



5 THINGS TO KNOW ABOUT NIRI SILICON VALLEY'S SEPTEMBER KICK-OFF MEETING

On Monday, September 18, IR Magazine hosted its West Coast Think Tank at the Garden Court Hotel in Palo Alto, CA. In conjunction with the event, NIRI Silicon Valley partnered with IR Magazine for the final panel discussion of the day, titled "Benchmarking Performance and Communicating Uncertainty".

IR Magazine's digital editor, Ben Ashwell, served as the moderator, and included the following panelists, [Mr. Selim Freiha, Vice President of Investor Relations at eBay](#), [Mr. Peter Garcia, Chief Financial Officer at PDL BioPharma](#); [Ms. Michelle Spolver, Senior Vice President and Chief Communications Officer at ForeScout Technologies](#); and [Ms. Smooch Reynolds, managing partner, DHR International](#).

1. MEASURING IR PROGRAM EFFECTIVENESS IS NO EASY TASK

Measuring the effectiveness of the Investor Relations function has always proven to be a challenge. Participants collectively agreed that the infinite number of exogenous events that could dramatically affect the market, industry, or company, makes stock price performance alone an unreasonable metric.

Common quantitative measures for performance include tracking in-person meetings (non-deal roadshows, conferences, and investor events), email / voicemail communications, stability of the investor base, and the percentage of management's time spent with different types of investors. Other more qualitative considerations may be harder to measure, but certainly no less important. Some include the ability to develop alliances within the organization, communicate effectively with the Board (not a simple regurgitation of the latest sell-side chatter), and in some cases, make decisions that affect the business.

2. INVESTOR TARGETING – DON'T BE AFRAID TO USE THE SELL-SIDE

One panelist highlighted the importance of "knowing thyself", in other words, identifying if your company in a stage of early growth (growth investors), cyclical growth (momentum investors), or mature growth (value investors). Over time, a company's profile will inevitably change, so IROs should be prepared in advance to address a forthcoming change in shareholder base.

To varying degrees, all the IROs utilized surveillance and CRM providers, as well as analyses of shareholders of peer companies. Another useful resource is the sell side. IROs regularly target investors

for non-deal roadshows and investor conferences to make the best use of everyone's time. Also, use the relationship with your sell-side analyst. Without divulging names, what types of investors have been calling with questions, and what questions are being asked?

3. PREPARING FOR THE UNEXPECTED – RULE NUMBER 1- DON'T GET EMOTIONAL!

In the event of a blow-up or crisis, whether you are preparing your executives for the media or investors, it is important not to get emotional or defensive and remain objective. Often, investors just want to be heard, and sometimes, all you can do is put on your therapist hat and listen. One interesting perspective that was raised is the notion that your executive management is relying upon the IRO as a consigliere, which requires a certain level of trust. Ideally, the IRO will have the ability/latitude to tell management to walk away and take a break.

4. ACTIVISM – YOU DON'T RISE TO THE OCCASION, YOU SINK TO THE LEVEL OF YOUR PREPARATION

"Once you've been a target of an activist, you're always a potential target". One of the IROs actually focuses on activism defense, and makes it a point to be prepared and proactive. As an example, this company practices by "attacking" themselves on an ongoing basis. As the business evolves, does that create another vulnerability? If so, be prepared in advance.

Another point raised was to not over-focus on the activist. To be successful, an activist must get institutional support from very large institutional shareholders. Make sure you are responsive to those investors and address all of their concerns.

5. BEHAVIORAL CHARACTERISTICS – WHAT ARE THE CEO AND CFO LOOKING FOR IN AN IRO?

The experienced panelists offered their perspectives on the qualities of the ideal IRO.

- **Organizational Influence.** The CEO and CFO will often view IR as an extension of the company's brand. Ideally, IR will know the enterprise; be a partner for operating group heads; and educate employees on how Wall Street works.
- **Knowledge of Acquisitions / Competitive Landscape.** A good IRO will have the intellectual curiosity to be just as knowledgeable about the competition.
- **Psychological Sounding Board.** Part of the job of an IRO is to be a conduit between senior management and Wall Street. In order to be a part of the "inner sanctum" of the company, it is critical to build trust with the CEO, CFO, and board.
- **Intuitive Navigational Abilities.** Whether dealing with internal operating divisions or meeting with investors, it is important to know when to push and when to pull back. Having that skill, knowing when to sometimes just shut up and listen could help unlock doors of opportunity in the future. Ultimately, the IR role will be what you make of it!