

PRACTICAL TOOLS TO

Mitigate the Short-Term Pressures of Public Markets

Public markets are an essential driver of wealth creation, innovation, and capital stability for high-performing companies. However, publicly listed companies often feel pressure to be short-term oriented. The best-managed companies both take advantage of the benefits public markets have to offer and maintain their long-term focus, often by employing the following tools. We hope these tools will help leaders of public companies thrive in pursuit of long-term value creation.



HAVE A WELL-DEFINED SHAREHOLDER STRATEGY SIMILAR TO A WELL-DEFINED CUSTOMER STRATEGY

Target long-term shareholders and seek to increase their presence in the shareholder base

- Analyze shareholder base by size, investment strategy, and holding period to understand which shareholders emphasize long-term value creation
- Recognize that the “investment community” includes shareholders with different timeframes as well as non-shareholders such as the media or sell-side analysts
- Allocate senior management time toward long-term shareholders
- Reward investor relations professionals for focus on long-term shareholders, rather than for activity more broadly

Avoid quarterly guidance by implementing long-term plans

- Eliminate or do not begin to issue quarterly guidance
- As a first step, provide a long-term roadmap with a 3-5 year time horizon, including:
 - Core drivers of growth and competitive advantages
 - Long-term objectives
 - Strategic plan
 - Capital allocation priorities
 - KPIs to track progress to plan

Encourage board-level engagement with shareholders and consider designating specific board members to engage with shareholders

Emphasize cumulative, year-to-date reporting in investor communications rather than comparisons of each quarter to the prior quarter or the same quarter of the prior year



BUILD A STRONG BOARD FOCUSED ON LONG-TERM VALUE CREATION

Adopt a clearly defined statement of the board's long-term goals and responsibilities

- For example, Amazon's statement of responsibility emphasizes “The Board of Directors is responsible for the control and direction of the Company. It represents and is accountable only to shareowners. The Board's primary purpose is to build long-term shareowner value.”⁷³

Make board diversity a priority

- Reflect the future of the organization rather than the past
- Pursue appropriate demographic mix (gender, age, geography)
- Recognize need for board members suited for both times of crisis and calm

Take a continuous approach to board director development and education

- Cultivate expertise in relevant disruptive technologies or business models related to long-term strategy
- Provide long-term training or development opportunities for board members

Treat the board as a strategic asset

- Dedicate staff for board members to leverage their time and expertise towards strategic work
- Focus the content of board materials on strategic issues and limit the length
- Allocate bulk of meeting time to discussing long-term business strategy, durable capital structure, talent development strategy and enterprise risk management



ENSURE AN ONGOING OWNERSHIP MINDSET

Lock up CEO stock-based compensation for 5-10 years including beyond term of service

Align board incentives with long-term shareholders through long-term stock ownership

- Offer a company matching program for director stock purchases to inspire additional stock ownership
- Implement a minimum holding requirement for awarded or match purchased shares