

If you are a junior or mid-level IR practitioner and are unsure, overwhelmed or mystified by the actual application of corporate governance, rest assured that even senior IR practitioners and experienced counselors are humbled by implications of the breadth and responsibilities of corporate governance. It spans a whole host of responsibilities, not the least of which includes: *strategy*, *sustainability* and *ethical leadership*.

Corporate governance is a term used widely that is often imperfectly understood, and discounted by reference, as simply the responsibility of a company's Board of Directors. Company lawyers spend hours writing the body of each company's corporate governance position, which is available on all disclosure compliant public company web sites, typically under Investor Relations menus. How much time have you taken to critically read your company's corporate governance position? Try comparing your company's position to that of your competitors and world-class companies. It is amazing how a sense of tone and company culture jumps out after reading just a few. If you can see it, so can the analysts and investors. Hence, we should extrapolate corporate governance back to our own positioning as an IR professional.

This column is divided into two parts: group reflections by my peers at our annual NIRI *Senior Roundtable* meeting and commentary by several senior corporate governance consultants. I hope this column will give you some broad "food for thought."

2009 Senior Roundtable

Corporate governance can be given a great deal of "lip service" and a lot can be written about it in public documents, but its effective application can be elusive. Even if the board of directors has primary stewardship responsibilities for corporate governance, IR is the spokesperson. The Street can tell a lot by the comfort and tenor of communications. It is important that you are able to communicate integrity and remain authentic to and guided by your own ethical

compass in the corporate setting that you represent.

I think many of us came away from the December annual gathering of the NIRI *Senior Roundtable* with a heightened appreciation for each other, our NIRI professional network and resources, and the personal core value of integrity that all IR practitioners and counselors must maintain, even under the most difficult circumstances. Cut through the many ways to explain corporate governance and you get to two key words — *integrity and culture*. How do you stay honest with yourself and true to your calling as an IR professional?

During one of our lunches, I had opportunity to ask my colleagues for their comments on three statements posed to them:

- Attending to your own professional value.
- Should I stay or should I go now?
- Life after Investor Relations.

The concepts were presented with an eye toward our own IR careers, but they have distinct correlation to the manifestation of corporate governance as well. I will develop the career aspect of these excerpts in subsequent *Senior Perspective* columns. Everyone collectively arrived at the following comments and *Words of Wisdom*:

- Study the culture of a potential employer – meet as many people as you can before taking a job.
- Develop key relationships with the CEO and COO (the C-suite.)
- Increase your value by becoming a high-impact confidante to the CEO.
- Don't become myopic — focused only on your company.
- Build internal relationships and know what's going on.
- You need to trust your management team.
- Stay true to personal values, even if it means leaving (when you can!)



Pamela Styles

Senior Perspective: Integrity — IR and Corporate Governance

BY PAMELA STYLES

- Know when your professional credibility is put in jeopardy.
- What should you do when management rejects your counsel?
- Choose your battles carefully.
- When in doubt, most definitely contact someone on the NIRI Ethics counsel for advice.

Some specific comments:

- “IR must earn and maintain credibility with the Street. It is in the best interest of C-level management to empower the IRO with authority about the company, so they need to include the IRO in key discussions. IR provides important investor viewpoints to senior management and the board, whose job it is to decide among multiple interests what’s best for the company and shareholders long term. It is not necessarily a bad thing if management rejects IR counsel (unless you’re dealing with a legal or ethical violation.) There are times when the board and CEO have to make a tough choice and IR’s job is to explain and defend the decision clearly. My mantra: *markets matter, IR matters and individuals matter* — we’re living through the effects of when markets were viewed as a personal prerogative, as opposed to public trust – integrity is critical.” — *Brad Allen – Consultant, RiskRewardNews.com. (Years in IR: 24)*
- “It’s tough to really understand a company’s culture and corporate governance before you get inside. I have worked in four different companies in the IR capacity and each culture was distinctly different. Boards are becoming more nervous and are moving much further than they were three years ago in their attention to corporate governance. Increased attention to this subject has made it ever more important that IR professionals find ways to ask probing questions during the interview process to better understand the company they will potentially represent as spokesperson. While you might feel hesitant to do so, enlightened companies will understand. And if they don’t understand,

you need to ask yourself: is this a place where I really want to work?” — *Katharine Kenny – VP Investor Relations, CarMax. (Years in IR: 16)*

Corporate Governance Consultants

In their upcoming book, *Strategic Governance, Common Language, Common Ground, and Common Cause*, that I was privileged to preview in draft form, co-authors Hank Boerner and Mark Sickles, long-term governance consultants, outline their Top Ten Principals of Strategic Governance. Directly applicable to investor relations are principles #5 and #6, and loosely #9:

#5 – The Relationship Between Boards, Governance and Shareholders

#6 – The Relationship Between Boards, Management and Shareholders

#9 – The Essence of Culture

They also present “The Universal Purpose of Governance: *To integrate ethical, professional, and industry values and standards into a firm-level culture that enables winning strategies, minimizes risk, meets the needs and expectations of the firm’s stakeholders, and fulfills the firm’s responsibility for a sustainable world.*”

The authors state: “The Strategic Governance system’s application of integration is highly leveraged by design to create extraordinary results, because it focuses on culture. Culture is the social energy that drives organizational performance. When culture is skillfully managed to create a ‘united nations’ environment, as opposed to an environment of ‘warring tribes,’ it fulfills its purpose of coordination, adaptability and high performance. High performance cultures are enabled by adaptability; adaptability is enabled by coordination, and coordination is enabled by integration. Note the linkage, as in a system!”

In his October 2007 *IR Update* article titled, “Strategic Governance and the Changing Role of the IRO,” Mark Sickles

wrote: “To help directors and officers produce this organization of competence, soundness and integrity, enlightened IROs must skillfully ask management the same system of questions being asked by enlightened boards and analysts.” Further in the article he paraphrased from a Jack Welsh statement in *Business Week*, July 2007: “Left to their own devices, too many companies fail to install effective governance practices that can make them more competitive.”

To tie these two sources of comments together, we should keep in mind that investors and analysts look at companies with a discerning eye toward corporate governance as part of their overall assessment. It may leave them with impressions as to whether company management, with close watch by the board of directors, is strategically leading the company towards sustainable earnings and business endeavors.

REFERENCES

Several references for you to know about:

- 1.) NIRI’s Ethics Council: <http://www.niri.org/FunctionalMenu/About/Ethics-Council.aspx>
- 2.) National Association of Corporate Directors (NACD): <http://www.nacdonline.org>
- 3.) Society of Corporate Secretaries and Corporate Governance Professionals: <http://www.governanceprofessionals.org>

I cannot quote every Senior 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*.” 

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 or visit her website at: www.nextlevelinvestorrelations.com.