Managing the Narrative: Investor Relations Officers and Corporate Disclosure

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Abstract: Investor relations officers (IROs) play a central role in corporate communications with Wall Street. We survey 610 IROs at publicly traded U.S. companies and conduct 14 follow-up interviews to gain insights into the nature of their interactions with sell-side analysts and institutional investors, and to deepen our understanding of the role of IROs in corporate disclosure events. Three important themes emerge from our results: (i) the value, nature, and timing of *private communication* between IROs, analysts, and investors; (ii) the significant influence IROs have on corporate disclosures; and (iii) the degree of "theater" involved in public earnings conference calls. We explore numerous topics that IROs are uniquely suited to address, and we provide new insights into the investor relations, analyst, institutional investor, and disclosure literatures.

Keywords: investor relations; investor relations officers; sell-side analysts; institutional investors; disclosure

1. Introduction

Investor relations officers (hereafter, IROs) play an essential role in managing corporate communications with important stakeholders and in helping their companies achieve an appropriate valuation (NIRI, 2003), yet the academic literature on investor relations is relatively nascent. An IRO's most basic responsibility is to communicate the company narrative—what the company is doing and how it is doing it—with the investment community. This important responsibility requires IROs to interact regularly with sell-side analysts and institutional investors, and places IROs at the center of many disclosure-related activities, including quarterly earnings conference calls and press releases, among others. Because IROs manage so many important corporate disclosure activities, they are frequently called "chief disclosure officers" (NIRI, 2014).

IROs are also corporate gatekeepers, often controlling the access of outsiders to senior management. They are responsible for keeping senior management updated on what analysts and institutional investors think about the company, particularly in preparation for face-to-face meetings and public earnings conference calls. An important aspect of investor relations is managing the expectations of both the sell side and the buy side, while also defending the company and portraying it in a favorable light. Thus, IROs must balance important communication responsibilities both inside and outside the company—often with dueling objectives.

We survey 610 IROs of publicly traded U.S. companies and interview 14 IROs to better understand their roles in managing companies' communications with sell-side analysts and institutional investors and in overseeing corporate disclosures. Our survey explores numerous topics for which IROs are uniquely qualified to provide valuable insights, including: the reasons, settings, timing, and value of IROs' interactions with sell-side analysts and institutional investors;[1] how IROs control outsiders' access to senior management; how sell-side analysts help IROs convey their company's message to institutional investors; the value of various types of disclosures for communicating the company narrative; the role of IROs (vis-à-vis the role of CFOs) in preparing various disclosures; planning for and managing public earnings conference calls; the size and composition of the conference call queue; private "call-backs" after public earnings calls; the determinants of IROs' internal performance ratings; and IROs' experiences with Regulation Fair Disclosure (Reg FD).

Three important themes emerge from our results: (i) the value, nature, and timing of *private communication* between IROs, analysts, and investors; (ii) the significant influence IROs have on corporate disclosures; and (iii) the degree of "theater" involved in public earnings conference calls. Regarding the first theme, we find that IROs consider private phone calls to be more important than sell-side analysts, 10-K/10-Q reports, management earnings forecasts, and on-site visits for conveying their company's message to institutional investors. About 40% of IROs indicate that private phone calls with members of the investment community *after* the earnings release but *before* the public earnings conference call starts are at least somewhat important, and some IROs we interviewed suggested these private calls help management prepare for the public call. In addition, over 80% of companies routinely conduct private "call-backs" with institutional investors and sell-side analysts after public earnings conference calls. We find that company management is unlikely to allow institutional investors to ask questions during the *public* earnings conference call, but companies give priority to investors—particularly

[1] We use the term "institutional investors" to refer to buy-side analysts, portfolio managers, and others employed by an institutional investment firm. The introduction to our survey made this clear to our survey participants.

those with a large holding in the company's stock—for private "call-backs" after the conclusion of the public call.

Our findings also shed light on the influence of IROs on corporate disclosures. We find that IROs have significant input on all forms of company disclosures, with nearly 70% of IROs reporting they have considerable influence on the substance and form of press releases and about 84% saying the same about the prepared remarks of public earnings conference calls. IROs also believe certain forms of disclosure (e.g., public earnings conference calls, road shows, press releases) are more important than others (e.g., 8-K reports, on-site visits), which suggests they are more likely to utilize these disclosure channels to communicate with analysts and investors. As the primary gatekeepers who control access to senior management, IROs indicate that they are more likely to grant requests for access to senior management—a private disclosure channel—to analysts with a long history of covering their company and to investors who work for a large investment firm than to *Institutional Investor* All-Star analysts or investors who work for a hedge fund. IROs significantly shape the preparation, execution, and post-call activities that surround companies' public earnings conference calls, and they prioritize institutional investors with a large stake in their company and experienced analysts for private "call-backs" during the very important period of time immediately following public earnings conference calls.

Lastly, while prior research documents that investors react negatively to scripted answers during the Q&A portion of conference calls (Lee, 2016), we find that public earnings conference calls—even the Q&A portion—often involve more "theater" than prior research has documented. Specifically, most IROs indicate that giving them an idea ahead of time of what questions to expect on the upcoming call is an important service sell-side analysts provide. Further, IROs say that important ways they prepare for conference calls include developing a script, preparing a list of possible questions and answers, developing a strategy for handling unanticipated questions, and rehearsing the call. Our interviews with IROs suggest that institutional investors who do not wish to speak publicly on conference calls—and thereby "reveal their hand"—use text messages or instant messaging to send their questions to *sell-side* analysts, who then ask the questions as if they were their own. The IROs we surveyed indicate that public earnings conference calls are the single most important tool for conveying the company message to institutional investors, which helps explain the desire of company management to carefully manage every aspect of these calls.

Our study contains numerous other findings that make unique contributions to the literature. For example, we provide evidence on the role of *investors* in "walking down" sell-side analysts' earnings forecasts, and we shed light on the dual roles IROs play as both messengers for senior management and recipients of feedback from the investment community. Our results also provide evidence of managers' reservations about interacting with hedge funds, and their ongoing caution about avoiding potential violations of Reg FD.

Relative to the important influence IROs have in communicating with Wall Street, the academic literature on IROs is relatively sparse. Our study makes several important contributions to this literature. While the prior research on investor relations has made important strides by focusing on the benefits and consequences of IR programs (Bushee and Miller, 2012; Chapman, Miller, and White, 2017; Karolyi and Liao, 2015; Kirk and Vincent, 2014), our survey results shed new light on the *process* of investor relations—how IROs perform their jobs, both in general and specifically as it relates to their interactions with sell-side analysts and institutional investors. Thus, our study improves our understanding of how IROs communicate the company narrative to important stakeholders. The insights we obtain about the process of investor relations would be difficult to obtain without conducting a survey.

We also provide new insights into the influence IROs have on corporate disclosures. While prior research has examined the role of CEOs and CFOs on corporate disclosure decisions (e.g., Bamber et al., 2010), the role IROs play in shaping corporate disclosures has been largely ignored. Our findings indicate that IROs have considerable influence over corporate disclosure, and that their performance is evaluated in large part based on their ability to manage these disclosures. Further, our findings on the usefulness of public earnings conference calls and private "call-backs" speak to the importance of supplementing written disclosures (e.g., 10-Ks, 8-Ks, management guidance) with these other interactions that help the firm "manage the narrative."

Finally, we provide insights from company management on public earnings conference calls, which have generally been studied from the perspective of analysts or institutional investors. For example, by documenting the relative importance of activities before (i.e., advance notice of questions that will be asked, preparing a list of possible questions and answers), during (i.e., managing the queue), and after (i.e., private "call-backs") earnings conference calls, we provide a rich understanding of the dynamics involved in this important disclosure event as well as new details about the nature, timing, and frequency of management's private communication with members of the investment community after the conclusion of the public call. In addition, while prior research documents the value of various services sell-side analysts provide to institutional investors (Brown et al., 2016), our study provides new insights about the value of sell-side analysts to *management* of the firms they follow.

2. Prior Literature

Prior academic research on investor relations is relatively limited and generally focuses on the benefits of investor relations programs.[2] Bushee and Miller (2012) focus on the ability of external investor relations firms to help small companies overcome their lack of visibility. They interviewed 11 IR professionals at firms that specialize in providing investor relations services for small- and mid-cap companies, each of whom completed a brief, web-based survey about developing an effective investor relations strategy. The authors find that external IR professionals believe facilitating direct communication with buy-side investors, including face-to-face meetings, is the most important aspect of investor relations, and that sell-side analysts play an important role in improving firm visibility. Their tests reveal that small companies using external IR firms are more likely than matched firms to experience improvements in institutional ownership, analyst following, media coverage, and book-to-price ratio. Bushee and Miller (2012) conclude that IR programs improve company visibility, investor following, and market value.

Kirk and Vincent (2014), using National Investor Relations Institute (NIRI) membership to identify companies with in-house investor relations programs, examine the determinants of having such programs and their impact on public disclosures, analyst following, institutional ownership, liquidity, and market valuation. They find that companies with greater uncertainty about future earnings and cash flows are more likely to initiate IR programs, and that firms initiating these programs experience capital market benefits and are better able to adapt to the regulatory changes made effective by Reg FD. Relatedly, Hong and Huang (2005) model firms' incentives to invest in IR activities, and highlight increased liquidity as a likely benefit of IR.

[2] The National Investor Relations Institute (NIRI) defines investor relations as "a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation" (NIRI, 2003).

Karolyi and Liao (2015) and Chapman, Miller, and White (2017) investigate the consequences of IR activity. Karolyi and Liao (2015) use responses to 23 (out of 70) questions in the 2012 Bank of New York Mellon survey of global IR professionals to create an estimate of each company's overall amount of IR activity. The authors find that firms with active investor relations programs have higher Tobin's q, greater analyst following, improved analyst forecast accuracy, and a lower cost of capital. These findings complement those of Brennan and Tamarowski (2000), who document that IR activities result in increased liquidity and a lower cost of equity capital. In addition, Chapman et al. (2017) find that companies with in-house investor relations teams have lower stock price volatility, higher analyst forecast accuracy, and faster price discovery.

These studies typically focus on the important capital market outcomes of investor relations. Their archival approach is well suited to identifying the outcomes or benefits of having a robust IR program. Our study focuses on the practices of the IROs who are responsible for these outcomes, such as their impact on various corporate disclosure events (e.g., earnings guidance, conference calls). As such, our survey and interviews allow us to document the *process* of IR that goes on behind the scenes. As stated by Chapman et al. (2017), "the behavior of IR officers is largely unobservable, and thus difficult to capture." In sum, the existing literature complements our study, and our study complements the existing literature.

A rich practitioner literature on investor relations has primarily grown out of surveys of IROs conducted regularly by the National Investor Relations Institute (NIRI) and Bank of New York Mellon. While these surveys are primarily designed to facilitate benchmarking among IROs at different companies on topics like compensation, budgets, and various investor relations practices, some practitioner surveys focus more narrowly and deeply on topics such as earnings conference call practices or how to introduce a new CEO or CFO to the investment community. We reviewed the practitioner literature on investor relations before designing our survey instrument to ensure that our study's insights would extend well beyond what has been learned from practitioner surveys. Although some of the questions in our survey naturally overlap *topically* with questions from the practitioner surveys, our questions go beyond what is asked in the practitioner surveys and fill gaps in the academic literature.

3. Research design

3.1 Identifying a subject pool

Because our survey includes several questions about IROs' interactions with sell-side analysts, we used the I/B/E/S database to identify 5,470 U.S. companies with a unique I/B/E/S ticker and at least one sell-side analyst providing earnings estimates or stock recommendations between April 1, 2014 and March 31, 2016 (the most recent two-year period available at the time of our data collection). From this sample, we hand collected names and email addresses for each company's IRO. We used a two-step process to identify contact information for IROs. First, we searched each company's website for contact information for the lead investor relations professional at the firm. Second, if the company website did not provide the IRO's name and email address, we searched online for the company's most recent earnings announcement to see if it included contact information for their IRO.[3] Our data collection process yielded 4,213 email addresses from 3,985 unique U.S. public companies with sell-side analyst coverage in I/B/E/S.

[3] Some companies provide names and email addresses for more than one IR professional on the main IR webpage or in the most current earnings announcement. For these companies, we collected contact information for all IR contacts references by the company. In addition, some companies provide a relatively generic email address for investor relations (e.g., investors@fb.com), without specifying the name of the individual at the company to whom analysts and investors should direct their inquiries. In such instances, we cannot always confirm the identity of the responding IR professional; however, because a company publicizes a generic email address to sell-side analysts and investors, it is reasonable to assume that only high-ranking IR professionals have access to this email account. Only 34 of the 610 survey responses (5.5%) are from an IRO whose company provided only a generic email address (e.g., investors@fb.com) without providing the name of the specific IR representative (e.g., Jane Doe) for analysts and

3.2 Developing and delivering the survey instrument

Our survey instrument was informed by our review of the academic literature on investor relations described above, the extensive literatures on sell-side analysts, institutional investors, and corporate disclosure, as well as many professional publications. We focused on asking questions unanswered in the academic and professional literatures that would be difficult to address without a survey. We received feedback on an early version of our survey from a former IRO, the managing partner of an IR research and advisory firm, buy-side analysts, sell-side analysts, and academic colleagues.

We asked a total of 15 questions that we placed into four groups of related questions that address: (i) IROs' role in managing the company narrative; (ii) determinants of IRO job performance; (iii) IROs' interactions with the investment community; and (iv) the dynamics surrounding public earnings conference calls. To avoid inducing a bias, we presented the questions about conference calls last, and otherwise randomized the order in which the other three groups of questions were presented.[4] Within these three groups, we randomized the order of each question. Further, we randomized the order of the items within each question, with only a few exceptions noted below.[5]

We used Qualtrics to administer our survey, and on September 7, 2016, we emailed each IRO in our subject pool an invitation to participate and a unique link to access the survey. To encourage participation, we explained that for every completed survey, we would make a

investors to contact. All other responses are from IROs who received a personalized invitation to participate in the survey. We find no correlation between the use of these "generic" email addresses and company size.

[4] Some of the items in the first three groups of questions relate to various aspects of the conference call (e.g., the usefulness of conference calls or "call-backs"). Answers to these questions might have been biased if the IRO had already been presented with a series of questions focused exclusively on conference calls, so we presented this group of questions last in order to avoid inducing a bias.

[5] For parsimony, we present the results to some survey questions in an online appendix.

donation to one of four charities selected by the IRO. To further encourage participation, we sent a reminder email on September 13 and a final reminder with notification of plans to close the survey on September 22. We closed the survey on September 25, 2016. In total, we received 610 complete responses to our survey for a response rate of 14.5%. Response rates to accounting and finance surveys administered via email have ranged from a low of 5.4% (Dichev et al., 2013) to a high of 10.9% (Brown et al., 2015), suggesting that our survey was of keen interest to IROs.

Most survey questions allow the responding IRO to answer using a 7-point Likert scale. To help IROs respond meaningfully to each survey question, and to ease interpretation of their responses, we labeled the endpoints of the scale in each question, both numerically (ranging from 0 to 6) and with text. For example, at the top end of the scale, we provided labels such as "very important" or "very likely," depending on the context of the question; at the bottom of the scale, we provided labels such as "not at all important" or "not at all likely."

3.3 Interviews

We invited IROs to volunteer for a follow-up phone interview. Of the 610 IROs who completed the survey, 188 volunteered to participate in an interview, and we conducted phone interviews with 14 of them. The purpose of these interviews was to gain additional insights on some of the topics addressed in the survey and to ask additional questions that did not lend themselves to a survey question. We sought to interview a diverse set of IROs that reflected the demographic characteristics of our full sample, without considering any specific IRO's responses to the survey questions.[6]

[6] The interviewed IROs represent eight of the "primary industries" reported in Table 1, and five of the IROs we interviewed (36%) were female. Nine of the IROs we interviewed (64%) have 10 years or more of experience as an IR professional, and the same percentage have annual compensation above $300,000. These IROs work for companies with market capitalization as small as $250 million - $449 million and as large as $10 billion or more, and their companies are followed by as few as 6 and as many as 27 sell-side analysts. Every IRO we interviewed reports directly to the CEO or CFO of his or her company. The average interview lasted approximately 49 minutes.

Before conducting the interviews, we made a list of questions to ask the IROs. Due to time constraints, we did not ask every question to every IRO; however, multiple IROs answered each question. We used a semi-structured interview protocol, asking open-ended questions and allowing the IROs to elaborate as they saw fit. Consistent with the recommendations of Malsch and Salterio (2016), we continued interviewing IROs as long as we were still gaining new insights from each successive interview. With permission from each IRO, we created an audio recording of each interview so we could focus on keeping the conversation flowing and natural during the interview and to ensure that we accurately quoted the IROs in the paper. The interview insights we report in the paper are specific quotes from individual IROs, but they reflect general insights expressed by multiple IROs.

3.4 Cross-sectional analyses

We conduct cross-sectional tests to explore variation in survey responses based on demographic characteristics of the responding IROs. We estimate the following model:

$$\begin{aligned} \textit{Survey Response} &= \beta_0 + \beta_1 \textit{HF} + \beta_2 \textit{More} + \beta_3 \textit{Gender} + \beta_4 \textit{IR\_Exp} + \beta_5 \textit{MBA} + \beta_6 \textit{CFA} + \beta_7 \textit{Size} + \\ &\quad \beta_8 \textit{SS\_Exp} + \beta_9 \textit{BS\_Exp} + \beta_{10} \textit{Guide} + \beta_{11} \textit{EquityComp} + \beta_{12} \textit{TotalComp} + \textit{Industry} + \varepsilon, \quad (1) \end{aligned}$$

where the dependent variable, *Survey Response,* is the IRO's response to the survey question being examined. The independent variables are derived from the demographic information.

We include several variables to capture attributes of the IRO's employer. Because hedge funds have the ability to short the company's stock, we include an indicator variable equal to 1 if the IRO indicates that hedge funds represent at least a 5% ownership stake in the company, and 0 otherwise. We include an indicator variable for firms with a market capitalization of at least $1 billion (*Size*) and identifying firms that issue earnings-related guidance (*Guide*). We also include industry fixed effects based on the primary industry of the IRO's company.

We also include several IRO-specific variables that might impact their approach to investor relations. For example, Kumar (2010) finds that female analysts exhibit different forecasting behavior (more bold and more accurate) than their male counterparts; he attributes these differences to self-selection of females into a male-dominated profession. Atkinson, Baird, and Frye (2003) and Huang and Kisgen (2009) also examine gender differences in other corporate settings. Thus, we include an indicator variable equal to 1 if the IRO is male, and equal to 0 if the IRO is female. We use indicator variables to identify IROs with at least seven years of investor relations experience (*IR_Exp*), an MBA (*MBA*), and CFA certification (*CFA*). Further, because we ask several survey questions about IROs' interactions with sell-side analysts and buy-side investors, we include indicator variables identifying IROs with prior experience in those fields (*SS_Exp* and *BS_Exp*, respectively).

Finally, we include variables that may affect IROs' views on some of the questions in our survey. First, to address the possibility that IROs interact differently with analysts depending on whether they want more or less analyst coverage, we include a categorical variable (*More*) equal to 1 if the IRO indicates a preference for more analysts covering the company, 0 if the IRO indicates the current level of coverage is about right, and -1 if the IRO indicates a preference for fewer analysts covering the company. Second, we include two variables related to the IROs' compensation. Specifically, *EquityComp* is an indicator variable equal to 1 if the IRO indicates that at least 20% of his/her total compensation is equity based, and 0 otherwise, and *TotalComp* is an indicator variable equal to 1 if the IRO indicates that his/her total annual compensation is at least $300,000, and 0 otherwise. We add two additional variables when evaluating cross-sectional variation in responses to questions specific to public earnings conference calls (discussed below in Tables 11-14). Specifically, we include a variable to capture the number of individuals who typically enter the company's conference call queue (*Queue*) and an indicator variable that identifies IROs whose company typically conducts private "call-backs" with the investment community after the conclusion of the public conference call (*CallBack*). We discuss some cross-sectional results below, and provide the full set of cross-sectional results in an online appendix.

4. Empirical results, interview responses, and cross-sectional findings

After presenting demographic characteristics of the survey respondents, we provide survey results organized into four sections of related questions that map into the groupings we used when administering the online survey. Most tables have four columns. Column 1 presents average ratings in descending order. Column 2 reports the results of significance tests comparing the average rating of each item to the average rating of the other items in the question. We use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons (Nelson and Skinner, 2013). Columns 3 and 4 report the percentage of respondents who rate each item near the top (5 or 6) and bottom (0 or 1) of the 7-point scale, respectively. Consistent with recommendations from the Institutional Review Board, we did not require survey respondents to answer a given question before proceeding to the next question, so the number of responses is not identical across survey questions or items within a question. In each table we report the largest number of responses for any item in that survey question.

4.1 Demographics (Table 1)

Table 1 presents the demographic characteristics of our survey respondents. Mutual funds (88%) and hedge funds (62%) are the most common investor types with at least 5% ownership in our sample firms; financials and healthcare (14% each) are the most common industries; the median firm has 7-10 analysts following it; 65% of the firms have a market cap of at least $1 billion; 56% of firms issue earnings guidance. While 46% of the IROs would prefer more analysts to follow their company, almost 15% would prefer fewer analysts. The median age of IROs is 40-49; one-third are female; 42% have at least 10 years of experience in IR; 45% have an MBA. Nearly half of the IROs have experience in corporate finance. Almost all IROs (93%) report directly to the CEO or CFO; about 40% receive annual compensation of at least $300,000, and for 42% of the IROs, at least 20% of their total compensation is equity based.

4.2 Managing the Narrative

4.2.1 How important are the following <u>for conveying your company's message</u> to institutional investors? (Table 2)

The purpose of this question is to assess the importance of various disclosures and disclosure channels at IROs' disposal.[7] The importance of this question is underscored by the findings in prior research that the investor relations function helps the firm gain visibility with institutional investors, analysts, and the media (Bushee and Miller, 2012), resulting in capital market benefits including a lower cost of capital, less stock price volatility, and more rapid price discovery (Brennan and Tamarowski, 2000; Chapman et al., 2017; Karolyi and Liao, 2015).

As reported in Table 2, IROs respond that public earnings conference calls are the most important tool for conveying their company's message to institutional investors, with 88% saying public earnings conference calls are very important for this purpose. This finding is consistent with the academic literature's focus on conference calls (Bowen et al., 2002; Brown et al., 2004; Bushee et al., 2003, 2004; Call et al., 2017; Jung et al., 2017; Matsumoto et al., 2011; Mayew, 2008; Mayew et al., 2013). Over 65% of IROs respond that private phone calls are very important for conveying their company's message to institutional investors, which is consistent

[7] Consistent with Healy and Palepu (2001), corporate disclosure includes both regulated financial reports (e.g., financial statements and 8-K reports) and voluntary communication (e.g., management forecasts and public earnings conference calls).

with findings in the prior literature that private meetings with investors are important information events (Bushee et al., 2016). Indeed, IROs rate private phone calls as more important for conveying their company's message to institutional investors than 10-K or 10-Q reports, management forecasts of future earnings, and even sell-side analysts. Our cross-sectional tests reveal that both earnings conference calls and private phone calls are particularly important to IROs of companies issuing earnings guidance.

In our interviews, we asked IROs about the importance of company messaging and the role of investor relations, and the importance of establishing trust with the investment community was a common theme. One IRO told us candidly, "Running a big company is like watching sausage being made. It isn't easy, it isn't pretty, and a lot of times it's better not to know what goes into making the sausage…When something goes wrong, basically what investors want you to do is acknowledge it, be forthright with what's occurred, and give them at least a sense of a get-well plan." Another IRO said, "Investors need to trust the person who is in investor relations. You're the front line of defense…You have to be able to talk intelligently, talk rationally, without emotion, about what's happening, whether it's good or bad."

We also asked IROs about the value of public earnings conference calls. One IRO said the public calls present "a chance to spend the time that is required to explain what you're doing—and you have the full attention of the market at that point because calls typically aren't conflicting." Regarding *private* phone calls, one IRO stated, "I'll initiate calls or calls will come into me, and that happens on a daily basis. The calls can be on a range of topics."

Less than 2% of IROs responded that social media is very important to conveying their company's message.[8] In an interview, one IRO said, "I don't find that my investor audience or

[8] This finding is not inconsistent with the results of Blankespoor, Miller, and White (2014). Our finding that IROs do not commonly use social media for the specific purpose of conveying the company message to institutional

analyst audience is looking for me to communicate with them through social media." Another IRO said, "It's not well suited [for investor relations because]…stories are often complicated." Lastly, one IRO commented on how he *does* use social media in his role: "We're active consumers…because Twitter…helps you identify things that people care about."

4.2.2 Please rate sell-side analysts with the following characteristics on their <u>ability to help you convey your company's message</u> to institutional investors (Table 3)

Given that the IR function results in increased sell-side analyst following (Brennan and Tamarowski, 2000; Bushee and Miller, 2012; Karolyi and Liao, 2015), we asked about the characteristics of sell-side analysts who most effectively help IROs convey their company's message to institutional investors. Table 3 reveals that the most highly rated analysts are those with considerable experience covering the IRO's company, with 78% of IROs saying these analysts are very helpful in conveying their company's message to institutional investors. About 75% of IROs say the same about analysts with industry knowledge, consistent with institutional investors' desire to communicate with sell-side analysts who possess industry knowledge (Brown et al., 2016). In contrast, fewer than one-third of IROs say analysts who work for a large brokerage or who are *II All-Stars* are very helpful in conveying their company's message to institutional investors. While the low rating for brokerage size and All-Star status may seem surprising given their importance for analyst forecast accuracy (Clement, 1999; Mikhail et al., 1997; Stickel, 1992), this finding is consistent with evidence that fewer than 3% of institutional investors say working for a large brokerage or being an *II* All-Star is a very important attribute in their decision to use information analysts provide (Brown et al., 2016).

investors does not preclude companies from relying on social media to disseminate company news and disclosures (already in the public domain) to a broader audience, as Blankespoor et al. (2014) document. Further, Blankespoor et al. (2014) find that the use of Twitter reduces information asymmetry among low-visibility firms, whereas the typical IRO in our sample works for a large company that does not lack visibility.

In our interviews, we asked IROs how they identify sell-side analysts with the ability to help with company messaging. One IRO said, “I find industry experience to be more valuable in terms of the way an analyst is looked at and respected within the industry.” Another IRO described why analysts with experience are so valuable to company messaging: “There's a lot of value to people who've been covering you through different cycles…Someone who’s a year into it is less likely to immediately recognize some of the little changes in the market environment that can really turn the fortunes for a small sector or group of companies.” Lastly, many IROs dismissed the *II* rankings. For example, one IRO said, “I think *II* is a bit of a popularity contest.”

4.2.3 For the purpose of managing your company’s narrative, how important are the following services sell-side analysts provide? (Table 4)

Investor relations professionals also work closely with sell-side analysts and potentially have different perspectives on the value of sell-side analysts than do buy-side investors (Brown et al., 2016). In Table 4, we ask IROs about the importance of various services sell-side analysts provide in order to inform the literature about the benefits sell-side analysts provide to the firms they follow.

IROs indicate that the most important service sell-side analysts provide is conveying their company’s message to institutional investors (60% say it is very important), followed by three other services most IROs deem important: knowledge about industry trends and/or competitors (55%); general feedback on how their company is perceived by Wall Street (54%); and facilitating their company’s communication and interaction with institutional investors (52%). Given that the literature says little about what corporate insiders believe are the most important services sell-side analysts provide, our findings point to potential avenues for future research.

Importantly, although IROs indicate that sharing ideas about the types of questions their firm can expect on its upcoming public earnings conference call is less important than most other services we asked about, 34% of IROs indicate that this is a very important service sell-side analysts provide, and 88% of IROs indicate that this is at least somewhat important. This finding suggests that in addition to actively participating on conference calls (Call et al., 2017; Jung et al., 2017), sell-side analysts also play an important role in helping companies prepare for conference calls, and that the Q&A session is less spontaneous that it might appear to be.

In our interviews, IROs spoke about the value of the industry knowledge they obtain from sell-side analysts. One IRO said, "Industry knowledge might be the most important aspect of doing investor relations well, because essentially the job is about communicating in two directions about how a company is performing in relation to its peers." Another IRO stated, "They gather so much information from various IROs within the industry, and they do their channel checks; so collectively, they end up with a lot of industry knowledge."

4.2.4 How much influence do you believe the typical IRO and CFO have on the substance and form of the following disclosures? (Table 5)

A large body of research focuses on the nature and information content of both mandatory and voluntary firm disclosures. Recent research has examined the impact of CEOs and CFOs on these disclosures (e.g., Bamber et al., 2010; Dyreng et al., 2010; Ge et al., 2011). However, IROs also play an important role in determining their firm's disclosures, and IROs are sometimes referred to as "chief disclosure officers" (NIRI, 2014). The question presented in Table 5 allows us to assess the extent to which IROs influence the substance and form of various disclosures.[9]

IROs indicate that they have the least influence on management guidance of any disclosure in the question, and the most influence on the prepared remarks of public earnings conference calls, with 84% saying IROs have considerable influence on these prepared remarks.

[9] We present the results about CFOs' influence over corporate disclosures in an online appendix.

Our cross-sectional tests reveal that IROs employed by large companies are particularly likely to indicate that they have considerable influence over this aspect of the conference call. Although IROs report that CFOs have greater relative influence on company disclosures than IROs do (see the online appendix), an important contribution of our study is documenting that IROs have considerable influence on each of these five disclosures.[10]

During our interviews, we asked IROs to elaborate on their role in creating various disclosures. Concerning management forecasts of future earnings, one IRO told us, “I don't generate the number. That's handled by the CFO and our FP&A (financial planning and analysis) team…But I make my own forecasts as if I were an external person following our company. That's how I make sure that our disclosure is helpful.” Reflecting on the significant influence of IROs in writing the prepared remarks for public earnings conference calls, another IRO explained, “In terms of communication, part of my job is to write all the scripts for both the CEO and CFO.” Finally, one IRO stated, “I work on the messaging and narrative long before the CFO and CEO ever see it. They don't get involved until the very end. The week before the call, they look at a script and a press release and they say yay or nay.”

4.3 Determinants of IRO Job Performance

4.3.1 How important are <u>your interactions with the following individuals</u> for the purpose of doing your job effectively? (Table 6)

The central purpose of investor relations is to achieve a fair valuation of the company’s securities (NIRI, 2014), and interacting with institutional investors, sell-side analysts, and the business press helps IROs realize this goal. In order to communicate effectively with external

[10] The sample size in Table 5 is smaller than in any other table because for some survey participants we inadvertently included different wording for some items in this question, and therefore exclude these responses from Table 5. Including all 600 responses for this question yields qualitatively similar results, except there is no longer a significant difference between the influence of CFOs and IROs on the prepared remarks of public earnings conference calls.

constituencies, IROs must also communicate regularly with company leadership. Further, IROs face the difficult task of trying to maintain a reputation on Wall Street for being helpful and informed, while also pleasing their own CEO and CFO by effectively defending the company and portraying it in a favorable light. In Table 6, we report the results of a question that asked IROs about the importance of their interactions with various individuals inside and outside the company.

Nearly all IROs (97% for both CFOs and CEOs) say interactions with their company's CFO and CEO are very important for doing their jobs effectively, which is consistent with our finding in the demographic questions that 93% of IROs we surveyed report directly to the CEO/CFO. Collectively, our findings indicate that IROs are high in the corporate structure, underscoring the importance of additional research on IROs (e.g., Chapman, et al., 2017). About 90% of IROs say their interactions with institutional investors are important for doing their job effectively, and 82% say this about sell-side analysts. In general, IROs indicate that their communications with each of the first five individuals in this list are very important to doing their job effectively and each received a similarly high average rating. In contrast, only 10% of IROs deem interactions with members of the business press to be very important.[11]

In our interviews, we asked IROs about their interactions with senior management of their companies. One IRO said, "You have to work very closely with the CEO for corporate messaging and also involve the CFO, because part and parcel of any company strategy is how they're going to finance their growth. This job would be impossible without working closely with the entire C-suite." Two other IROs spoke to the process of working with senior management to manage the company narrative. One said, "The CEO, CFO, COO, and I all sit down and talk

[11] Some companies delegate media-related responsibilities (e.g., monitoring the business press) to a separate public relations or media relations officer who works closely with the IRO.

through and decide what we want the key messages to be, and then I take it from there." Another related, "We'll have meetings, maybe 10 days before a quarter end, and we'll just talk through the main issues…The most senior people in the company: the CEO, COO, general counsel, CFO, and investor relations. We will have preliminary financial results, and we'll just brainstorm together about what the messaging should be."

Other IROs spoke to the potential conflict that arises when trying to please both external stakeholders (i.e., analysts, investors) and internal company leadership. One IRO stated, "One of the first things I tell a management team when I start to work with them is, 'I'm the messenger. You're not always going to like the message. But you need to hear it.' …There's also going to be times when you are telling the Street something they don't want to hear." Another IRO said, "The primary conflict is the level of detail that analysts and investors want about the company versus the level of detail that management wants to share…Management wants to limit the amount of information that competitors can get and use against the company."

4.3.2 How important are the following in determining <u>your superior's assessment of your job performance</u>? (Table 7)

In order to gain insights about IROs' incentives, we asked about the factors that determine their superiors' assessment of their job performance. The highest-rated item in Table 7 was preparing for and managing public earnings conference calls. Nearly 88% of IROs say this is a very important determinant of their superior's assessment of their job performance. This result, combined with our finding in Table 2 that public earnings conference calls are IROs' most important mechanism for conveying their company's message to institutional investors, underscores the importance of conference calls and the critical role of IROs in having a successful call. The second-highest rated item is preparing company disclosures, consistent with IROs' role as "chief disclosure officer." Specifically, 73% of IROs say preparing company disclosures is a very important determinant of their superior's assessment of their job performance. This finding is consistent with our results in Table 5, which indicate that IROs have considerable influence over many company disclosures.

Nearly two-thirds of IROs say feedback from the investment community is a very important determinant of their job performance, which reflects the importance of IROs' ability to answer questions from and consistently address the needs of analysts and investors. About 42% of IROs state that their ability to screen outsiders' access to senior managers is important to their job performance, consistent with IROs having a "gatekeeper" role with respect to filtering access to senior management.

Far more IROs say their company's ability to avoid reporting negative earnings surprises is *not* a very important determinant of their performance as say it *is* very important (36% versus 17%). In our interviews, the IROs clarified that meeting or beating the consensus analyst forecast is very important to senior management, but that they are not personally held accountable for a failure to do so because IROs have no influence on realized earnings and less influence on management earnings guidance than the CFO. As one IRO said, "The investor relations group isn't responsible for creating the forecast…And if something goes wrong and is likely to cause you to miss, it's happening on the operational side."

About 80% of IROs indicated that reining in outlier analysts is at least somewhat important to their performance assessment, and in our interviews, many IROs described a very active process of monitoring analysts' forecasts. One IRO stated, "We look at analyst models and look for inaccuracies and look for areas where we would feel comfortable giving them feedback…We reach out to those analysts who are far off the mark." Describing the process IROs use to review analysts' models, one IRO told us, "We literally pour all their models into a spreadsheet. So if you've got 10 analysts, you've got 10 columns…[If] I see that an analyst has a couple lines that are just off, whether it's revenue or expense, and I know that there's something in the public that I can point to, I can help them rein in that line." Another IRO explained, "Typically a month out from earnings, we'll get everyone's latest models, and then we'll go through them. If they modeled something incorrectly based on what we've said publicly, we'll highlight the discrepancy."

Several IROs shared with us an important insight that has not been discussed in the literature: namely, how *institutional investors* (rather than the IRO) play an important role in the "walk down" to beatable sell-side earnings forecasts. One IRO said, "What isn't visible to the public is that buy siders call up sell-side analysts all the time and chew them out. If there's an outlier to the upside or the downside, they'll often hear from people who are stockholders saying, 'Hey, what's with this number here?' I'll tell you that goes on all the time." Similarly, another IRO talked about walking down analysts and said, "The reality is the investors actually do it themselves. Folks who own the stock will call up the analysts and beat them up and totally leave the company out of it…If you own a stock, you're aligned with the company. You want the results to be achievable."

4.4 Communication with the Investment Community[12]

4.4.1 If the following individuals <u>request private access to senior management</u>, how likely would you be to grant the request? (Table 8)

IROs serve an important role as gatekeepers for senior management, controlling the access of outsiders such as sell-side analysts and institutional investors. As reported above in

[12] In an online appendix we present the results to two additional survey questions related to IROs' communication with the investment community. Specifically, we asked, "How likely would you be to contact sell-side analysts (or, alternatively, institutional investors) in the following situations?" The majority of IROs indicate, for example, that they would be very likely to contact both sell-side analysts and institutional investors after a major operational change at the company (e.g., M&A activity) or after a change in senior management.

Table 7, over 42% of IROs indicate that their ability to screen outsiders' access to senior management is a very important part of how they are evaluated by their superiors. The accounting literature examines attributes of sell-side analysts who are likely to have superior access to information from management. However, because management access is difficult to observe empirically, researchers infer access to management based on coarse proxies such as the favorableness of analysts' stock recommendations (Chen and Matsumoto, 2006) or the pattern of their earnings forecasts (Ke and Yu, 2006). We asked IROs about their role as gatekeepers in order to shed additional light on the factors IROs consider when granting access to senior management, and we present the results in Table 8.

Specifically, we asked IROs how likely they would be to grant requests for private access to senior management by various members of the investment community. Analysts with considerable experience covering the company are most likely to gain this access to management, with 81% of IROs saying they are very likely to grant private access to these analysts. This finding is consistent with prior research indicating that firm-specific experience helps analysts issue more accurate earnings forecasts (Clement, 1999), and with our earlier finding that IROs believe experienced analysts more effectively convey their company's message to institutional investors than any other type of analyst (see Table 3).

We also find that about 70% of IROs say they are very likely to grant private access to institutional investors who work for a large investment firm or who work for a mutual fund, but only 39% say they are likely to do so for institutional investors who work for a hedge fund, possibly because hedge funds can take a short position in the company's stock or often hold stock for a short time (Griffin and Xu, 2009). We also find that 70% of IROs are very likely to grant access to sell-side analysts who possess considerable industry knowledge, consistent with these analysts being in high demand among institutional investors (Brown et al., 2016).

In our cross-sectional tests, we find that female IROs are generally less likely to grant requests for private access to senior management. Specifically, they are less likely than male IROs to grant access to (a) institutional investors who work for a large investment firm, (b) institutional investors who work for a mutual fund, (c) institutional investors who work for a hedge fund, (d) analysts who are *Institutional Investor* All-Stars, and (e) analysts who are frequently quoted in the business press. In contrast, IROs who would prefer to have greater sell-side analyst following are more likely to grant requests for private access to most analysts, including those who (a) work for a large brokerage, (b) are *Institutional Investor* All-Stars, (c) work for a brokerage that provides underwriting services for their company, and (d) are frequently quoted in the business press.

In our interviews, we asked IROs about the challenge of managing outsiders' access to senior management. One IRO told us, "In terms of being a gatekeeper, I want to treat all of my analysts equally; I don't like to play favorites…When I have limited time, I will put through the ones with more experience and more knowledge of the industry. But I want them all to be happy. They are simply the megaphone that I can use to reach more investors." Another IRO stated, "I want all my analysts to think that they're my favorite. That is really key for a successful program." One IRO addressed the need to treat even negative analysts fairly: "At some point, if someone has a sell on your stock and you get adversarial with them, if the macro factors start turning in your favor, they might be reluctant to upgrade you as soon as they should."

Shedding further light on the gatekeeper role, one IRO said, "I am the person answering questions directly on a day-to-day basis. Well over 90% of the time, the communication with analysts is done by me." Another IRO stated, "I can answer all their questions…[but] sometimes I can tell that an analyst or investor just needs to hear my CEO say it."

4.4.2 How likely would you be to have contact with the following individuals <u>because a sell-side analyst revised his/her recommendation</u> for your company's stock? (Table 9)

Sell-side analysts' stock recommendation revisions are important to the firm because they are often accompanied by changes in the company's stock price (Elton et al., 1986; Womack, 1996), and revisions by one analyst can impact other analysts (Clement and Tse, 2005; Cooper et al., 2001). We asked IROs with which individuals they are most likely to have contact after an analyst revises his/her stock recommendation, and if this contact depends on whether the revision is an upgrade or a downgrade. We report the results in Table 9.

Following a stock recommendation revision, IROs are most likely to have contact with the following (in decreasing order of likelihood): (1) senior management; (2) the analyst who revised the recommendation; (3) an institutional investor; and (4) a different sell-side analyst (other than the analyst who revised his/her stock recommendation). In all four cases, contact is more likely if the revision is a downgrade. These findings highlight that sell-side analysts' stock recommendation revisions—particularly downgrades—are relevant to senior management, and that IROs play an important role in keeping senior management informed about developments in the investment community.

One IRO we interviewed spoke about dealing with analysts who have a negative view of the company's stock, saying, "When an analyst has a 'sell' on us, I view that as an opportunity to reeducate that person on us. Obviously that person doesn't understand our story, and I consider it important to make sure we travel to meet with investors with that sell-side analyst, so that he/she has to spend at least one day listening to our story during the course of eight meetings. I find that 'sell' ratings haven't lasted very long on my company because of that outreach."

4.4.3 With respect to Regulation Fair Disclosure (Reg FD), how often do you believe the following situations arise for the typical IRO? (Table 10)

While many studies have examined the impact of Reg FD on companies' information environments (Bailey et al., 2003; Lee et al., 2014; Sidhu et al., 2008), IROs are in a unique position to provide insights on Reg FD because of their frequent interactions with sell-side analysts and institutional investors. The private nature of these conversations makes it extremely difficult for archival research to shed light on the frequency of potential Reg FD violations. Our question, reported in Table 10, assesses the frequency with which IROs limit the information they share with sell-side analysts and institutional investors as a result of Reg FD.

Our findings reveal IROs are concerned about Reg FD and the possibility of violating it. Specifically, 37% of IROs say that a member of the investment community asks a question several times a week that the IRO fully answers, but only after determining that the answer does not violate Reg FD. Moreover, about 20% (53%) say that a member of the investment community asks a question at least several times a week (several times a month, untabulated) that the IRO either does not answer or only partially answers, due to a concern about a possible Reg FD violation. However, issuing an 8-K *ex post* in an effort to avoid a possible Reg FD violation is fairly rare: 73% of IROs say this never happens.

In our interviews, IROs spoke about the significant impact of Reg FD on the practice of investor relations. One IRO told us, "Part of the reason I'm always on the call with management is basically to be a referee…If someone does ask something that's too close to the line, I will speak up and say, 'That's a little too close to the line. We can't discuss that. Wait for the press release.'" Another IRO described how concerns about a possible Reg FD violation can come up after a meeting has ended: "I might be sitting there at the airport and realize that something seemed uncomfortable. Maybe I was in a gray area. I might call the CFO and/or the general counsel to decide how far in the gray area I was."

4.5 Conference Call Dynamics

Healy and Palepu (2001) indicate that "corporate disclosure is critical for the functioning of an efficient capital market," and describe disclosure as communication through regulated financial reports (e.g., financial statements, footnotes) as well as voluntary communication that includes management forecasts and conference calls. Public earnings conference calls are important disclosure events because they allow senior management to discuss the company's recent earnings performance with the entire investment community and forecast next-period results, and because they also allow analysts and investors to ask questions and interact directly with company leadership. Although earnings conference calls have been the subject of much academic research (Frankel et al., 1999; Jung et al., 2017; Mayew, 2008; Mayew et al., 2013), important questions remain that are difficult to address with archival data. We asked several questions to deepen our understanding of conference call dynamics—from the *company's* perspective—before, during, and after the call.

4.5.1 Filtering Questions (Table 11)

Because all the questions in this section address issues related to public earnings conference calls, the first question we asked was whether the IRO's company hosts public earnings conference calls, and we presented subsequent questions only to IROs who responded in the affirmative.[13] As reported in Table 11 Panel A, the vast majority (95%) of IROs work for a company that hosts conference calls.

[13] IROs who indicated that their company does not host public earnings conference calls were not shown any additional questions in this section and immediately were administered the demographic questions.

We asked three additional "filtering" questions that determined which survey questions we presented to the participating IROs. We first present results to these questions and explain below how the responses were used to selectively administer subsequent questions to relevant IROs. For example, as reported in Panel B of Table 11, we asked whether *all* individuals in the conference call queue are allowed to ask their question on the public call. About 58% of IROs said yes. Interestingly, our cross-sectional tests reveal that IROs employed by companies with at least 5% of their stock owned by hedge funds are significant less likely to allow all individuals in the queue to ask their question, consistent with IROs' concern about the type of question investors with the ability to short the stock might ask in a public setting. Further, as reported in Panel C of Table 11, we asked whether individuals in the queue are selected on a first-come, first-served basis, and found that 41% of companies manage the conference call queue in this way. In the online appendix, we report that the average (median) conference call queue consists of 10.21 (8.00) sell-side analysts, 3.84 (0.00) institutional investors, and 0.39 (0.00) members of the business press. Collectively, these findings provide insights into the composition and management of the conference call queue, which is otherwise unobservable to researchers.

We asked one final "filtering" question to determine if the IRO's company typically conducts private "call-backs" following the public call (Panel D of Table 11). About 82% of IROs indicate that they typically do so, and cross-sectional tests indicate that IROs employed by companies that issue earnings guidance, and those for whom equity-based compensation is relatively important, are more likely to conduct private "call-backs."

4.5.2 For the purpose of managing your company's narrative, how important are the following activities as they relate to your company's public earnings conference calls? (Table 12)[14]

We asked about the importance of various activities related to preparing for the public earnings conference call, including developing a script (Lee, 2016), rehearsing the call with management, selecting the day and time of the call, and soliciting input from investors and analysts about the topics they want addressed on the call. We also asked about the importance of reviewing the call with company management after it has concluded.

IROs indicate that four of the five most important activities related to public earnings conference calls relate to preparing for the call, including developing a script for the presentation portion of the call, preparing a list of possible questions and answers, developing a strategy for handling unanticipated questions, and rehearsing the call. The emphasis IROs place on conference call preparation is consistent with their view that conference calls are the most important mechanism for conveying their company's message to institutional investors (see Table 2) and the most important determinant of their performance evaluation (see Table 7).[15]

IROs also say that private "call-backs" with the investment community after the conclusion of the call are also important, with 70% saying they are very important. We note that, as reported in Panel D of Table 11, about 82% of IROs conduct private "call-backs" after the conclusion of conference calls, and we shed further light on this topic in Table 14.

During our interviews, we asked IROs how they prepare for public earnings conference calls. One IRO shared the following: "When I travel with my management team, I literally, on

[14] We presented this question only to IROs who answered "yes" to the question presented in Panel A of Table 11.
[15] It may seem surprising that only a minority of IROs say prioritizing participants with the Q&A queue during the call (36%) and establishing a pre-approved list of individuals allowed to ask a question on the call (28%) are very important activities; however, many companies allow everyone in the queue to ask a question or select people in the queue on a first-come, first-served basis (see Table 11), making these activities less relevant for some IROs.

my laptop, type up every question that gets asked. Then I code them by category, so I know what questions are being asked. I track trends and investor concerns and investor likes by doing that…[Then] my senior management and I discuss potential questions and prepare for them. I can't think of a time when we've been broadsided." Another IRO said, "I have three prep meetings. The first prep meeting is with me and other financial people, our controller and our financial planning and analysis manager. The three of us sit down and discuss what's happening this quarter, what happened last quarter, and what do we need to talk about and make clear to people. And then prep #2 involves the CFO and the CEO and myself. We go through a first draft of the script. And then we do one more meeting a couple of days before the call. We finalize everything and then we record our prepared remarks the day before our call."

Based on the finding that 16% (40%) of IROs felt private phone calls with the investment community *after* the earnings release but *before* the public earnings conference call are very important (at least somewhat important), we asked IROs about these calls during our interviews. Some IROs suggested they avoid these types of calls. For example, one IRO said, "I would never take a call between the release and the conference call." Other IROs said they take calls during this time period. For example, one IRO said, "We put all that information out, and they'll call. What you'll learn is what is creating confusion, what don't they understand, what needs more clarification, what are the hot-button topics. It gives you better insight into what's likely to come up on the call, and you'll be in a position to give better answers." Another IRO said, "We put out our earnings release two hours before the call...I'm sitting at my desk in that time, and I'll have emails back and forth with the analysts, where they will share their quick observations, or they'll have a clarifying question about something. But I'm not going to share anything that isn't already in the press release or in the public domain." Finally, one IRO suggested that when a company announces bad news in an earnings release, "The company can talk to the analysts at that point and basically guide the analysts to help manage the public call…If I can call some of my investors or analysts before the public call, then the analyst doesn't ask me a really tough, embarrassing question in public."

4.5.3 After they enter the queue, how likely would the following individuals be to be <u>selected to ask their question during the Q&A</u> portion of your company's public earnings conference calls?[16] (Table 13)

Prior research documents that sell-side analysts are more likely to ask a question during a public earnings conference call if they have a favorable stock recommendation for the company (Mayew, 2008; Mayew et al., 2013). These findings raise interesting questions about other attributes of sell-side analysts and institutional investors that possibly impact their likelihood of being allowed to ask a question on the call.

IROs indicate that sell-side analysts with considerable experience covering their company are very likely to be selected from the queue to ask a question on a public earnings conference call, with 87% of IROs saying they are very likely to select these analysts. This finding is consistent with the results reported in Table 3 and Table 8, which underscore the importance to IROs of having experienced analysts covering the company. We also find that analysts who issue stock recommendations (earnings forecasts) above the consensus are more likely to be selected to ask a question than are those whose stock recommendations (earnings forecasts) are below the consensus, consistent with the finding in the literature that company management rewards favorable analysts with conference call access (Mayew, 2008). Institutional investors with a large position in the company are more likely to be selected than those employed by a hedge fund, consistent with research that shows investors with a long position in the company's stock are

[16] We present this question only to IROs who answered "yes" to the question presented in Panel A of Table 11 and "no" to the questions presented in Panels B and C of Table 11.

favored relative to those with a shorter investment horizon and the potential to short the firm's stock (Call et al., 2017).

In our interviews, one IRO addressed an interesting element of the "theater" of public earnings conference calls. He said, "The sell-side analysts are sitting there with their IMs and they're IM'ing the buy side. The buy side is texting them saying, 'Ask them about X, Y, and Z' or 'That last answer was BS; push them on this again.' The buy side doesn't want to be on the call and show anybody their cards. So the whole thing is kabuki…Guys that have been around the block long enough know this, and everybody understands it. It's like sell side gets on, sell side drives the Q&A, management answers Q&A. But everybody knows it's a bit of kabuki."

A different IRO indicated he prioritizes experienced analysts: "We have a handful of guys and gals who've been with us for as long as we've been public, and we tend to kind of give them pole position in the Q&A." Another IRO spoke about the risks of putting an investor on the call during the Q&A session: "The horror stories I've heard is when people put investors live on the call because investors have an agenda. They're not just trying to learn and fix their models. They might have an ax to grind."

We asked IROs about actively managing the ordering of participants in the Q&A session. One IRO said, "I will move someone I know is a jerk so that they don't end the call on a sour note." Consistent with evidence in the literature about analysts with a positive view receiving a higher priority (Mayew, 2008; Mayew et al., 2013), one IRO said, "If an analyst is going to get on there and say something negative, he's going to the bottom of the list. But if I have an opportunity, I'm going to let the people who have a 'buy' on me ask questions first because they're going to set the tone for the call." Finally, one IRO summed up the importance of controlling the tone of the Q&A session: "At the end of the day, transparency is all well and good, but that shouldn't come at the expense of the company controlling the dialogue on the call to the best of our ability."

4.5.4 How likely would you be to initiate a _*private "call-back"*_ *with the following individuals shortly after a public earnings conference call? (Table 14)*[17]

Private "call-backs" are conversations between key members of the company's management team (including the IRO) and select individuals in the investment community. These calls typically begin immediately after the public call concludes and take place over several days following the public earnings call. They provide an opportunity for investors and analysts to ask detailed questions and allow management the opportunity to clarify any information discussed on the public call. Even though these calls are unobservable to researchers, they potentially represent a valuable flow of information from companies to the investment community at a very critical time (shortly after earnings are announced and as analysts are working to revise their forecasts and recommendations).

While private "call-backs" are a regular feature of earnings season (about 82% of IROs report that their company typically conducts "call-backs," see Panel D of Table 11), these conversations do not represent a Reg FD violation unless company management selectively discloses material, nonpublic information. Company management is free to "correct historical facts that were a matter of public record" and communicate "inconsequential data which, pieced together with public information by a skilled analyst with knowledge of the issuer and industry, helps form a mosaic that reveals material nonpublic information."[18]

A key difference between being selected to ask a question on a conference call and being selected for a "call-back" is that communication on conference calls is public, whereas

[17] We presented this question only to IROs who answered "yes" to the question presented in Panel A of Table 11 and "yes" to the question presented in Panel D of Table 11.
[18] https://www.sec.gov/divisions/corpfin/guidance/regfd-interp.htm

conversations that take place on “call-backs” are private, by definition. Company management has incentives to screen sensitive or difficult questions on the public call, and investors are sometimes reluctant to ask questions publicly for fear of tipping their hand about their views on the stock (Brown et al., 2016). Our findings are consistent with these incentives.

Specifically, while investors with a large investment in the company are not among the individuals likely to be selected to ask a question on the public call (see Table 13), Table 14 reveals that they are the most likely group to be selected for a private “call-back” after the conclusion of the public call. Similarly, while institutional investors employed by a hedge fund are relatively unlikely to receive a “call-back,” they are more likely to be selected for a “call-back” than for a question on the public call (average rating in Table 13 = 1.65, average rating in Table 14 = 3.56, untabulated $p < 0.001$).

While analysts with stock recommendations and earnings forecasts above the consensus receive preferential treatment on the public call, they are not more likely to be selected for a private “call-back” than are analysts with below consensus views of the company. This finding suggests the preferential treatment favorable analysts receive on the public call is driven by management’s desire to manage the tone and narrative during the Q&A portion of the call, rather than by a desire to selectively provide access to management for analysts with a favorable view of the company. In our cross-sectional tests, however, we note that IROs employed by companies that issue earnings guidance are more likely to initiate a private “call-back” with analysts whose earnings forecasts are substantially above the consensus, suggesting that IROs use private conversations to rein in outlier analysts whose forecasts exceed company guidance. Similar to the results for the public call, experienced analysts are common recipients of a private “call-back” (78% of IROs are very likely to select these analysts for a “call-back”). In addition, consistent with several other survey findings, members of the business press are not a favored group for these calls.

In our interviews, we asked the IROs for additional details about private call-backs. One IRO explained the purpose of private call-backs: "A lot of times it's just a reiteration. You've got to remember a lot of these guys at the big firms, they're covering 30 companies. They get off an earnings call after not having any sleep the night before. Some of these guys can barely remember what they heard."

IROs also spoke about how they prioritize the ordering of private call-backs. One IRO said, "People who are going to get the call back first are the people who are currently the largest investors in our company, because we want them to hold the stock and not sell it, maybe buy more." Another IRO said, "The buy side gets priority, absolutely, because they've got decisions to make about capital allocation, and those need to be addressed."

5. Limitations and Caveats

5.1 Internal Validity of Survey Responses

One concern when conducting surveys is the possibility that participants are not fully engaged in the survey, such that their responses do not reflect their true views and practices. To examine this possibility we included multiple questions that address the same underlying construct. If survey participants respond similarly to related questions presented in different parts of the survey, it increases confidence that they carefully answered the survey questions. To address this issue, we examine the consistency of IROs' responses to three related questions.

1. The likelihood of granting management access to <u>sell-side analysts who are *Institutional Investor* All-Stars</u> (Table 8)
2. The likelihood of allowing <u>sell-side analysts who are *Institutional Investor* All-Stars</u> to ask a question during a public earnings conference call (Table 13)

3. The likelihood of initiating a private "call-back" with sell-side analysts who are *Institutional Investor* All-Stars (Table 14)

The extent to which a given IRO gives All-Star analysts access to management is likely to be similar across all three settings. We assess the consistency of responses to these three questions using Cronbach's alpha, which ranges from 0 to 1, and where values above 0.70 are generally considered to suggest strong internal consistency (Nunnally, 1978). Cronbach's alpha for these three questions is 0.746, suggesting the IROs provided reliable answers to the survey.

5.2 Caveats

Our study is subject to several caveats. First, one question (Table 5) asks IROs to assess the influence of the typical IRO vis-à-vis the typical CFO on various firm disclosures. We note that 34% of IROs have daily contact with their CFO, and 60% have at least weekly contact with the CFO (Bank of New York Mellon, 2013). Furthermore, more than 93% of IROs report directly to the CEO or CFO (Table 1). Thus, we believe most IROs can appropriately respond regarding CFOs' role in shaping these corporate disclosures. Nevertheless, we recognize that not all IROs are well positioned to assess the activity of CFOs.

Second, although we framed this question in terms of "the typical IRO" in an effort to mitigate self-promotion bias, we recognize that IROs may have incentives to overstate their role in shaping these disclosures. As a result, we interpret these findings with caution. We note, however, that when we asked in a separate question about the determinants of their superior's assessment of their job performance (Table 7), the two most important determinants that they reported relate to their role in preparing firm disclosures (i.e., on conference calls or in other disclosures). While IROs may have incentives to overstate their influence over various firm disclosures, they are unlikely to face strong incentives to overstate the role of disclosures in shaping their performance assessment, which helps mitigate concerns about biased responses.

Third, the question reported in Table 10 asks about possible Reg FD violations, which may be a sensitive issue for our survey participants. However, rather than asking IROs about their own experience fielding questions from sell-side analysts and institutional investors (and issuing 8-Ks), we ask IROs how often they believe these issues emerge for the typical IRO. Making this question less personal should solicit responses that are more forthcoming and reflective of actual practice. However, we recognize that some IROs may still have incentives to understate the frequency of these events. Relatedly, some IROs may be reluctant to indicate that they contact specific sell-side analysts for the purpose of managing earnings expectations (see the online appendix) or that their ability to manage analyst expectations is an important determinant of their internal performance evaluation (Table 7).

Finally, we acknowledge that our main survey findings provide descriptive evidence rather than tests of specific theories. However, Gow et al. (2016) state that "accounting research can benefit substantially from more in-depth descriptive research" (p. 499), and Bloomfield et al. (2016) indicate that, "Surveys offer a great opportunity for contextualization, generating rich descriptive data about practitioners' beliefs and preferences and illuminating previously unhypothesized facts and associations that offer opportunity for theory building" (p. 377). We believe our findings are consistent with these observations and that our study is particularly important given the relatively nascent status of the investor relations literature.

6. Conclusion

We survey investor relations officers at U.S. public companies in an effort to deepen our understanding of their role in managing companies' communications with sell-side analysts and institutional investors and in overseeing corporate disclosures. Our survey examines various topics of interest on which IROs are well suited to provide valuable insights. We ask questions related to IROs' interactions with sell-side analysts and institutional investors, their role in controlling access to senior management, the importance of various types of disclosures for communicating the company narrative, their influence on various corporate disclosures, and what takes place before, during, and after public earnings conference calls.

We find that public earnings conference calls are the single most important venue for management to convey their company's message to institutional investors, and that preparing for and managing these calls are the most important determinants of IRO job performance. IROs also indicate that private phone calls are more important than 10-K/10-Q reports, on-site visits, and management guidance for conveying their company's message, and more than 80% of IROs report that they conduct private "call-backs" with sell-side analysts and institutional investors following public earnings conference calls.

Our study makes numerous contributions to several literatures. First, it sheds light on the influence IROs have on corporate disclosure. Second, it provides new insights on the value, nature, and timing of *private communication* between IROs, analysts, and investors. Third, it provides new evidence on the degree of "theater" involved in public earnings conference calls. Importantly, because IROs are often behind the scenes and because no archival databases provide data specifically related to the activities of IROs, our survey provides depth to our understanding of the *process* of investor relations that would be difficult to obtain otherwise. Our study also provides new insights about the value of sell-side analysts from the perspective of corporate investor relations officers, and we examine various topics from the perspective of company management that are typically studied from a different perspective (e.g., public earnings conference calls). Our findings create opportunities for subsequent research in the investor relations, sell-side analyst, institutional investor, and disclosure literatures.

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Table 1
Demographic characteristics of survey respondents

Investors with 5% Ownership	**%**	**Years as IR Professional**	**%**
Hedge fund	61.54	< 1 year	5.08
Mutual fund	87.59	1-3 years	20.81
Defined-benefit pension fund	22.38	4-6 years	20.30
Insurance firm	9.62	7-9 years	11.68
Endowments or foundations	8.57	10+ years	42.13
High net-worth individuals	22.62		
Retail brokerage clients	16.78	**Years with Current Employer**	
		< 1 year	8.89
Primary Industry		1-3 years	26.34
Consumer Discretionary	7.32	4-6 years	22.99
Consumer Staples	3.99	7-9 years	13.26
Energy	10.82	10+ years	28.52
Financials	14.48		
Health Care	13.64	**Education**	
Industrials	8.99	Bachelor's degree in marketing	1.85
Information Technology	10.98	Bachelor's degree in communications	6.54
Materials	6.49	Bachelor's degree in accounting	17.79
Telecommunication Services	4.33	Bachelor's degree in business	11.91
Utilities	3.16	Bachelor's degree in economics	13.76
Other	15.81	Bachelor's degree in finance	17.28
		Other bachelor's degree	20.64
Analyst Following		MBA	45.13
0-3	11.11	Other master's degree	19.30
4-6	21.03	Ph.D.	1.68
7-10	23.76		
11-15	17.09	**Certifications**	
16-20	11.62	Chartered Financial Analyst	11.15
21-25	7.18	Certified Public Accountant	16.56
26+	8.12	Investor Relations Charter	4.92
		Other	7.21
Preference for Analyst Following			
Fewer than current number	14.91	**Company market capitalization**	
Current level is about right	38.86	< $100 million	7.01
More than current number	46.23	$100 million - $249 million	6.51
		$250 million - $499 million	8.68
Age		$500 million - $999 million	12.52
<30	4.52	$1 billion - $10 billion	50.08
30-39	25.29	> $10 billion	15.19
40-49	37.52		
50-59	26.80	**Prior Experience**	
60+	5.86	Corporate communications / PR	22.49
		Corporate finance	49.40
Gender		Corporate marketing / Sales	12.10
Male	66.10	Accounting	27.94
Female	33.90	Investment banking	13.97
		Sell-side research	16.52
		Institutional investing	10.05

Table 1 (continued)
Demographic characteristics of survey respondents

Report Directly to CEO/CFO?	**%**
Yes	93.60
No	6.40
Issue Earnings Guidance?	
Yes	56.47
No	43.53
Annual Compensation	
< $100,000	7.96
$100,000 - $199,999	21.24
$200,000 - $299,999	30.09
$300,000 - $399,999	16.99
$400,000 - $499,999	11.50
> $500,000	12.21
% Equity Compensation	
None	20.28
1% - 9%	14.81
10% - 19%	22.40
20% - 29%	25.04
30% +	17.46

Table 2
Survey responses to the question:
How important are the following for conveying your company's message to institutional investors?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered: Very Important (5 or 6)	Not Important (0 or 1)
(1)	Public earnings conference calls	5.45	2-12	88.39	1.99
(2)	Road shows	5.25	3-12	82.20	1.50
(3)	Press releases	4.99	4-12	72.14	1.16
(4)	Private phone calls	4.79	5-12	65.95	3.32
(5)	Sell-side analysts	4.63	8-12	60.23	1.83
(6)	10-K or 10-Q reports	4.58	9-12	57.41	3.03
(7)	Management forecasts of future earnings	4.52	9-12	64.23	10.48
(8)	On-site visits	4.47	9-12	56.59	5.51
(9)	8-K reports	4.00	10-12	41.82	7.59
(10)	The business press	2.64	12	12.77	26.37
(11)	Informal settings (e.g., lunches, golf)	2.44	12	14.36	35.39
(12)	Social media (e.g., Twitter, Facebook)	1.20	--	1.66	65.95
	Total possible N = 603				

Column 1 reports the average rating, where higher values correspond to greater importance. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating importance of 5 or 6 (0 or 1).

Table 3
Survey responses to the question:
Please rate sell-side analysts with the following characteristics on their ability to help you convey your company's message to institutional investors:

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered: Very High Ability (5 or 6)	% of Respondents Who Answered: Very Low Ability (0 or 1)
(1)	Analysts who have considerable experience covering your company	5.10	2-6	78.83	1.00
(2)	Analysts who possess considerable industry knowledge	5.01	3-6	75.75	1.17
(3)	Analysts who work for a large brokerage	3.59	5-6	26.34	7.55
(4)	Analysts who are *Institutional Investor* All-Stars	3.57	5-6	31.43	11.60
(5)	Analysts who work for a brokerage that provides underwriting services for your company	3.08	--	15.68	16.69
(6)	Analysts who are frequently quoted in the business press	2.96	--	14.21	17.89
	Total possible N = 600				

Column 1 reports the average rating, where higher values correspond to greater ability. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating ability of 5 or 6 (0 or 1).

Table 4
Survey responses to the question:
For the purpose of managing your company's narrative, how important are the following services sell-side analysts provide?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered Very Important (5 or 6)	% of Respondents Who Answered Not Important (0 or 1)
(1)	Conveying your company's message to institutional investors	4.64	2-7	60.53	3.32
(2)	General feedback on how your company is perceived by Wall Street	4.50	4-7	54.82	2.99
(3)	Knowledge about industry trends and/or your company's competitors	4.43	5-7	55.65	4.15
(4)	Facilitating your company's communication and interaction with institutional investors	4.36	6-7	52.74	4.98
(5)	Published forecasts of your company's earnings	4.22	6-7	46.26	5.66
(6)	Buy/sell/hold ratings for your company's stock	3.76	--	35.16	10.61
(7)	Ideas regarding the types of questions to expect on your company's upcoming public earnings conference call	3.67	--	34.05	11.63
	Total possible N = 603				

Column 1 reports the average rating, where higher values correspond to greater importance. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating importance of 5 or 6 (0 or 1).

Table 5
Survey responses to the question:
How much influence do you believe the typical CFO and IRO have on the substance and form of the following disclosures?

Summary statistics for IROs

				% of Respondents Who Answered	
	Responses	Average Rating	Significantly Greater Than	Considerable Influence (5 or 6)	No Influence (0 or 1)
(1)	Prepared remarks of public earnings conference calls	5.37	2-5	84.01	2.38
(2)	Press releases	4.91	3-5	69.64	2.79
(3)	MD&A section of 10-K reports	4.35	4-5	54.06	6.72
(4)	8-K reports	4.11	5	49.44	9.60
(5)	Management forecasts of future earnings	3.82	--	40.90	13.17
	Total possible N = 359				

Column 1 reports the average rating, where higher values correspond to greater influence. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the other items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. ***, **, and * (†††,††, and †) indicate the average rating for CFOs (IROs) is significantly larger at the 1%, 5%, and 10% level, respectively. Column 4 (5) presents the percentage of respondents indicating influence of 5 or 6 (0 or 1).

Table 6
Survey responses to the question:
How important are your interactions with the following individuals for the purpose of doing your job effectively?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered Very Important (5 or 6)	% of Respondents Who Answered Not Important (0 or 1)
(1)	Your company's CFO	5.83	3-6	97.00	0.50
(2)	Your company's CEO	5.82	3-6	97.35	0.33
(3)	Institutional investors	5.56	4-6	90.40	0.99
(4)	Senior management of your company, other than the CEO or CFO	5.35	6	85.93	0.33
(5)	Sell-side analysts	5.28	6	82.59	1.16
(6)	Members of the business press	2.19	--	10.12	39.80
	Total possible N = 604				

Column 1 reports the average rating, where higher values correspond to greater importance. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating importance of 5 or 6 (0 or 1).

Table 7
Survey responses to the question:
How important are the following in determining your superior's assessment of your job performance?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered: Very Important (5 or 6)	Not Important (0 or 1)
(1)	Preparing for and managing public earnings conference calls	5.43	2-9	87.89	1.49
(2)	Preparing company disclosures (e.g., press releases, MD&A section of 10-K reports)	4.97	3-9	73.59	2.82
(3)	Feedback from the investment community	4.78	4-9	65.17	2.82
(4)	The number and quality of investor meetings you secure for senior management	4.55	5-9	59.47	4.15
(5)	Effectively utilizing sell-side analysts to convey your company's message	4.39	6-9	52.74	3.81
(6)	Your ability to screen outsiders' access to senior management	4.04	7-9	42.22	7.95
(7)	Your ability to rein in outlier analysts	3.25	8-9	24.83	19.04
(8)	Your company's stock performance	2.69	9	14.90	28.15
(9)	Your company's ability to meet or beat the consensus analyst earnings forecast	2.43	--	16.97	36.44
	Total possible N = 604				

Column 1 reports the average rating, where higher values correspond to greater importance. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating importance of 5 or 6 (0 or 1).

Table 8
Survey responses to the question:
If the following individuals request private access to senior management, how likely would you be to grant the request?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered Very Likely (5 or 6)	% of Respondents Who Answered Not Likely (0 or 1)
(1)	Analysts who have considerable experience covering your company	5.21	2-10	81.40	1.99
(2)	Institutional investors who work for a large investment firm	5.13	3-10	70.27	1.82
(3)	Institutional investors who work for a mutual fund	4.87	5-10	70.88	2.83
(4)	Analysts who possess considerable industry knowledge	4.84	5-10	70.27	2.99
(5)	Analysts who work for a large brokerage	4.50	6-10	58.83	4.33
(6)	Analysts who are *Institutional Investor* All-Stars	4.39	7-10	56.67	6.83
(7)	Analysts who work for a brokerage that provides underwriting services for your company	4.27	8-10	54.27	8.88
(8)	Institutional investors who work for a hedge fund	3.94	9-10	39.27	7.49
(9)	Analysts who are frequently quoted in the business press	3.77	10	37.56	10.85
(10)	Members of the business press	2.73	--	16.61	27.68
	Total possible N = 603				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).

Table 9

Survey responses to the question:

How likely would you be to have contact with the following individuals because a sell-side analyst revised his/her recommendation for your company's stock?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered: Very Likely (5 or 6)	% of Respondents Who Answered: Not Likely (0 or 1)
(1)	Senior management of your company—if the revision is a *downgrade*	5.05	2-8	73.46	4.34
(2)	Senior management of your company—if the revision is an *upgrade*	4.83	3-8	68.61	6.51
(3)	The analyst who revised the recommendation—if the revision is a *downgrade*	4.41	4-8	58.43	8.35
(4)	The analyst who revised the recommendation—if the revision is an *upgrade*	4.12	5-8	49.41	10.89
(5)	An institutional investor—if the revision is a *downgrade*	3.09	6-8	30.59	27.06
(6)	An institutional investor—if the revision is an *upgrade*	2.72	7-8	19.57	30.10
(7)	A different sell-side analyst—if the revision is a *downgrade*	2.26	8	16.92	43.72
(8)	A different sell-side analyst—if the revision is an *upgrade*	2.09	--	13.21	45.99
	Total possible N = 599				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).

Table 10
Survey responses to the question:
With respect to Regulation Fair Disclosure (Reg FD), how often do you believe the following situations arise for the typical IRO?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered: Several Times a Week / Daily (5 or 6)	% of Respondents Who Answered: Never (0)
(1)	A member of the investment community asks a question that the IRO fully answers, but only after determining that the answer would not violate Reg FD	3.70	2-5	37.35	5.43
(2)	A member of the investment community asks a question that the IRO does not answer because of concerns about a possible Reg FD violation	3.38	3-5	21.32	3.55
(3)	A member of the investment community asks a question that the IRO only partially answers, due to a concern about a possible Reg FD violation	3.28	4-5	22.24	6.96
(4)	A member of the investment community asks a potentially sensitive question that the IRO fully answers without considering Reg FD	0.49	5	0.85	72.57
(5)	A member of the investment community asks a question that the IRO answers, but which results in a subsequent 8-K report to avoid a possible Reg FD violation	0.37	--	1.19	72.54
	Total possible N = 591				

Column 1 reports the average rating, where higher values correspond to greater frequency, where 0 = never, 1= about once a year, 2 = several times a year, 3 = about once a month, 4 = several times a month, 5 = several times a week, and 6 = daily. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating frequency of 5 or 6 (0 or 1).

Table 11
Filtering Questions

Panel A
Survey responses to the question: Does your company host public earnings conference calls?

	Responses	%
(1)	Yes	95.55
(2)	No	4.45
	Total N = 606	

This panel reports the percentage of IROs who indicate that their company hosts public earnings conference calls.

Panel B
Survey responses to the question: Are all individuals who enter the queue typically allowed to ask their question during the Q&A portion of your company's public earnings conference calls?

	Responses	%
(1)	Yes	57.79
(2)	No	42.21
	Total N = 578	

This panel reports the percentage of IROs who indicate that all individuals who enter the queue during the Q&A portion of public earnings conference are able to ask their question.

Table 11 (continued)
Filtering Questions

Panel C
Survey responses to the question: Does your company select participants from the queue on your public earnings conference calls on a first-come, first-served basis?

	Responses	%
(1)	Yes	41.42
(2)	No	58.58
	Total N = 577	

This panel reports the percentage of IROs who indicate that their company selects participants form the queue on a first-come, first-served basis.

Panel D
Survey responses to the question: Does your company typically conduct private “call-backs” with the investment community after your public earnings conference calls?

	Responses	%
(1)	Yes	81.91
(2)	No	18.09
	Total N = 575	

This panel reports the percentage of IROs who indicate that their company conducts private “call-backs” with the investment community after public earnings conference calls.

Table 12
Survey responses to the question:
For the purpose of managing your company's narrative, how important are the following activities as they relate to your company's public earnings conference calls?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered: Very Important (5 or 6)	% of Respondents Who Answered: Not Important (0 or 1)
(1)	Developing a script for the presentation portion of the call	5.65	2-10	92.56	1.38
(2)	Preparing a list of possible questions and answers	5.26	3-10	81.63	3.12
(3)	Private "call-backs" with the investment community to clarify information or answer questions after the call	4.82	4-10	70.54	4.85
(4)	Developing a strategy for handling unanticipated questions	4.51	5-10	59.62	7.45
(5)	Rehearsing the call	3.90	8-10	49.22	18.43
(6)	Reviewing the call after it is over	3.77	8-10	37.61	11.44
(7)	Selecting the day and time for the call	3.70	9-10	36.98	13.89
(8)	Prioritizing participants within the Q&A queue during the call	3.50	9-10	35.71	19.51
(9)	Establishing a pre-approved list of individuals allowed to ask a question on the call	2.76	10	28.12	36.46
(10)	Private phone calls with the investment community after the earnings release but before the public earnings conference call	1.78	--	16.23	59.34
	Total possible N = 578				

Column 1 reports the average rating, where higher values correspond to greater importance. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating importance of 5 or 6 (0 or 1).

Table 13
Survey responses to the question:
After they enter the queue, how likely would the following individuals be to be selected to ask their question during the Q&A portion of your company's public earnings conference calls?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered: Very Likely (5 or 6)	Not Likely (0 or 1)
(1)	Sell-side analysts who have considerable experience covering your company	5.46	2-12	87.29	1.66
(2)	Sell-side analysts whose stock recommendations for your company are substantially *above* the consensus	4.71	3-12	66.29	6.74
(3)	Sell-side analysts whose earnings estimates for your company are substantially *above* the consensus	4.54	6-12	60.67	7.30
(4)	Sell-side analysts who are *Institutional Investor* All-Stars	4.35	9-12	54.19	10.61
(5)	Sell-side analysts who were not selected to ask a question on your company's most recent conference call the public earnings conference call	4.32	9-12	56.98	11.73
(6)	Sell-side analysts whose earnings estimates for your company are substantially *below* the consensus	4.23	9-12	53.63	10.61
(7)	Sell-side analysts whose brokerage provides underwriting services for your company	4.23	9-12	56.42	12.85
(8)	Sell-side analysts whose stock recommendations for your company are substantially *below* the consensus	4.23	9-12	55.06	10.67
(9)	Individuals whose questions you anticipate the CEO or CFO would be willing to answer	3.09	11-12	38.55	35.20
(10)	Institutional investors who have a relatively large investment in your company	2.84	11-12	36.87	40.22
(11)	Institutional investors who work for a hedge fund	1.65	12	10.19	58.29
(12)	Members of the business press	0.40	--	3.35	91.06
	Total possible N = 181				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).

Table 14
Survey responses to the question:
How likely would you be to initiate a private "call-back" with the following individuals shortly after a public earnings conference call?

	Responses	Average Rating	Significantly Greater Than	% of Respondents Who Answered Very Likely (5 or 6)	% of Respondents Who Answered Not Likely (0 or 1)
(1)	Institutional investors who have a relatively large investment in your company	5.11	3-11	80.35	6.48
(2)	Sell-side analysts who have considerable experience covering your company	5.06	3-11	78.40	5.62
(3)	Sell-side analysts whose earnings estimates for your company are substantially *above* the consensus	4.62	7-11	66.88	9.59
(4)	Sell-side analysts whose stock recommendations for your company are substantially *above* the consensus	4.59	7-11	66.52	10.43
(5)	Sell-side analysts whose earnings estimates for your company are substantially *below* the consensus	4.58	7-11	65.65	10.22
(6)	Sell-side analysts whose stock recommendations for your company are substantially *below* the consensus	4.55	7-11	65.73	10.85
(7)	Individuals who were in the queue on the public call but did not have a chance to ask a question	4.18	10-11	58.01	17.32
(8)	Sell-side analysts whose brokerage provides underwriting services for your company	4.10	10-11	55.70	18.20
(9)	Sell-side analysts who are *Institutional Investor* All-Stars	4.08	10-11	55.31	17.35
(10)	Institutional investors who work for a hedge fund	3.56	11	37.01	17.32
(11)	Members of the business press	1.72	--	13.88	58.57
	Total possible N = 463				

Column 1 reports the average rating, where higher values correspond to greater likelihood. Column 2 reports the results of t-tests of the null hypothesis that the average rating for a given item does not exceed that of any other item. We report the rows for which the average rating significantly exceeds the average rating of the corresponding items at the 5% level, and use Bonferroni-Holm-adjusted p-values to correct for multiple comparisons. Column 3 (4) presents the percentage of respondents indicating likelihood of 5 or 6 (0 or 1).