Perception is the only Reality

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Investor activism, coupled with media's new-found enthusiasm, is at an all-time high in India. This has empowered shareholders like never before, and this increase has been more visible recently through the growth of highly aware, inquisitive, demanding, and opinionated investors, who are equally active on social media platforms and do not hesitate to voice their concerns, which are often hard-hitting and unforgiving. The opinion of these influencers, some of them with impeccable reputations, and known as 'citizen journalists' or 'social media activists', have been successful in single-handedly setting the agenda and defining the course of the narrative in many instances. Debate panels with 'celebrity speakers' have an assured viewership whose contributions to issues at hand itself is debatable. A fragile and delicate reputation, hard-earned and built over the decades, suddenly starts feeling the heat during these times of crisis, and the resultant swift impact by the unforgiving market swiftly snowballs into a full-blown crisis, eroding values as investors become desperate to be the first ones to exit as they would rather be 'safe than sorry'.

Recent incidents show that Corporate India is still unprepared in the current environment and has not completely adapted to meet the challenges of today. Even though most of the time, management, or rather promoter(s) (as would be more apt in Indian context), can foresee that some crisis is brewing, they have not been able to decisively act so as to contain these fully. One of the key reasons could be that they were not proactive enough in battling it, but the approach has rather been reactive, or were unfortunately not advised properly. Perception studies, market intelligence, and independent assessments of situations are very seldom used. Well thought-out strategies by communication experts are even more seldom sought, even though in the current, highly volatile market environment charged with super-active evangelists, the potential impact of legal/social liabilities on institutional reputation is staggering.

There could be several such examples, where a proactive approach could have averted a full-blown crisis to a manageable extent, if not totally averted. For instance, in a recent case, a shareholder of a company posted the video of the AGM on social media, highlighting certain issues faced by the company, which instantly resulted in a backlash despite prior knowledge of him being a trouble-maker. An airline company, which at first opportunity failed to communicate properly about its financial condition, then engaged in an avoidable duel with a prominent media house, and later on blamed media for escalation of the crisis. Similarly, in many cases where the companies are preparing for IPO post filing of DRHP with the regulator, the rivals are always on the look-out to settle personal scores, or competitors keep a tab by striking at the first available opportunity. This may be by way of filing complaints, bogus or otherwise, through various fronts or anonymously, and then drawing attention of the authorities through media. While crisis may be inevitable, it can always be controlled to a large extent. One of the first rules is to be prepared and react immediately for such an exigency and set the ball rolling for the best possible corrective course even if that may simply mean remaining armed with scenario analysis, exploring options, readying oneself with holding statements, identifying and preparing a spokesperson, lining up third-party influencers, taking any other preventive or pre-emptive action, or by engaging with these trouble-makers or stakeholders, as may be applicable.

The response time and appropriateness of the communication has become an extremely critical component of maintaining investor relations and has a direct co-relation to not only the reputation, but also in turn the valuation and the market capitalization that any institution enjoys since it is not an exact science and largely based on the perception. With the emergence of a stricter compliance regime, increasing corporate governance requirements, and pressing need for maintaining high emphasis on business ethics, the importance of building strong reputation of the company's top management/board and a sustainable Reputation Management Plan has become a must for every corporate entity – listed or proposed to be listed, B2B or B2C, government or private. Irrespective of the sector or size or pedigree, communication changes perception and reflects transparency and "ignorance is bliss" is no longer considered to be a virtue.

Couple this with an extremely active social media scenario, and you have an explosive mix. Material Announcements, Financial Results, Investor Presentations, Information Memorandums, Analysts Reports are all being circulated on various investor forums, blogs and whatsapp groups; many a time unofficially attempts are made to make the same 'viral'. Opinions of active influencers and independent advisors on National Media always have the potential to amplify even the smallest of situations. Conjectures are made and the future and fortunes of the entire corporate entity is put at stake by way of an organized media trial.

The importance of strategic communication and financial PR has never been greater.

During high stake litigations, transactions (M&A), and capital raising exercises (IPOs, FPOs, QIPs, OFS, Divestments), the commentary gets amplified, and so does the need to have an effective communication program in place, addressing each and every stakeholder group to ensure a fair understanding of the business transaction and future prospects. And this has to be within the four corners of law, such as abiding by the stringent guidelines of the market regulator, be it RBI or SEBI.

For an IPO, more so, as the company would be addressing analysts and investors, both institutional and non-institutional, for the very first time. Profiling the company and the Management, showcasing the business model, its track record of growth and profitability, its future plans and associated risks, its growth strategy and competitive analysis, the industry and business sector – all need to be correctly communicated to enable investors to take an educated call. Companies with foresight start on this journey well ahead of even filing of their document with the regulator and build up their corporate brand over a period of time, while they are readying for the capital markets. And when the Management is fully engrossed with all this, most probably for the first time in their corporate life, crisis erupts. This not only has the potential to divert the focus, but also causes tremendous stress to the people involved. Here, handholding or unbiased and proactive approach from a professional is something which cannot be measured in terms of monetary value.

The positioning and perception created during the IPO process has an overhang post listing, even as the performance of these companies plays an important part going ahead. Continued investor interest can be directly co-related with the frequency with which listed entities communicate with its stakeholders and shareholders. Most listed companies today engage their current and potential investors, analysts, influencers, media, institutional shareholders through a structured Investor Relations and PR program.

Post listing, apart from the financial performance, what is important is how such information – Updated Investor Presentations, Quarterly Results, Annual Reports, Press Release, Chairman Speeches – is being communicated as these have become extremely crucial, as they should strongly reflect high levels of corporate governance and business ethics, basis which the stakeholders form their opinion. With increasing levels of transparency, analyst calls with the management after every quarter has become the norm, and few companies also have an annual analyst's day. Sensing this long-term communication approach, managements of many private and public sector entities are engaging with investors and analysts more often, and even beyond capital-raising exercises.