

IRupdate

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CORPORATE RIGHT TO FREE SPEECH?



Former SEC
Commissioner
Paul Atkins
provides opinion.



4 Launching
OneNIRI 2.0

10 Teamed Up and
Ready to Go

18 How to Communicate
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About NIRI

Founded in 1969, the National Investor Relations Institute (www.niri.org) is the professional association of corporate officers and investor relations consultants responsible for communication among corporate management, shareholders, securities analysts and other financial community constituents. NIRI is the largest professional investor relations association in the world, with more than 3,300 members representing over 1,600 publicly held companies and \$9 trillion in stock market capitalization. NIRI is dedicated to advancing the practice of investor relations and the professional competency and stature of its members.

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6

Corporate Right to Free Speech?

Former SEC Commissioner Paul Atkins provides opinion.



10

Teamed Up and Ready to Go

Developing a top-notch, multimember IR team takes leadership, commitment, and flexibility.

By Apryl Motley



14

Tackling IR in the Oil and Gas Sector

Gearing up for the next big thing in a volatile industry.

By Alexandra Walsh

DEPARTMENTS

4 At the Bell

Launching OneNIRI 2.0

By Jeffrey D. Morgan

18 Webinar Report

How to Communicate During a Company Crisis

Learn how the experts prepare and deal with crisis situations.

By Tammy K. Dang

20 NIRI Now

- Members in Transition
- Respect Our Community at the June 2014 Annual Conference
- IR Research at a Glance
- Quick Takes
- Professional Development Calendar

22 Chapter Spotlight

What's At Stake: Insights into Federal Finances

By Jennifer Almquist

Launching OneNIRI 2.0

It wasn't long ago when NIRI, with input from more than 600 members, developed the OneNIRI strategic plan charting the direction of our organization at the chapter and national levels for the years 2012-2015. But it is now time to start envisioning our future for the period 2015-2017.

The OneNIRI vision included: consideration of new membership options, development of new chapter-support functionality, increasing NIRI's global outreach, evaluation of an IR certification program, and updating our website to meet the needs of today's computer, tablet, and smartphone-equipped members.

As we fast forward to 2014, much of the OneNIRI plan is well under way or accomplished. However, as this plan is a work in progress, the principle focus areas will carry us into 2017. We have implemented new membership options, increased functionality for chapter support, and begun a global outreach program.

In 2014, we continue the development of an IR certification program and will begin constructing a new NIRI website. So while it is time for NIRI to develop a new strategic plan to carry us into 2017, many of the basic elements will remain as we work toward continuous improvement and increased benefits for you, the NIRI member.

Get Involved in the Process

Our next plan will be an updated version of OneNIRI, or what we have dubbed "OneNIRI 2.0." Key to the plan will be launching NIRI's IR certification program and a new website, as well as continuing to expand our global outreach and chapter support. Additional priorities will also be included, and member input will be critical to the process.

Over the next few weeks, we will invite you to participate in the 2014 Member Needs Survey to gather your views about how you value and use chapter and national benefits. Your responses will help frame some of the issues for discussion at an upcoming chapter/national leadership summit during the NIRI 2014 Annual Conference in June. These discussions will lead to the development of OneNIRI 2.0 in the latter part of the year.

Thank you, in advance, for completing the 2014 Member Needs Survey as your voice is vital. NIRI is a member-owned organization and the NIRI Board and I want your views of what the NIRI of the next few years will look like.



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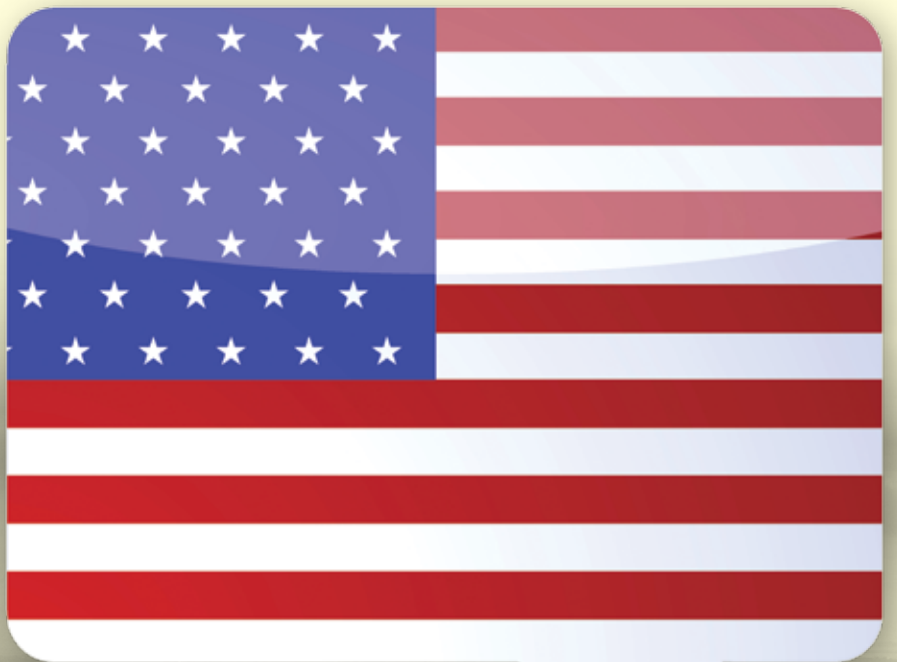
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CORPORATE RIGHT TO **FREE SPEECH?**

Former SEC
Commissioner
Paul Atkins
provides opinion.





Corporate political spending disclosure is an issue that has generated increasing news coverage. There is no mandate for companies to disclose political spending – some do, many do not. But the voices calling for such disclosure are relatively loud, and have received significant press coverage.

NIRI has not taken a position on the need for such a mandate. With proxy season fast approaching, this piece provides *the opinion* of an expert on the topic, and one who doesn't believe in a federal mandate, former Commissioner Paul S. Atkins of the Securities and Exchange Commission.

Atkins served as a commissioner of the SEC from 2002-2008, after having served in the early 1990s under SEC Chairman Richard C. Breeden as chief of staff and as a counselor to Chairman Arthur Levitt. Atkins, whose experience spans decades in financial services and securities regulation, is currently chief executive of Patomak Global Partners, which provides consulting services on corporate and financial services industry matters.

NIRI asked Atkins to share his insights about shareholder proposals related to corporate free speech rights.

In 2011, a group of professors petitioned the SEC to promulgate a rulemaking on corporate disclosure of public policy and lobbying expenditures. What has been the SEC's stance on this issue?

While never at the top of the list of SEC priorities, former SEC Chairman Mary Schapiro put the issue on the agency's regulatory agenda in November 2012 as she was leaving the agency despite a contrary recommendation from the SEC staff and having refused to include it on the agenda earlier in the year.

However, in November 2013, the new SEC chairman withdrew it from its regulatory agenda. While the SEC has not publicly stated the reason for this decision, it is consistent with current SEC Chairman Mary Jo White's prior statement that it is important for the Commission to make "decisions based on an impartial assessment of the law and the facts and what we believe will further our mission – and never

in response to political pressure, lobbying, or even public clamor."

I applaud Chairman White for her decision to remove the proposal from the agenda and for recognizing that "the fundamental purpose of disclosure is to provide a reasonable investor with the information that he or she would need to make an informed investment or voting decision." Unfortunately, many activists do not share Chairman White's perspective and instead see disclosure as a means to affect corporate behavior rather than a means to convey important information to investors. Therefore, activists will likely continue to pressure the SEC to move forward with a rulemaking in this area.

Chairman White's decision has already sparked protest among special interest groups, prompting one activist organization, Public Citizen, to state that it will "continue to apply as much pressure as we can." This includes spearheading an artificial grass-





roots, or “Astroturf,” campaign to generate comment letters in support of the proposal. Although that effort has led to more than 600,000 comment letters in support of the petition for a rulemaking, most are terse form letters and fewer than 0.1 percent of the letters are substantive. In fact, it is impossible to even know whether the commenters are actually investors – some of the submissions are even anonymous.

Such efforts should be viewed as primarily political rather than economic and, as such, would not serve to help shareholders evaluate corporate performance or promote shareholder value. Commissioner Daniel Gallagher has echoed this concern, stating that “requiring disclosure of all corporate political contributions adds a pile of inherently non-material information to the mountain of disclosure already mandated at considerable cost.”

Is there a need for greater disclosure of public policy and lobbying expenditures among public companies?

Although activists claim that there are large amounts of undisclosed money in politics, companies are currently required to make more disclosures regarding their public policy advocacy efforts than any other time in history. According to the Center for Competitive Politics, at the federal level, just 4 percent of total election spending in 2012 came from groups that were not required to disclose all of their donors to the Federal Election Commission (FEC). These non-disclosing organiza-

tions were already required to report their political expenditures, just not all of their general membership and donor information. Fundamentally, this issue is not an SEC issue – it properly belongs with Congress or the FEC, both of which have turned aside those sorts of proposals.

Why, then, has there been such a push for more disclosure, and why are activists turning to the shareholder proposal process to try to force such disclosures?

The aim of activists is to silence the business community by creating a list of donors to trade associations and non-profits that can be used by special interests to intimidate businesses into withdrawing from political engagement.

The reason activists have now turned to the corporate governance process as an alternative means is that they have failed to force such disclosure through traditional venues. As the Center for Political Accountability describes it, “corporate governance offers a route that allows the issue to be addressed almost unimpeded.”

Historically, Congress and the FEC have decided issues of federal disclosure standards, enacting detailed rules governing both political and lobbying expenditures, but activists’ efforts to expand these rules have failed both at the FEC and in Congress. Moreover, several judicial decisions restricting direct government regulation of political speech have frustrated activists and prompted them to pursue ways to circumvent the proper avenues for campaign finance reform.

These new tactics include the exploitation of corporate governance mechanisms (e.g., the shareholder proxy process) as well as pressuring regulatory agencies with little experience in regulating political and lobbying expenditures – such as the SEC. It also is not lost on the activists that an SEC rule (as well as shareholder proposals) are one-sided; they would apply only to corpo-

rate activity and not to that of other organizations such as labor unions.

Who is behind this movement to try to force more disclosure from corporations?

A cadre of unions, public pension funds, and special interest groups are spearheading this effort. Rather than focus on increasing investment returns, these groups are seeking the disclosure of non-material expenditures in order to pressure corporate donors from engaging in public policy debates.

One vocal player is the Center for Political Accountability. CPA coordinates with unions, public pension funds, and activist investors to submit shareholder resolutions and engage in letter-writing campaigns to corporations regarding public advocacy spending.

One of the CPA’s primary activities is the development and promotion of its “CPA-Zicklin Index,” an annual survey that “scores” companies on the strength of their political disclosure. However, as Jonathan Macey, the Sam Harris professor of corporate law, corporate finance, and securities law at Yale Law School, has explained, companies should “ignore the index” because the methodology is “deeply flawed” as the “design and metrics are outcome-oriented, reflecting the subjective and political biases of the index’s sponsors.” The index “simply isn’t a valid indicator of whether a corporation is using shareholder funds properly.”

The CPA is also responsible for orchestrating a letter-writing campaign to companies. Such letters make a number of misrepresentations in an effort to urge companies to voluntarily adopt disclosures beyond what is already required by law, including “reporting” inflated shareholder support for the CPA’s model proposal by ignoring institutional investors’ abstention votes, contrary to many corporate bylaws. Signatories of this letter include both public pension funds and labor unions, which

have helped spearhead the shareholder proposal effort. In fact, among Fortune 250 companies, more than one-third of 2013 proposals that related to political spending or lobbying were introduced by investors affiliated with organized labor.

For example, Media Matters for America, a left-leaning advocacy group, has revealed that its true goal is “to make the case that political spending is not within the fiduciary interest of publicly traded corporations and therefore should be limited.” Similarly, Common Cause, another liberal advocacy organization, has stated that it wants “to make the case that political spending is not good for business.”

Historically, Congress and the FEC have decided issues of federal disclosure standards, enacting detailed rules governing both political and lobbying expenditures, but activists’ efforts to expand these rules have failed both at the FEC and in Congress.

These organizations have also made clear that they want more disclosure from companies so they can browbeat them into withdrawing from public policy debates altogether. Media Matters has stated that it will “aggressively attack” and “create a multitude of public-relations challenges for corporations that make the decision to meddle in political campaigns.”

Similarly, New York City Mayor Bill de Blasio, who founded the Coalition for Accountability in Political Spending (CAPS), has threatened corporations choosing to participate in the political process, pledging to “use every tool, whether it’s actions among consumers, up to boycotts, whether it’s shareholder actions, whether it’s work from pension funds, to use the power of

pension funds to direct corporate America to change its ways.”

Are real investors supporting demands for greater disclosures of corporate public policy expenditures?

According to the Manhattan Institute, proposals at Fortune 250 companies related to lobbying and public policy advocacy expenditures received average support from only 18 percent of shareholders in 2013 and none of these proposals attracted majority support.

Such opposition is consistent with the proxy voting of the largest mutual funds, which are focused on economic returns

and building shareholder value. Based on our review of publicly available information filed on Form N-PX with the SEC in 2013, the five largest mutual fund families – Vanguard, Fidelity, PIMCO, American Funds, and T. Rowe Price – supported only one percent of proposals related to corporate political spending.

These results should not be surprising, as many investors correctly understand the importance of corporate participation in the public policy debate. Government regulation can have a tremendous effect on a company’s bottom line, and indeed, the company’s very existence.


As Professor Jonathan Macey has stated, “boards of directors’ fiduciary duties to maximize shareholder value often

require that companies engage with the politicians who control the competitive and regulatory environment in which they operate.” Actual data confirm this very point, as a study last year by the economist and former senior Clinton administration official Robert Shapiro concluded that “corporate political efforts generally have positive effects on a firm’s market value and its shareholder returns.”

What should IROs, their companies, and boards be doing?

The focus of companies should be directed toward the development of a strategic communication plan to educate investors and protect a company’s ability to participate in robust government affairs and public advocacy efforts designed to provide economic benefits for all shareholders.

Companies should broaden internal dialogue regarding these types of proposals, recognizing that broad disclosure will significantly limit a company’s ability to participate in government affairs activities and open the door to attacks based on disclosed spending. Corporate secretaries, general counsel, government relations, and investor relations officers, as well as CFOs, COOs, and CEOs, should be aware of the risks and implications of these proposals and of any negotiated accommodations with proponents.

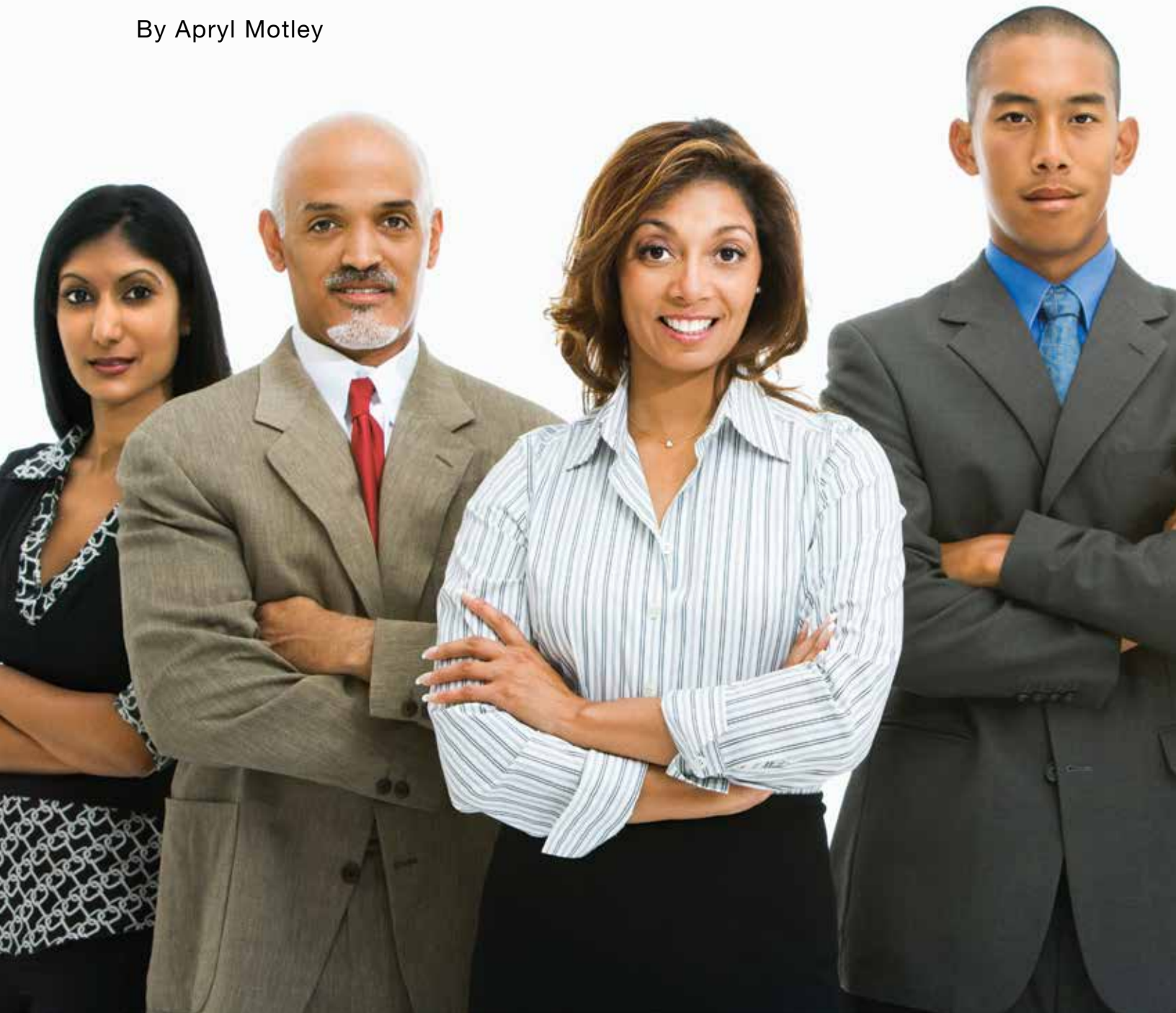
Corporations should also be proactive and reach out to large, economically oriented investors, emphasizing the company’s existing policies and processes regarding management of the company, including oversight of expenditures related to the company’s public policy activities. 

For more information about this subject, visit the NIRI website, Presentation and Report Library, Environmental and Social Issues Section: www.niri.org/findinfo/Sample-Documents/Presentation-and-Report-Library-_1/Environmental-and-Social-Issues.aspx.

TEAMED UP AND

Developing a top-notch, multimember IR team

By Apryl Motley



READY TO GO

takes leadership, commitment, and flexibility.

“I love it when a plan comes together.”

Don't we all? Eighties television icon John Hannibal Smith, portrayed by George Peppard, would say this every time The A Team completed another successful mission.

From the tough-guy, “I pity the fool” posture Mr. T so vividly portrayed to the helicopter-flying expertise of “Howling Mad Murdock,” each member of the A Team made a different – and important – contribution to its success.

While it's unlikely that multimember IR teams will ever find themselves in the kinds of precarious situations that the A Team did, there's still something to be learned from how its members approached their work together. Before every mission, they discussed the personnel and other resources that would be needed to execute it effectively. And as a result, their plans almost always came together.

The goal of IROs managing multimember IR teams is similar. They hope to capitalize on each team member's personal strengths while achieving success for the entire group. “We have very diverse strengths,” says Melissa Selcher, senior director, investor

relations, for Cisco. “The key is bringing all those talents together for success.”

Total Team Approach

“In small teams, the quality of the team members means more than ever,” Selcher continues. “It's hard when you have a great IR professional who isn't team oriented.” When she came to Cisco, there was a strong team in place, and her goal was to “keep top talent engaged.”

The tenures of the members of Cisco's IR team range from five years to 18 years. Engaging this group means being creative and raising the bar higher each year, according to another member of the team.



INTERNAL INSIGHTS

Opening and maintaining lines of communication internally is critical to the success of multimember IR teams, particularly in this technological age.

"The demand for information is up to the minute," says Bette Jo Rozsa, managing director of investor relations for American Electric Power since 1999. "Both the speed of responsiveness and access to information has changed because of technology. For example, investors find out about regulatory orders at the same time that we do.

"We've educated our internal staff on the need to be nimble and provide information quickly," she continues. "We've been beefing up internal communication to focus on responsiveness."

The IR team produces an electronic newsletter for employees every two weeks called *Streetwise*, which is housed on the company's intranet. "We try to communicate to employees about IR and how Wall Street thinks and interprets events," Rozsa explains.

In addition to educating colleagues in other areas of the company, IR team members must establish excellent communication within the team itself. For instance, any member of the team – which includes a director of IR and two analysts, one of whom deals with retail investors – might interact with external stakeholders. "We each have analysts that call us based on relationships that they have developed with us," Rozsa says.

"Communications is key all around," she continues. "We have a department call log, so we know who called who and what they asked. You can't undervalue the importance of establishing relationships internally and externally."

"We must continue to stretch the team's imagination about what we can achieve as a group," says Marilyn Mora, director, investor relations. "We want to be proactive and not be afraid to try different approaches to our work, and even make mistakes."

"When you have a high-performing team, you don't want to fall into a rut," Selcher agrees. "We are always raising the bar and challenging ourselves to think about what we'll do differently next year to evolve with the market."

"Team members have clearly defined roles, so over-executing is our goal," Mora says. Even with staff members located in Singapore and London, she says, "the team always pulls together. We have a close collaboration built on trust."

And the foundation of that trust is willingness to share information and recognition. "We're all getting data points at different times," Selcher says, "and we're all responsible for arming our peers with the information they need to be successful."

As an added benefit, she says, "investors enjoy [interacting] with the different personalities on the team." While there are no immediate plans to increase the size of

Cisco's IR team, Selcher notes that "IR is a highly sought-after function. There's lots of interest internally in working in this area."

Some interns, recent MBA graduates in the process of determining their career paths at Cisco, will be working with the IR team during the next few months. Selcher welcomes fresh perspectives and thinks they will bring excitement to the team.

Ultimately, from her vantage point, the best team members are "people who want to be a part of a team and will put the team first. They enjoy being on a team and view it as a benefit."

Step to Success

Being a part of the IR team at CIT, a commercial lender and lessor, definitely has its benefits. Working in IR is considered an important step in building a successful finance career at the company.

"It's viewed as a positive sign to work in IR," says Kenneth A. Brause, CIT's executive vice president, investor relations. When the current CFO joined CIT in 2010, he "was focused on career development and viewed IR as a stepping-stone for other financial positions within the company," Brause notes.

TIPS FOR TEAMS

Even the best teams sometimes experience challenges. These suggestions might help resolve some of them.

Address problems judiciously. "You know within 30-90 days of hiring someone if it was a good hire or not. The mistake most managers make is not addressing [the problem] immediately, which has a high cost to the team," says Devon Energy's Vince White. "The real failure is not correcting the mistake. Anybody can make a bad hire."

Look at every potential change as an opportunity. "When I first learned that I was losing a key team member, I was concerned about filling his shoes," says CIT's Kenneth Brause. "However, by keeping an open mind, I was able to hire someone with a different skill set and a fresh perspective. You have to be committed to letting your team evolve."

Let people know what's expected of them. "Many people will self-select out once you let them know, 'You're going to be in the spotlight. If you're not comfortable with that, it will be noticed,'" White offers. "IR is a great career path if you want to work hard, be recognized for it, and have a lot of visibility."

In general, he says, “the preference is to fill positions internally.” As a case in point, both the current senior vice president and director of IR transferred from other departments within the company. They focus on the equity and fixed-income markets respectively.

Rounding out the team are a financial analyst, also an internal transfer, and an executive assistant. They, too, may one day move on to other positions in the company.

“It’s expected that IR staff will go on to other senior roles,” Brause says. “The rotation in and out of IR is part of a broader strategy within our finance function.”

While flexibility among team members is expected, “we’ve tried to divide primary responsibilities by relationship. We definitely take a team approach to managing our external relationships,” Brause says.

“Different investors have strong relationships with different members of the team,” he continues. “We want to demonstrate to our external constituents that any member of the team is as informed as the other, and I would like to think that approach improves their access and response time when communicating with us.”

Through a liaison structure, Brause and his team have taken a similar approach to managing internal communication as well. “We’ve taken the major business units and functions at CIT and assigned an IR team member to them,” Brause explains. “They have a single point of contact, which is more efficient than sending an e-mail to multiple people and hoping to get an answer.”

Brause acknowledges that willingness to delegate is necessary for a team’s success. “Delegation is important,” he says, “which is particularly interesting for IROs since we have a natural inclination to want to do it all ourselves.

“It’s okay to delegate and function as a team,” he continues. “It can be challenging at first, but rewarding in the end.”

Set for Succession

As his career of more than 20 years with the company comes to an end, Vince White, senior vice president, corporate communications and investor relations, for Devon Energy, is more than willing to delegate and set his successor up for success.

“I have told my CEO that I’m going to retire within the next two years,” White says. “I have no resistance to being replaced. I am committed to leaving.”

White is equally – if not more – committed to ensuring that his successor Jeff Ritenour, senior vice president, investor relations, since October 2012, is fully functional in his role. “He is our representative at conferences and does most of the face-to-face meetings,” White explains.

After engaging a search firm and interviewing outside parties, the company then decided to hire internally. According to White, Ritenour “had been identified as a high potential individual who was being rotated through different roles at the company.”

When he takes over for White, Ritenour will lead a team of close to 40 people, four of whom are dedicated solely to IR: a director of investor communications, a director of investor relations, an investor analyst, and an administrative assistant.

Since the time White was hired as director of IR, “the company is 100 times the size it was then,” he says. “As the company grew, my responsibilities grew as well.”

In 1998, White was promoted and charged with developing Devon’s corporate communication. All communication functions other than government relations fell under his direction. During that time, he hired a manager of investor relations who served as his right hand until retirement in 2010.

Now there are two director levels in the department, one focused on direct communication with analysts and shareholders and

TEAM TALLY

According to the 2012 survey, “The Investor Relations Officer,” conducted by Korn/Ferry International’s Corporate Affairs Center of Expertise and its Financial Officers Practice in collaboration with NIRI, IR staff sizes have increased, but are still relatively small.

Twenty-three percent of survey respondents said the size of the IR staff had increased during the past two years, 8 percent reported decreases in staff size, and 70 percent said it stayed the same.

Here are some key findings from the survey pertaining to “Headcount: IRO’s direct reports, excluding administrative staff.”

Three or more direct reports: 8 percent
Two direct reports: 38 percent
One direct report: 48 percent

the other on writing and web development. White says, “The split came naturally based on their strengths.”

However, delegating to his team did not come naturally to White. One of the milestones for the IR group was when he hired a consultant to help him configure the overall organization of the communication function. Through internal and external interviews, White learned how he was perceived: “You’re overworked and take on too much yourself.”

After receiving this feedback and attending a leadership program, White gained additional insight into himself that ultimately benefited the entire team. “I walked away with an understanding that my inability to delegate was arrogant and limiting,” he says. “Once I saw it in myself, I was determined to fix it, and I became a better leader for the group.” **IRU**

Apryl Motley is a freelance writer based in Columbia, Maryland; amotley27@aol.com.

The background image is a photograph of an oil pumpjack in a grassy field under a bright blue sky with scattered white clouds. The sun is high in the sky, creating a strong lens flare effect that illuminates the scene. The pumpjack is a large, dark metal structure with a prominent counterweight and a large flywheel.

TACKLING IR IN THE OIL AND GAS SECTOR

Gearing up for the next big thing
in a volatile industry.

By Alexandra Walsh



“I do my best to remain calm even though this sector is often volatile,” is how Brad Alexander, director of investor relations for FMC Technologies, describes his life in the oil and gas industry.

“I’ve spent 15 years in the oil service industry and weathered big upturns in the market along with two or three major downturns and I don’t shock easily at its cyclical nature.”

Alexander says that at times, the oil and gas sector seems more like the tech and biotech industries where everyone is trying to hit on the next big thing. In oil and gas, the next big thing could be a new technology, or the next big contract, or a change of course in oil and gas prices.

Global demand is accelerating, especially in developing countries such as China and India, as the oil and gas industry continues to search for new sources of energy. The easy oil and gas has long since been tapped and increasingly is now found in challenging areas such as deep water, arctic regions, and politically challenged regions of the world.

However, for the past five years, the next big thing for the industry has been the dramatic development of unconventional oil and gas in the United States, such as shale gas and tight oil. With the advent of hydraulic fracturing (or fracking), U.S. shale gas production is now booming. Coupled with sophisticated horizontal drilling equipment that can drill and extract gas from shale formations, the new technology is hailed as a breakthrough in U.S. energy supplies, playing a key role in boosting domestic natural gas reserves.

Once faced with a looming deficit, natural gas is now available in abundance. Domestic dry gas production increased more than 25 percent over the past five years, and natural gas volumes and natural gas in storage is at 88 percent of total capacity.

Ongoing Innovations

Sound like a dream industry for an IRO? Not necessarily.

One important result of the surge in natural gas production is that its price has become uncoupled from the U.S. oil price, while natural gas is still priced off crude oil in the rest of the world. Oil prices surge while natural gas prices plummet. And, the supply of dry gas on the market is expected to continue to grow despite the weak gas prices because dry gas is produced as a by-product of development from still profitable, liquids-rich shale fields.

To maintain profitability, oil and gas companies have turned from dry gas production, which is largely uneconomical at current prices, to the production of the liquids portion of shale gas formations, and shale gas is again revolutionizing the market. The surge in liquids is the result of continued innovation in the industry as certain companies have sought to specialize and emphasize one group of distinctive capabilities while pulling back in other areas.

One such company is Devon Energy Corp. It determined that its key strengths existed in onshore North American assets that required horizontal drilling and fracking techniques. It divested offshore and international assets and cultivated the technological, human resources, and capital management capabilities need to maximize its advantage in the sector.

“Oil and gas prices are always volatile so companies in this sector sometimes see spectacular returns and other times lose lots of money,” says Vince White, senior vice president, communications and investor relations at Devon Energy Corp., an independent exploration and production company.

“Over the last 10 years, changes in technology pioneered by my company, flooded the natural gas market in North America, made natural gas and natural gas liquid

One important result of the surge in natural gas production is that its price has become uncoupled from the U.S. oil price, while natural gas is still priced off crude oil in the rest of the world.

products very plentiful, drove the price down, and harmed the economics of natural gas drilling,” explains White. “Conversely, oil is at, or near, record levels, and companies are scrambling to produce more oil. If your company has lots of existing oil production, you’re good. If not, you’re out in the cold.”

As for the future, White says, “You can’t build coal fire power plants or nuclear plants in North America anymore and renewables aren’t going to come close to meeting world power demands in the next few decades so hydrocarbons are the only game in town and gas is the cleanest one.” White believes that sooner or later, gas and oil prices will reconverge, at least to historic levels.

The Winding Path to IR

So how exactly does Alexander stay calm working in this sector? “The majority of our business is subsea, which is long cycle, therefore you work with your investors to remove unnecessary panic yet you don’t want to over promise. It’s a delicate balance of keeping investors focused on the long-term so if things don’t change as rapidly as you want, you still remain focused on the overall strategy.


“In this industry you can’t control the market, the market is what it is,” he adds. “We have a problem when issues are not market-driven but internal – if we don’t perform the way we’ve told investors we’re going to perform – and then it is my responsibility to articulate the actions that

address how we will correct our missteps.”

If Alexander sounds a little like a lawyer, it might be because he has a law as well as an accounting degree. These skills have enabled him to function well with upper management executives and their interactions with the investment community. “I like working with CEOs and CFOs, and investor relations is a perfect fit for my talents.”

While Alexander may not recommend law school as a good transition to a career in IR in the oil and gas sector, he does think a job that involves interaction with an external reporting department establishes a good foundation for pursuing a role in investor relations. “A mentor advised it would be very beneficial for me to take a position in external reporting to go along with my previous industry experience before transitioning into IR,” he observes. “It’s different from other finance roles and by the time I began working in IR, I was much stronger from a quarterly reporting standpoint. The more you understand the whole process, the better you’ll be in IR because of it.”

Alexander also believes those who really want to be good at IR within a particular industry should put that ambition on the shelf for a number of years. He says what makes him good at his job and indispensable to management are the years he spent learning things at other jobs in the industry. “Because I was part of internal audit groups for two drilling companies,



I really understood the industry well enough to speak beyond the message points. The broader your knowledge base, the more credibility you have with investors and your executives.”

He believes if IROs look and sound like all they know is the nuts and bolts of their job, their usefulness to management will be very limited. “It is a two-way relationship with management and you have to feel like you’re contributing something to the company’s success beyond writing an earnings release and booking a meeting.”

Kelly Youngblood, vice president of investor relations at Halliburton, came to IR in a very different way from Alexander. A CPA with an accounting degree, he has spent his entire 20-year career at Halliburton and has been in IR a little more than two years.

“Halliburton uses IR as a development sector and finds it valuable to rotate its finance and operations executives through the department,” explains Youngblood. Prior to his IR stint, he was Halliburton’s senior director of finance for the western hemisphere. Youngblood says that the IR department is usually a two-person team made up of a lead finance person and an IR manager who typically comes from operations.

“In the past two decades here, I’ve been in numerous positions from field operations to corporate accounting and thought I had a good handle on the business but nothing compares to IR. I had to really step up my level of knowledge about the business.” As the face of the company, Youngblood says he has to be able to talk with ease about everything from the hundreds of technologies available to customers, to the complexities of the geographic, regulatory, and political issues at stake in each of the company’s operations in 80 countries.

Youngblood adds that another benefit of always recruiting IROs from within a com-

pany that has 75,000 employees around the world is the strong internal network those future IROs bring with them. “This is a very complex job in which you might get back-to-back calls involving rumors about operations in China, Mexico, or Brazil. To enable us to provide the most meaningful insight to investors, we not only sit in on all product line and regional review meetings, but we seek information from all levels of the organization so we had better have fostered an excellent internal network.”

Some Career Advice

Youngblood’s advice to someone interested in becoming one of Halliburton’s homegrown IROs is to join the company early, move around as much as possible, build those relationships within the company, and know what you want. “It’s hard to go from internal finance to external, dealing with the C-level suite, and the communication side of the business, relationship and trust building with the sell side. It takes people skills and it’s not for everyone.”

When building his IR department, White is open to different backgrounds. He hired one of his staff right out of business school and another came from the company’s accounting department. When his administrative assistant, who had both an English degree and an MBA, showed a strong interest in IR, he offered her a professional IR position.

White also believes a CFA certification is a very strong credential for a career in IR. “It’s the other side of IR and a very rigorous program requiring quantitative and analytical skills.” And like others, he believes there is a personality type that works best in IR. “You have to be comfortable in the spotlight and you have to have a thick skin and be able to handle rejection because manage-


ment is very aware of your successes and failures – no hiding in the woodwork in IR.”

Regarding his own early background, White says, “I was on the eight-year plan at school while I tried out three or four different majors, and I wasn’t a rising star in anybody’s book. I got hired at my first oil company because I was a misfit and no one else wanted the job.”

In reality, White graduated with a degree in accounting and went to work for KPMG, one of the Big 8 accounting firms. He was offered a position as controller at a small gas and oil company that was a KPMG client. “When investors called, I talked to them because no one else wanted to and eventually the CEO offered me a job that was part investor relations and part evaluating potential acquisitions. And, as I never did like accounting, I jumped on it.”

As he knew nothing about IR, White did some research and discovered a NIRI chapter in nearby Dallas. At his first NIRI meeting, he saw a salary survey and when he realized his peers were making \$100,000 more a year than he was, he knew he’d soon be leaving accounting behind for good.

When asked what he loves most about his job, White says, “The stimulation – you’re never doing the same thing for more than 15 minutes. My mom was a school teacher and says when I went to school they didn’t label kids as ADD or hyperactive, but if they did – I would have been at the top of the list so IR suits me.”

When asked if he’d ever consider IR in a different sector, Alexander says, “I don’t think I could contribute to a company or its management in a different industry the way I can to one in the energy services sector.” 

Alexandra Walsh is vice president of Association Vision, the company that produces IR Update; awalsh@associationvision.com.



How to Communicate During a Company Crisis

Learn how the experts prepare and deal with crisis situations.

By **Tammy K. Dang**

“**T**he guiding principle for dealing with any crisis situation is your own personal integrity and credibility, and that as you navigate through it, to always be guiding yourself by asking what is right here, what do I really want to accomplish,” said Doug Wilburne, vice president of investor relations at Textron.

Wilburne, a former NIRI Chairman, moderated a discussion on an August 2013 NIRI-sponsored webinar titled, “Communicating a Company Crisis Internally and Externally.” Also participating were Natalie Hairston, vice president of investor relations, chief governance officer, and corporate secretary at ENGglobal Corp., and James Grant, vice president of investor relations at Signet Jewelers.

Wilburne offered that pearl of wisdom, having experienced a few crises in his career, including a time at Rite Aid where in 1998 the CEO, CFO, COO, general counsel, and head of pharmacy all went to prison as a result of improper accounting and a subsequent cover-up, of which he had no part.

According to Grant, a crisis is a materially unfavorable event that fundamentally changes – or threatens to imminently change – the relationship between the company and its constituencies: “To me, it’s not an earnings miss; it’s something a heck of a lot bigger than that.” Grant agrees with keeping ethics top-of-mind when dealing with a crisis and asking an important question, “Will your family still be proud of you if you do what’s being asked of you?” This is why IROs have the right to partner with other company departments to communicate the appropriate messages during a crisis.

Create a Plan

In Hairston’s case, since she has compliance responsibilities and serves on ENGlobal’s executive team, she established an emergency response program called *Communicating Appropriate Responses in Emergency Situations* (CARES). “From my small-company perspective, IR is really the perfect department to explore and maybe even evaluate the nuances of a company’s existing crisis or business continuity plan,” she said.

Even though all the experts in the counselor community and best practices call for a crisis management plan that includes identifying a crisis team, naming primary risks, and developing messages around key risks, Grant believes it is most important to assemble the appropriate team members.

When he worked at Payless ShoeSource, a federal jury awarded Adidas, a competitor, \$305 million for trademark infringe-

ment. At the time, Payless had less than \$300 million cash on its balance sheet, so this could have meant bankruptcy. Payless had a credit facility that it could draw from, but luckily the judge reduced the jury’s verdict. The chairman, lead director, CEO, CFO, investor relations, media relations, and outside counsel huddled together and worked to understand the facts. Through a collaborative effort, they decided what to do and the appropriate channels of communication.

Communicate Appropriately

Hairston believes crisis planning helps other corporate functions. According

several factors to consider when broadly disseminating information on issues that don’t rise to that materiality level, but will reflect incompetence and ultimately damage your company’s reputation and financial stability.

The first and foremost goal is to protect the integrity and reputation of the company. Never try to lie, deny, or hide involvement. Finally, if you ignore the situation, it will only get worse. “Public perception plays a large role in how the message is received,” she said.

“Resist the temptation in saying things and creating a crisis that just isn’t there,” Grant added.

“From my small-company perspective, IR is really the perfect department to explore and maybe even evaluate the nuances of a company’s existing crisis or business continuity plan.”

—Natalie Hairston, vice president of investor relations, chief governance officer, and corporate secretary, ENGlobal Corp.

to her, internal and external crisis plans should include answers to questions before they are asked, a sorting out of the unknown, and providing a sense of security before an emergency arises. She believes internal communication is almost more important during a crisis than external communication to the financial media. The external audience *receives* facts and expectations, whereas the internal audience *needs* the answer to the question, “How does this impact me?”

Sometimes, communicating about a situation that is limited in scope could cause it to become a crisis by virtue of broadly disclosing it. Hairston stresses

During a crisis, showing that you are a team player and listening helps investor relations. Being calm is also part of the IR job description. “You never want to lose your cool because you are the company mouthpiece,” Hairston advised.

Communicating to key constituencies after a crisis is also important. According to Hairston, demonstrating that a company has applied lessons learned is another way to show commitment and integrity.

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

Tammy K. Dang is manager, professional development, NIRI; tdang@niri.org.

Members in Transition

THE NIRI CAREER TRANSITION PROGRAM assists members who become unemployed. The program suspends national membership dues for a period of up to 12 months at the end of their current membership term. Members will continue to receive national member benefits, including access to the Career Center, salary survey, e-learning, and networking opportunities. For more program details, visit www.niri.org/findinfo/Members-in-Transition.

Respect Our Community at the June 2014 Annual Conference

THE NIRI ANNUAL CONFERENCE is focused on thought leadership. Only exhibiting companies may engage attendees in the exhibit area. Attendees are asked not to accept invitations to events from vendors who are not sponsors or exhibitors. Service and product solicitation is not appropriate by vendors not sponsoring or exhibiting. Please notify NIRI staff of any violations at professionaldevelopment@niri.org.

IR Research at a Glance

If a meeting between a board member and shareholder is approved, who is the coordinator?

Investor Relations Officer



Corporate Secretary



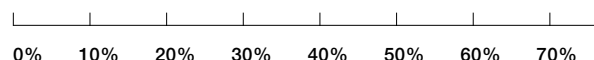
General Counsel



Chief Executive Officer



Chief Financial Officer



Source: Board-Shareholder Engagement Survey – 2013. Compiled by NIRI, October, 2013. Based on 280 survey responses. Totals to over 100%. Participants were allowed to choose more than one response.

Quick Takes

If you could go back and change something about the education or experience in your career, what would it be?



Kelly Leung

First Vice President,
Corporate Communications
New York Community Bancorp

► “As I tell all college communications majors, the earlier you get over your fear of numbers (finance) the better. I received my master’s degree in finance, but would have benefited from it earlier. IR is a marriage of finance and corporate communications so you need both parts to be most effective.”



Barbara L. Gasper

Group Executive/Executive Vice
President, Investor Relations
MasterCard

► “Although I don’t think it ever restricted my career path, the only thing that I’d change is to pursue the opportunity for an overseas assignment. The personal and professional broadening that comes with living and working outside of one’s home country would be invaluable for any profession, not just investor relations.”



Rich Yerganian

Vice President of Investor Relations
LTX-Credence Corp.

► “I got my master’s in business administration part time at night. A better way to do it is to go full time and create a clean break from what you were doing before.”

“Quick Takes” features brief comments from IR professionals in response to a question. If you would like to be featured in this column, contact *IR Update* Editor-in-Chief Al Rickard at arickard@associationvision.com.

Professional Development Calendar

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

February 2014

11 Activists Part I: Your Company is the Target webinar

25 Activists Part II: Managing the Activists webinar

March 2014

4 Communicating the Company's Strategy webinar

11 2014 Institutional Investor Awards webinar

18 Think Outside the IR Box webinar

24-26 Finance Essentials Intensive seminar, New York, NY

April 2014

8 2014 *IR Magazine* Awards webinar

29 Distinguish Yourself as an IRO in an Extreme Environment webinar

May 2014

6 Investors Part I: Sell-Side Coverage webinar

20 Investors Part II: Targeting the Buy-Side webinar

June 2014

7 Finance 101 seminar, Las Vegas, NV

7 Managing Shareholder Activism seminar, Las Vegas, NV

8-11 2014 NIRI Annual Conference, Las Vegas, NV

17 IR Plan & Budgeting webinar



SAVE THE DATE

NIRI ANNUAL CONFERENCE

June 8 – 11, 2014

Bellagio Hotel, Las Vegas, Nevada, USA

www.niri.org/conference

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What's At Stake: Insights Into Federal Finances

By Jennifer Almquist

For 16 days in October 2013, the U.S. government shut down due to a standoff between members of the U.S. Congress, bringing a heightened public awareness and concern for the nation's financial stability.

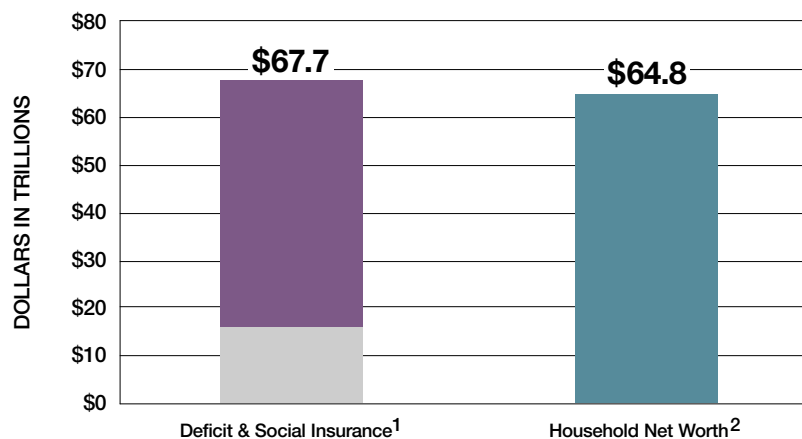
So it was timely that, just a month before, NIRI's Rocky Mountain chapter hosted Gregory Anton, CPA, CGMA, founding partner of Anton Collins Mitchell, and immediate past chairman of the board of the American Institute of Certified Public Accountants. Anton founded the AICPA's "What's At Stake?" initiative, which draws attention to the U.S. government's financial situation and calls on policymakers and the public to engage in a dialogue to improve the country's fiscal health.

Crunching the Numbers

While much of the debate surrounding the country's finances centers around the budget, Anton pointed out the budget is measured on a cash basis and, accordingly, is limited to showing only what is bought and paid for in a given year. Anton asserted that greater insight about the country's financial condition can be drawn from its financial statements because they are prepared on a modified accrual basis. As such, the financial statements provide information about the long-term implications of federal spending habits.

In 2012, the U.S. government reported a net operating loss of \$1.3 trillion, and, like other years, roughly 75 percent to 80 percent of the nation's revenues came from individual taxpayers. The nation's accumulated deficit on its balance sheet was \$16.1 trillion in 2012.

U.S. Obligations Exceed U.S. Household Net Worth (as of September 30, 2012)



Source: 1. 2012 Financial Report of the U.S. Government; 2. Federal Reserve, Flow of Funds Accounts of the United States

Anton acknowledged that these numbers are difficult to understand because they are so large, so he drew this parallel: While one million seconds equals 11.5 days and one billion seconds equals 32 years, one trillion seconds equals 32,000 years. So the size of the \$16.1 trillion federal accumulated deficit expressed in terms of time is more than 500,000 years.

Unfunded Obligations

Anton noted that the country's net operating loss and accumulated deficit do not include the impact of Social Security, Medicare, and other social insurance programs. These programs are unfunded obligations of the U.S. government and are reflected only in the financial statement footnotes. In 2012, estimated future losses related to social insurance programs were estimated at \$52 trillion, but the auditor opinion on those financial statements indicates these losses could be even higher.

Combining the effects of social insurance programs with the country's balance sheet information, the true accumulated deficit of the U.S. government was \$68 trillion as of September 30, 2012, which, Anton noted, is more than the total combined household net worth of every U.S. citizen. He also said as interest rates rise, debt service costs (6 percent of 2012 expenses) will also increase, exacerbating the problem.

Anton stressed that balancing the budget is only the beginning and that fiscally responsible policies must be put in place to ensure a sustainable future for the United States. He urged everyone to visit www.aicpa.org/whatsatstake and engage in a public dialogue to make fiscal responsibility a national priority.

Jennifer Almquist is Principal, Ivy Street Advisory; jen@ivystreetadvisory.com.



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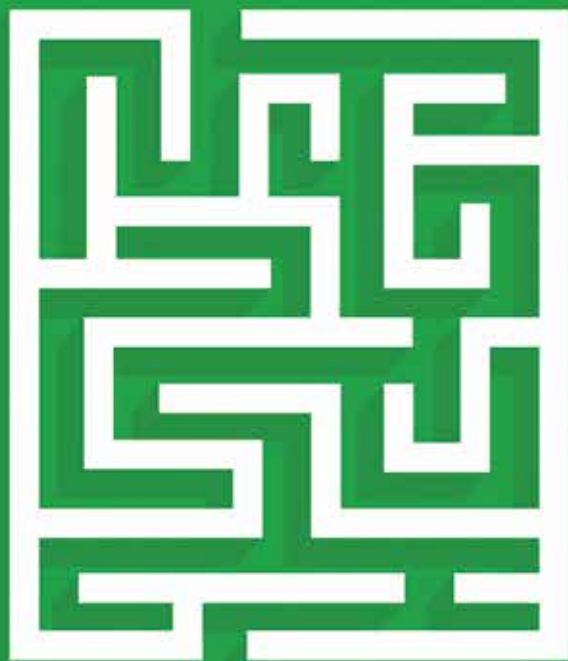
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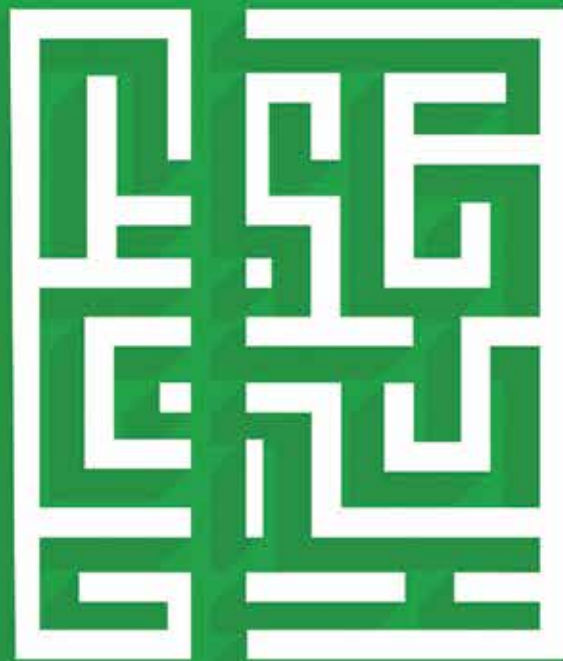
For more information please visit www.theIRapp.com.



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