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High Water
IR in Response to the Current Fiscal Crisis
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In his 8 January 2009 column in *The New York Times*, "The Obama Gap," Nobel Prize winning economist Paul Krugman writes, "this is the most dangerous economic crisis since the Great Depression, and it could all too easily turn into a prolonged slump." Also on 8 January, in a *Times* article titled, "In Europe, Mounting Signs of a Rapid Slowdown," journalist Carter Dougherty writes, "a potent mix of negative business sentiment, a hard-hit banking system and a global downturn is working its way through Europe with a vengeance."

2009 looks to be a difficult time for private and public companies, but public companies especially will face a long and arduous year after a disastrous 4th quarter in 2008. Worldwide participants in the equities markets, particularly those with positions in companies listed on the NYSE, the AMEX and the NASDAQ, have seen, on average, a loss of 30% of the value of their holdings. In the current environment, executing an effective IR strategy may feel a bit like bailing out the Titanic with a teacup, but current market turbulence presents an opportunity for public companies to retool and implement solid IR programs that allay investor fears and prepare the company and its stakeholders for more bullish market conditions.

1. **Run, But Don't Hide.**

Many companies, when faced with down markets or other crises, tend to circle their wagons and hide from the spotlight. Don't. It's more important now than ever to communicate consistently with shareholders. Any news, even if it's not prompted by a material event, will assure shareholders that management is running the company, regardless of market conditions. This also means fielding as many shareholder inquiries as possible, from your institutional holders and from individual shareholders. Some of the calls might not be pleasant – take them anyway.

2. Face the Bad News.

Right now, everyone is in the trenches – let your shareholders know that your intention is to ride out the crisis as a solvent, going concern. If your company has to reduce headcount, falls victim to contract cancellations, loses distributors, etc., this is a result of the current crisis – a receding tide drops all boats.

3. Accentuate the Positive

The product your company launched last summer isn't any less of a revelation just because the markets are in disarray, nor has the current downturn dimmed the luster of management's expertise. Whatever you have planned for the next two to four quarters, you should execute. A stockbroker I know in Silicon Valley once told me, "I think any company that's got decent products and services, experienced management and some money in the bank should see their share price at around $5." Tough times don't last, but quality companies do.

4. Leave the Ticker Alone, and Stay Out of the Chat Rooms.

A watched-stock never boils. In down markets, your best strategy is to concentrate on your core business, particularly now, when share price isn't an effective measure of company performance. And don't bother with chat rooms – they are a font of rumor and slander. Diminish their impact by issuing news, maintaining shareholder contact and running a solid company.

5. Manage Expectations, Maintain Credibility.

Making promises to shareholders that you can't keep, even if you have the best intentions, is the equivalent of firing a torpedo into your own hull. Whatever your long-term strategy is, don't inflate its value. If, before the markets tanked, you were planning on increasing production by 25% and growing margins by 5%, leave the numbers alone – panic won't help you, and painting the future as an even rosier place than you'd previously promised will only add to your heartache. The best way to inspire shareholder confidence, and to enhance management credibility, is to keep your ducks in a row. "Big hat, no cattle" never works, regardless of market conditions.

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6. **Get on the Road.**

Make yourself available on a regular basis to your institutional shareholders. Of course, it's Markets 101 that institutions are the backbone of your stability in the public equities markets. Until the markets stop wobbling, you'll need to do a lot of hand-holding. These folks are in the midst of weathering massive losses, and they're going to be quite unhappy – make them a bit less so by making management available on a monthly basis, in order to keep them up to date and to explain your plans going forward. Follow up releases and conference calls with personal phone calls to individual fund managers and analysts. The last thing you want is for your biggest holders to start reducing their positions, or for key analysts to downgrade their ratings. Stay in constant contact with these key decision makers, and keep them onboard.

Though we're facing a dark fiscal era, we will return to a bull market in the future. How long this will take is unknown, but why not prepare for it by taking the bear by the horns? The current economy will test your company's mettle; it will also provide a valuable opportunity to demonstrate that mettle to your shareholders. Hold the line.