BELIEVE IN UNICORNS, NOT THE HYPE

The lure of a $1 billion-plus valuation can entice startups to overpromise – with disastrous consequences, say Brunswick's AMANDA DUCKWORTH and ERIC SAVITZ

IN SILICON VALLEY, corporate communications has become an inadvertent accomplice in the maniacal push to create unicorns. Not the single-horned mythical beasts, but the northern California variety: venture capital-financed startups with private market valuations of over $1 billion. According to *The Economist*, there are more than 140 such companies.

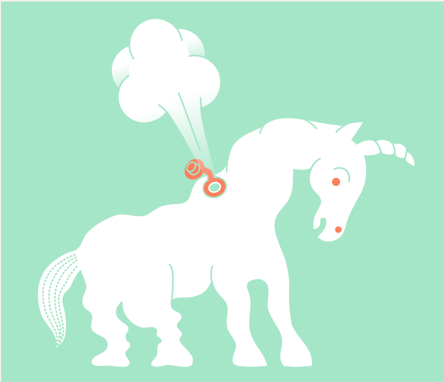
A backlash has emerged, dominated by the widespread conviction that many of them are wildly overvalued. Some have overstated their products' potential. Others have understated the risks they face, underestimated the competition, or underprepared for regulatory oversight. All of these mistakes carry consequences.

Those unicorns able to complete IPOs have done so at levels well below their pre-listing valuation. And there are indications that in their lust for a 10-digit valuation, startups are accepting investment terms favorable to venture capitalists at the expense of employees and early investors.

Many startups have gone down this road with the right goals in mind, including the recruitment of critical talent and driving growth to build market share and create formidable barriers to entry. New companies have to be decisive and show confidence in their products and future, or no one will be interested. But when you overpromise and underdeliver, the result can be lost jobs, damaged careers, financial pain and failed businesses.

The recent controversy around Theranos, a healthcare technology company, shows just how much is at risk. Early in 2015, investors were drooling at the prospect of an IPO by the California startup. Venture capital poured in and estimates valued the company at $9 billion, largely on the promise of a revolutionary blood test that only needed tiny amounts of blood. In October however, *The Wall Street Journal* published an article saying the company's proprietary testing techniques were usable in far fewer cases than its publicity implied. US Food and Drug Administration approval for some of the company's practices was denied, further damaging its reputation and jeopardizing critical partnerships with Walgreens and Safeway. In December, *Fortune*'s Alan Murray wrote, "If Theranos is ever going to make it out of the Unicorn forest, it needs to hold itself to a different standard."

Spectacular setbacks often involve questionable communications practices: hyperbolic press releases; a carelessness with the facts; the desire to create rock stars out of young CEOs; scorched earth take-downs of competitors; and disregard or even disdain for regulators. While it makes sense to inspire key audiences about innovation, too easily hope translates into hype. Here's how to stop that from happening:



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Stick to reality Trouble often begins with exaggerated narratives that have only a loose affiliation with the facts. Stay optimistic, but keep stories anchored in reality. Present a balanced picture of opportunity and risk, accompanied by real-world examples of product or service impact. If you face regulators, anticipate their concerns and pre-empt them. They can bring you to your knees if snubbed.

Play fair Winning doesn't mean everyone else has to lose. Smear campaigns can damage a young company's long-term reputation and make the battle for hearts and minds much harder to win. Communications can be determined and effective without stooping to mudslinging.

Less is more The CEO doesn't need to be everywhere. Show up at events with a specific purpose, not just to hobnob with the glitterati – or technorati. Companies should show off a deep bench of executives and avoid positioning the CEO as an irreplaceable superhero.

Relationships matter No one needs to read piles of press releases – and no one will. Instead, connect with key reporters and analysts, answer tough questions and build trust. Not every article will be favorable, but you will get better coverage in the long run.

Aspiring unicorns should resist the fantasy world of hype and come down to earth. Management wins when it underpromises and overdelivers, and investors reward companies that exceed expectations.

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