PR... The Glamourous Hostess

What is the single piece of information you would need to be convinced to buy a share? That's the question investor relations specialists spend their time trying to answer. And this answer is what sets them apart from other public relations practitioners.

If pr is the glamorous hostess at a party, investor relations is her more staid counterpart. She may cause the splash that catches guests' interests; he's the one filling the glasses. They're equally important, and you can't really separate the one from the other, but they fulfil different functions.

Anita prendergast, director of stakeholder communication at interbrand sampson, explains the relationship thus: "a public relations specialist must be trained in managed messaging and communications to engage in a win/win outcome. Investor relations, on the other hand, has a more technical component. Financial and business acumen are key to ensuring that your messaging is simplified in order to allow the market to grasp developments within the company."

This technical aspect is key, agrees ruth golembo of lange strategic communications. Investor relations has a strong legal basis, because of factors like legislation and liability claims, as well as the impacts of information on share prices. The messaging has more significant legal implications, and is more structured, as listed companies have a duty to keep stakeholders – from shareholders to employees –informed of key changes.

But more than simply meeting the requirements laid out by the jse and corporate governance guidelines, says louise brugman of vestor media & investor relations, the discipline is about ensuring that press releases, presentations and site visit helps to unlock the company's value and, in so doing, narrows the ever present gap between an organisation's book value and market cap. In other words, it's about altering perceptions and managing expectations, albeit in a scientific and regulated manner.

And this is where the investor relations consultants can add value. As golembo says, it's the business that is the point of interest for stakeholders, not the share price. "An increased share price should be the function of information generated around a healthy and thriving company, and not the other way around," she comments.

Doing this, says brugman, often relies on unpacking the story behind company developments. "This is precisely what we do. Our job is to ensure that the dry facts about a company are underscored by the managers' passion for their organisation; that potential investors can see that the executives do - indeed, walk the talk; and to grant them a glimpse of what goes on at the coalface."

The practitioner has a number of tools at their disposal to do just this. The first is providing sufficient information to ensure that all stakeholders – from veteran investors to fresh-out-of-university journalists – have at their disposal enough tailored information to garner a clear picture about the company and the sector in which it operates. This means maintaining regular communications to ensure that the company remains top of mind. "Regular contact is also important to inform stakeholders on set targets, external influences on the business or general operational performance, giving stakeholders an idea of what is going on within the company," brugman notes. "For instance, during economic downturns, many companies regard communication as a 'nice to have' or simply stop communicating. The reality is that it's more important than ever to keep stakeholders apprised of what is happening to performance and what management are doing to alleviate potentially dwindling earnings. This is the time when a good management team can really shine, since they have to work so much harder to achieve their targets and their efforts can position them above their competition."

But it's not just about disseminating information, she adds: practitioners also play a role in providing feedback. For example, perception studies are a useful tool for highlighting the market's impressions of the company, and earmarking areas for improvement.

Then there are site visits, which are a valuable opportunity to give a face to the company and allow investors to meet and appreciate the depth of a team that manage and operate a company, rather than simply reading about facts and figures.

Finally, since public companies have to be accessible to stakeholders at all times, one of the roles of an investor relations specialist is to ensure that they are available and able to field and direct queries appropriately.

Whatever strategy is in place, brugman insists that transparency, consistency and management buy-in are required for optimal success.

Prendergast also believes that the secret to an effective strategy lies in consistency, although she emphasises placing equal weight on stakeholders across the spectrum. "Some organisations release results every quarter; they host a road show, share information with analysts, and think that they have ticked all the boxes. I believe it is far more impactful to ensure that the investor relations strategy is entrenched within the business as part of its daily messaging."

Importantly, the experts agree, these functions cannot be divorced from public relations activities. Golembo's view is that every single communication has the potential to impact a company's brand and, ultimately, its share price, and brugman believes that the issue is one of ensuring that the business speaks to all stakeholders with a single, unified voice. More than this, the audiences of pr and investor relations often overlap.

The importance of targeted investor relations has increasingly come to the fore as corporate governance comes under the spotlight. Prendergast says that the industry has developed significantly since it first attracted attention 15 years ago, becoming more formalised with the establishment of professional bodies. And it's bound to continue in this vein, as more analysts and strategists lend their expertise to the field, she concludes.

"Investor relations is not just about taking potential investors out for lunch. It is real, strategic messaging that is designed to highlight how companies are delivering on their promises – and it's earning more gravitas by the day," she concludes.

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