Chris Stone, Plural Chairman

Sitting Across the Divide: The Art of Chairing Public and Private Companies

Chris Stone is a plural Non-Executive Chairman with a portfolio spanning across the technology landscape, from SaaS to IoT. He spoke with GS-insight about his current commitments, his advice for succeeding as a Non-Executive, and the challenges of chairing private and public companies.

What Boards are you on currently?

I currently chair Idox which is a software provider to the public sector and NCC which is a cybersecurity business. Those are both publicly listed but I am also Chair at two private companies. First there's Compusoft which is a TA Associates portfolio business. We're a European market leader in the building, distribution and management of software for kitchen and bathroom designers. The business has grown very successfully with an incredibly dispersed team. The headquarters are in Norway but the CEO lives in the French countryside, the CTO is in Germany and the CFO in Norway, whilst the Head of Sales is based in the UK.

Secondly, I work with an early stage business called Everynet which is an Internet Of Things networking business. For Machine to Machine and IoT connectivity, you can use very low-end radio spectrum that sends tiny packets of data. Our software builds software-defined networks in that space. It allows customers to build a single physical network which they can subdivide and sell to multiple network operators who use it to run IoT connectivity, each on their own private subdivision. The technology was developed by teams in Finland and Russia and the sales team is based out of Miami where there are a lot of telecom tower companies. It's a founder-led business run out of London, whilst we're about to go through Series A funding.

What's good about having a mix of public and private companies is that the rhythms are different. Public companies always want a board meeting on the third week of every month, so diary management becomes critical then. Private businesses are less time sensitive, so I find time for meetings and talks with them at the beginning of the month. But I couldn't take on more than four companies, especially with the two public businesses.

How did you find the transition to becoming a Chairman?

It is quite tricky. In my first two Chair roles, I was younger than the Chief Executive which I took as a prompt to learn how not to be a CEO. I had to learn not to try and second guess or override operational decisions. I think I've managed that rather well but it was something I had to actively work on, to acknowledge that it's not my job to run all the business. It is my job to provide insight and to give early warnings. If I think somebody hasn't fully thought through all the outcomes of a decision, then I find ways to share my experience without taking over. It's an important part of the job that I'm getting better at.

At NCC however, I initially went in as Executive Chair because they'd been struggling with governance issues due to a huge amount of change in the business. As a result, I know the management team very well because for a time they all worked for me. I have a much closer working relationship there than I do, for example, at Idox where I've never sat and worked with the team for a few days or accompanied them to customer meetings, all of which I did in my first nine months at NCC.

The challenges can vary and learning how to become a good non-exec is a journey, it's not instantaneous. A person who taught me a lot about how to share my experiences in an encouraging way was Dave Hodgson, a Partner from General Atlantic, who was on the board when I was at Northgate. He would never tell us outright that something couldn't be done. Instead, he would always find a way of telling us what he had learnt from negative experiences. A lot of things are recurring stories across different businesses. He would never say, "We tried that at X, Y, Z, it never worked." He would always find a way of saying, "Do you know, when we tried that at X, Y, Z, here are the things we learned." That's a really important point. One of the values non-execs bring to a company is that they've made lots of mistakes. I always tell the teams I work with that I want to help them avoid making my mistakes so they can go out, be creative and find their own problems. You have to do that in a way that is supportive, not patronising or belittling.

Is there a difference in how you approach PE and public company roles?

There is a difference, largely because

of the extent of involvement from shareholders in public companies. In a PLC you have to often presume what they would want in a given situation. Whereas in private equity backed businesses, you can get more face to face interaction with the investors and simply ask them what they want. Governance is important in any business but when you have that arm's length from the stakeholders, you have to think a bit more about how to explain the decisions you make. For example, you might have to explain remittance and plans for bonus and options schemes, or about decisions as to where you may or may not be investing. You have to think, "what are the shareholders looking for from this investment?"

I commit time to go and talk to shareholders. I carve out a week each year for each business and tell the brokers to fill my diary with as many meetings as there are shareholders that want to meet me. I don't go into these meetings with any specific agenda but simply to say, "what do you think about this? What would you like the business to be focusing on? What would you like me to do?" You can't please everyone but at least I then know what everybody thinks. If I end up displeasing anyone, I can explain to them that the decision taken was that which the majority wanted.

What does the ideal PLC board look like?

When I first took over as the CEO of a public company my board had nobody from the technology industry on it. There was a nuclear engineer who at least was an engineer but that was it. That's completely changed over the last twenty years. There's now enough people around who've built careers focused specifically on technology who can look at a pack of KPIs and understand what activities they will require on an operational level. Today, you have to understand the specific challenges to a business in creating value. Of course, you want a general mix of skills on a board to some degree, but they've also got to know which levers to pull to generate value in a technology business.

Besides that, there a few obvious things a board needs to have. One is gender balance and diversity. Then ideally you should have two accountants who can chair and sit on the audit committee. The best Audit Chair I ever worked with was Sir Stephen Lander at Northgate. He had previously been Director General at MI5 and was brilliant, because he knew when people were fibbing or were not totally convinced of their position. He was superb at just reading body language and saying, "You don't really believe that, so I'm going to ask you that question again from another angle."

At NCC for example, we've assembled the board very carefully. Jonathan Brooks has great experience having started his non-exec career at Arm and then on numerous other boards. Chris Batterham also has been on a number of boards before, some of which have had their difficulties, whilst others are enjoying very high growth. His role at Blue Prism is very interesting as it gives him an understanding of how to manage rocket ship growth. We're a people business so we also have Jenny Duvalier who was Chief People Officer at Arm and lastly, I managed to persuade Mike Ettling to come and join us who has amazing cloud experience from SAP which is vital for us.

Do you think an IPO is the best exit route for tech companies and what is the best market to list on?

It depends. On NASDAQ for instance, big companies tend to do very well but there's also a lot of living dead companies on there which we don't hear so much about. If your business has a sub-billion-dollar market cap, then I don't think NASDAQ is the right place to be.

However, I don't think people can simply blame the market. A public company has got to do two things really well: it's got to explain to shareholders why the company is a good investment and then it's got to deliver on that promise. Usually, when businesses face difficulties with valuation it's because they've made a misstep on one of these two counts. The markets are currently really vicious when it comes to such missteps but they can also recover very quickly. The markets aren't fickle but they are thin, there just aren't a lot of people putting money into equity markets at the moment.

Do you have a framework for working with CEOs?

I really like businesses where I can take on a role coaching the CEO. But I've also got to be dispassionate and challenging. I'm currently working with a really interesting mix of CEOs. Adam Palser at NCC has held CEO roles of private businesses, but this is his first with a public company so I'm helping him with that transition. At Compusoft, David Tombre is a first time CEO. He's been with the business for a long time and knows it inside out, but they've recently been bought by Private Equity so that is a big change for him to work through as well. Lawrence Latham at Everynet meanwhile is very experienced and has worked in IoT for the past twenty years. My job there is just to help him with some of the bigger issues, to liaise with the shareholders and make sure the business is structured in the right way for us to grow. There's a considerable mix of situations which require different approaches.

Besides your packed portfolio, you also own a number of prize-winning Three-Day Eventing horses. Do you see any link between your business and equestrian pursuits?

We run the yard as a business but it's a loss-making business. We won a gold medal at the World Games in September last year and we've got six horses on the long-list for the European team, though there's no guarantee that any one of them will make it. The thing about horses is, it's 15% outright disaster, like one of them falling in the cross country at the weekend. Didn't even finish. 10% euphoria because, either, you win or the horse does better than you thought or it shows that it can do something that you didn't think it could do. Then the rest is just kind of vague disappointment where it's just, "Oh, could have gone a bit better than that." You've really got to enjoy the whole process.

Our mission statement is to win every gold medal between now and when my wife and I die. That's our mission. Now, will we get that? No. I'm realistic, but it is something to aim for!