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DECEMBER 2017

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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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Mastering multiple positions and functions within your company can build a set of diverse competencies that can propel you into the C-Suite. **READ MORE ON PAGE 10.**

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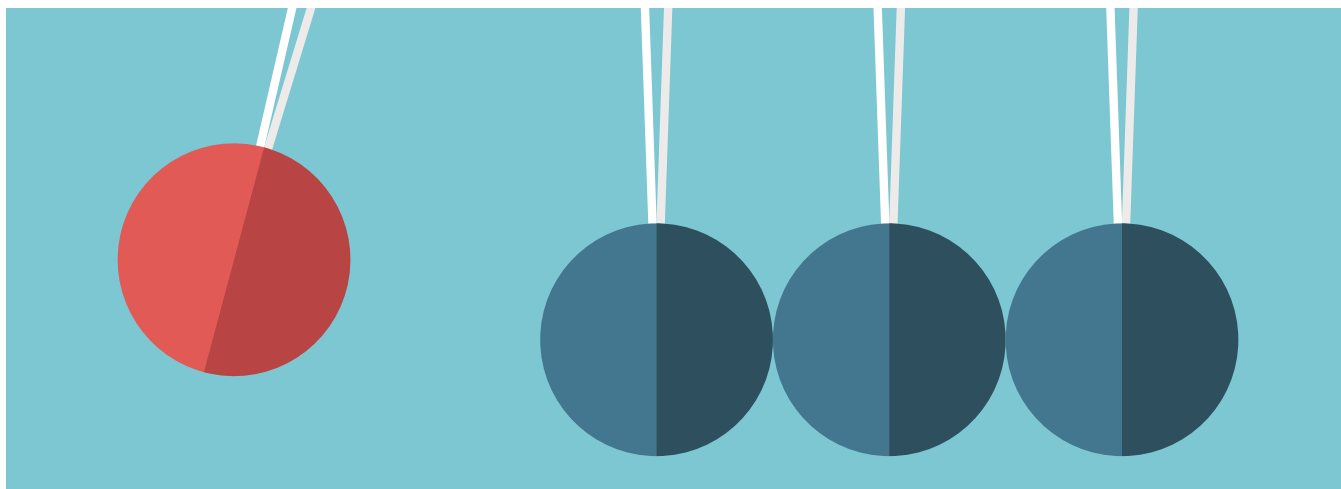
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Positive Momentum Leading Into 2018



Valerie Haertel, IRC

NIRI Chair
Global Head of Investor
Relations
BNY Mellon


It has truly been a privilege and an honor to partner with our new CEO, the talented professionals on our Board, the dedicated NIRI staff, our Chapter leaders, and members across our organization to work together on a path to strengthen NIRI and drive our growth. We navigated a year of transition and transformation that was incredibly challenging and rewarding.

As I get set to pass the baton to our incoming Chair, Lee Ahlstrom, I wanted to reflect on what the Board and NIRI have done collectively to advance our mission.

Beginning with appointing Gary LaBranche as CEO in March, we have strengthened our governance framework to reflect best-in-class association practices. We have modernized our bylaws to reflect the evolution of our profession, including adding a new Associate Director (service provider) and a Chair-elect to our Board and allowing the Chair to serve an additional year. These changes will support leadership continuity and ensure smoother transitions in the future. We also strengthened the leadership structure and process related to our flagship Annual Conference.

We continued to advance the four pillars of our One NIRI strategy – Professional Development, Community, Information, and Advocacy. We created a NIRI Leadership Week with an all-hands meeting to share ideas and discuss strategy. Our annual Board advocacy efforts to influence change in Washington, D.C., were more targeted and, thanks to Gary and Ted Allen, we not only met with the Securities and Exchange Commission, but, for the first time also met with key members of Congress. We also held a series of strategic planning and analysis workshops to update our One NIRI strategy with input from our community. Gary and the Board are looking forward to sharing that strategy with you soon.

A heartfelt thanks to the Board and especially to the outgoing members who sat side-by-side with me for four years. David Calusdian, Angie McCabe, and Nils Paellman provided strong leadership and wise counsel during a period of challenge and change. We are proud to welcome our new Board members (Patrick Davidson; Jennifer Driscoll, IRC; Jeffrey K. Smith, IRC, CFA; and Ruth Venning) and Michael Becker, our inaugural Associate Director, to the class of 2018. A warm congratulations to Lee Ahlstrom, our new Chair. I cannot think of a more thoughtful leader to take us to our next level of success.

Finally, it is with my deepest gratitude and thanks for the opportunity to serve all of you and the profession I hold dear. 

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SEC Grants Relief on MiFID II

NIRI asks the SEC to host a roundtable on the future of equity research.

BY TED ALLEN


In late October, the U.S. Securities and Exchange Commission (SEC) gave sell-side firms a 30-month reprieve from complying with investment advice rules that would conflict with the European Union's new Markets in Financial Instruments Directive (MiFID II).

This regulatory relief, requested by groups representing broker-dealers and mutual funds, should help U.S. companies and their IR teams by reducing the likelihood that sell-side firms will abruptly cut back their analyst coverage of small- and mid-cap issuers when the EU's MiFID II rules take effect on January 3, 2018. "These steps should preserve investor access to research in the near term, during which the Commission can assess the need for any further action," SEC Chairman Jay Clayton said in a press release.

Given the global nature of the capital markets, many U.S.-based broker-dealers provide equity research to clients in Europe. The brokerage industry asked the SEC for regulatory relief because they feared that they could not comply with the new MiFID II requirement to unbundle research and trading payments by their European clients without also violating U.S. rules. Under the Investment Advisers Act and SEC rules, broker-dealers can't provide research or investment advice directly to investors for hard dollars unless they are registered investment advisers (and meet higher fiduciary duty standards).

"Subjecting broker-dealers to the Advisers Act when providing research services could disproportionately impact smaller issuers to the extent research coverage is reduced," the Securities Industry and Financial Markets Association, which represents broker-dealers, warned in a letter to the SEC.

The potential loss of research coverage is a significant concern for IR professionals at small and mid-cap issuers. A variety of factors, such as a shift to passive investing strategies and cuts in trading commissions, have contributed to a reduction in the number of sell-side research analysts who cover companies. Within the past 20 months, several brokerage firms, including BB&T, Avondale Partners, and Nomura, have closed their research divisions. According to a Reuters analysis, the number of companies in the small-cap Russell 2000 index that lack any formal Wall Street coverage has risen 30 percent over the past three years. This trend likely would have accelerated if the SEC had not granted the reprieve sought by broker-dealers and mutual funds. In June 2017, a McKinsey & Co. report estimated that MiFID II would prompt the 10 largest sell-side firms to lay off hundreds of analysts and reduce their spending on equity research by \$1.2 billion.

NIRI has submitted a comment letter that thanks the SEC for the MiFID II relief and encourages the agency to develop recommendations to promote more equity research coverage of small- and mid-cap issuers in both the U.S. and Europe. NIRI is asking the SEC to convene a roundtable to hear views from companies, investors, sell-side firms, and other research providers on the future of equity research. 

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Fifteen IROs Earn IRC Credential

Fifteen investor relations (IR) professionals have earned the Investor Relations Charter (IRC®) credential awarded by the NIRI Certification Council.

Representing the fifth class of IRC credential holders, there are now a total of 133 IRC holders worldwide. These IR professionals successfully completed the IRC examination offered in September 2017.

The IRC program defines the profession of investor relations through the IR Competency Framework, and provides IR professionals with the opportunity to demonstrate their knowledge, expertise, and commitment to the profession. The IRC is NIRI's first professional credential, and the program is dedicated to advancing the practice of investor relations and the professional competency and stature of IR professionals.

NIRI is now accepting applications to sit for the March 3-10, 2018 testing window. Program information and applications are available on the NIRI website at www.niri.org/certification. The initial application deadline for the March testing window is December 22. The IRC exam also will be offered during June 16-23, 2018 and November 13-20, 2018.

September 2017 IRC Class:

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Robert Debs, IRC
Suzanne DuLong, IRC
Bryan R. Dunn, IRC
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ON THE MOVE



Sally J. Curley, IRC is the CEO of Curley Global IR, LLC, a strategic advisory firm she launched in November 2017 in Savannah, Georgia. The firm offers more than

30 years of experience in IR and nearly two decades of advising on environmental, social and governance (ESG) matters. In addition to providing high-quality strategic IR counsel, CGIR exists to help today's companies address the significant rise in investor outreach and ESG-focused information requests.

CALENDAR

These upcoming events provide excellent professional development opportunities for NIRI members. Learn more at www.niri.org/full-calendar.

JANUARY

JANUARY 8-10, 2018 • SANTA MONICA, CA

FUNDAMENTALS OF INVESTOR RELATIONS SEMINAR

This comprehensive IR seminar offers a structured overview of all aspects of investor relations, including marketing, communication, and finance.

JANUARY 11, 2018 • SANTA MONICA, CA

CREATING COMPELLING INVESTOR PRESENTATIONS SEMINAR

This strategic one-day workshop will appeal to IR professionals of all levels, and includes a new strategic messaging development module. It focuses on the two key forms of communication that help achieve a premium valuation – the Non-Deal Roadshow and the Investor Day.

JANUARY 18, 2018 • WEBINAR

ARE WE MANAGING THE STREET OR IS THE STREET MANAGING US? WEBINAR

The modern landscape of earnings guidance continues to evolve and is always full of pitfalls. And when analyst expectations and company performance don't line up, where do IROs draw the line between keeping investors and sell side analysts informed and providing too much disclosure before earnings are released? Hear from a panel of experts how to navigate these challenges. [IR](#)

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PATHWAY **to the C-Suite**



Learning multiple parts of your business and volunteering for new and different assignments can position you for a promotion to the C-Suite.

BY MARGO VANOVER PORTER

If your career goal is to attain the title of CFO – or even CEO – your pathway may be a straight line, but often it depends on gaining diverse experience across your company. That can lead to many zigs and zags.

Howard J. Thill, executive vice president and CFO of Sanchez Energy Corporation, admits he took a convoluted path to the C-suite, starting out in operations, moving to tax, then mastering internal finance and business development, before spending 17 years in an investor relations slot with responsibility for public relations and government relations.

Mastering these positions helped him build credibility in the company and expanded his resume. “I knew the financial and the operation sides because I kept looking for opportunities to learn,” he says.

Thill points out that he has known professionals who made lateral moves – or even have taken a step backward – in order to broaden their skill sets in preparation for their eventual post

in the C-suite. “It’s a mistake to think every move must be a promotion,” he insists. “Sometimes you need to make a lateral move just to develop a better-rounded knowledge of the company.”

Ismail “Izzy” Dawood, CFO of Santander Consumer and Chrysler Capital, agrees with that advice. “Learn other skill sets, and get out of your comfort zone,” he recommends. “Many of the IROs I know have been in their function for a long time. It’s a great role because you have exposure to the CEO, senior leaders, smart investors, and other folks, but to be a successful CFO, you have to learn other parts of the business, whether it be traditional management accounting, corporate development, operations, or marketing. For the next step, you need other arrows in your quiver.”

Drawing on his own experience, Dawood explains he has worked for three companies. Starting out as an analyst with the first company, he rose in 14 years to the senior vice president level “by raising my hand and gaining the confidence of my peers as well as my managers.”

At the second company, he worked for the CFO

for nine years in four different functions while learning – and overcoming – the roadblocks in each area. For example, when attracting leaders to participate on the company's Belgium board became a challenge, he spoke up with enthusiasm and jumped at the chance to prove his worth. "Let me do it," he said. Although he received no extra pay or no additional title, he "gained a very strong appreciation for the regulatory environment in Europe, which added to my skill set."

According to Dawood, IROs who think their next step most certainly should be CFO should re-evaluate their game plan.

"The next step is to learn the other functions under the CFO," he emphasizes. "An IRO is normally leading a group of three to six people. For a CFO, 80 percent of the time you're managing groups of several hundred senior executives who have a vision and plan. You're leading by example. You're putting processes and executions in place. Learn how to lead large, cross-functional teams. You're managing managers, not individuals."

He explains he used to run corporate development team consisting of "10 to 12 Type A personalities who would wake up on a Saturday morning and come to work if I told them to. I had to learn how to run a group of 400 people who are process- and timeline-focused accountants. It's a whole different level of engagement and motivation."

Elizabeth "Liz" Bauer, chief communications and investor relations officer, CSG Systems International, Inc., seconds the notion of gaining exposure to multiple areas of your company.

"The irony is IROs want to get to the C-level position, CEO or CFO, but there are a lot of other areas in the company where you can be highly productive and make a difference, such as running a division or functional area," she says. "Raise your hand, sign up for a project, lead a cross-functional team, be held accountable to KPIs like everyone else in the company, perform, and people will want you in there."

Raise Your Hand

Executives in the know agree you must speak up and volunteer for opportunities that may be outside of your current job description to move up the

"Typically, IROs are running an expense center vs. a revenue-generating center. A key area that IROs miss out on is being able to run a complete P&L. If you want to get to CEO, CFO, or president of a division, you need to understand the levers that drive top-line growth."

- Liz Bauer, chief communications and investor relations officer, CSG Systems International, Inc.

corporate ladder. "You need to be able and willing to roll up your sleeves and jump in and help where needed," Thill says. "You need to let people know you are willing to take on additional responsibilities."

However, be careful how you communicate your lofty goals and ambitions. For example, rather than saying, "I want a promotion," even if that is your ultimate goal, Thill urges you to ask, "How can I contribute more to the company?" or "What more can I do to demonstrate my value?"

Dawood took a similar approach in his upward career climb. "Until the last year before I left, I really never told my boss I wanted to be a CFO," he explains. "What I always said is, 'I need to learn about what you do and what the company does. If opportunities come up to add hard or soft skills, I want to raise my hand.'"

The approach matters, he says. "In my opinion, your ambition should never be, 'This is the job I want.' Your ambition should be 'Here's what I want to learn because these are the areas I want to strengthen. As an IRO, you have to talk to about half the C-suite and let them know that you're willing to take the step to learn and that it's not all about the title, or the pay, but it's about building your skill set. When preparation and opportunity come together, you take the step.'"

Bauer is a big believer in all company employees, not just IROs, making their ambitions known. She encourages a CFO want-to-be to get involved in operations where he or she will be held accountable for a P&L.

"Typically, IROs are running an expense center vs. a revenue-generating center," she says. "A key area that IROs miss out on is being able to run a complete P&L. If you want to get to CEO, CFO, or president of a division, you need to understand the levers to drive top-line growth. In today's world, growth is so hard to come by for most companies. Being able to drive top-line results is the differentiator."

She also encourages IROs to jump at the chance to lead special projects. "If you go through an acquisition, raise your hand to lead the integration," she says. "If you're swapping out an ERP system, raise your hand to lead the switch. You can prove your leadership and financial skills with special

projects where you can lead a cross-functional team and are held accountable for a budget with key metrics you have to perform against.”

Advancement Advice

Both Thill and Dawood are adamant that before you can be considered for an internal promotion to a spot in the C-suite, you first must obtain and demonstrate a comprehensive understanding of your company, your industry, and finance.

“It’s easier if you come from a financial background and have spent time in accounting, financing, or banking, which will give you a leg up,” Thill says. “Those are givens and true for advancement to any position. You need to know the company, know the industry, and drive home how you can add value to the company. You need a breadth of knowledge and understanding of the business to deliver value through problem solving.”

In his opinion, you don’t have to be an attorney or specialist to be considered for upward mobility. “I’ve seen engineers, geologists, and accountants become CFOs,” Thill says. “The trait they all have in common is a financial knowledge, either from an advanced degree or on the job.”

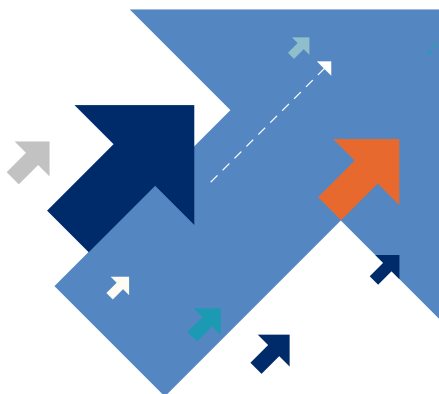
Other advice includes:

Polish your personality. “This is not a beauty contest, but you have to have the personality and self-confidence to get out in front of employees, coworkers, investors, and bankers and project your knowledge,” Thill says.

Earn the respect of coworkers. “You have to be respected by your current peer group so when you do take that seat it’s easier to succeed,” Dawood says. “It’s more challenging when someone is put in the seat who no one knows about or has worked with. You have to earn the position.”

Play for the team. While you need to project confidence in your own ability, don’t let an exaggerated sense of self-esteem sabotage your success. “I would much rather have a team player than someone who is overbearing and knows everything,” Thill says. “You need to reflect and share the company’s corporate values.”

Leverage your knowledge. “You have to continue to develop your skill sets, financial acumen,




banking interests, and knowledge and build a portfolio of accomplishments, rather than being a bag carrier for the C-suite,” Thill emphasizes. “There are very few jobs that see such a broad view of the company as investor relations. You need to leverage your knowledge and make sure you impart your knowledge to people inside the company as well as external constituents.”

Too often, he says, IROs spend a tremendous amount of time visiting with investors about the company, industry, and general economic conditions, but fail to let the CFO and CEO know the extent of their knowledge base. “Complete the circle,” he advises.

Practice collaboration. “In the C-suite, your ability to influence and gain consensus is critical,” Dawood says. “The more senior you move up, the more it becomes important for you to collaborate and reach consensus because the folks you work with are also successful. Bringing them all together to get to a common goal is a critical skill set. In the C-suite, you need to know how to lead a large group of people, keep them connected, and ensure they are all walking down the same path.”

Develop your own vision and then work hard to achieve it. As an IRO, you are communicating the vision of the CFO and CEO to investors and the public. Once you move into the C-suite, you’ll need to “communicate your own vision and what you want done, which requires strategic thinking and belief in yourself,” Dawood says.

“Strategic thinking is always critical,” he adds, “but at the end of the day, I believe in the old saying, ‘Success is 1 percent inspiration and 99 percent perspiration.’” 

MARGO VANOVER PORTER is a freelance writer in Locust Grove, Virginia.

THE ART OF MANAGING CONSTITUENCIES



IROs share their observations on the art of prioritizing corporate stakeholders and serving their diverse interests.

BY ALEXANDRA WALSH

n the strategic position that investor relations professionals occupy within their companies, dealing with a range of stakeholders or constituents can be a challenging part of the job.

Have you ever made a list of every group of constituents you serve as an IRO? On the list of internal constituents would probably be the board of directors, the senior management team, and employees.

Depending on your company, external constituents might include sell-side and buy-side analysts, individual investors and shareholder activists, debt holders or rating agencies, news media and social media, and customers and suppliers.

So if you are new to the investor relations profession, new to your company or your company has undergone some systemic transformation – how do you determine your constituents, rank their importance, meet their varied needs, and perhaps most important – how do you juggle them all?

“If you’ve been in investor relations long enough, it’s like breathing,” observes Susan Conway, senior director of IR for Cognex Corporation.

To break down what is instinctive for some, like Conway, we spoke to a group of experienced IROs about their observations on the art of constituency management.

Identifying Primary Constituents

Understanding who your constituents are, let alone ranking them in terms of importance to your company, and managing their needs, might not come quite so naturally for less experienced IROs or those new to their company.

“At the start, the IROs’ own past experience might bias them toward certain constituencies,” Conway points out. “If the IRO comes from the investment community, they may need to think more about the customer side of the house or what employees need as they might not be bringing that knowledge with them, just as someone from finance might need to develop skills in dealing with the communications and writing aspects of working with the media constituents.”

“After communicating with your CEO and CFO, look at your prime constituents like existing and targeted shareholders, the sell side, and employees, and determine where the strategic focus should move them up or down the priority list,” advises Theresa Womble, director of IR at Compass Minerals International, Inc. “You’ll do this in concert with the company’s leadership, helping them to see what you see as existing constituency relationships and where they might need to change with new

company priorities or changing dynamics in the market.”

Womble notes that flexibility with the constituency hierarchy is essential. “When I first joined the company, there was a desire for more coverage, so targeting sell-side analysts was important. Now we engage analysts if they are interested in us but we’re not going out of our way to attract coverage and that is different than it was years ago.”

Nancy Hobor, who has been a senior lecturer in integrated marketing communications at Northwestern University since retiring as senior vice president of communications and IR for W.W. Graninger, Inc., says an IRO can go to their CEO and CFO to help them determine which constituents should be getting the bulk of their attention, but she warns of tunnel vision. “Sometimes CEOs and CFOs think you should spend all your time talking to investors, and IROs can also get too narrowly focused on investors and lose sight of what’s important. Perhaps one way to get information to investors is to work with others, such as the marketing team, to deliver a consistent message across all constituents or stakeholders.”

Hobor points out that CEOs sometimes have definitive feelings that are impacted by their experiences and comfort level. They might regard investors – or customers – as their people. “It’s a good idea for a new IRO to try and sit down with all major leadership, whether it’s HR, marketing, or supply chain, and ask them who’s really important in their world.”

Hobor is a strong proponent of stakeholder maps. “I think a stakeholder map is a great way to determine who your constituents are, who the major influencers are for those stakeholders, and where you want to spend your time, talent, and resources.” She adds that the stakeholder map will change over time, as circumstances change, and the IRO should adjust accordingly.

Some IROs have to step up service to a certain constituency in the absence of management doing so. “Management teams have different preferences when it comes to their level of interaction with the Street,” suggests Kelly P. Hernandez, who focuses on the strategic side of investor relations at Leidos.

Hernandez points out that it is important to understand the relationship management has with the company’s constituents, and the impact that will have on how much weight the IRO will carry with those constituents.

“IR departments are always small and very individualized in terms of approach and management teams differ in their philosophy towards IR. It’s important to understand early in the job interviewing process whether you will be a surrogate for management in dealing with the company constituencies or

just a gatekeeper to management or somewhere in between.” She adds that it’s also possible to start in one place and end up more empowered with a broadened scope of authority if you’re able to demonstrate your value.

There is no clear-cut agreement among IROs when it comes to prioritizing the importance and value of different stakeholders.

“Instinctively and intuitively, shareholders are the core and primary audience for investor relations,” asserts Andrew Kramer, vice president of IR for Netscout Systems, Inc. “Everything thereafter is going to be a function of the messaging for shareholders and how that message may be perceived. There are a variety of channels and influencers – [the] sell side is an important channel of influence – that impact that dialogue and ensure the message is modified to resonate with a variety of constituencies.”

“In general, customers are the company’s most important constituent,” Hobor notes. “And if you feel that way, then another vital constituent is your employees as they probably determine how your customers feel.”

But Hobor adds that the hierarchy of constituents changes relative to your position with a company and what’s going on with the company. As an example, she offers a scenario where a major credit rating agency runs afoul of the general public and a major scandal plays out in the media. “Now your company’s major constituency – investors – is vying with customer constituents and the IR role increases; and then if congressional hearings ensue, government (congressional and administrative) becomes the most important constituency.”

Diversifying the Message

Hernandez believes that internally, a constituency sometimes overlooked is the general employee population. “Make sure that they understand and are aligned with the priorities of the management team and what is being communicated to the Street. It’s especially important to ensure outreach and a direct line of communication during times of change and stock underperformance.”

“Different constituents have different needs and sensitivities. For example, a restructuring – generally perceived by the Street as a good thing to improve profitability -- often has direct and unfortunate implications for the employee base,” Kramer cautions. “Positioning a restructure with layoffs as a

positive strategic action may work for investors, but employees – especially those who may lose their jobs – won’t look at it that way. The needs of those two constituencies are going to be in conflict and somewhat at odds with one another. Being sensitive to that will ensure communication is consistent but balanced to address those different audiences.”

The amount of data provided could be very different depending on the constituency, but the kernel of information doesn’t change, Conway acknowledges.

As an example, Conway points out that an acquisition announcement to the Street will detail how the acquisition fits into the company’s overall strategy and provide financial metrics. Internally, the messaging will touch on those points

but will also detail how many employees are coming aboard and where they will fit into the organization. And the company’s sales team will need to be acquainted with the new customer base so they can understand what information their customers will be asking for. “The messaging flows down a pyramid structure and is consistent throughout – how much detail provided depends on the audience.”

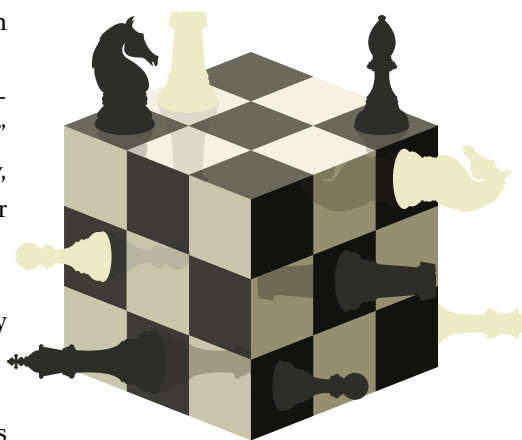
“In order to communicate your message, it’s important to understand that the sell side amplifies that message to the buy side,” Hernandez advises. “So making sure you have a very well-informed base of covering analysts is important, as is understanding the dynamic that each analyst’s coverage universe might be different.”

Hernandez adds that IROs need to contextualize their investment story within the context of each analyst’s coverage group, rather than focusing on the company’s story in a vacuum. She suggests IROs consider tailoring and nuancing the message for different analysts and targets.

“The same thing applies to the buy side,” Hernandez says. “When talking to a growth manager, you focus on certain things – which is not to say key messages are different, they should be consistent and as broadly applicable as possible. But, in delivery, they are nuanced based on the specific investment traits or characteristics of the fund groups you are engaging.”

Answering to the Board

“The board of directors clearly has fiduciary responsibility to the shareholders, and their view into the business is very different from that of executive management,” notes Kramer. “The level



of detail that IR provides to them is likely to reflect that and the frequency of my interactions with the board would also be indicative of that. They're not tasked with reviewing day-to-day operations, but rather to oversee and provide guidance to management. That fundamentally influences how and when IR interacts with board members."

"My approach to the board is that their priorities are strategic and long term with some awareness necessary for near-term issues," Hernandez explains. "Their focus is different than most shareholders, in terms of time horizon. In my interactions with the board, I try to align with that – I keep them abreast of the strategic direction of the IR program with some tactical updates."

"I could move the board to the bottom of the constituency list if I have a key priority and follow up later," Conway reasons. "I've always found them to be rational people and they would understand."

"It's an important relationship and essential to have the board as knowledgeable as possible about the current messaging you're providing the Street. I've also found board members can be another useful set of ears and eyes on the focus and content of our IR materials," Womble says. "I'm receptive to their input and respectful of their level of experience. They have important insights to consider."

Juggling Them All

"Meeting the needs of all your constituents is a lifelong process of juggling, and I'm not sure if anyone ever has the right formula," Conway concedes. "I focus on what's the priority at that point in time."

Conway hypothesizes that on a certain day, her CEO might need something, an earnings release has to go over to the wire service, a shareholder calls in for information, and the CFO needs something for the board. Conway suggests her two priorities are getting the release to the news wire service (for timing and accuracy) and then addressing CFO request for the board member. "I put the shareholder last because it's in the interest of all shareholders to get the earnings release out."

"Personally, I also find it very helpful to write things down," Conway notes. "A lot of information and topics repeat over time, so I like to have data and other information organized in my thoughts, regardless of whom I'm talking to."

"It's important to understand the ecosystem I'm working within, and then it's less of a struggle. My number one job is to be a credible and easily accessible source of information about the company to anyone who calls from any of my key constituents," Hernandez says. "You might have a crazy call volume on


a certain day, but they all likely want to know the same thing, so you're not really tossed in different directions. My priorities are pretty clear. Above all, I'm responsive to shareholders.

"Make sure you have a two-way flow of information, and don't be afraid to ask your constituents questions too -- the only way to understand their drivers and views is if you ask them."

She says if she gets a call for facts or thoughts on the topic *du jour*, she ends the call with questions for the caller. If it's a newer investor, she might ask how they learned about the company, or how an issue got on their radar. If the call is with an analyst, she might ask what the tone of conversations have been with investors about her company's stock and other stocks competing for their investment capital. "It helps to better understand the temperature of the market at that time," she says.

"When thinking about IR, recognize that every interaction you have with an individual has an agenda, whether they are internal or external, and understanding that agenda helps ensure healthy dialogue," Kramer explains. "If you go to an investor conference hosted by an investment bank, it doesn't mean the initial one-on-one meeting schedule will put you in front of the right mix of investors. You have to do what's right for your company, including pushing back and inquiring who else requested time and adjusting the schedule accordingly. You have to manage that relationship, which will ultimately help your company."

"I'm passionate about IR because it provides a unique opportunity and role to play that few in an organization get," Hobor says. "You are able to answer questions and think strategically in a way that many others in the organization can't even think about. For example, HR thinks exclusively about employees and marketing about customers, which is not wrong, but IR has a unique opportunity because there is so much input from all the different constituents. IROs are able to think more holistically about the company, which is what the CEO is doing, and help the company look at things in a more strategic fashion than they do."

"I suggest the IRO is the CEO job without the salary and headache, but similar in that both IRO and CEO are looking at the company from the broadest perspective and have to understand the story from that perspective. A less experienced IRO is well-advised not just to think about investors, but more broadly about all the moving parts and all the constituents, like the CEO does." 

ALEXANDRA WALSH is a senior publishing consultant with Association Vision, the company that produces *IR Update* for NIRI.

Speak No



DOUG WILBURNE

"This is not a feel-good book, with acquiescence as its principal solution. Quite the opposite."

Have you ever faced any of these or similar situations?

- In private meetings, your CEO has a tendency to be overly optimistic, contrary to the agreed-upon story.
- Your number one-rated analyst makes calls and sends emails to your operating unit heads behind your back.
- Your CFO drinks too much at evening analyst events.
- While otherwise effective, your IR coordinator comes to work late seemingly once per week.
- Your general counsel habitually brings up controversial investor relations topics in staff meetings without first discussing them with you.

Would you have the courage and skills to address these situations? Or are you a master at avoiding uncomfortable conversations and would remain silent and hope for the best? Read *Crucial Conversations* and you will be empowered to deal effectively and confidently with the myriad crucial conversations IROs face in their jobs each day.

While this is technically a book review, it really is more a personal testimony. I was given a copy of this book about 15 years ago by my boss as part of her effort to improve her organization's overall effectiveness with conflict management. This was truly a gift, as it significantly improved how I approached the conflict and communications challenges in my career and surprisingly enough, it helped me at home, too!

Crucial conversations are characterized by the following: (1) opinions vary; (2) stakes are high; and (3) emotions are running strong. Sound like circumstances you run into every day? Most often you find yourself in crucial conversations without warning, so you're really not as constructive as you know you can be because your emotions take over before you know it.

This book is well worth the investment of time, as it methodically lays out the psychology and anatomy of confrontational communications and pre-arms you with the awareness and skills necessary to navigate and diffuse the contention and emotion inherent in those interactions. This includes tools for: (1) understanding and avoiding your own tendencies to take a conversation off-track; (2) tools to keep a conversation "safe" for all participants; and (3) tools for spotting techniques that others may use to derail a conversation.

The good news is that the book is only 11 chapters long (about 200 pages) and is an easy and exciting read. It is not burdened with lots of "filler" and redundancy, but does contain a plethora of practical, realistic examples. It also has a credible basis, as the findings are based on decades of research across hundreds of thousands of people in numerous organizations from hospitals to major corporations.

In most regards, this book does not contain anything unique or ground-breaking, per se, but it effectively delivers a holistic collection of robust conversation techniques and concepts, and clearly delineates a framework for successfully conducting constructive,

Evil


***Crucial Conversations* is a book that can help you become a more effective IRO and a better person at home.**

BY DOUG WILBURNE

outcome-based conversations in the toughest of circumstances.

Perhaps the most important concept in the book is that all crucial conversations should start with an introspective assessment of what you truly want as a result of a conversation. Often, we just plow into a situation with the intent to win the argument. With appropriate reflection, there often can be a higher purpose than just winning. In fact, an entire chapter is devoted to this idea, titled, “Start with Heart – How to Stay Focused on What You Really Want.” While that may not sound applicable to a work situation, ultimately it is because we are dealing with human beings. So, even if you’re dealing with your boss or a board member, in addition to understanding their motivations (they are, after all, human), you have to understand your own!

Don’t get me wrong, this is not a feel-good book, with acquiescence as its principal solution. Quite the opposite. It provides a methodology and tools necessary to achieve situational objectives.

If ever there were a self-help book applicable to investor relations, as well as our current societal and political environment, it is this one! It does not provide a silver bullet to life’s problems, but I guarantee that it can show us all a better approach to dealing with the seemingly constant confrontation we face professionally and elsewhere. 

DOUG WILBURNE is a NIRI Fellow, a former chair of the NIRI Board of Directors, and an inductee in the NIRI Boston Chapter Hall of Fame. He is now retired; dougwilburne@gmail.com.



The Activism Play

The NIRI Chicago chapter hears both sides of the activism equation.

BY LISA CIOTA

“Nothing puts a bullseye on a company’s back more than a lack of transparency or unwillingness to talk,” Scott Ostfeld, partner and co-portfolio manager, JANA Partners Strategic Investment Fund, told attendees at NIRI-Chicago’s Annual IR Workshop. The morning session focused on activism via a fireside chat with Ostfeld, moderated by CamberView Partners’ CEO and founder Abe Friedman, and an interactive discussion with activism defense pioneer Bill Anderson, senior managing director at Evercore.

Using an event-driven strategy, JANA seeks companies undergoing or expected to undergo change, including management or strategic changes or industry consolidation. JANA looks at a company’s performance, margins and returns relative to peers. But JANA isn’t exclusively – or even primarily – an activist. In fact, approximately 70 percent of JANA’s \$5 billion portfolio is invested with no intent of activism.

“We think of ourselves as engaged owners,” Ostfeld said as he described JANA’s activism approach. “We try to work constructively. If we call you, don’t assume we’re in the role of activist investor. We’re malleable and receptive. And we’re not interested in getting a lot of press.”

Broadly, JANA tends to get involved when a company has a strategic jump-ball decision to make, there are multiple avenues for success and the shareholder base is likely to embrace change. JANA prefers to approach companies quietly, and does not speak with other investors until after engagement begins. When seeking board seats, JANA typically nominates industry experts – and once that nominee is elected, JANA may request permission from the company to share their perspective with, but will not seek information from that director.

Friedman discussed the importance of year-round engagement. As activists increasingly talk with long-only managers, building relationships with the voting arm of key institutions in peacetime can yield significant benefits in contested situations, he said.

Ostfeld’s advice to IROs: know your company, its competitors, and industry; be a good listener;



book Duality

and avoid surprises to the extent possible. He also advocates knowing your shareholder base, maintaining lines of communication during good times and bad, and treating all investors the same. When you do encounter activism, be sure to hire good outside counselors.

Bill Anderson of Evercore noted the pressures on actively managed funds are profound. Everyone is seeking alpha, and activism is one way to achieve that. The success of activist campaigns helps concentrate more assets across fewer activist funds. At the same time, activists are finding new ways to attract capital, including via special purpose vehicles that focus on a specific idea.

Anderson explained, “Activism preparedness is a risk management issue for all publicly traded companies.” He advised that you should prepare by critiquing your company from a shareholder’s perspective, asking, “What are the vulnerabilities of your executive team, your board, your strategy, your financial performance? How could someone else extract more value?”

This exercise can focus executives and directors on developing an activism defense plan. Such a plan should consider not only your risk assessment, but who will comprise your internal and external teams, your potential engagement and communications approaches, and strategic alternatives. As for outreach to index funds, “it’s not about your governance score, it’s about your board,” he noted.

Your initial response to an activist is crucial. Anderson said, “Often, less is more.” He advised controlling your narrative and avoiding a public tit-for-tat. “It’s all about the substance of your message.”

Anderson noted the value of having strong internal IR expertise. “Outsourced IR is a negative signal to the market about management’s view of the importance of its shareholders and their goals and interests. The value of the interaction depends significantly on how much the IR individual understands the business and management.” **IR**

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PERCEPTION STUDIES

A Good Foundation to Plan 2018

BY NICOLE M. NOUTSIOS AND ERIK BYLIN

As you look to 2018, how will you improve your IR program in the coming year? Would you like to benchmark your program and track your team's progress over time?

A well-crafted perception study can be a great IR tool to support your IR program – and be a good agent for change in your organization. By uncovering possible improvements and complementing your IR plan overall, it can set you on the right path for the year. Have you weathered multiple leadership changes, or do you have new management spokespeople who would benefit from independent feedback? Have you recently started a new job in an IR function and would like third-party feedback and perspective? Or do you want to obtain third-party feedback for your board on specific issues impacting your program?

There are several reasons why a company should consider conducting a perception study, and a few include:

- Creating a framework for benchmarking your program so you can evaluate your progress.
- Fostering ongoing communication between IROs and the board and C-suite.
- Bridging any communications gaps and possible misperceptions of your company.

After all, sometimes even the most carefully crafted messages may be misunderstood or lost in translation. Through a thorough outreach process and in-depth conversations with your most important stakeholders, perception studies will confirm whether your IR communications are effective or if a different strategy is needed. A perception study can answer questions like:

- What would your investors and sell-side analysts like to see done differently in the future?
- Are the metrics you are using in 2017 working and what may be the optimal metrics to use in 2018?
- What can the IR team and the company do better to improve the company's valuation?
- Are you getting the most out of management's time? If not, what can you do differently?
- Is there a member of your management team who needs to be more "IR friendly" going into 2018?



NICOLE NOUTSIOS



ERIK BYLIN

If you're asking yourself any of these questions as you plan for the coming year, know that a perception study can help you answer them. A perception study connects with your audience and, in a very strategic manner, culls their thoughts about how your IR program, IR team and management have been performing, from delivering the company's story to getting feedback on how the IR function can improve in the future.

Perhaps the most important aspect of a perception study is that it is conducted by a third party, which ensures unbiased, unvarnished, and independent feedback on how to help your team and company improve. And at times, a perception study allows an IRO to deliver to the management team and board the hard messages that can ultimately drive meaningful results for the organization.

Think about your company goals and the type of actionable results you may want from the study. For example, if you want to change the financial metrics disclosed by the company, you can customize the study to glean specific metrics that provide clarity in your business. Or, if you want to benchmark your IR program year over year, similar questions can be asked each time a study is conducted. Many companies also interview members of both the board and management team to ensure all audiences are aligned on certain issues.

Make make sure you kick off 2018 with the right strategy. That should always include developing or refining your IR plan, but many organizations can also benefit from obtaining objective third-party feedback from your critical audiences. When done right, a perception study is a remarkable tool for understanding the strengths and weaknesses of your team's IR approach and determining if your company's messaging is clearly resonating. And you can be certain that the extra effort you put in will drive results that are meaningful to Wall Street. [IR](#)

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