1/29/15

NYU Stern School of Business Professor Baruch Lev

GB.3110.30 Spring 2015

**A Winning Investor Relations Strategy**

# Course Outline

|  |  |
| --- | --- |
| **CLASS 1 2/9/15** | **INTRODUCTION AND THE ANALYSTS-MANAGERS EARNINGS GAME** |
| 1. **Introduction**
	* Course objectives
	* Why capital markets are crucial to the success of corporations
	* The essence of investor relations—avoiding shareholders’ disappointment

The “All Important” Earnings Game* + The intricate interplay between financial analysts forecasting corporate quarterly earnings and managers striving to beat the consensus
	+ Managerial earnings manipulation to beat analysts’ forecasts and maintain the growth façade
	+ The hazards and futility of financial information manipulation
	+ What to do and not to do when you are about to disappoint investors

From the trenches: How is investor relations practiced (guest speaker)Readings: Text—Introduction and Chapters 1 and 3, and assigned relevant publications. Case Discussion: J. Fox and J. Lorsch, “What Good Are Shareholders?” Harvard Business Review, July-August 2012. |
| **CLASS 2 2/23/15** | **EFFECTIVE COMMUNICATION WITH INVESTORS** |
| 1. **Soft and Hard Information**
	* How to communication with “Limited attention” investors
	* How to harden soft information

The Quarterly Conference Call: Main Communication Venue* + The quarterly earnings call
	+ How to enhance the effectiveness of conference calls
	+ Measuring the effectiveness of conference calls

Managerial Earnings Guidance* + Guidance—a forward-looking disclosure
	+ The raging controversy about guidance
	+ The facts: what guidance does and doesn’t do
	+ Measuring the effectiveness of guidance

Readings: Text—Chapters 2 and 6, and relevant articles Case discussion: A recent conference call |

|  |  |
| --- | --- |
| **CLASS 3 3/2/15** | **ACTIVIST INVESTORS** |
| Investor activism—an historical perspective1. **Challenging managers by shareholder resolutions and proxy contests (guest speaker)**
2. **“Say on Pay”—shareholders voting on managers’ pay and its impact**
3. **Hedge Funds’ Interventions in company affairs**
	* What do they want?
	* What do they achieve?
	* How should managers react to such intervention?

Short Sellers: a nuisance or a force for good?Readings: Text—Chapter 11, and various readings Case discussion: The case against shareholder activism |
| **CLASS 4****3/9/15** | **VOLUNTARY INFORMATION DISCLOSURE** |
| 1. **Legally required and voluntary disclosures of information to shareholders**
2. **Why release information voluntarily?**
	* The shrinking of accounting’s relevance
	* Akerlof’s lemons
	* Fact-based benefits of voluntary disclosure

Criteria for effective disclosure1. **Voluntary disclosures in various industries**
2. **A template for optimal disclosure**

Readings: Text—Chapter 7 and reading Case discussion: The iPhone case |
| **CLASS 5 3/23/15** | **PROACTIVE INVESTOR RELATIONS: MAINTAINING HIGH SHARE PRICES AND PREVENTING MISHAPS** |
| 1. **The managerial objective—Are U.S. managers myopic?**
2. **Immunization against shareholder and SEC lawsuits**
3. **The hazards of overvalued shares**
	* The temptation to prolong and exploit share overvaluation
	* Making bad acquisitions
	* Manipulating financial information

And the dangers of undervalued shares1. **Optimal Corporate Social Responsibility**
2. **The view from the CFO’s perspective (guest speaker)**

Readings: Text—Chapters 4, 5, and 8Case discussion: Corporate social responsibility |

|  |  |
| --- | --- |
| **CLASS 6 3/30/15** | **INVESTOR RELATIONS AND SOCIAL MEDIA** |
| 1. **The internet’s impact on corporate communication**

Strategies to counter adverse information spread on the webHow to harness social media to advance corporate strategies1. **Course summary: Optimal investor relations strategy**

Readings: Text—Chapter 14 |

**GENERAL NOTES:**

Text: Baruch Lev, Winning Investors Over, Harvard Business Review Press, 2012.

Attendance: Class attendance is required.

Grade: Course grade will be based on students’ project and class discussion.