IS THE INFORMATION MORASS **UNDERMINING YOUR IR EFFORTS?**

IR teams need to unblock information flows, swiftly access the most relevant data, and unearth their company's most powerful stories.

BY REGINALD CASH

Speed kills. This is true in sports, in startups, and in tech. From Amazon to Facebook and Bezos to Zuckerberg, the formula is to move fast and break things – in a good way. The need for speed is also true in capital markets. Investors yearn for speed – from faster trade execution to speedier first-takes from the sell side. Investors want faster responses from investor relations officers as well. Responsiveness to investors is perennially mentioned as the key performance metric for IR when evaluated by the buy side.

Every IRO I've met wants to be fast, responsive, and communicative, but even most well-intentioned IR teams find those goals difficult to achieve. What's slowing the pace?

The culprit slowing investor relations is as pervasive as it is it is unlikely: information. More specifically, the time it takes IR officers to find the information they need. McKinsey & Company, analyzing data from International Data Corporation, estimates that knowledge workers, across industries, spend three out of every five days searching for, gathering, and distributing information. This could potentially amount to more than 600 hours that a single IR team spends each year searching for information.

For investor relations, the challenge is compounded by compliance and regulations, which increase the stakes for not only finding the information, but ensuring its accuracy and consistency with corporate messaging – before it is escalated to senior management and sent out to the market.

This entire information-gathering process is also taking place simultaneously with the pendulum swings of daily market volatility and the need for IR teams to be responsive to analyst and investors in response to market activity.

Justin Moisio, vice president of investor relations at Impac Mortgage Holdings, observes, "The development and sharing of quantitative results is a defined process at most companies, driven by accounting and finance departments with compliance as the main driver and offering investor relations people little opportunity for any kind of impact. The role investor relations can play is to add a narrative – defined and supported over many quarters of quantitative results – that brings the information to life and turns data into a coherent investment thesis."

Sadly, it's the most vital, qualitative, supportive information for such storytelling that gets bogged down – and sometimes even lost altogether – in the information morass.

The opportunity cost of those 600 hours per year an IR team might spend searching and gathering information – and often scrambling to do so – is high. For example, one of the truly pernicious effects of this inefficiency is a decreased level of investor engagement. If allocating an inordinate amount of time for such information gathering comes at the expense of an IR team's investor interactions, then problems increase exponentially.

To succeed, IR teams need to unblock information flows, swiftly tap into quantitative information, and unearth their company's most powerful – and frequently hidden – stories.

Here are some tactics that can improve information flow and responsiveness to investors:

Stir – Don't Shake – the Corporate Culture. The bedrock of timely information exchange is corporate culture. There aren't any rules, processes, or technology that can overcome a corporate culture where timely and free-flowing information isn't the norm.

It's very difficult to overcome people's natural desire to control information. Oftentimes, a culture of hoarding valuable information is subtly reinforced when lone wolf and hero behavior are rewarded with promotions and executive titles.

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Obviously, investor relations can't change an entire corporate culture on its own. However, when it comes to working with the most important information centers at a company, investor relations can establish a protocol of information exchange. Even the most ardent information bottleneckers are often willing to share information if they feel like there's something in it for them.

Investor relations can broker relationships with internal colleagues who only want to share advantageous information with the C-suite or direct-line managers by providing these colleagues with access to market information that – while not proprietary – is not being widely circulated within the company. By proactively sharing an analyst report or industry white paper that contains information that can help to amplify a potential source's function, value to the firm, and access is a powerful way to establish a channel for mutually beneficial information exchange.

Another behavioral tactic is to ask for someone's opinion on a subject, instead of asking for information directly. Sometimes simply changing the wording of the request from "Can you send me…." to "What do you think about...?" can dramatically improve responsiveness and quality of response.

When all else fails. network. Investor relations should be proactive in creating relationships based on information exchange. Sometimes doing so internally is just as necessary as it is with analysts and investors. Networking is low-tech and nothing new, but still incredibly effective. Information is often available to those with connections or access to informal networks throughout the organization. It's hard to overstate the value of social capital or equity that well-networked professionals bring to their organization. Sometimes proximity to just one individual is enough to foster entrée to these networks. For investor relations officers

LEVERAGING INFORMATION FOR BETTER MARKETING

Achieving better information flow across a company frees up time and also reveals content that can be used to more effectively market a company to investors.

IR Update checked in with Patrick Van de Wille, chief communications officer at InterDigital – a mid-cap mobile research-and-development company – on how he manages information flows, which enables InterDigital's investor relations, marketing, and public relations teams to leverage internal content more effectively across a broad spectrum of platforms and collateral materials.

Reginald Cash (RC): What's the role of "soft" properties (such as non-mandatory collateral materials) in your investor relations program and how do you use them to engage your investors?

Patrick Van de Wille (PV): A lot of people in our business like to think that investment decisions are primarily numbers-driven, but I don't think that's the case. In our daily life we routinely make financial decisions that balance financial sense with personal goals, self-image, or a need for self-expression. Investment professionals make those decisions, too; they pay more for a car because they like the styling or the ads, or they pay more for a watch that's only marginally better at telling the time. In investing, many, many decisions are driven not based on the pure metrics, but on whether someone believes "the story" – witness Tesla's growth as a stock! So at the top end, those "soft properties" – if they align with the information you're providing investors elsewhere – validate the story. At a minimum, they can be a strong differentiator if an investor is examining a number of investments that, based on screens, look similar.

RC: How do you ensure your communications department is in the information mix of the company, in order to create your "soft" properties?

PV: At InterDigital it's relatively straightforward because I run both investor relations and communications and have oversight over marketing. I strongly and teams housed in a satellite office location, the payoff of spending a few days or weeks on the "front line" is invaluable.

Lastly, if all else fails, consider tapping into hierarchy as your break-glass-in-case-of-emergency scenario for obtaining critical information. In the most challenging corporate environments, pulling rank might be the only means of establishing a protocol. In particularly large organizations, where people are in disparate offices and divisions without a lot of overlap, this might the most effective way to persuade employees to be more forthcoming with information.

Embed IR into the formal information flow. The most straightforward process solution to stalled information flows is to bring IR directly into the formal information flows of the company.

Investor relations departments that are embedded into the natural flow of information in and out of the c-suite have an advantage, versus those who rely primarily on second-hand information. Most IROs report directly to the CEO or CFO, but this alone is not enough.

It is critical to be included on monthly business-progress calls and other routine financial planning and analysis activities. This streamlines the flow of information and makes the need for the CFO or other finance manager to relay the information to investor relations redundant. If possible, investor relations shouldn't stop at just attending finance meetings. Attending strategy, business continuity, and other standing business update meetings can make investor relations feel more like a partner than a constant source of information demand.

The downside to this approach is that IR teams only benefit from the formalized information that's already widely shared and understood within the organization's top tiers. The real prize for investor

believe in the integration of the investor relations and communications departments at some level in the company. At companies where that isn't the case, I suggest holding recurring meetings anchored in peer respect and a spirit of collaboration, and even, if possible, physical proximity of offices to maximize informal interaction.

RC: How do you work within the organization to extract the insights necessary to drive your investor relations program?

PV: Since we're a research-and-development company, a lot of our "soft materials" need involvement from our engineering team. We have recurring weekly joint communications and marketing team meetings to ensure a pipeline of content, and we reach out to subject-matter experts internally. We also have an integrated public relations and content-marketing program, and that program drives a lot of the soft properties that anchor into our investor relations program and structures our interaction with internal subject-matter experts. Our communications, investor relations, and corporate marketing teams are really just one team.

RC: Are there additional best practices around information flows or investor engagement – which run contrary to traditional practices – that you would like to share?

PV: Just to be clear, the single most important aspect of investor relations is compliance – nothing is more important. That's why, even though I'm a very digital IRO, I nonetheless avoid any tools that increase our compliance risk, like Twitter or Facebook. But once you feel like you've got compliance effectively managed, I encourage people to understand that our role is sales: we're selling awareness and a positive understanding of our company. The more efficient we are at turning our corporate content into useful assets, the more effective our respective investor relations practices are going to be.

relations is to insert itself into the tacit information market that exists in every company. A deeply embedded investor relations team benefits from employee watercooler culture that happens outside formalized meetings. Casual business information is often where the *secret sauce* of any organization resides. Understanding the narrative of business process through this informal lens is often the difference between an average investor relations team and a great one.

Don't always pull information – train employees to push it too. The best way to establish the informal networks of information exchange is to ask these deep pockets of rich knowledge to come and explain the processes of both their business lines and their individual role in facilitating business. Asking an employee who doesn't normally have an opportunity to present such information outside of his or her corporate silo is a powerful way to tap into the corporate narrative.

For example, asking someone from the customer-service department to present to the investor relations team what a typical day looks like in his or her role will surely unearth aspects of the business that often go overlooked, but are powerful pieces of information for investor relations departments and investors to get a nuanced, grass-level view of business operations.

The benefits are twofold: Having someone present details about their business line, and role, to investor relations is a great way for the team to do a deep dive on a specific area of the business. Simultaneously, this information-exchange session will train the manager who has made a presentation about his or her department on just what type of information investor relations is most frequently interested in.

In his experience, Moisio noted, "These internal roadshows (as they are sometimes called) is a practice that codifies informal networks and facilitates information exchange. Investor relations should go to internal content experts proactively and clue them in on the type of information that's needed – and valuable. Oftentimes, managers aren't sure what type of content is relevant to investor relations – especially the qualitative kind. Assisting them can be helpful on both sides."

Companies that circulate information easily can change the investor relations paradigm from reacting to analyst and investor concerns to proactively shaping the conversation, by introducing thought-provoking corporate context on their organization.

Often companies build organizational awareness of investor relations by using IR as a training ground for managers and new employees. One of the perks of using investor relations as a rotational position is that a broad array of senior managers throughout the organization have exposure to and understand the importance of investor relations and can facilitate these natural avenues of information exchange.

Break down technological silos. Let's face it, even the best practices can be undermined by faulty technology. If IROs become silos of information themselves, then the task of democratizing information has just shifted from an organizational problem to a departmental one. The most basic information exchanged via emails can unintentionally end up trapped in inboxes. Especially in larger organizations the problem of intra-team communications that's overly reliant on email is a constant source of frustration.

Adopting technology that fosters true collaboration, where content experts can share what they find important about their businesses – and investor relations officers can share in real time the insights they've gleaned from the market – is the holy grail of information management.

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"Our goal in investor relations is to understand and complement an investor's decision-making process," Moisio says. "We are always conscious that when the right information is delivered to the right user – not only at the right specific time but also consistently over a long period – the outcome is an optimally informed decision-making process."

After all, the best kind of investor-analyst responsiveness is to give the answer before the question is even asked. How's that for speed?

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