SENIOR PERSPECTIVE

Preparing for Recovery Within a New Paradigm

BY PAMELA STYLES

Investor relations and corporate communications (IR/CC) practitioners and programs experienced a wide range of challenges and financial impacts from 2008 through 2009, from modest to severe.

Now it is time to plan for 2010 and hopefully recovery — *have you started*? More than usual thoughtful planning is in order, given the extensive changes that have affected companies and the investment industry. Learn what some senior practitioners have contemplated and included in their program execution and how these programs have been impacted by the larger financial crisis.

In putting together this month's column, I focused my interviews on NIRI Senior Roundtable colleagues who lead corporate IR programs and, in several instances, corporate communications too, because the topic primarily speaks to internal IR/CC planning considerations. We discussed practical considerations of optimizing program budgets and critical strategic and communications continuity.

Impacts on Your Budget and Program Execution

Many IR/CC departments have been running lean for years. Some colleagues I spoke with were not terribly affected by 2009 budget cuts, others were. The vast majority indicated significant cuts in travel (as occurred across corporate America), but are hopeful there will be some relief in restrictions. Quite a few had permanent cuts in the areas of head count, vendors and services; a return to previous levels will need to be re-justified. None anticipate significant budget increases for 2010. Beyond monetary considerations, a key constraint for many in 2009 was executive management's available time for IR activities.

Travel cuts have obvious work-arounds such as conference calls and video conferencing. Senior practitioners have also been more thoughtful about *where and how* to travel, combining trips and leveraging airfare cost to fit investor meetings around other scheduled activities. Several noted how, in addition to sell-side analyst sponsored road shows, they have used meeting facilitation services to optimize non-deal road show scheduling.

Ways they freed up funds included: adopting Notice and Access rules to lower print and postage costs (some indicate huge savings, others just modest — it is situation dependant); re-bidding key vendor services, including transfer agents (previously nearly taboo); replacing non-deal road shows with site visits; changing venues for investor and annual meetings; reducing annual report costs by eliminating expensive photo shoots and pictures, going with a 10-K wrap, etc.; reviewing old studies for untapped ideas instead of commissioning new ones … and more.

Even if not driven by actual budget constraint, remember that perception is very important too, as investors want to see companies doing more with less. Senior practitioners have embraced the new paradigm and continue to look for creative ways to approach their programs with an added sense of creativity. They say:

- "There is always more you can do with less. Financial crisis gives us the opportunity to really look at our IR programs and to find ways to be more effective. Forced to operate more efficiently might actually give us opportunities to do more things in 2010/2011." — *John Chironna, VP Investor Relations, ABB Inc. (Years in IR: 12)*
- "Be in dialogue with your superiors. Highlight critical areas where the IR/CC

program cannot fall behind because of lack of funds. You may wish to prepare the executive team for scenarios where greater commitment of time and money may be required. For instance, if the company stock price and investor interest does not start to recover in 2010, you may have to turn up the dial mid-year on your/the company's IR effort." *— Barbara Gasper, SVP/ Group Executive, IR, MasterCard Incorporated (Years in IR: 18)*

Modification to Strategic and Communications Efforts

The investment landscape has changed dramatically, including market and economic indicators and company valuations, capital availability, failed entities, government intervention and stimulus, investor sensitivity and perception, churn in buy-side and sell-side coverage. A lot of new firms and boutique firms have started-up.

Public sentiment and reaction have also been inconsistent. Investors were quick to paint all companies within entire sectors to be very much like the worst company in it — AIG, Lehman, and others. Companies had to rapidly differentiate themselves and explain why they were not "an AIG." The negative sentiment about certain sectors is unlikely to change any time soon.


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Too many pieces moved in too many different directions for analysts and investors to track comprehensively with respect to individual companies. IR/CC needs to describe a company's story differently now. Global companies have to help their U.S.–centric investor base better understand other geographic economies. Consider highlighting global strengths and economic exposure, and explain business mix that leads or lags the economy. Elaborate on why the company stands out in its sector.

IR must keep building the foundation of understanding, even if recovery, improved perception and confidence in associated sector(s) is not anticipated for a while.

- "When your company gets swept into the fray because its sector becomes a symbol of something bad, figure out a way to turn heightened scrutiny and negative sentiment around to your advantage. Reposition your message to focus attention on the company's relative position of strength within its sector." *— S. Kelley MacDonald, SVP Investor Relations, State Street Corporation (Years in IR: 26)*

- "The most frustrating part of the economic turmoil was that nobody was listening to each other within the investment community. Investors suddenly changed their focus from the income statement to the balance sheet, from growth to capital adequacy, from wanting company specific details to conversations on macro-economic factors. This caused even the most senior practitioners to intentionally learn new terminology and aspects about their companies. It is invaluable to keep building relationships in your company, as they can be a wealth of knowledge and advocate for IR. " *— Ken Janke, SVP Investor Relations, AFLAC Incorporated (Years in IR:24)*

- "Certain business sectors will benefit from government stimulus efforts, but "shovel ready" is not immediate. The bidding process can be long and actual funds distribution can be slow. If your company is positioned to benefit materially in this area, it's not likely that you will see any material impact to the bottom line before 2010. IR/CC must be careful to help investors' keep their expectations in check." *— John Chironna, VP Investor Relations, ABB Inc. (Years in IR: 12)*

Space doesn't permit quoting every Senior Roundtable member, nor including specific comments from every conversation I had in the process of writing this column. My colleagues have much more to add, which will be shared in subsequent columns of "***Senior Perspective***." I leave you with some composite ***Words of Wisdom***. IRU

WORDS OF WISDOM FROM SENIOR PRACTITIONERS

- **DIFFERENTIATION** of message is critical to help investors comprehend vast impacts on the company from a myriad of changing events and conditions. It is more important than ever that messaging provide perspective on your company's position in the overall business environment.
- **CONSISTENCY** in the level of communications is imperative to maintain continuity of coverage and relationships in the investment community. Actively follow movement of investment professionals and analysts and keep contact information current to try to maintain important lines of communications.
- **CREATIVITY** to re-allocate limited resources is important. Work around financial constraints.

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