1/29/15

NYU Stern School of Business Professor Baruch Lev

GB.3110.30 Spring 2015

**A Winning Investor Relations Strategy**

# Course Outline

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| **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 | | |

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| **CLASS 3 3/2/15** | **ACTIVIST INVESTORS** |
| Investor activism—an historical perspective  1. **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 disclosure  1. **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 shares  1. **Optimal Corporate Social Responsibility** 2. **The view from the CFO’s perspective (guest speaker)**   Readings: Text—Chapters 4, 5, and 8  Case discussion: Corporate social responsibility | |

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| **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 strategies  1. **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.