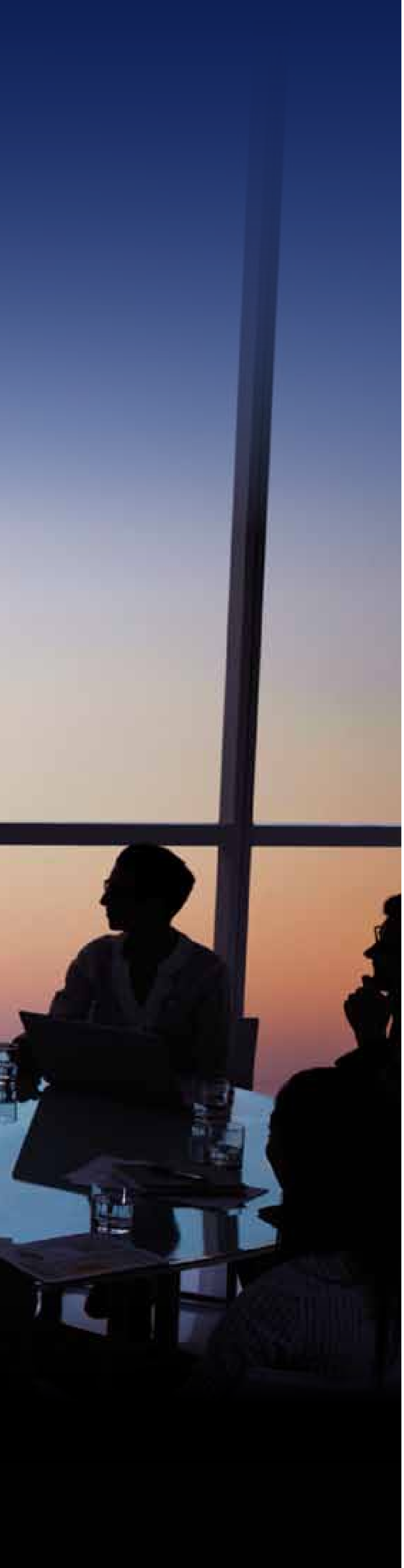
WELCOME TO THE STREET!



Introducing your new CEO to Wall Street is a unique opportunity. But make sure you have the right strategy before diving in.

By Margo Vanover Porter

To introduce your company's new leader to Wall Street and establish his or her credibility, you need a "well-thought-out plan of proactive engagement," says Hala Elsherbini, senior vice president and COO, Halliburton Investor Relations.

"You should start by prepping the CEO or CFO with the key message points you want to portray on Wall Street," she says. "You also have to provide background on the shareholder base, helping him understand the nuances of the top shareholders, [as well as] who the more vocal shareholders are and their objectives. The more knowledge he has, the greater his ability to eventually address issues and objectives."

While the executive is settling in, Elsherbini suggests that the IRO initiate a telephone campaign to analysts and top shareholders to spread the word about the new leader's background, industry knowledge, and credentials before an initial meeting takes place. The script for the phone conversation might go something like this, she says:

"I'm sure you saw the press release announcing we brought on a new CEO. I would like to help you understand his background. Formerly, he served as the CEO of ___________ and helped it to achieve ___________. His in-depth industry knowledge is demonstrated by _____________. We hope to be able to meet with you soon. Do you have any questions that I might be able to answer at this time?"

WELCOME TO

THE STREET

When Less Is More

For that first, critical face-to-face meeting between your new leader and the investment community, Marjorie "Marj" Charlier is a proponent of the "less is more" theory. "The danger zone is covering too much too early, talking about specific strategic initiatives before the CEO and the board have come to an agreement," emphasizes the owner and founder of Sunacumen Investor Relations.

Charlier recalls the two-year period in which she introduced three new CEOs or interim CEOs to Wall Street. "I have some experience in what works and what doesn't work," she says. "Taking three new CEOs out on the road gave me a pretty good feeling for some do's and don'ts. The goal of the first road trip is to establish personal relationships and build credibility."

It's essential for the IRO and CEO to reach a private agreement beforehand on that first conversation. "If you don't, it's like watching a train wreck," she observes. "Once you're in that meeting, there's not much the IRO can do but throw yourself in front of the locomotive."

Her road map, which is targeted to small-to-midsize companies, may not be the right navigational compass for a large firm, she admits. "The strategy that we employed was to make the required public announcement, which was an opportunity to introduce the name to Wall Street. Within three or four months, we would take that individual on a road trip to meet investors and analysts. Three to six months after that, we made a second trip."

For the first outing, she suggests that the new executive talk about the company without revealing a definitive plan for the future. "I want the CEO to talk about the competitive strategic strengths of the company that drew him or her to the job. It helps investors and analysts get a perspective on what the individual saw when pursuing the CEO job. Was it intellectual property? Financial assets? A strategic focus? Growth potential?"

Charlier also asks the executive to touch on a few of the challenges he or she has identified thus far, again without getting too specific. Discussing "broad operational, strategic, financial, competitive, and industry challenges will give the investment community an idea of what this guy is going to work on," she says. "He doesn't have to talk about all of them – just the ones where he can truly make a difference."

Next, she advises the executive to deliver a timetable for accomplishing strategic, operational, or financial goals – without identifying actual goals – by saying something like this: "In the next six months, I expect to have a definitive strategy for what products and services we are going to provide to our customers and how we are going to compete in those areas."

"You can't give them the strategy now," she insists. "What they want to know is 'How long do I have to wait?' Then, of course, you will actually have to deliver on that. By setting concrete milestones or deadlines, these guys know they can check in at a time in the future and you will be able to delineate your goal, whether strategic, financial, or operational."

Finally, Charlier expects the new CEO or CFO to talk about his or her management style, experience, and background. "What successes has she had that are relevant to the current situation?" she asks. "What challenges has he overcome, and how did he do it? This give analysts and investors a picture of the talent set."

IROs Play a Leading Role

During this rollout period, IROs play a leading role, says Bob Burton, managing director, financial communications, Lambert, Edwards & Associates. "You are a facilitator," he says. "You hold the institutional knowledge. It's important, therefore, for you to be seen as enough of a partner to be able to influence timing and strategy."

Your CEO or CFO may be skeptical of a road trip before having a chance to develop

"Usually, IROs experience a fair amount of uncertainty when either the CFO or CEO turns over because they got hired by one of the guys who is now gone. There's a natural defensive instinct of 'Let's not make a lot of ripples. I'll just see where things fall out and pick up a more aggressive program in a little while.' That's rolling over on your responsibilities. Rather than take the path of least resistance, you need to get to it."

— Bob Burton, managing director, financial communications, Lambert, Edwards & Associates a robust program, he notes. “That’s entirely understandable,” Burton explains, “but sometimes very capable executives need six months to a year to put a program in place. You literally can’t go six months or a year without speaking to investors.”

He urges IROs not to go along to get along. “Usually, IROs experience a fair amount of uncertainty when either the CFO or CEO turns over because they got hired by one of the guys who is now gone. There’s a natural defensive instinct of ‘Let’s not make a lot of ripples. I’ll just see where things fall out and pick up a more aggressive program in a little while.’ That’s rolling over on your responsibilities. Rather than take the path of least resistance, you need to get to it.”

Unfortunately, he says, some CEOs seem to have a knack for making the IRO job harder than necessary. “I have seen executives who don’t like doing investor relations and don’t really think they have an obligation to get out and speak to investors,” he says. “They think their job is to run the company, and the investor’s job is to buy or sell the stock, and the two very seldom overlap.” In that environment, IROs have to politely and diplomatically explain the new leader’s pivotal role in the investor relations program.

Burton encourages IROs to make the most of this opportunity. “You’ll be able to bring a new program to the Street and watch it play out,” he says. “As the new person begins to make changes, key shareholders and analysts will ask you ‘How’s it going?’ and ‘What do you think?’ They will want your opinion.

“Quite frankly, they’ll want their hands held a little bit by someone they’ve been working with and they trust,” Burton says. “This is your chance to build relationships with Wall Street. Do yourself a favor by putting together a great investor relations package.” IRU

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YOU ONLY GET ONE “GET OUT OF JAIL FREE” CARD

When rolling out your new executive to the investment community, you should consider three factors, says Bob Burton, managing director, financial communications, Lambert, Edwards & Associates.

• **The candidate’s background.** Has he been directly engaged in investor relations work before? Is she familiar with Wall Street and how it works?

“I was the investor relations officer at a company where the incoming CEO had experience with the investment community but never as the point person,” Burton says. “He was always included along with the CEO or CFO but he was not the primary person taking questions. There’s a difference. You have to judge whether the person you are bringing out is truly seasoned, has a little experience, or has no experience in dealing with investors.”

• **The company’s circumstances.** Is this a smooth transition? Is the company’s business strategy well understood? Are results consistent? Or will something emerge in the foreseeable future that would require a repositioning or explanation on the part of the company?

“If you are in a quiet environment, you really have an opportunity to use the ‘get out of jail free’ card,” he says. “What I mean by that is the incoming person can legitimately say, ‘Listen, I’ve only been here a month. There’s still a lot I have to get my hands around. I’m not really prepared to lay out a full program for you, but I wanted to give you a chance to ask me about my background and to take the opportunity to ask you, the investment community, for your perspective.’”

According to Burton, this is your leader’s opportunity to have a conversation that is not fully loaded with “What’s your strategy?” and “What are the next metrics you will hit?” The conversation, he explains, tends to be more about getting acquainted and understanding how this new businessperson approaches the CEO or CFO role and thinks about success. “That can be very helpful in setting the stage for what happens next because you begin to establish personal relationships, which are really important.”

However, if your company is mired in controversy, your CEO or CFO will have to hit the ground running. “You won’t have a chance to establish credibility in terms of consistent results or long-term plans fulfilled,” he says. “You have to be honest, straightforward, and direct and be very clear about what the business is dealing with.”

• **The first audience.** Who’s on the receiving end of the first meeting? Sell side or buy side? “The buy side doesn’t necessarily like having the sell side have the first meeting,” he says. “They’re the people who own the stock, after all. Why wouldn’t they have gotten the phone call first?”

Burton advises IROs to handle the politics of this process carefully. “A lot of different constituencies will want to meet with the incoming CEO or CFO,” he says. “You have to try to get those meetings held without playing favorites. You don’t want to start the new guy’s ledger with any black marks because ‘He didn’t see me first’ or ‘He didn’t see me promptly.’”

A phone call to a potentially ignored party may do the trick, he says. “That can mean calling some people up and saying, `Look, John, we’re sorry we can’t get to you right now, but this is a New York meeting. If you want to come down to New York, fine. We’ll get to Boston as soon as we can. I think we’ll be there in the next two to three weeks.’

“The call will often go a long way, just to let them know you aren’t overlooking them and that you respect their position.”