

Organizations going public should be candid about the initiative not only in the pre-transaction but also in the post-transaction period. Most organizations refuse to openly communicate for fear of losing employees, investors and customers. In actual fact, stakeholders would like to remain loyal to organizations that are open about the situation. Failure to do so could be one of the possible reasons of fluctuating stock prices.

Although organizations have no control over stock prices, employees tend to link it with the organization's success.

One senior executive in an organization tried explaining market fluctuations as a cause for stock price fluctuations in a memo to employees. However, the memo failed to include the course of action that the organization would resort to for solving the problem. Lack of complete information raised anxiety in the employees with dipping prices.

Most organizations conduct training sessions for their employees to give an overview on financial investments and on studying market situations. This step also encourages employees to view price fluctuations objectively.

Aspiring to survive

Organizations aspiring for IPO should have a clear direction of their business objectives before and after the IPO transaction. Communicating these objectives and the expected behaviors to achieve those objectives helps handle employees' anxiety. An organization wants nothing other than the continued support and trust of its workforce.