

Investor Relations Strategy for Growth Creation Syllabus

Class Meeting: W 6:00pm – 9:00pm

Office Hours: W 5:00pm – 6:00pm

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Course Objectives

Investor relations executives bridge the gap between public companies and investors. They report to the CEO or CFO and have a dual role: providing investors with actionable corporate information, and informing managers about investors' sentiments and planned actions. Investor relations officers, operating in most public companies around the world, and in consulting firms, are highly qualified financial executives, often ascending to the CFO job.

This course pursues a new and innovative approach to investor relations: It is fully research-based, offering modern tools and venues to disseminate and evaluate corporate information. Concepts and hands-on practices are blended to provide the best outcome for investors and managers. You will learn in this course how to conduct effectively the crucial quarterly conference calls with investors, what information—beyond the legally required—to disclose to capital markets in order to maximize share prices, what corporate social responsibility activities (CSR) should companies engage in to benefit both society and shareholders, how to deal with activist investors and intruding hedge funds, and much more. All of the above are aimed at securing shareholders' support of managers' growth strategies. You will also learn investor relations practices from the top experts in the field.

This course is targeted at students interested in investor relations, corporate finance, financial accounting decisions, financial consulting, and by identifying the attributes of well-run and successful companies, the course also serves as an investment guide for investors.

The readings for this course are Baruch Lev's book Winning Investors Over (2012), Harvard Business Review Press, and various articles and cases to be provided to students.

Course Outline

CLASS 1 INTRODUCTION AND THE ANALYSTS-MANAGERS EARNINGS GAME **2/7/18**

I. Introduction

- Course objectives
- Why capital markets are crucial to the success of corporations and nations
- The essence of investor relations—facilitating the information flow from firms to capital markets and vice versa

II. The “All Important” Earnings Game

- The intricate quarterly interplay between financial analysts forecasting corporate earnings and managers striving to beat the forecasts
- Managerial earnings “management” (manipulation) to beat analysts’ forecasts and maintain the growth façade
- The hazards and futility of the “earnings game”
- What to do and not to do when you are about to disappoint investors

III. Investor relations in practice and how to become an IRO (guest speaker)

Readings: Text—Introduction and Chapters 1 and 3, and Lynn Stout, “The Shareholder Value Myth.”

CLASS 2 EFFECTIVE COMMUNICATION WITH INVESTORS **2/14/18**

I. Soft and Hard Information

- How to communicate with “limited attention” investors
- How to harden soft information

II. 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

III. Managerial Earnings Guidance

- Guidance—a voluntary managerial forward-looking disclosure
- The raging controversy about guidance
- The facts: what guidance does and doesn’t do
- Who should guide
- Measuring the effectiveness of guidance

Readings: Text—Chapters 2 and 6, and articles on earnings guidance

CLASS 3 ACTIVIST INVESTORS: A CORPORATE THREAT OR PROMISE?
2/21/18

- I. **Investor activism—a historical perspective**
- II. **Challenging managers by shareholder resolutions and proxy contests (guest speaker)**
- III. **“Say on Pay”—shareholders voting on managers’ pay and its impact**
- IV. **Hedge Funds’ Interventions in company affairs**
 - What do they want?
 - What do they achieve?
 - How should managers react to such intervention?
- V. **Short Sellers: a nuisance or a force for good?**

Readings: Text—Chapter 11, and various readings

CLASS 4 VOLUNTARY INFORMATION DISCLOSURE
2/28/18

- I. **Legally required and voluntary disclosures of information to shareholders**
- II. **Why release information voluntarily?**
 - The shrinking of accounting’s relevance to investors
 - Akerlof’s lemons
 - Fact-based benefits of voluntary disclosure
- III. **Criteria for effective disclosure**
- IV. **Voluntary disclosures in various industries**
- V. **A template for optimal disclosure to investors**

Readings: Text—Chapter 7, readings, and a strategic report evaluation.

CLASS 5 PROACTIVE INVESTOR RELATIONS: CORRECTING OVER- AND UNDER VALUED SHARES AND PREVENTING MISHAPS
3/7/18

- I. **The managerial objective—Are U.S. managers myopic?**
- II. **Immunization against shareholder and SEC lawsuits**
- III. **The hazards of overvalued shares**
 - The temptation to prolong and exploit share overvaluation: Satyam Case
 - Making bad acquisitions
 - Manipulating financial information
- IV. **And the dangers of undervalued shares**
- V. **Corporate Social Responsibility – An Insurance**
- VI. **The view from the CFO (guest speaker)**

Readings: Text—Chapters 4, 5, and 8

**CLASS 6 INVESTOR RELATIONS UNDER PRESSURE OF SUSTAINABILITY AND SOCIAL ACTION
3/21/18 ADVOCATES**

- I. Challenges to the traditional shareholder value maximization objective
- II. Challenges of alleged managers' myopia (short-termism)
- III. The alternatives: sustainable and socially-minded corporate behavior
- IV. The Role of the IRO facing challenges to the corporate status quo
- V. Course summary

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' final project and class discussion.