

IRupdate

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The Apps Have It

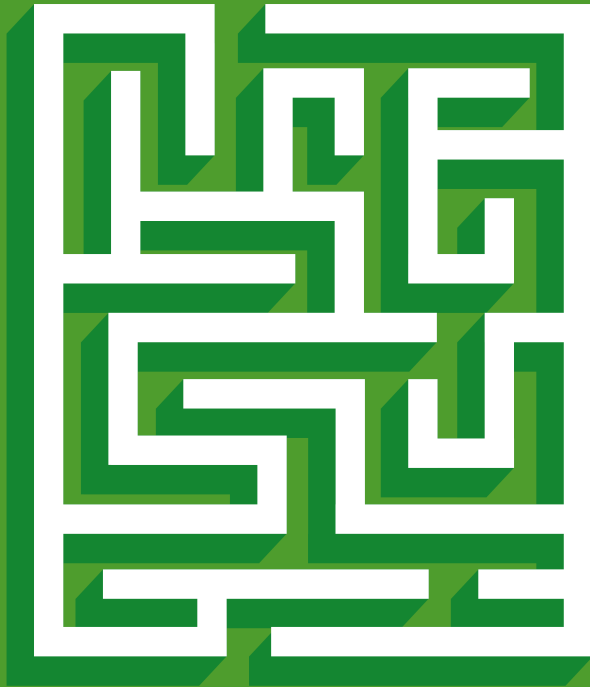
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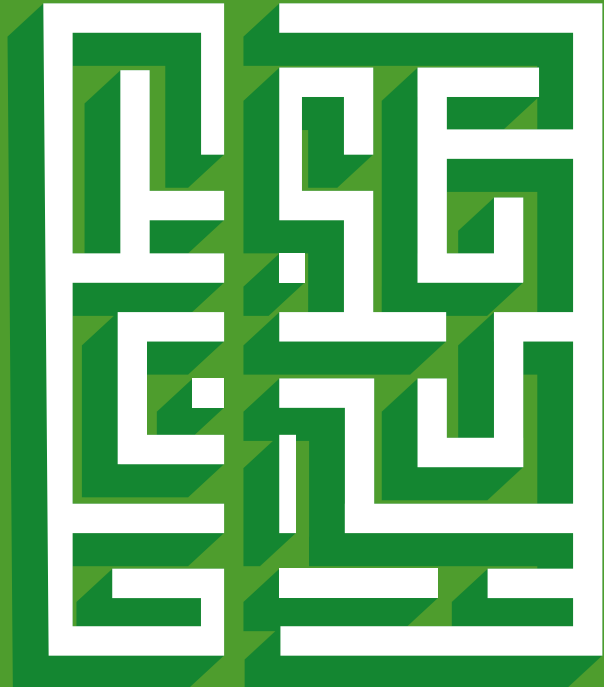
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About NIRI

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.

About IR Update

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IROs weigh in on the technology that helps them make it through the day.

By Alexandra Walsh



The Lowdown on Earnings Calls

NIRI survey uncovers best practices and tracks trends.

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By David Dragics

NIRI Announces Incoming Chair

In each issue of *IR Update*, we strive to provide information designed to help make your job easier. The story and topic ideas come from a variety of sources, but we are always interested in your suggestions. Please let us know if you have topic ideas by contacting NIRI Vice President of Communications Matt Brusch (mbrusch@niri.org), or *IR Update* Editor Al Rickard (arickard@associationvision.com).

This November issue includes a follow-up to our recent research on earnings call practices; a feature about the technology, gadgets, and apps that IROs can't live without; and a Q&A with longtime NIRI member Len Griehs in the next installment in our series profiling NIRI Fellows.

I would also like to report on several governance matters following our September NIRI Board meeting. First, I'm delighted that our next board chair will be Mark Donohue, vice president, investor relations and corporate communications, for Impax Laboratories. A longtime NIRI member, Mark has been active at the chapter level, is a member of the NIRI Senior Roundtable, served as co-chair of the 2014 Annual Conference, and has chaired our Board Audit Committee. Mark is well-suited to lead NIRI forward with our important strategic initiatives.

Second, the board approved the nomination of an excellent slate of four new board member candidates, and the re-nomination of Chuck Triano for his last term. The four new nominees are: Lee Ahlstrom, senior vice president, investor relations, strategy and planning, Paragon Offshore; Liz Bauer, senior vice president, investor relations, CSG Systems International; Laura Graves, vice president, corporate communications and investor relations, Polycom; and Mark Warren, director of investor relations, Vulcan Materials Company.

By now, regular members have received e-mail invitations with instructions on how to vote for these candidates. Please do take a moment to vote – just like your companies, NIRI needs our members to vote.

Finally, our CEO Search Committee has selected the firm Spencer Stuart to assist with our search for NIRI's next president and CEO. The position specification is posted on the NIRI website at www.niri.org/CEOPositionSpecification. By the time this letter reaches you, we will have already gone through one round of candidate screening, with the goal of having the new CEO in place by early 2015.

As always, feel free to call or e-mail with any comments or questions.



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By Alexandra Walsh

The Apps Have It

IROs weigh in on the technology that helps them make it through the day.

One of the defining characteristics of today's business world is the explosion of technology devices and apps that can make work easier.

They help manage projects, organize the day, stay in touch with colleagues and the office, and get you from point A to point B. In this article, *IR Update* highlights some of the most productive, helpful, addictive apps, gadgets, and tools that make your job easier. Here is what some IROs had to say about what they love or look for in an app or gadget.

IR Update: What are the most important apps or gadgets in your life?

Alexandra Deignan, vice president, investor relations, Schnitzer Steel Industries:

The Notepad app on my iPhone is super handy – it's a definite upgrade from the spiral bound notebook I carried for years. On Fridays, I make lists of projects I need to get back to on Monday. During the week, I read a lot online so I can minimize printing. I use my Notepad to copy and paste links of interesting information I want to follow up on later.

Also, I am addicted to the Weather app. Whether I'm commuting to New York City or flying to the West Coast, I want to travel light but be prepared.

Derek Cole, president, Investor Relations Solutions: For me it's the fundamentals. A computer, a smartphone, and databases for research, customer relations management (CRM), and investor targeting. I am sure everyone has their favorites in these categories.

Another important tool to remain productive while traveling and visiting clients is a really good Bluetooth headset. I also use on a daily basis a productivity/task management app called 30/30 for managing my time and scheduling. I am sure everyone has their favorites in these categories.

My Kindle app on my smartphone is fabulous. I can read anything anywhere, without needing another device. One of my favorite websites and apps is Wine Spectator. I'm a big fan of wine but more

importantly, this site has a terrific restaurant list – a huge help in road-show planning and other instances when you may be in an unfamiliar location and need to find the right place for a meeting, a working dinner, or just for the management team to unwind.

Also useful in unfamiliar territory, or around home, is the Waze traffic app, which provides real-time traffic to your phone.

Finally, an app and a website that I find extremely helpful are the Scanpro document scanning app for scanning documents, background materials, and articles for presentations, and Kahn Academy, my favorite online learning website that provides a quick reference and basic understanding of a huge array of content related to math, science, and finance. The website (www.kahnacademy.org) is great whether you want to take an online refresher course on a finance topic or just need background information/education on any of a broad range of topics before talking to an investor.

Geoffrey Grande, investor relations, Merrimack Pharmaceuticals: There are a very small number of apps specifically created for IR, and the ThomsonOne app, officially called IR Mobile, is one of those few. There's an iPad and iPhone version and I use it to manage my library of investor contacts, take notes at investor meetings, and look up portfolio holdings.

One online resource that I have found extremely helpful in my day-to-day work is the NIRI eGroups message forums (<http://community.niri.org/p/us/in>). It is often the

first place I look for quick due diligence on topical IR questions.

Patty Eisenhaur, head of investor relations, Albany Molecular Research:

The new app I discovered this year and can't live without is Evernote for taking and tracking notes (I saw a portfolio manager using it for all his meetings) and for clipping interesting Web pages.

I can access it anytime from anywhere no matter what computer or handheld I am using. When I have a Web connection, the app synchronizes my notes across my devices, which is very handy. I can tag words and can keep notes on all my meetings and can pull up running notes. I use it for clipping and e-mailing articles, benchmarking best practices, keeping notes on things I want to remember, and then tagging them for easy recall.

My Bluetooth Plantronics headset is a lifesaver for out-of-the-office calls, only because my iPhone hangs up all the time. It's also nice to be able to drive with it or move around while on calls. The only downside is people can't tell I am on the phone, so I'll get the inevitable interruptions.

Chris Toth, executive director, investor relations, International Rectifier:

I'm very proactive about outreach and until six months ago, I could not find an effective investor relations management system to connect with investors. But now I have Push It, a contact management app that's also a collaboration tool.

I can automate personalized e-mails and phone dialers and immediately route incoming calls, allowing me to manage our IR more like a customer relations center. I have close to 1,000 contacts that the app segments for me by different types such as existing shareholders, former shareholders, or covering sell-side analysts.

Set up this way, the app can communicate with all groups through the platform, collaborate in real time, and track ongoing

“For me it's the fundamentals. A computer, a smartphone, and databases for research, customer relations management (CRM), and investor targeting.”

– Derek Cole, president, Investor Relations Solutions

communication. It sets up a workflow so I can delegate tasks and check that they have been completed. It's increased my proactive outreach and definitely made my life easier and more efficient.

Serena Ehrlich, director, social and evolving media, Business Wire: I am obsessed with reading news on my phone, so here are my top news apps.

For financial and world news and breaking news alerts, I love the Business Wire, AP Mobile, and Bloomberg apps. For stock movement and in-depth financial information, I turn to The Street, Seeking Alpha, and Real Time Stock Alert.

I am very intrigued by what is happening with BuzzFeed and find their business and world news articles to be well-written.

And for industry news, the Zite app is perfect. Not only can you monitor any term, you can import RSS feeds from your favorite news sites.

IR Update: Is there an app or gadget you don't have but are longing for or at least want to try?

Deignan: A password saver app. Nearly every website these days requires an intricate password, and most want you to change it frequently. If you run into a technical glitch and have to sweep your computer cookies, it's like you've just lost your passport – hours of verifying who you are and your computer just to get your daily news flowing again. I know it exists, I'm just waiting for it to cloud onto my phone.

Grande: The Uber or Lyft ridesharing app. Great idea, seems incredibly helpful and efficient.

Ehrlich: Fitness apps and an app that will pull together all of LinkedIn's news into one reader and content distribution app.

Eisenhaur: A password keeper/organizer and a reference app for tablets that at the click of a button compiles and provides immediate access to all the key documents,

regardless of format, that I need for a one-on-one meeting.

IR Update: How do you find out about new technology?

Deignan: Notepad was free and came on my phone. I'm not what you'd call an early adaptor; fancy, expensive, next-generation is time-consuming, and after a day in the office, I prefer to unplug. I'm interested in technology that is intuitive and simple; overly complicated will lose my interest. For instance, I find the NIRI weekly letter that links to important news or filings and provides a brief synopsis extremely useful.

Eisenhaur: PR newsletters, *The Wall Street Journal*, Walt Mossberg's new media site Re/code, and a couple other tech guys I stumble on. Also, my kids are bringing home new ideas from school and can navigate technology much better than I can.

Grande: Almost exclusively through word-of-mouth at dinner parties, or from networking or co-workers. However, I do typically wait and let new technology work out its bugs before I invest time in it.

Ehrlich: I do a lot of listening, especially at conferences. This is one topic I like people to curate for me.

Toth: Essentially, IR is in a bubble at my company and hardly anyone knows what we do. So I hear about different apps and gadgets at the NIRI national conference and through my local chapter as well as NIRI message boards and discussion groups.

IR Update: If you could snap your fingers and invent an app or gadget, what function would it serve?

Deignan: A travel alert app that syncs with my calendar and notifies me if my train or flight is delayed, bridges and tunnels are clogged, or if the president or Justin Bieber is in town and midtown is going to be gridlock. Right now, I have half a dozen apps dedicated to various transportation schedules and



would love to have it all consolidated in one that adjusts alerts with my schedule.

Toth: A platform from which you could access analysts' notes on our company and about the industry and would allow you to set up alerts.

Cole: A trading stocks app that would tell you who's doing the trading and tie the activity to the owner.

Eisenhaur: A virtual assistant would be wonderful and anything that would put information at my fingertips during investor conversations.

Grande: Technology that would instantly transport me to my destination, add 24 hours to my day, and clean my house so I could spend more time with my family.

Ehrlich: In truth, my dream app may already exist! But I would love one that would curate all conversations on a topic and just tell me what I need to know, and who is saying it.

There are a multitude of apps on the market, they are constantly evolving on three separate platforms, they're getting better and better, and they're easy to add and easy to delete, so just keep trying new ones. **IRU**

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

THE Lowdown ON EARNINGS CALLS

NIRI survey uncovers best practices and tracks trends.

By Alexandra Walsh

Some IROs might assume that the earnings call has always been a mainstay of investor relations practices. But IR veterans would likely say otherwise.

Almost two decades ago, 20 percent of companies did not hold quarterly earnings calls, according to the recently published 2014 *NIRI Earnings Call Practices Survey*. The survey was conducted to catalog best practices and benchmark any practice shifts in quarterly earnings calls resulting from technological advances or regulatory changes.

Not surprisingly, the overwhelming majority of respondents (97 percent) to the 2014 survey confirm that they hold earnings calls. “Earnings calls are clearly part of standard operating procedures for public companies, and that’s a good thing,” observes Scott Dudley, managing director of investor relations for The Laclede Group. “And, as one of the reasons cited for not doing a call is that the company isn’t public, the practice of quarterly earnings calls among public companies, I’m guessing, is probably closer to 98 or 99 percent.”

Call Prep

The survey notes that the origin of the earnings call was a structured dialogue, primarily with sell-side analysts and institutional investors as the audience. However, with the advent of the Internet, social media, and other modes of communication, now all investors, the media, employees, customers, vendors, and partners can listen to company management speak about the health of the organization. In fact, 94 percent of IROs surveyed report that while their companies continue to choose a telephone call as the preferred format (94 percent), this format is followed closely by webcasting (89 percent).



“There appears to be a clear trend towards using technology to save money on earnings calls,” says J.T. Farley, managing director of investor relations and corporate communications for ITG. “Traditional conference calls can cost \$5 to \$15 per hour, per caller, so it’s not surprising that large-cap companies are leading the way in having webcast-only calls with no dial-in numbers.”

Seeking input. Prior to the call, 78 percent of IROs report that they do not ask the Street what topics it wants the company to address during the call. Dudley finds that interesting.

“I’m surprised that more companies don’t ask the Street what topics it wants to hear addressed. I’ve been doing that for more than a decade,” he notes. “Why wouldn’t you poll your audience in advance to find out what the issues, questions and hot buttons are?” Julie Kegley, director of investor relations for Tyson Foods, agrees with Dudley. “We usually take the pulse of the sell side about 7 to 10 days before the call,” she says. “While we might not speak to specific topics, the exercise is an important step in preparing our CEO and CFO for Q&A.

“They want to know what the sell side is thinking, but most of all, they don’t want to be caught off guard by a question,” Kegley says, adding that “whether we anticipated all the questions on a call is one of the IR team’s measures of success.”

Individual calls. Fifty-seven percent of survey respondents said they do not take any calls from the Street after the company’s earnings release but in advance of the company’s earnings call. Thirty six percent take calls from both the buy and sell side, and only seven percent take sell side-only calls. There were no significant differences in calls taken based on company market-cap size.

“It is not surprising that almost 60 percent of IROs do not take individual calls in between the earnings release and the earn-

ings call itself. It is a time in which IROs need to be particularly aware of Regulation Fair Disclosure obligations – and also a time when most IROs are likely busy with final call preparations,” Farley points out.

However, he also concedes that these calls can yield valuable insights into aspects of the release that are not well understood by analysts or investors, even if one is not able to offer much clarification at the time.

Dudley is curious about the relatively large portion of companies that do take individual calls before the conference call. “I think that creates problems for how to answer a question that is perhaps addressed in the prepared remarks and somewhat steals the thunder from the conference call.”

He reasons that a big driver of why companies take calls ahead of time might be the interval between the earnings announcement and the call, and the time of day for each. “If the interval is long or stretches over an evening (after [the] market closes) into the next trading day, it would be hard to make people, especially sell-side analysts, hold their questions until the call,” Dudley suggests.

Script development. IROs (94 percent), CFOs (79 percent), and CEOs (71 percent) are most heavily involved in the development of the earnings call script, followed by internal counsel, finance and accounting staff, and corporate communication, according to survey respondents.

In addition, 95 percent of CFOs and 91 percent of CEOs review the script. Other IR staff, line of business heads, outside counsel, and outside IR consultants also play key roles in the development and review of the script.

“It’s good to see that well more than 90 percent of IROs are involved in script development, and that more than 90 percent each of CEOs and CFOs are involved in review,” Dudley says. “These are the key players in the IR effort so they should be front and center on content development.”

Rehearsal. Almost one quarter (22 percent) of respondents have no earnings call rehearsal, which is similar to results in the 2011 survey (25 percent). The three percentage point drop in IROs who do not have any rehearsal is in direct proportion to the increase in those reporting they spend under

Percentage of Companies That Hold Quarterly Earnings Calls by Year



Sources: NIRI Utilizing Technology in the Practice of Investor Relations (1998); NIRI Analysis of Trends and Technology in the Practice of Investor Relations (2002, 2004); NIRI-BNYM Global Trends in Investor Relations – Fifth Edition (2009); NIRI Earnings Call Practices Survey (2011, 2014).

one hour rehearsing (15 percent, up from 12 percent in 2011).

Eighty-one percent prepare scripted answers to possible questions, up five percentage points (from 76 percent) since 2011.

"I was surprised that nearly a quarter of respondents have no rehearsal," observes Kegley. She believes an earnings call is too important not to prepare, and says her management team agrees.

"Like most companies, our stock trades based on the outlook we give on the call. Tone and nuance are crucial to the messaging, and we're not willing to leave them to chance."

Dudley agrees. "Similarly, the fact that 20 percent of respondents don't bother to prepare Q&A in advance seems odd in today's world," he says. "Either the companies don't usually get many questions, or at least not difficult ones, or they have confidence in their ability to handle whatever topic comes up."

Prior to the call, the vast majority (97 percent) of IROs do not publish the script. Holding other variables constant, as market-cap size increases, so does the likelihood of publishing the script in advance of the call. Of those that do publish the script, 71 percent do not skip the prepared remarks and go straight to Q&A.

Announcing the call. The most popular methods of announcing the call remain press releases and posting on the company website, (93 and 83 percent respectively). Since the survey was last conducted in 2011, there has been a modest increase in the use of investor blast e-mails (55 percent up from 43 percent); and social media venues like Twitter (9 percent), StockTwits, Facebook, and LinkedIn (each 1 percent respectively), to announce the call.

That's in line with what Hala Elsherbini, senior vice president and chief operating officer for Halliburton, has observed indus-



Source: NIRI Earnings Call Practices Survey (2014).

trywide. "I agree with the survey that social media adoption as a method of announcing the call is on the rise, but at a slower rate."

The Earnings Call

Thursday is the most popular day to hold the quarterly earnings call (42 percent of respondents), followed by Wednesday (29 percent), Tuesday (14 percent), Friday (12 percent), and Monday (3 percent).

"With almost a majority of earnings calls clustered on Thursdays (ours included), it could be a good opportunity for small-cap (or just underfollowed) companies to stand out and do their calls on a Monday or a Friday morning when they're not fighting for mind share – just food for thought," offers Farley.

Most survey respondents (71 percent) use an online call monitoring application to screen Q&A participants, 26 percent use an operator comm-line, and 15 percent use a pre-approved list.

After the Call

Companies are most likely to archive a webcast and/or audio of the earnings call on their website (73 percent), followed by a slide presentation (57 percent), earnings

call script (25 percent), and other materials (13 percent).

"We also see an increase in the use of slide presentations to augment management's comments, and these are well received by the Street," notes Elsherbini. "These slides, along with the transcript, are referenced frequently throughout the quarter and posting to the website is becoming more of a standard practice."

"I do believe the overall findings of the NIRI Earnings Call Practices Survey support a critical communications channel that the Street has come to rely on for due diligence efforts and ongoing investment decisions," observes Elsherbini. "The mechanics of hosting a call have become more streamlined with technological interfaces that give management teams greater control over presentation and audience participation."

And, she adds, "Many companies that are just beginning to market their financial story find that hosting a quarterly earnings call is a key component of their financial communications strategy and C-level executives will allocate the needed prep time involved." **IRU**

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

BENCHMARK YOUR EARNINGS CALLS How do your earnings call practices compare? Find out by accessing the complete survey results on the NIRI website at www.niri.org/earningscalls2014. NIRI members have full access to all of NIRI's practice-based research as a benefit of membership.

45%

Percentage of the earnings call that should be devoted to Q&A, according to the global buy-side.

I like it when the company just issues its prepared text in advance (the press release/PowerPoint), and then goes straight to Q&A. This is the most efficient way to deal with the process. It is unnecessary to do a presentation.

Portfolio Manager

They spend too much time on prepared remarks. They should publish prepared remarks and jump to Q&A in the call. Even companies that post their prepared remarks just read them. It's a waste of time. They should put the script online.

Buy-side Analyst/Portfolio Manager

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A close-up portrait of an older man with short, graying hair, smiling broadly. He is wearing a dark suit jacket over a light-colored shirt and a patterned tie. The background is a solid, bright yellow.

SEIZE THE DAY!

**MAKE THE MOST OF YOUR OPPORTUNITIES, SAYS LONGTIME,
INFLUENTIAL NIRI MEMBER LEN GRIEHS**

By Matt Brusch

Len Griehs retired from Campbell Soup Company in 2009 as vice president of investor relations, and is a recognized expert in the areas of corporate disclosure, governance, and other equity-related corporate strategic management topics. He joined Campbell's Soup from Gerber Products Company, where he was manager of investor relations and pension fund investments.

Griehs served as chairman of NIRI, chairman of the NIRI Senior Roundtable, president of the NIRI Philadelphia chapter, chairman of the Western Michigan Pension Group, and was on the Council of Institutional Investors. He also served on FASAC, The Financial Accounting Standards Advisory Council, as well as task forces for voluntary disclosure with FASB. In addition, he had disclosure and analyst relationships with the Association of Investment Management Research (now the CFA Institute). Griehs was named to the inaugural class of NIRI Fellows in 2013.

What inspired you to enter the field of investor relations?

Actually, I was first pushed into IR, but then I chose it.

I was an internal auditor with Gerber Products Company in Fremont, Michigan. I audited the company's defined benefit pension plan annually, and after six years of internal auditing, I became weary of the travel and the feeling of isolation from my young family when I left home for two-week audits.

Gerber had added IR to the pension fund job after successfully fighting off a tender offer from Anderson Clayton. This was 1979 and IR wasn't a full-time position at many companies. D.F. King, Gerber's consultant during the tender offer, had recommended the company become more visible to Wall Street, so the job was given to the person

who had some knowledge of institutional investors – the pension fund manager. It wasn't really a proactive function – IR wasn't even in the person's title. The job reported to the chief financial officer.

When the pension manager decided to not return to work after maternity leave, the position opened up. I requested an interview since I had firsthand knowledge of the pension fund. Human resources said my name had surfaced as a possible internal candidate, but the CFO thought that the company should bring in an analyst from Wall Street. I managed to secure an interview, and when the CFO discovered how much hiring a Wall Street guru would cost, giving the job to a 32-year old internal auditor was kind of a no-brainer.

Although I was comfortable handling the pension fund management, I had no idea what IR was about. Fortunately for me, Bob Amen, with D.F. King at the time, was Gerber's IR consultant. Bob was a great counselor. I credit him with teaching me investor relations. I became a NIRI member in 1983 and also joined the Detroit chapter. I went to night school for six years to get my MBA in finance because I thought it was important to deal with analysts on the same level.

When the stock market exploded in the early 1980's, both jobs – pension fund management and investor relations – became much larger and more impor-



tant. In 1986, Gerber decided to split the functions, and the CEO gave me the choice of positions.

My original CFO (who had retired by then) counseled me to go with IR because of its visibility and the opportunities it presented to take an active role in setting company strategy. The CEO was happy with my choice, my wife was content, and I never looked back. It turned into a more fun and rewarding career than I could ever have imagined.

What do you think is the most important skill an IRO needs and why?

I believe good judgment is the most important quality. That judgment has to come from a combination of things: understanding Wall Street's perspective, knowing and being able to explain the company and its performance thoroughly, and having an intuitive feeling for handling any situation thrown your way.

For example, one of my most memorable career moments was when we were in a difficult situation and the CEO solicited a number of people for their recommendations about how we should communicate about it. Everyone had advice for him – the lawyers, the investment bankers, the board, maybe even his wife.

He asked me what I thought, and my advice was quite contrary to some of the guidance he had gotten from others. His response was, "Len, I trust your judgment."

We followed that strategy and it worked out well. That incident showed me that IR often has a completely different viewpoint because of the uniqueness of the position.

This is the most valuable thing we can bring to the company. Of course, judgment is built on our experience – both good and bad – as an IR person in the trenches day in and day out. Nobody else in the company shares our experiences. So, don't be afraid to step up and offer your guidance on issues impacting the company's perception and value. As you become a seasoned professional, it's probably going to be the best advice that the CEO will hear.

What is the biggest change you have seen in investor relations?

When I entered IR, we called Merrill Lynch twice a day to get our stock quote. Our specialist called at the end of the day to give us

in the order they came in. Our shareholder identification came through the CEDE list and the 13F forms that came in 45 days after the quarter. I could go on and on, but you get the point!

The technology and increased sophistication in our profession has been explosive. That is the biggest change. It's turned IR into more of a science than art. While that's a big help, it has also transformed IR into a 24-hour-a-day job where it is hard to get away for personal time. This is something that new IR people must manage now. You don't just shut down at 5 p.m. and resume the next day. Media is in your face all the time.

One thing that hasn't changed is that IR remains a people business. A good IRO can't rely just on quantitative data to run his or her program. And judgment still plays as important a role as it did when I entered the scene 35 years ago.

"I BELIEVE GOOD JUDGMENT IS THE MOST IMPORTANT QUALITY. THAT JUDGMENT HAS TO COME FROM A COMBINATION OF THINGS: UNDERSTANDING WALL STREET'S PERSPECTIVE, KNOWING AND BEING ABLE TO EXPLAIN THE COMPANY AND ITS PERFORMANCE THOROUGHLY, AND HAVING AN INTUITIVE FEELING FOR HANDLING ANY SITUATION THROWN YOUR WAY."

the major block trades in our stock. I kept a black book on my desk and made a note in it when an analyst called. We put out our earnings through a public relations firm and mailed our release to the newspapers.

There were no conference calls after earnings were released. We just took phone calls

should be between the CEO and the CFO.

How do you do that? By taking complete ownership of the function and being a counselor and a guide for communication about the company and a guardian of its reputation. Take every opportunity to talk to the board. Go to the management updates and be participative with good information that will help the business move forward.

Never miss the chance to speak to employees. Know everything about your shareholders. Be as proactive as your budget will allow. And if it won't allow, prepare justification for why it needs to be bigger. Fight for what you think is right, then accept it if it doesn't always go your way.

IR should have such a command of all the aspects of the business that if the CEO were to ask you to fill in while he or she goes to lunch, you could do it. While that may not realistically happen, I guarantee that if you can generate that level of confidence, CEOs will ask your opinion on important issues. And that means you've got their respect. They'll want to keep you there.

Here's an example. Once, I just couldn't agree with the direction the new CEO was taking the company. I tried to express my concerns, but it became a "not on board" issue in his thinking. So I started exploring other opportunities.

Eventually, the CFO showed up in my office and gave me an out-of-season reward of a significant amount of restricted shares without any explanation other than that the CEO wanted to let me know that he appreciated my work. Somehow, that didn't click.

After my boss left, I called my HR rep. She asked me, "Len, are you looking for a new job? You've just gotten a retention bonus." I'm glad I stayed, because the CEO soon resigned and was replaced by one of my career favorites.

What is the most important professional lesson you learned in your career?

You've got to take responsibility for your career. So many people wait around for someone to invite them to sit at the table. You need to show that you not only deserve to be there, but that your chair

“MOST OF THE ANALYSTS YOU WILL DEAL WITH HAVE MBAs AND CFAs, SO IT CERTAINLY DOESN'T HURT TO HAVE ONE OF THOSE CREDENTIALS IN YOUR OWN BACKGROUND.”

What professional development and career advice would you offer to a young person who is considering entering the field of investor relations?

I've seen truly great and talented IROs coming from various backgrounds, so I don't think there is one formula for success. If you desire a career in IR, make sure you understand financial statements thoroughly and that you can communicate complex issues effectively.

Most of the analysts you will deal with have MBAs and CFAs, so it certainly doesn't hurt to have one of those credentials in your own background. However, being a good analyst doesn't make you a good IRO. I've seen many good IROs who are musicians, actors, or actresses. The ability to stand up and perform in front of an audience seems to be a common thread.

Investors told me that the most valuable thing to them was when they talked to me they felt they were talking to the company, not a spokesperson dishing out the party line. They could ask how I felt about a certain strategy and I would give them an analytical and honest assessment.

I never had a problem getting a one-on-one with a potential investor because I was “just” the IRO. I know that many senior IROs have the same experience with investors, and it is what every IRO should strive for.

Of course, the network you develop is also extremely important. Regardless of how many years you've been in IR, there will be a time when you'll need to bounce something

off someone not in the company. That's where the NIRI network is so helpful.

Please talk about some challenging IR situation you faced in your career and how you dealt with it.

My favorite story is about the event that I believe catapulted my IR career. I was manager of investor relations at Gerber. We went through a terrific crisis created by rumors of glass in baby food. Over 10,000 complaints surfaced within a few weeks.

It went viral before there was an Internet, with national media, every morning talk show, and almost every city newspaper in the country reporting on it. Although the rumors were never substantiated in a single case, the bad press resulted in the board asking our CEO to resign. The president was promoted to CEO, but six weeks later had a heart attack and died on the golf course.

So, here we were without a CEO or a potential internal CEO, a stock that had been absolutely creamed by the crisis, a deteriorating balance sheet and earnings stream from a whole string of bad acquisitions, and as Peter Lynch called it, “deworsification.” As one analyst headlined, “the vultures of Wall Street are descending on Fremont, Michigan.”

We were ripe for a picking and everyone thought it would happen. By default, I was elected to be the public face for interviews during that time and learned quickly

that crisis communication training really pays off.


The board went outside the company for the first time to get a CEO – David Johnson – and he was dynamite! The first day he had a meeting with the entire management group, and his words were “Profit is not a dirty word!” I settled back and said, “Boy, this is going to be fun.” And it was.

David developed a plan to get rid of many of the bad diversification moves we had made and refocus on our high-margin baby food business. The challenge was how to sell it to a board that was made up of past CEOs and family members.

I knew that some of the buy side would be supportive and I told David that I thought I could help him convince the board. Although I had never done a board presentation, he asked me to make my case and handle their questions.

Everything went well and the board bought into the plan. David called me into his office after the board members had left and told me it was the best presentation he had heard since he had been at the company. I believe that day was a turning point in my career. This was his first job as CEO and IR became important to him. I got a promotion and was made a part of the management team.

Three years later, David was hired as the CEO of Campbell Soup Company, and I was able to join him and repeat what we did at Gerber. That's when my personal impact and my stature really accelerated.

So, my advice to every IRO is to be ready when the opportunity comes – seize it and make the most of it based on good judgment, sound analysis, and excellent communication. A winning IRO will emerge. I am sure of it. 

Matt Brusch is vice president, communications and practice information & editorial director at NIRI; mbrusch@niri.org.

IR Planning and Budgeting

Learn how IROs approach a top-down and bottom-up budget.

By Tammy K. Dang

“Companies in different stages of maturity, operating at varying points of product or service life cycles, working in different industries, are all going to have unique goals and objectives that drive a custom IR program, and therefore, a personalized budget,” said Shawn Southard, principal of 19 Squared IR. Southard moderated a conversation on a June 2014 NIRI-sponsored webinar titled, “IR Plan and Budgeting,” with Jason McGruder, head of investor relations at BGC Partners, and Matthew Tractenberg, vice president of investor relations at Belden.

Early on in his career as an IR consultant, Southard primarily served small- and mid-cap companies where the client’s objectives were often related to increasing investor awareness and the Street’s understanding of the client’s equity story or trying to increase trading volume and liquidity of the security. So, taking essentially a bottom-up approach, the budget was based on the cost of resources needed to achieve the objectives.

The Bottom-Up Approach

According to Southard, market cap, company size, and brand recognition all impact these objectives and desires. At his first corporate head of IR role, he joined a newly public company weeks after its IPO. The company’s goals were related to diversifying shareholder composition and increasing sell-side coverage, which is common in these types of situations as the private owners use the offering as an exit strategy. The company first sets the goals, selects the necessary resources, and builds the budget based on those resources and needs.

This bottom-up approach is the kind of budget planning Tractenberg deals with annually at Belden.

“It works for me primarily because of the tight alignment or integration that it allows with other corporate strategic goals,” he said. “That gives me better buy-in, it gets us a seat at the table when those objectives are discussed, and it just plain keeps everyone moving in the same direction.” He believes that for better or worse, the budget you get is highly correlated to what IR means at your company.

According to Tractenberg, **step one** in this process is being honest and self-aware.

He always starts with questions such as:

- Is IR a conduit to deliver the messages or content that’s created elsewhere in the company?
- Do you personally shape the perception, the direction, the objectives, and the strategy?
- Are you running a well-established function?
- Do you have standard work, which is a scalable and repeatable process that you can tweak to improve, but is essentially already very effective and very efficient?
- Do you have a great team?
- Do you have solid relationships, both internal and external?
- Is investor perception accurate?

Maybe the questions are the converse:

- Do you need to hire and build a team?
- Do you need to change minds and shape that perception?

Bottom-up Budgeting: Before You Begin

STEP 1

Define IR’s Role in Supporting the Organization’s Goals

Key Questions to Ask:

- Is IR a strategic function at your company?
- What “phase” is the IR function in?
- What are you trying to accomplish this year?
- Are those goals aligned with corporate strategy?

STEP 2

Ensure IR Goals Align With Company Goals

Example of IR Goals:

- “I want to expand our internal value and reach through headcount additions.”
- “We will achieve a valuation premium to a peer group.”
- “We need to be associated with XYZ trend, or ABC sector.”
- “I need to better understand why our stock trades the way it does, and by whom.”
- “We will benefit from more insightful sell-side research with reach and influence.”
- “I want to improve the educational offering and scale our resources.”

STEP 3

Organize Actions

“Bucketize” your areas of action/spend:

- Group goals into major categories (talent, engagement, etc.).
- Outline tactics for each category.
- Assign cost for each tactic, summarize total cost for each category.

Source: 2013 Belden Inc.

- Do you need to clean the slate, whether it is your website, tools, vendors, or engagement model?

“These are two very different phases of an IR program and they require unique approaches in my experience,” Tractenberg said.

He proceeds with **step two** once these questions are answered. He draws a line to connect the answers to corporate goals such as how IR can help the CFO and chief marketing officer. “The corporate goal of creating shareholder value can be matched with an IR objective of improving relative valuation, maybe to a peer set,” he said. “Corporate goal of talent management would align to yours of hiring a new team member.”

There may be a goal of changing corporate perception such as from a hardware provider to a software company. Perhaps that would provide an opportunity to create new content, either delivering it in-person, at conferences and non-deal road shows, or via webcast, video, and social media.

Tractenberg comes up with five to seven high-level goals annually where he can measure the process and report back with details of the plan. He likes to create a white paper with a timeline, resources, and desired outcomes. This is his IR operating plan that he can send to people to show them what he does every day in the company.

Step three in the process is important to the budget because it involves grouping the goals. Tractenberg recommends creating buckets such as talent, engagement, education, systems, corporate events, and standard processes. Once those buckets are ready, he gets specific with the activities, tools, and resources.

He first thinks qualitatively about what actions drive each of the buckets before delving into the numbers. “Maybe the education of media and investors will fall into events or engagements,” he said. “Perhaps

Bottom-up Budgeting: Organize Activities Into Buckets

TALENT Compensation Resources	ENGAGEMENT Conferences Webcasts Travel expenses Cost of content	EVENTS Annual Meeting Analyst events Webcasts Cost of content	SYSTEMS Website hosting Web redesign Tools Applications
STANDARD WORK Press releases Exchange fees Annual report Proxy	SPECIAL PROJECTS Activists M&A Crisis management	TARGETING & SURVEILLANCE Provider costs System costs Access fees	PROFESSIONAL DEVELOPMENT Workshops Seminars Travel costs

Source: 2013 Belden Inc.

improving your valuation means getting in front of the right investors, targeting firms that see that market disconnect and can help fix it for you.”

Maybe your goal is to improve the value proposition of IR and your ability to be a thought leader. Maybe that takes training and professional development. Tractenberg gets a good handle on each of these issues and what he would like to spend money on. He organizes them into buckets to align with his IR goals, which will also help meet corporate strategic goals.

Finally, he inputs numbers and makes assumptions as to how many conferences, non-deal road shows, cities, workshops, and press releases for the next year. He adds them up, checks for reasonableness, and determines if the budget is in line with the previous year.

Tractenberg also measures and reports back. Belden uses a strategic deployment plan (SDP). The goals by function get rolled down to the point of impact. Action plans are developed, ownership is assigned, and metrics are monitored on a monthly basis. When a goal hits the red zone – a sign that you are missing your target – a countermeasure is required to

figure out the root cause in order to get your goal back on track or into the green zone. He tracks the performance of each objective and knows the highest value at the end of the year.

“I don’t know what the outcome of the budget approval process will be each year, but what I know is that I’m talking about the same things that my boss is talking to his boss about, and what he is talking to the board about, and that tends to be a pretty powerful tool in the discussion,” Tractenberg said.

Top-Down Approach

A top-down approach is where management sets budget constraints that the investor relations operation must follow. As an in-house IRO, McGruder inherited his budgets from predecessors, both at DoubleClick and now at BGC Partners. During his first month at BGC, he presented a report to the chairman and CEO after assessing how much the company was spending by reviewing all vendors and their billing history.

McGruder’s boss had no idea about the amount spent on stock surveillance, for example, due to the fact that the company has a class B group of shareholders

Bottom-up Budgeting: Estimate and Forecast

Aggregate Category Estimates to Create a Bottom-Up Budget That Reflects Investment Needed to Achieve Goals

TALENT 5% increase from 2013 = \$X	ENGAGEMENT 10 conferences: \$750 in program and \$750 in travel costs pp, 8 NDRs: \$750 in travel cost pp	EVENTS 2013 Annual Meeting \$, 2013 Analyst event – 8%, 4 webcasts @ \$350 ea, etc	SYSTEMS 2013 hosting cost, \$X in redesign fees, \$Z in license fees
STANDARD WORK 3 releases per month at \$X each, 2013 AR costs -7%, etc	SPECIAL PROJECTS Base off historical events: \$15k	TARGETING & SURVEILLANCE Provider and system cost, access fees	PROFESSIONAL DEVELOPMENT 3 events at \$1k per + travel costs of \$750 pp

Source: 2013 Belden Inc.

and the chairman held 70 percent of the voting shares. As a result of the report, the chairman gave McGruder carte blanche to spend the budget as he saw fit, without changing the overall amount.

BGC is primarily a Wall Street brokerage firm with two-thirds of its revenues from the ‘too big to fail’ banks. Along with its customers and competitors, BGC was cutting back on costs post-Bear Stearns and Lehman Brothers since trading volumes were down. “A lot of the top-down commands have been to keep expenses flat for years, so I’ve had to be creative in terms of what we spend money on and what we don’t,” McGruder said. His baseline budget since 2006 has resulted from getting rid of

duplicate services and only maintaining those that provide the most value.

At one point, when his executives complained about the ability of BGC’s competitors to put out various PowerPoint presentations, earnings scripts, and press releases, among other things, he did some research. Since BGC was covered as part of exchanges, trading, and broker-dealers, McGruder called his peers asking how many people made up their IR teams. He discovered that a number of them hired staff to help put out additional documents such as earnings PowerPoint presentations and glossy annual reports.


He then put a simple spreadsheet together of all the different items BGC’s competitors were able to deliver along with

the number of members on the IR team. Since the chairman was fretting about BGC’s stock price, McGruder detailed what a platinum, gold, and bronze-plated IR program would look like for the company. He also listed all his responsibilities, including the writing of press releases, earnings reports, 10Ks, and 10Qs, as well as strategic analysis. As a result of this research, McGruder gained a junior IRO on his staff.

“Whether it’s industry peers or peers in terms of the numbers, you might want to examine what other people spend and you’d be surprised how many people have half an administrative person, which could make all the difference in the world, or have an analyst whose name doesn’t appear on the press release,” McGruder said.

“A lot of these companies only had one IR person listed on the press release, but actually had three people working in IR because they might have had a full-time administrative person and a full-time financial analyst who never spoke to investors, but did all sorts of background work.” If bringing another staff member on board is not affordable, he recommends getting an agency on a monthly retainer to call upon during busy periods.

McGruder also sends to the chairman and CEO an e-mail of his annual accomplishments. “I keep a folder of congratulatory e-mails I get from outside people, board members, executives, or whatever, and I put together a scrapbook in an e-mail of accomplishments, non-deal road shows, analyst meetings around the time of raises and bonuses, [and so forth],” he said. “It impacts my personal salary and it helps keeps the IR budget from getting slashed.”

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

Measuring and Reporting Progress

Source:
2013 Belden Inc.



1. Number of attendees, message stickiness
2. Performance rating, topgrades, etc.
3. Efficiency, impact, reach, insight
4. Audience feedback, visibility, association, relative valuation

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

Mark Donohue Elected as New NIRI Board Chairman



NIRI ANNOUNCED THE ELECTION OF MARK DONOHUE as the 2015 Chairman of the NIRI Board of Directors. Donohue is vice president, investor relations and corporate communications, for Impax Laboratories. He succeeds John Chevalier, director, global investor relations, for The Procter & Gamble Company, at the NIRI Annual Meeting of members in December 2014.

"I am very pleased that Mark Donohue will be the next chairman of NIRI," said Chevalier. "Mark has been an extremely active contributor at the local and national levels, and exemplifies the best of the volunteer spirit that is so prevalent among NIRI members. NIRI will be in good hands as Mark, the other talented members of our national board of directors, NIRI staff, and the many dedicated volunteer members throughout our organization execute our strategic plan and steward the association on a path of continued success."

"I am extremely honored to be elected chair of an association that has been essential to my investor relations career," said Donohue. "During my tenure as chair, I look forward to partnering with the board, NIRI staff, and fellow members to ensure a seamless leadership transition following the completion of our search for a new president and CEO of NIRI. In addition, I intend to focus on the continuing implementation and launch of an investor relations certification program and moving the OneNIRI 2015-2018 strategic plan into the execution phase for the benefit of all NIRI members."

"I would like to thank outgoing board chair John Chevalier and fellow board members Jane Okun Bomba and Ruth Cotter for their extraordinary contributions while serving on the board the past four years," Donohue continued. "I encourage members to actively participate in local chapter and national activities so that together, we can advance the NIRI organization and profession."

Before joining Impax in 2008, Donohue was director of investor relations for Dow Jones & Company, where he was responsible for developing and executing a global investor relations program. Prior to joining Dow Jones in early 2001, he was vice president, investor relations, with Summit Bancorp. Before getting his start in the investor relations field in early 1999, Donohue worked in corporate finance at Covance, after beginning his career as an auditor with Ernst & Young.

He is a member of the NIRI Philadelphia chapter Advisory Board, having previously served on the Philadelphia chapter board of directors and as chapter president. Donohue is a member of the NIRI Senior Roundtable, served as co-chair of the 2014 NIRI Annual Conference, and has chaired the NIRI Board Audit Committee. He was a member of the NIRI *IR Update* Editorial Advisory Board, and was the NIRI 2010 University of Michigan Theory and Practice of IR Program Scholarship recipient.

On the Move



Natalie S. Hairston joined Dennard Lascar Associates as senior vice president. She will provide investor relations and corporate governance/board advisory support for new and existing clients. Hairston was previously corporate vice president – investor relations and chief governance officer at ENGlobe Corporation from 2003-2014.



Elizabeth M. Higashi was appointed vice president, investor relations for Horizon Pharma, which recently completed its acquisition of Vidara Therapeutics International.

Higashi was previously president of Higashi Advisors, a strategic IR and corporate communication consulting firm. She also served as a principal at Sard Verbinen & Co. and led IR and communication programs at International Minerals & Chemical Corporation, SFN Companies, and The Times Mirror Company. Higashi is the board chair of the NIRI Chicago chapter.

Professional Development Calendar

November 2014

17-19 Global IR Forum seminar, New York, NY

20-21 Finance Essentials for IR seminar, New York, NY

December 2014

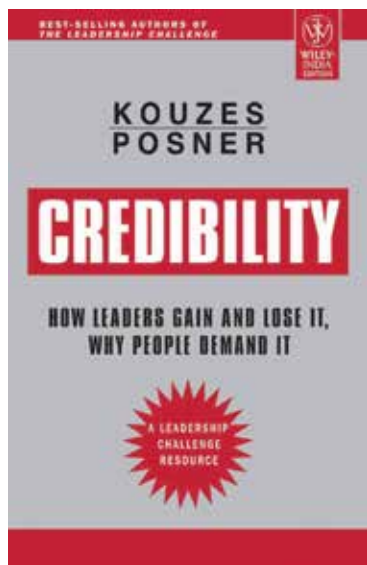
3 2014 NIRI Annual Meeting webcast

3-5 NIRI Senior Roundtable Annual Meeting, Pelican Hill Resort, Newport Beach, CA

January 2015

11-14 Fundamentals of Investor Relations seminar, Santa Monica, CA

15-16 Finance 101, Santa Monica, CA



Trust and Credibility

Building trust is the key to credibility, according to the book, “Credibility, How Leaders Gain and Lose It, Why People Demand It.”

By David Dragics

While the function of investor relations is defined on the NIRI website, I believe what’s missing is the *mission* of investor relations that we, as practitioners, are asked to perform. When I’m giving an investor relations talk to employees of our company (who are also shareholders), as the company’s leader of the IR function, I explain to them that the mission of investor relations is to *maintain or improve management’s credibility with the financial community in order to reduce the corporation’s cost of capital*.

Trust is Key

As James Kouzes and Barry Posner point out in the introduction to their book, “Credibility, How Leaders Gain and Lose It, Why People Demand It”: “The entire economic system is based on trust. It’s not based on a particular investment model, price-earnings ratio, income statement, or balance sheet. It’s not based on any of these rational concepts. It’s based on whether people *believe* in the numbers and in the people who are supplying them.”

In serving our internal constituency – management – and our external constituency – the financial community – everything we

do in IR ultimately supports credibility. Not only that of management’s but also our own as leaders of our company’s IR function and efforts. If we don’t believe and practice that, then getting that “seat at the table,” which we all aspire to, will be that much more difficult to attain.

Kouzes and Posner’s book can help us, as practitioners, better understand how vital achieving and having credibility is if we are to be the leader of the IR function and fulfill its mission. As the authors point out, credibility is earned over time and is the foundation of leadership.

What they also explain is that people choose to follow a leader because that person lives up to their expectations. That is so true in IR, particularly in working with senior management to make certain that we properly help position them and manage their expectations about the financial community, and vice versa for the financial community. In our role, it is important that we earn and maintain the credibility of *both* constituencies.

Six Disciplines

Kouzes and Posner point out that We is crucial to leadership credibility – that it’s not only “Do What You Say You Will

Do” for personal credibility, but also “Do What We Say We Will Do” to earn and strengthen credibility in the context of an organization.

They define the six disciplines of credibility:

- Discover your Self.
- Appreciate constituents.
- Affirm shared values.
- Develop capacity.
- Serve a purpose.
- Sustain hope.

They spend a chapter explaining each of these disciplines with very little theory and plenty of examples that can be related to practicing IR, making the book an easy read. The final chapter addresses the issue of uncertainty, the “credibility conundrum of our age,” and how it makes building and sustaining credibility that much more important.

The last sentence of the book reminds us that, as leaders of IR – or any function – our actions become who we are, determine the credibility we earn, and shape the legacy we leave. Dare we ever forget that. **IRU**

David Dragics is senior vice president, investor relations, at CACI International; ddragics@caci.com.



$\text{Valuation} = f(\text{growth, returns, investor perceptions})$

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