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Depending on how they view their roles, company founders’ participation in IR can be a blessing or a bother.

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That was fast! I am surprised how quickly my time as NIRI Chairman has passed. Time does indeed fly when you are having fun. And that is one thing I love about the NIRI family – we help each other make a challenging, rewarding role fun. Fun while accomplishing quite a bit, which is what your organization has done over the past 12 months.

NIRI continues to be the global leader for the IR profession. The results of our recent member needs assessment survey reinforce that view and highlight the many reasons we choose to be members – outstanding community and networking, standards of practice, IR resources, educational programs, and IR research to name a few. Just under one-third of the membership responded to this comprehensive survey (thank you!), providing us with great feedback and insight into NIRI’s success in meeting your needs.

This member input, combined with the OneNIRI 2012-2015 strategic vision, positions NIRI to lead the continuing elevation and prominence of the investor relations profession and support you in your career and day-to-day efforts. Jeff Morgan and all the NIRI staff are doing a fantastic job of implementing the OneNIRI strategic plan at a brisk pace. You can follow all of the developments and accomplishments at www.niri.org/oneniri.

As I have mentioned many times in many forums, our members are what make NIRI so successful and such a special organization. We are fortunate to attract not only great people in general, but also the best of investor relations practitioners. It is overdue for us to start recognizing those individuals making significant contributions to the IR profession and leading by example. Now we have that opportunity with the launch of the NIRI Fellows Recognition Program. If you have not already done so, please go to the NIRI Fellows page (www.niri.org/fellows) to learn more and nominate a NIRI member who “epitomizes the leadership, integrity, involvement, and contributions of investor relations professionals.”

As I end my time as chairman, I am proud to be associated with this organization and of what we have accomplished together. I pass the chair role on to Hulus Alpay at Medidata Solutions Worldwide. I am confident that he, your outstanding board, Jeff Morgan, and all the staff are dedicated to, and eminently capable of, leading NIRI and the IR profession to new heights.

I would also like to recognize the other members of my board class who are finishing four years of commitment and service to NIRI and investor relations: Barbara Gasper, Nicole McIntosh, and David Prichard. They have provided great leadership and made significant contributions to our organization. NIRI is the great organization it is because of the passion and commitment of our member community. I am deeply honored to have served and hopefully give something back to an organization that has given so much to me. Thank you for the opportunity.

As we look to next year and all of the coming ups and downs we are sure to experience, I leave you with one final thought for life, an unattributed quote: “It doesn’t matter if the glass is half full or half empty. There is clearly room for more wine.”

Derek K. Cole
Chairman, NIRI
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Having a Founder at Your Side

Depending on how they view their roles, company founders’ participation in IR can be a blessing or a bother.

By Apryl Motley
“Still nuts after all these years.” This tattoo on Herb Kelleher’s arm was featured prominently on a 1996 book cover. While the co-founder, chairman emeritus, and former CEO of Southwest Airlines isn’t in the public eye as much these days, many consumers still associate Kelleher’s “craziness” with Southwest’s brand and business strategy.

Judging from the archives on the company’s IR website, during his tenure as CEO, Kelleher was an active participant in Southwest’s investor relations program. Did that help or hurt the company? It probably depends on who you ask, but Southwest paid its 144th consecutive dividend in September.

It may not go too far to suggest that leaders like Kelleher are iconic. Their image becomes synonymous with the company’s. When managing investor relations for companies with a strong founder presence, IROs must find ways to either leverage or downplay that presence depending upon how Street savvy he or she is.

“The beauty of having strong founder leaders is that generally they are visionaries and have a large stake in the company and thus can take a more long-term view of what’s necessary for the company’s success, which is what most investors want,” says Jeff Smith, director of investor relations for FedEx Corporation where founder Frederick W. Smith (no relation) has served as chairman, president, and CEO since 1971.

On the other hand, some IROs have worked in situations where the founder was not the best person to present the company to investors. “We tried to avoid putting him in front of investors,” says Peter Schuman, director of investor relations at Atmel Corporation since July 2010, about one company where he previously worked. “He was not savvy about the Street and often provided too much information. The CEO was a bit rogue and at times oversold the company to investors.”

When working under those kinds of conditions, Robert Pursel, director of investor relations at MagnaChip Semiconductor Corporation, says “all you can do is maintain your integrity and credibility. You have to let investors know that you’re doing your best to deliver their feedback to management.”

Ultimately, that’s the goal of any IRO. Here’s a closer look at how some of your colleagues have handled their relationships with strong founder leaders.

**Taking Stock**

In the best case scenario, the IRO can capitalize on the founder’s vision for the company as well as his or her ownership interest.

“Working with Delphi’s founder and CEO was great because he had a vision for the company of being a premier provider of employee benefits insurance products,” says Bernard J. Kilkelly, former vice president of investor relations at Delphi Financial Group. “He always operated on the basis that we would be a first-class company regardless of our size. His presence was always felt in terms of strategizing for the company.”

When Kilkelly joined Delphi 10 years ago, it was a smaller company in terms of revenue and market cap, and he was the first senior IR professional the company had. “At that time, our goals were to increase the number of analysts covering the company and broaden the investor base,” he notes. “The company had been public for 10 years, but hadn’t gained much traction in getting attention from analysts and investors.”
Kilkelly says he’s always had a strong working relationship with Delphi’s CEO and founder Robert Rosenkranz and welcomed his participation in IR. “His background was in the investment area more than in insurance, and he was very savvy in terms of what investors were looking for,” he recalls. “He could speak their language, and he did a good job of maintaining credibility. He wasn’t one to sugarcoat things, and investors respected that.”

Before the sale of the company to Tokio Marine Holdings in May, Rosenkranz was the largest shareholder in the company, which Kilkelly saw as a plus in communicating with investors. “Investors knew he would do what was best for all shareholders, and that his interest was in having the stock do well,” he says. “Because he had skin in the game, whenever he met with our largest shareholders, we were able to emphasize that he really was there to build shareholder value.”

At the same time, he acknowledges that with such a strong founder presence, “the challenge is making sure investors understand that there is a management team. Our CEO did a good job of building a team, especially in the last five years during which he named a president and chief operating officer and hired the company’s first chief financial officer.”

During his career as an IR consultant, Kilkelly saw companies where the founder had a hard time letting go: “Sometimes a founder thinks he or she can do it all, but you have to give talented people a chance to do their thing, especially as the company grows.”

Still, he says that while every company is different, it makes sense for IROs to highlight a founder’s role as a large shareholder in the company: “Emphasize that. Make it clear that he or she is acting in the best interest of all shareholders.”

**KEEPING FOUNDERS FOCUSED**

Here are some strategies IROs may want to consider employing to keep founders on track and make the most of their participation in IR.

**Stick to a script.** Provide them with messaging and keep reminding them to stay focused on that. “You have to keep them reined in,” says Atmel’s Peter Schuman. “If you don’t, investors will tell you to keep the founder away from the Street.” In addition, you don’t want founders to waste analysts’ time with discussion of personal interests or politics.

**Don’t put them into a position where they have to run the earnings call.** They don’t have to answer all the questions or host. “The IRO or CFO is still the host of the call,” FedEx’s Jeff Smith explains, “but the CEO/founder will open with some comments and then defer to other members of the management team. Ask the CEO/founder to discuss his or her strategic vision.” Overall, he says, “It’s key to make sure it’s a good experience for the CEO/founder.”

**Treat them as you would other shareholders.** “You have to make sure you’re serving the best interests of your CEO, but take into account that he or she is a large shareholder also,” advises Bernard Kilkelly. “IR is about serving shareholders, making sure they have all the information they need and are getting good customer service.”

“Make sure that you’re doing that with your CEOs too,” he continues. “Don’t take for granted that they know everything that is going on with the stock. When CEOs are not as Street savvy, they need more education about the market.”

**Staying on Script**

One of the primary challenges IROs may encounter when working with founders is getting them to stay on message.

Atmel’s Schuman has worked in situations where it would have been helpful to pre-record the founder’s prepared remarks for earnings calls and then go live for Q&A. “Some founders are not Street savvy or friendly,” he observes. “They don’t understand that they can’t do the same things at a public company as they did at a private company. It’s best to let founders work internally and run the business.

“At one company, I worked with founders and CEO who was not very coachable and frequently went off message,” Schuman continues. “And that’s where the problems start. He went off topic from the company’s strategy. In this situation it was preferable to have a strong IRO or CFO talk about the company, but it can be difficult to get founders to off-load those functions.”

If that’s the case, he suggests “easing the Street into the founder/CEO” by having founders present at Analyst Day: “Because they tend to present too much information, have them focus on the technical details of the company, and let others present the high-level overview of the company.”

Prior to Schuman’s tenure, the board of directors removed Atmel’s founder and former chairman and CEO George Perlegos from his position amid much controversy about actions he had taken that weren’t considered in the best interest of the company’s shareholders. The current president and CEO Steven Laub serves on Atmel’s board, and Schuman characterizes him as someone who knows the industry well.

“Our current CEO is very Street savvy,” he says. “He has the ability to understand the Street very well because he has a financial and legal background.”

“He has done a lot of restructuring and rebuilding trust, which has shown up in the
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financial results. We’re a more stable business that generates higher cash flows than in the past,” Schuman continues. “The founders fell in love with technology, but at the end of the day, this is a business. And we’re focused on running the company profitably.”

“I’m sure there are other cases where the founder is Street savvy and a good speaker,” he says. “If a founder is multidisciplined, the street will love it.”

Leading for Longevity

Such was the case with Fred Smith at FedEx. Through the years, he has become more involved in the company’s IR function. Smith still owns nearly 7 percent of the company, and while management’s interest is aligned with shareholder’s interest, the challenge is making sure the investor public is aware of this.

When Jeff Smith began his tenure at FedEx, the company’s IR function was much more reactive than it is today. The founder and CEO was not as active in IR. Currently, he is an active participant on all calls.

“The IR team encouraged his involvement,” Jeff Smith says. “He wasn’t ever opposed to being involved, but there was a sense that demand on his time for IR wasn’t the best use of his time overall.”

As the dynamics of the investment community and the company changed, Fred Smith knew he needed to be more involved in communicating with investors, according to Jeff Smith: “With our encouragement, he realized that he needed to take a more centralized role in representing the company and developing our messaging. During that time period, we completed a significant acquisition, UPS went public, and our sell-side coverage increased.”

The founder’s increased involvement was welcomed and considered an asset to the IR team. “The vast majority of investors want someone in leadership who is more focused on the long-term than the short-term,” Jeff Smith explains. “A significant CEO/owner should be able to provide that perspective and communicate that management is making decisions to benefit long-term shareholders.

“Our founder’s ownership level and longevity enhances our credibility with the Street,” he continues. “If the Street doesn’t believe you, you can’t be successful. Our CEO created this industry and has been at the helm for 40 years, which makes us more effective spokespeople for our company and the industry.”

He acknowledges that with Fred Smith being in his sixties, investors frequently ask about succession planning. The founder has addressed the issue internally and is very open to discussing it with investors.

“Leadership succession plans are periodically reviewed by the FedEx board, and the chairman and CEO requires that succession plans be in place throughout the company,” Jeff Smith explains. “He has always run the company in a team format with a strategic management committee of the company’s most senior executives.

“Over the last decade, he has been even more proactive in highlighting our bench strength,” he continues. “It’s not just he and the CFO participating on earnings calls, and he will pass around questions to other executives during the call to further highlight the company’s bench strength.”

Doing Damage Control

While FedEx Chairman and CEO Frederick W. Smith’s approach to both investor relations and leadership is admirable, things don’t always go that smoothly for IROs when working with company founders.

“When you work the IR function with a founder versus someone who came in through the board and became CEO, the founder tends to react less to analyst and investor feedback,” according to MagnaChip’s Robert Pursel. “The sense of urgency about having to respond is a little stronger for someone who is not a founder and did not create the company. That person feels more responsible.”

Pursel says of his brief tenure in IR at Atmel, “the founder wasn’t that Street savvy or comfortable interacting with investors. He felt more at home as an engineer.” For that reason, he says in some instances, IROs may want “to keep the founder in an executive advisor role and have him or her work the Street on a limited basis.

In his experience, non-founder CEOs and CFOs tend to be more Street savvy and not stuck on the attitude of “I founded the company, and I know what works best.”

“Founders can be more concerned about accommodating their own personal vision for the company versus being concerned about shareholders,” Pursel adds. “Working with founders can be challenging for IROs because “founders don’t tend to measure themselves based on what the Street thinks. Non-founders are more motivated to create shareholder value.”

In his experience, “when founders are involved in the IR function, the IRO tends to do more damage control and is just trying to cover all the bases to make sure the investor community is happy and satisfied.”

To that end, Pursel says it’s important that IROs communicate feedback from investors to founders regardless of whether it results in change: “You have to give them the news. Founders may or may not agree or change their behavior, but you still have to give them the news.”

Apryl Motley is a freelance writer based in Columbia, Maryland; amotley27@aol.com.
The founder's increased involvement in representing the company and developing that he needed to take a more centralized role in his time overall. During that time period, we were involved in the IR function, the IRO tends to accommodate their own personal vision and scroll over the green "Resource" box and clicking on "Publications." Members can access and download the document by visiting www.niri.org website development and more. To access the directory, visit the latest update on the services directory check out professional services available in IR.

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A highly charged political atmosphere in Washington, DC leaves many regulatory initiatives facing an uncertain future.

By Jeffrey D. Morgan
With the November elections behind us, it appears clear that the elections will not solve the hyper-political atmosphere in Washington. Congress remains divided and neither side of the aisle can claim a broad post-election mandate.

The United States faces myriad economic issues – not the least of which is the monumental budget deficit – that must be addressed and will only be resolved through cooperation by Democrats and Republicans.

Looming largest and soonest is the “fiscal cliff.” This is a combination of tax increases, expiring tax breaks, and “sequestration” – an across-the-board 10 percent federal budget cut – that will automatically occur in 2013 unless Congress acts to avert it. The independent, nonpartisan Congressional Budget Office believes the result will be a deep recession and unemployment back above 9 percent if Congress takes no action.

What will this mean for public companies and investor relations professionals? The most immediate considerations concern changes to capital gains and dividends tax policy. With both parties suggesting that tax rates for these must rise, it only remains to be seen by how much. Companies may consider (and shareholders may push for) special dividends prior to any tax change. Similarly, shareholders may make tax-driven decisions resulting in unusual volatility.

Regulation

Securities and Exchange Commission

There is some uncertainty about the effects of possible staff changes at the SEC. Turnover among the politically appointed commissioners and their staff is common at this point in the political cycle. What implications these changes may have on the Commission’s regulatory agenda is an open question. The remaining, already delayed, Dodd-Frank rulemaking will likely be pushed farther back, as well as the Jumpstart Our Business Startups (JOBS) Act, proxy mechanics, market stability initiatives, and others.

JOBS Act

Signed into law in April 2012, the primary purpose of the JOBS Act is to spur initial public offerings (IPOs) through several positive regulatory changes. It will take some time to determine if the changes in pre- and post-IPO regulations spur the market for new public offerings. Top among these modifications are changes for “Emerging Growth Companies” that benefit from Sarbanes-Oxley and Say-on-Pay exemptions, among other exclusions. Investment banks will also enjoy loosened regulatory restrictions on IPO equity research.

Other changes are focused on private companies and may have the somewhat opposite effect of incenting some companies to stay private. These changes include eliminating the prohibition on advertising certain private securities offerings; increasing the number of permissible shareholders in a private company (before having to report as a public company) from 500 to 2,000; and the inclusion of a new capital-raising method call “crowdfunding.”

It will be important for IR professionals to understand the JOBS Act changes, particularly for those in pre-IPO situations. The entire IR community will be watching the number of IPOs and we can hope that the JOBS Act changes will have a positive effect. However, my sense is there may also be a growing need for private company IR in the future, as these pre-IPO companies wrestle with the information demands of shareholder bases of 2,000 or more. This is an area NIRI will be watching closely in 2013.

Dodd-Frank

Only about one-third of the approximately 400 Dodd-Frank rules have been enacted by regulators since it was signed into law in 2010. There are several IR-noteworthy SEC actions expected in 2013.

The SEC is slated to report to Congress on its study of the costs and benefits of real-time short position reporting. The Commission is due to propose and adopt rules regarding disclosure of pay-performance, pay ratios, and hedging by employees and directors. It must propose and adopt rules regarding recovery of executive compensation “clawbacks.” The SEC owes a report to Congress on its study of the use and effects of compensation consultants. And it must adopt rules on trade reporting, data elements, and real-time public reporting for security-based swaps (related to better understanding beneficial ownership associated with “empty voting”).

We are now entering the third year of Say-on-Pay, and smaller reporting companies will be required to hold these votes for the first time. Most issuers continue to earn wide support on pay, thanks in part to greater engagement efforts by companies and their IR professionals. While some companies have faced opposition from proxy advisors and activists over pay, the good news is that this dissent has not translated into significant opposition against directors. It remains to be seen if activists will turn to proxy access or some other means to accomplish their ends. Proxy access permits major shareholders the right to make director nominations to compete with a company-nominated slate.

In August 2012, the SEC adopted a final rule to require companies to annually disclose their use of gold, tin, and other “conflict minerals” from the Democratic Republic of Congo and adjoining nations. The first reports, which would cover 2013,
will be due by May 31, 2014. The SEC also approved a new rule to require companies to disclose their payments to foreign governments for the commercial development of oil, gas, and other resources. This rule requires companies to provide disclosure for their first fiscal year that ends after September 30, 2013. Business groups have gone to court to block both mandates, so implementation likely will be delayed.

As required by Dodd-Frank, the national exchanges have proposed new listing standards for compensation committees and consultants. If approved by the SEC, the new standards would take effect by July 2013 and first apply to company meetings in 2014. In addition, issuers must comply with a related SEC requirement to disclose whether their compensation consultants raise any conflicts of interest, the nature of those conflicts, and how those conflicts are being addressed. This disclosure must be included in proxy materials for annual meetings after Jan. 1, 2013.

Proxy Mechanics
The SEC originally issued its “proxy plumbing” concept release in July 2010 to solicit comment on the accuracy and integrity of the U.S. shareholder voting system. Unfortunately, Dodd-Frank intervened, and this initiative has been sidelined. The SEC has recently indicated that it is again moving forward on parts of this area and we may yet see rulemaking in time for the 2013 proxy season. In any event, issuers will likely be happy with some, but not all, of the result.

Expect a new 2013 proxy fee regime (subject to SEC approval) based on the recommendations of the Proxy Fee Advisory Committee (PFAC), formed by the New York Stock Exchange. Overall fees will likely fall, but some smaller issuers may see them rise. Notable are recommendations to allow issuers to stratify their NOBO (Non-Objecting Beneficial Owners) lists in order to obtain just a portion of the list, and a proposed incentive for brokers to integrate proxy voting through their online retail account platforms to encourage proxy voting. Complete PFAC recommendations are available on the committee’s website: http://usequities.nyse.com/listings/list-with-nyse/proxy.

Proxy Advisors
An SEC “interpretive release” on the role of proxy advisors is also expected in 2013. An interpretive release is one venue for the Commission to provide guidance and its views and interpretations of the federal securities laws and SEC regulations. In this case, it would be to help define the role and legal status of proxy advisory firms, as well as address issuer concerns regarding conflicts of interest and lack of accuracy and transparency in formulating voting recommendations. Expect an outcome similar to changes in proxy mechanics in that we will likely take several positive steps forward, but issuers will not be completely satisfied.

Shareholder Transparency
The IR community has long understood that 13D and 13F filings are woefully inadequate as the primary shareholder ownership identification tools. There is a growing chorus calling for more and better shareholder communication which is, in turn, providing growing support for reform in this area. As IR knows too well, we attempt to know who our shareholder base is, but sometimes we might be communicating with an assumed shareholder who recently sold his or her stake. It is situations like this that create a disservice to all other legitimate shareholders and point to a need for better shareholder identification as part of the process of improving shareholder communication.

Market Stability
The SEC, exchanges, and market participants are all actively seeking fixes to the market “hiccups” that we periodically experience. Expect the SEC to continue exploring regulatory changes in order to reduce periods of extreme volatility. In 2013 we will see some changes to circuit breaker regimes and likely the implementation of an automated “kill switch” as added protection against some market glitches.

International Financial Reporting Standards (IFRS)
The current SEC doesn’t seem interested in mandating an IFRS regime, but the FASB and other global accounting bodies continue to push forward toward international accounting standards.

IR at the Table
Many of these topics are included in NIRI’s financial regulatory reform agenda (www.niri.org/ReformIssues). The Advocacy Committee of the NIRI Board of Directors has met with the SEC staff annually over the last five years to discuss these and other issues important to the investor relations profession. And the head of the SEC Division of Corporation Finance has been a regular participant at recent NIRI annual conferences.

You can be sure NIRI is actively representing your voice at the regulatory table, and NIRI will continue to closely monitor developments in these areas bringing you timely and relevant updates. Please don’t hesitate to contact me, the NIRI Board, or staff with any questions or comments.

Jeffrey D. Morgan is NIRI president/CEO and publisher; jmorgan@niri.org.

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HELP WANTED

IRO With Financial Acumen

Do Wall Streeters have the required skills for IRO positions? **Not necessarily.**

By Margo Vanover Porter
It’s true: Wall Streeters really are flooding the IR profession with applications. Fortunately, at least for IROs already inside this suddenly hot occupation, not many Wall Street types are landing top spots, according to recruiters.

“There’s definitely a tremendous interest in the IR profession from the sell side,” says Pepper Binner, president and founder, PLB Search LLC. “It used to be that IR was a job that sell siders would never consider. It’s very funny how times have changed. The instability and consolidation of the sell side have led to many displaced—or at-risk—analysts. All of a sudden, the IR job looks pretty damn good.”

The reality, Binner reports, is that a company is unlikely to hire directly into the top investor relations position a sitting sell-side analyst or a recently displaced sell-side analyst who does not possess relevant IR experience. “Most sell siders believe very strongly they could do the IR job with their eyes closed, but they don’t understand the nuances of being a corporate investor relations officer,” she says. “There is a learning curve that they don’t appreciate. CFOs and CEOs are aware of that and want somebody with IR experience.”

Smooch Repovich Reynolds, managing partner/investor relations, communications, marketing practice group, The Caldwell Partners International, has also noticed an uptick in Wall Street resumes coming her way. “I think half of Wall Street has my cell-phone number because every morning when I’m commuting I get a call from analysts about that transition.”

A Recurring Trend

This trend comes as no surprise to Reynolds. “Every time there is a recession in this country, there is an increase in the number of Wall Street analysts and securities lawyers who want to make the transition to the corporate world,” she says. “That has peaks and valleys just like the economy. Right now, two aspects are prompting that trend. One is the U.S. economy. The second is the change in the analyst’s compensation structure. The compensation is not as lucrative so they’re seeking alternatives. After 15 or 20 years, they want to wear a different pair of shoes.”

Whether those shoes fit is another matter, she says. “Because they haven’t been on the corporate side in an IR department, a whole piece of what an IRO does is missing.”

She says. “They only know IR from the standpoint of being a recipient of an IRO’s behavior and documentation. What they haven’t done is advise the CEO why he or she said the wrong thing on a call. What I say to Wall Street analysts is ‘Listen. It is a rare moment that a Wall Street analyst is hired into the top IRO job, especially at a Fortune 500 company.’ ”

However, the hiring picture suddenly changes if the sell-side analyst can show an IR history, Binner says. “A candidate who has been a sell sider earlier in his or her career and has some IR experience looks very attractive for a top IR job,” she says.

Judith Cushman, president, Judith Cushman & Associates, concurs, although somewhat reluctantly. “There is a certain cache when you can say, ‘We’ve hired so-and-so from Wall Street,’ ” she says. “It lends a certain amount of appeal and credibility to the IR function.” She has met senior-level executives who see “sell-side analyst” on a resume and think, “That’s exactly what we need because we have to be right on the mark in how we present our story.”

In her opinion, this strategy can be somewhat reckless because Wall Street professionals don’t always fit comfortably into the corporate structure. “Frankly, when corporations are looking for a head of IR that is a very risky approach,” she concludes.

Forging a New Pathway

Reynolds, who has been in executive search for 25 years, observes that the traditional pathway to top investor relations spots has altered dramatically. “In the last

“… the demands that both Wall Street and management teams have of an IRO require more finance background.”

– Smooch Repovich Reynolds, managing partner/investor relations, communications, marketing practice group, The Caldwell Partners International
an IRO require more finance background," she explains. “Some days it seems to me you almost have to be an economist to be a great IRO just because the capital markets have changed so much.”

NIRI research supports this theory. According to the NIRI member database, in 1990, the professional background of new NIRI members could be traced to three top categories, with finance capturing 26 percent, corporate communications 21 percent, and accounting 10 percent. In 2012, those percentages had subtly shifted with finance moving up to 30 percent, accounting capturing second place with 12 percent, and corporate communications dropping down to 11 percent.

“Historically, the profession had a lot more executives with a corporate communications background,” Binner says. “In the last three to five years, there’s been a greater shift toward the IRO being regarded as a financial officer. Their pathway may involve a CFA, MBA, and time as an analyst, either sell side or buy side, at some time in their career. Companies are looking for exceptionally strong financial acumen, first and foremost.”

She thinks the financial background has become a prerequisite for multilayered reasons, including market volatility, the changing structure of trades, and the emergence of Exchange-Traded Funds. “In a volatile stock market, companies are highly regulated and closely scrutinized,” she says. “All of those things contribute to why IROs need to have a complete command of the financial side.”

In her conversations with CFOs, Cushman says she usually hears a similar refrain: ‘I need someone who understands how to do the analytical work and can talk to investors.’ “CFOs are looking for a skill set that is quite specific,” Cushman says. “They are very clear. They want analytical MBAs. If you look at the classical IRO job, it’s dealing with
KEY SKILL SETS FOR IROS

IN ADDITION TO financial wizardry, communication skills, and solid investor relations experience, recruiters identify three must-have characteristics for new IRO hires:

**Good judgment.** “The work that you do as an IRO is 95 percent about judgment,” says Smooch Reynolds, managing partner/investor relations, communications, marketing practice group, The Caldwell Partners International. “The technical skills for doing an earnings release quarterly are pretty pedestrian. There’s a very fine line that an IRO walks between adhering to disclosure rules and marketing a company, and that’s judgment. It’s the words you choose and how you articulate yourself.”

**Foresight.** CFOs are searching for a corporate athlete, Reynolds says. “It’s the gravitas and savvy that comes from being an excellent listener, hearing the drumbeat before it’s at the doorstep, and anticipating the needs of the CEO, CFO, management team, and board on issues that may be coming down the pike.”

**Executive presence.** “They’re looking for confidence, for someone who can tell a compelling narrative and get people interested in the company and stock,” says Pepper Binner, president and founder, PLB Search LLC. “You need to be highly credible with the analyst and investment community, such that there isn’t a question that you can’t answer that the CFO could. It’s really a stand-in, if you will, from an operational and financial perspective for the CFO.”

analysts and queries from the public. They want people who can handle reporting, financial disclosures, and quarterly releases. They want to see a resume where they can check off those data points.” The model candidate, according to Binner, depends on the company. “Every company has its own criteria. Common themes are exceptional financial acumen, with both left-brain and right-brain capacities so the person can seamlessly switch from details and technical elements to sales and marketing and relationship building. Ultimately, you’re looking for someone who has a really strong understanding of reputation management—a strategic advisor who sees around corners, anticipates challenges, and has the ear of the CFO and CEO.”

**Advice for Job Seekers**

For those in the job market, get ready to gear up because competition is intense. “People are coming from nontraditional pathways, including the Wall Street side,” Cushman says. “Because of the economy, there is a decline in growth opportunities. I’m not saying there aren’t jobs to be had, but it’s not an expansive market right now. The decline in other sectors is forcing people to look at IR as a new direction. The whole picture is highly competitive.”

So how can you stand out in this crowded field? Recruiters offer this advice:

**Be prepared.** “When interviewing for a position, you have to do extraordinarily deep and thorough research and be able to develop a dialogue with the client that sends a clear message of ‘This is what I know about your company and its challenges, and my expertise is appropriate because I know how to solve these problems for you,’” Cushman says. “This is not a matter of putting together a resume. This is developing smart, in-depth research and then letting the client know. You can’t be lazy. It takes a lot of time and energy to do the homework.”

Reynolds thinks you can gain a leg up if you also conduct research on the backgrounds of the people with whom you are interviewing. “Identify something you have in common, whether it’s college, a company, or an anecdote about a piece of business,” she advises. “That way, in your interview, you can be armed with two or three business case histories or anecdotes that will demonstrate your ability. With the Internet, it is inexcusable for people not to be well-informed when walking into an interview.”

She cites the example of a search she conducted earlier in the year for a retail client. “Almost all of the clients I put forward were out of the retail industry because that was the client’s expectation,” she recalls. “All of those people had access to research reports about the company they were going to interview with. Out of the five candidates, it was painfully obvious during the first round of interviews that two didn’t really know a whole lot about the company. Why would you do that yourself?”

**Embrace social media.** “Find ways to use social media to tell the financial story,” Cushman says. “Use the new tools you have at your disposal. The trend I see right now is the incredible broadening of how a story has to be told about the valuation of a company.”

**Get certified.** “Ten years ago, if you were corporate communications and you got an MBA, that was unique,” Binner reports. Nowadays, she believes an MBA has become so commonplace that it won’t push your resume to the top of the pile. “The CFA is becoming much more of a differentiator,” she claims. “Getting a CFA is challenging and will bring a level of comfort to hiring managers that you have technical goods they are looking for.”

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Communicating in a Crisis

Know the steps to take when dealing with a crisis.

“If you don’t have a crisis plan, build one,” said Mark Donohue, senior director of investor relations and corporate communications at Impax Laboratories. He, along with moderator Frederick Bermudez, senior manager of public relations and communications at Sandia National Laboratories, participated on an October 2012 NIRI-sponsored webinar entitled, “Media Part III: IR’s Role in Crisis Communications.”

When Donohue first arrived at his current position, no crisis plan was in place. He went about creating one by identifying possible crisis scenarios that could engulf his company. He worked with an outside agency to develop press releases and talking points around each scenario. He shared them with his executive team. Now, they review it on a quarterly basis. Donohue recommends that others develop plans for crisis events as well. This includes defining the crisis team and frequently reviewing and updating the plans as well as ensuring that everyone has access to it.

One Step at a Time

“Crisis management is a process,” Bermudez said. “Putting together a crisis plan can be a very daunting task, but take a step back and look at what are your guiding principles.” Look at examples of companies that handled crises well and what principles you can adapt for your own plan. Other recommended steps:

• Create a road map of how you will respond.
• Identify key spokespersons.
• Select your messages and how often they will be communicated.
• Determine which media platforms you will use.
• Determine who will make key decisions.

When a crisis hits, Bermudez recommends getting into a reporting mode by gathering facts and deciphering the information before answering phone calls. Just because you do not have all the information to share does not mean you cannot communicate a statement. According to Bermudez, you can say, “This is what we know. This incident occurred and this is all we know. However, we’re committed to regroup this press conference or hold another conference call or provide you with more information at X period of time.”

Stay Credible

Donohue, who in his IR career has experienced crises that include two unexpected takeovers at S&P 500 companies, governance issues, stock delisting, and FDA manufacturing warning letters, recommends never compromising your credibility or honesty. He also credits his strong relationships with Wall Street in helping him through some of these crises.

According to Bermudez, honesty, accountability, and timeliness are the three keys to crisis management. Social media has added another layer of complexity to handling a crisis situation. An executive can post to Facebook or YouTube and create a crisis. The time to engage social media is before a crisis hits. “You cannot respond to a social media crisis if you’re not already involved in that realm,” Bermudez said.

It may seem risky to engage social media, but the digital space can offer companies opportunities to quickly respond to crises and engage stakeholders. Companies can harness social media to their advantage. For instance, a re-tweet from a media outlet can add credibility to your message.

Sending executives to media training long before a crisis hits is another good idea. The investor relations officer should identify the appropriate executives to deliver messages during a crisis. Some executives love the limelight, but have no ability to articulate the message. Others are natural and great at speaking to the media. Bermudez recommends staying positive and honest during a crisis. Have three message points and always assume a recording device is on and working when dealing with the media.

For more information about future webinars, please visit www.niri.org/webinars.

Contributed by Tammy K. Dang, manager, professional development at NIRI, tdang@niri.org.
NIRI Elects Hulus Alpay Chairman

THE NATIONAL INVESTOR RELATIONS INSTITUTE has elected Hulus Alpay as the 2013 NIRI Board Chairman. Alpay is vice president, investor relations, for Medidata Solutions. He succeeded Derek Cole, vice president, investor relations and corporate communications, ARCA biopharma, at the NIRI Annual Meeting of members in late November.

“I am pleased that Hulus Alpay will be our 2013 NIRI Board Chairman,” said Jeffrey D. Morgan, NIRI president and chief executive officer. “Hulus brings a tremendous depth of investor relations profession knowledge through his varied experiences as an IR products and services consultant, IR counselor, and as a corporate IR professional.

“I am deeply honored to accept this important leadership role at an association that has been so vitally important not only to my own career but to countless others,” said Alpay. “Given the unique and valuable role of the investor relations professional, I look forward to helping our members successfully navigate change, drive awareness of the profession’s importance in the modern corporation, and, in turn, fuel their own professional success.

‘Additional areas of focus during my tenure will include international membership growth, deepening the industry’s knowledge around the continued evolution of the global capital markets and its impact on the U.S. IPO market, and most importantly, inspiring the best and brightest to look at the profession as an exciting area for professional growth and opportunity.’

Alpay has more than two decades of investor relations, financial media relations, capital markets, investment research, and management experience. He has provided strategic financial communication counsel to C-suite corporate executives and board members on a number of issues including the Sarbanes-Oxley Act, corporate governance, Regulation FD, management of investor perceptions and expectations, and a myriad of crisis situations.

Programs he has overseen have efficiently utilized valuable corporate time and resources to enhance each organization’s ability to compete for and attract new capital. Alpay has orchestrated many award-winning investment community marketing and financial media awareness communication programs that have paved the way for successful public offerings and other capital formation efforts.

He has worked for a number of investor relations, global shareholder research, and related advisory services firms. He has also held several research positions with Merrill Lynch Asset Management and the former Chairman of the New York Mercantile Exchange. Alpay began his career as a legislative aide for the State of Connecticut.

He is an active member of the New York Society of Security Analysts and the CFA Institute. Alpay also served as president and board member of the New York chapter. He is a graduate of the University of Hartford and was awarded an MBA by Monmouth University.

On the Move

Allison Wey has been named vice president of investor relations and public affairs at Durata Therapeutics. She has more than 25 years of experience in investor relations, financial communication, and corporate communication. Wey was previously senior vice president at Edelman Financial Worldwide; managing director, Financial Communications Group, Hill and Knowlton; director of aftermarket services, Equity Capital Markets at Bear, Stearns & Co.; and trading floor reporter for the American Stock Exchange.

Jay Roueche has been named vice president, treasurer and investor relations, for Flowserv Corporation. Most recently, Jay Roueche served as vice president, treasurer and investor relations, for McDermott International, and previously held finance positions at Pennzoil-Quaker State Company, Pennzoil Company, Rockport Resources Capital Corporation and Shell Oil Company.

Don De Laria has been named vice president, investor relations & communications for Zep, a company that produces and markets cleaning and maintenance solutions. He has more than 20 years of IR experience and was most recently managing director at Loyal3 Holdings.

Andy Milevoj has been promoted to vice president, investor relations at Barnes & Noble. He joined the company’s finance department in August 1998, and over the years has held roles of increasing responsibility including, most recently, director, investor relations.

Please send "On the Move" announcements to IR Update Editor-in-Chief Al Rickard at arickard@associationvision.com.
eGroups Buzz
NIRI’s member-only eGroups are popular with IROs eager to seek input from peers about current issues. Members value eGroups for the ability to interact candidly and in real time. Here are excerpts from a recent discussion on hiring sell-side firms to schedule visits with European investors:

**Subject:** European Investor Visits – Hosting

**Question:** Does anyone know where to find information on which sell-side firms take companies to Europe the most for investor visits? We’re looking for a way to differentiate between the firms and to get better insight into their capabilities and access levels.

– Senior Manager, Investor Relations

YOU MIGHT WANT to consider pan-European firms with an equity sales presence in the United States. Look at who covers your European peer group – that should also give you an idea about where to look.  
– President, European investor relations firm

WE HAVE USED three different sell-side firms in Europe with mixed results. A smaller firm actually produced the best meetings in all of the cities that we visited. The success with the other two firms was sales-force dependent and varied with the city.

– Director, Investor Relations

DEFINITELY USE AN independent firm if you can afford it . . . [Those firms have provided us] detailed follow-up, including a written report with verbatim comments from almost all of the investors with whom we’ve met. On the other hand, if you’re trying to build or strengthen relationships with a particular sell-side firm, this is a great perk to offer them. The bigger firms have a lot of advantages here, including video networks that will allow you to “meet” with more-remote institutions, rather than fly into Oslo, say, for a single meeting.

– Principal, IR advisory firm

IF YOU ARE bringing your CEO and/or CFO along as well, you will want to plan your trip to best use their time. In one week you can maximize their time and effort by focusing on a few cities as opposed to trying to do a whirlwind tour of Europe. Focus on London, Paris, Frankfurt, Zurich, and you hit 75 percent of the European assets-under-management universe . . . The brokers all do a good job but you may want to go with the one who has the best local knowledge . . . In all cases, you will have to impose your investor selection on brokers or they will try and skew your meetings toward their clients. You can do this with an outside advisor, or if you are cost-conscious, you can handle internally.  
– Senior Vice President/IRO

NIRI SEC Visit Reported in IR Today
WATCH THE LATEST IR Today for a special report from NIRI Board member Mary Beth Kissane, principal, Walek & Associates, and Jeff Morgan, NIRI president/CEO. The video reports on the NIRI Board’s recent visit with the Securities and Exchange Commission to discuss key investor relations issues. View the video at http://www.youtube.com/NIRINational.

Professional Development Calendar
For program information and registration, visit www.niri.org/calendar.

December 2012
4 Sponsor, Exhibitor & Advertiser Lunch, New York, NY
13 What’s Coming in 2013? webinar

January 2013
6-9 Fundamentals of IR seminar, Santa Monica, CA
10 Regulations 101 seminar, Santa Monica, CA
11 Writing Workshop for IR, Santa Monica, CA
14-15 Finance Essentials for Energy IR seminar, Houston, TX

June 2013
8 Pre-Conference seminars, Hollywood, FL
9-12 NIRI Annual Conference, Hollywood, FL

Nominate a Member as a NIRI Fellow
IS SOMEONE YOU know a luminary of the investor relations community? Be sure to visit www.niri.org/fellows to nominate a NIRI Fellow. The deadline for nominations for the 2013 class of NIRI Fellows is December 31, 2012.
Taking a Closer Look at Stock Surveillance

How monitoring services can help IROs.

Nearly 2,000 publicly traded U.S. corporations use some form of stock surveillance, from the largest firms to small-cap companies, says John Vogt, vice president of investor analytics for The NASDAQ OMX Group.

Vogt recently addressed members of the Central Ohio chapter on the topic of stock surveillance, through which institutional buying and selling of a company’s shares is identified on a timely basis.

“A dedicated analyst acts as your company’s eyes and ears on the Street,” he pointed out. Surveillance can keep a company apprised of unusual trading activity, market-moving developments, and news flow, as well as activity in peer stocks. It helps IROs explain the factors driving stock price and volume to both internal and external constituencies. And it can help suggest potential new investors.

A Leg Up

“As providers of stock surveillance services, we want to help you engage investors on their way into, or out of, your stock,” Vogt said. While some clients request reports from their surveillance provider monthly or weekly, he noted, others may touch base a few times a day.

Stock surveillance began in the 1980s in response to the hostile mergers-and-acquisition environment at that time and was first practiced by proxy advisory firms. During the 1990s, it became more focused on continual monitoring of the shareholder base and evolved into a daily tool for IROs, Vogt observed.

He said the practice supports IR efforts by:

• Helping IROs understand what types of investors are buying and selling their stock, and whether that activity is likely to continue.
• Allowing IROs to contact investors to better understand why they are buying or selling. (“If a seller is selling based on a misperception, perhaps you can stop it,” Vogt said.)
• Monitoring trading and settlement activity for large accumulations of stock.
• Highlighting trading by activist investors.
• Helping IROs answer questions from management or others about “what is going on with our stock?”

How is stock surveillance performed? A variety of public and private data sources are used and all available information is synthesized on an ongoing basis, according to Vogt. Public information is drawn from Securities and Exchange Commission filings and institutional disclosures. Information available only to issuing companies and their agents, including Depository Trust Company reports and NOBO (Non-Objecting Beneficial Owners) lists, are scrutinized closely by surveillance analysts. Proprietary databases detail custodial relationships for institutionally managed accounts. News services, research reports, and various subscription services also are mined for pertinent material.

Understand the Limitations

Vogt cautioned that the information provided to companies should be considered “intelligence rather than data” because the accuracy of the information, and its original source, cannot always be verified. The experience and methodology of the surveillance analyst also has a bearing on the quality of information provided.

While identification of short sellers is not possible due to regulatory action prohibiting release of short-sales data to the public, Vogt said an analyst “should be able to tell you when your stock is being shorted.

“Even in this age of high-frequency trading and algorithms populating the trading environment, the share of volume represented by institutional managers has been on a slight upswing the past couple of years and now totals about 22 percent of daily volume,” Vogt concluded. “The importance of identifying and communicating with institutional investors, the key constituency for IR, remains as strong as ever. The importance of the IR function and the IRO has not diminished.”

Contributed by David Hagelin, principal communications consultant, American Electric Power Company, Columbus, Ohio, dmhagelin@AEP.com.
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