

## Senior Perspective

# Year-End Carryover

BY PAMELA STYLES

Financial reporting for the calendar year end, and corresponding fiscal year-end for most companies, will bring some sense of finality to a tough year. It will feel like “what is done is done” and everyone can move on. However, a few unpleasant realities will carry over into the New Year:

- ❖ The economic recovery will be fragile and uneven;
- ❖ Legislative reforms “suspense” will go on;
- ❖ The accelerated drive for “change” in public policy will have more balls in the air than a juggler;
- ❖ The seemingly unending list of “poster children” will continue to have impact; and
- ❖ Regulatory reforms and accounting rule changes will still be in discussion and review.

I spoke with several Senior Roundtable colleagues and our own Jeff Morgan to collect their comments and sage perspectives on these realities. I hope you will find their comments insightful and interesting.

**The economic recovery will be fragile and uneven.** Investor and analyst expectations of individual company and sector expectations could still be all over the map. Companies will need to be out with their stories.

- “Prepare yourself and management that wildly divergent analyst views and expectations for your company’s performance may continue. Most of us do not have a lot of experience as we try to predict the pace and rate of recovery from such a severe economic downturn. Historic norms for recovery and relevancy of traditional comparisons may not apply this time. The challenge will be to facilitate realistic expectations.” — *Doug Wilburne - VP, Investor Relations, Textron Inc. (Years in IR: 14)*

- “2010 is going to warrant similar disciplined program execution as was essential in 2009. Having the right strategic emphasis in IR communications and positioning could positively influence real understanding and perception of the company. Analyst days should definitely remain on the agenda in 2010, with a focus on substantive issues such as highlighting specific project completions and progress on strategic initiatives. Sequential financial comparisons and other analytics may be more relevant for demonstrating progress than traditional year-over-year information alone.”

— *June Filingeri - President, Comm-Partners LLC (Years in IR: 30)*

**Legislative reforms “suspense” will go on.** Legislative processes can be protracted and a roller coaster ride for affected companies and consumers. There are currently some huge issues on the legislative agenda with hurricane-sized footprints that cross sector lines, upstream and downstream.

- “When your company and/or industry is the subject of significant pending legislation, it is very important to try to establish a company position to which people can be referred. Stay away from commenting on every statement made by a politician or every draft bill. It is both time consuming, since it will require you to track the process, and you should not speculate publicly during the course of the legislative process. Your management team will want to aggressively stay on top of what-if scenario models for directional implication, but refrain from comment until final legislation is passed.” — *Sally Curley - SVP IR, Cardinal Health, Inc. (Years in IR: 22)*



Pamela Styles

**The accelerated drive for “change” in public policy will have more balls in the air than a juggler.**

Things are moving so fast and covering such a wide range of subjects that politicians do not always take time to think before they speak. Political rhetoric can have unintended consequences of staggering and material proportion for whole industries and publicly traded companies. In their visceral anger about one situation, they can demonize entire sectors with the wave of a single speech or public gaffe.

- “Occasionally public policy is the equivalent of flood or famine — you have to deal with it like you would deal with crisis communications. Work together with your internal team, especially government affairs, to put together facts and to develop talking points. There are three different angles to contemplate — what government officials and politicians, investors and analysts, and the public think. There must be coordinated communications work on all three fronts. There is nothing you can say other than to emphasize facts and to share, as appropriate, efforts the company is pursuing to try to mitigate negative effects. We all have to remember that our goal is to maximize shareholder value. The best way I know is to get out there and be transparent.” — *Laura Paugh – SVP IR, Marriott International (Years in IR: 27)*

### WORDS OF WISDOM FROM SENIOR PRACTITIONERS

- **CRISIS COMMUNICATIONS** training and understanding can help IROs navigate through many more situations than one might think. It is very helpful if the IR professional starts with full knowledge of the company’s strengths and caliber of operating practices.

- **HIGH PROFESSIONAL STANDARDS** (ethics, integrity and good citizenry) are not only compulsory, but also helpful for companies and IROs to differentiate themselves in damage control situations.

**The seemingly unending list of “poster children” will continue to have impact.**

Unfortunately, there are more than several active situations that will carry over into 2010, the full impacts of which may yet to be realized. At some time your company could get caught-up in public ire and investor incredulity because of its own actions, unprofessional individual executive actions, competitor or supplier actions, or some other sort of innocent association.

I had several robust conversations with colleagues on this sensitive subject. Consensus senior perspective is that one cannot say enough about how critical it is to maintain good corporate (and individual) citizenry and ethics. Along with the basic moral foundation of your company’s reputation, these attributes can be invaluable to help your company navigate damage control. If this happens to you, invoke your best crisis communications efforts immediately. If your team is aggressive and diligent in its efforts, it can even be possible turn a bad situation into a win.

**Regulatory reforms and accounting rule changes will still be in discussion and review.**

As a direct consequence of the financial and sub-prime crises there is a hailstorm of activity on “the Hill.” While public debate on reform and rule changes may focus on specifically named companies, industries or agencies, because these are the “culprits” that changes are being written to address, there may be huge ripple effects on unspecified companies or whole sectors.

- “IR professionals must monitor potential accounting or regulatory changes for obvious potential impacts, but also critically extrapolate to understand if there may be unintended consequences, positive or negative, to their companies. Work with your team to track and analyze possible impacts. Be prepared to gradually share your company’s level of understanding with investors, so they can also realistically anticipate the impacts.

But don’t get too far out ahead — things can change dramatically until legislation or rules are finalized.” — *Laura Paugh – SVP IR, Marriott International (Years in IR: 27)*

- “The current evolving public policy environment presents a huge quantity of active regulatory reforms discussions, which will continue through 2010. We at NIRI are monitoring the situation carefully and encourage individual IR professionals to do the same. It is important to be aware of how different changes might affect relationships with investors — some good, some bad. Importantly, we need to be strategic leaders through all of this. NIRI is actively participating in discussions in Washington, while each of you in your IR positions should actively try to be part of internal discussions and, directly or indirectly, part of external discussions as appropriate. This is a critical time for all of us to collectively put our efforts into active participation in regulatory and policy conversation to be part of developing solutions. Concerted effort is needed on multiple fronts. I encourage each of you to actively stay on top of developments.” — *Jeff Morgan – President and CEO, National Investor Relations Institute (Years with NIRI: 2)*

I cannot quote every Sr. Roundtable member, nor include specific comments from every conversation I have 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

---

*Pamela Styles is principal of Next Level Investor Relations LLC and has been a member of the NIRI Senior Roundtable since 2005. She has 25 years in corporate positions of finance and strategy, with fifteen years in investor relations and corporate communications. Pam can be reached at: [p.styles@nextlevelinvestorrelations.com](mailto:p.styles@nextlevelinvestorrelations.com) or visit her website at: [www.nextlevelinvestorrelations.com](http://www.nextlevelinvestorrelations.com).*