Consultants + IROs
A Working Relationship for You?

By Howard Kalt

It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness … we had everything before us, we had nothing before us …
Charles Dickens, A Tale of Two Cities

Wondering whether an outside consultant might add value to your company's investor relations program? As Dickens' quote implies, you should examine the situation from a variety of vantage points to help determine whether and how to take this step. The right consultant could provide you with:

1 **An outside look at your strategy and tactics.** Because they work with multiple clients, industries and situations, consultants should provide you with a broader perspective that complements your in-depth understanding of your company's goals and circumstances.

2 **Broader, deeper experience.** A consultant can offer the right blend of experience for a specific issue or task such as specialty writing, research, media placement or proxy issues.


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3 **Crossover experience.** Other issues can have an impact on IR results, including communication of regulatory matters, human resources, marketing or community relations.

4 **Expanded contacts.** Consultants can broaden your access to buy-side institutions, hedge funds, brokerage sales forces, securities analysts, industry analysts and media.

5 **Objectivity and independence.** An "outsider" can often see your company in a different light and say things to management that an "insider" might not. This objectivity can be particularly useful in research audits.

6 **Budgetary and resource flexibility.** Maximize your resources by "renting" rather than "building," getting more firepower for a limited period of time and assigning tactical projects to others so that you can strategize and plan.

Do You Really Need Help?

Do you need a strategist for counsel and planning, a tactician who can implement your well-designed plans or a freelance specialist such as a writer, researcher or proxy fighter? Your answers to the points below will help determine whether you should hire outside help.

Know thyself. Does your management care about its stock price or believe, "Perform, and the valuation will follow?" Do they want as much "buzz" as possible, with a constant flow of news releases or meetings with investors every few weeks?

Understand your company's opportunities and limitations. What assets and liabilities do you face in the near future?

Evaluate "tried and true." What are you *not* doing that you might, and what are you planning to do that might be unnecessary?

Identify perceived and real needs. Define and quantify what you want your IR program and consultant to accomplish over the next six to 12 months. Do you have special needs that may not be worth investment in additional staff? Determine if special areas — such as researching the existing investor base, targeting new investors, assessing the impact of roadshows or shareholder communication, gathering market intelligence or expanding the IR program to foreign markets — require outside assistance.

Assess existing resources. Once you have identified your needs, do you have the resources on hand to accomplish them? Do you and/or your staff have the necessary expertise to implement your plans?

Determine budgetary parameters. Which would provide a greater return on investment — expanding your staff or bringing in a consultant?

Determine length of need. Do you need a short burst of high energy, ongoing special expertise or intermittent periods of creativity?

Consider the type of consulting relationship that would work for you. The right approach can save you time, money and grief. Do you need *counsel only* for strategy, advice and double-checking strategies, messaging and issues management? Or do you need *counsel plus tactical implementation*? Are you looking for help with *special projects*, assignments such as research, speech and shareholder report writing? Or do you need *all of the above*, which frequently is the case with newly public or especially cost-conscious companies that want to outsource the entire function until hiring a qualified IRO?

Finding the Best Fit

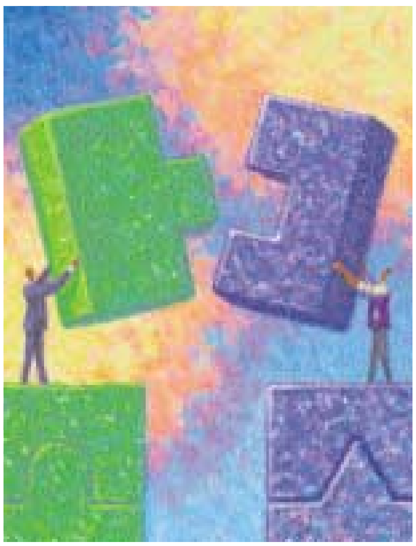
There are several features to look for — and some to avoid: Not being the largest or the smallest of a consultant's client base suggests they should have the right resource levels for your needs. Are your resources being provided locally, which translates into better access and cost? Do you need feet on the ground in cities around the country or the world? Industry experience can be tricky; often experience in specific areas of investor relations is more important than experience in a specific industry.

Look for specific services that you might need, including research, counsel, shareholder communication, investor targeting and outreach, media relations, internal communication, community relations, marketing communication or issues management.

Ask about client and employee tenure. If a firm can't keep either, ask why, especially for the people who will be working on your account. Also ask about account staff structure: Who will be doing what, and who is responsible to whom? How many accounts does each staff member work? Will the firm use full-time staff or freelancers on your account? How much access will you have to the most senior people in the firm, since they usually are the most strategic thinkers?

Determine the consultant's reporting philosophy: Do staffers spend a lot of time generating reports (all of which you will be paying for), or would you prefer to invest more of your budget in counsel or tactics? Identify the firm's past results, both successes *and* failures. Be sure to ask *why* some programs were successful and others not.

Determine how the consultant bills and its approach to budget integrity. What is the billing rate for each person on your account? At the overall account level, is the firm willing to provide and work against a budget? If so, what happens if staffers exceed the agreed-upon budget? Does the firm require a *retainer,* a monthly minimum or a *flat monthly* or *project* fee, or do employees work on an *hourly* basis? Do they mark up out-of-pocket costs that could eat up 15% or more of your total budget? Whatever the answers, don't sign "blank checks."



Most clients ask for references, but few check them out. Talk not only to the clients they give you, but ask for names of former clients, attorneys, analysts, portfolio managers and media representatives. And, last, make sure you review the account relationship — both financial and performance — with your consultant every six to 12 months, or more often if you are not satisfied with the progress.

When Things Go Wrong

Despite the best of intentions, client-consultant relationships can sour for a number of reasons, many avoidable. Before you enter into a relationship, make sure the chemistry is right — it is up to the consultant to fit the client's environment, not the other way around. Part of this calls for managing expectations. This can be accomplished by:

❖ Bringing the consultant on board *before* the proverbial barn has burned to the ground.

❖ Providing *all* information pertinent to the issue or project at hand.

❖ Agreeing on deliverables — what to expect and when.

❖ Not expecting too much too soon.

❖ Agreeing upon a specific budget — both fees and out-of-pocket costs.

❖ Preventing "runaway" hours through open-ended assignments.

Measuring Results

The first step in evaluating results of any consulting relationship comes at the beginning, not the end. Did you set out specific objectives to be attained, and were they quantified? If the relationship is strategic, did the consultant provide value in setting a viable strategy? If tactical, were the agreed-upon milestones accomplished? Did the consultant free up time so that important projects could be completed simultaneously? And, of course, you want to evaluate if the deliverables arrived on time and within budget.

Rules for a Mutually Satisfying Relationship

1 **Look at the relationship from each other's point of view:** There are "alpha" clients and "alpha" consultants, but the most successful working relationships are those where the two view each other as partners.

2 **Respect each other:** See Rule No. 1.

3 **Work to fix shortcomings, not blame them:** Analyze the work early on, with *both* sides agreeing on how to maximize the effort.

4 **Address dissatisfaction early:** Success seldom breeds discontent, but dissatisfaction can multiply quickly. If something is not working, tell your consultant, and discuss remedies.

It may sound like a lot of work to create and maintain a consulting relationship. But these procedures and suggestions are really no different from those you use every day at your company. Properly applied, a consulting relationship certainly can help create "the best of times" for you, your department and your company. IRU

Howard Kalt is a principal of Kalt Rosen & Co., a 20-year-old San Francisco IR consultancy. He can be reached at Kalt@KRC-IR.com.