

**g.a.kraut company inc.**

**WHAT WOULD HAPPEN TO YOUR P/E  
IF ALEXANDER THE GREAT  
BECAME YOUR  
DIRECTOR OF INVESTOR RELATIONS**

**The Impact of Imagination  
and a Properly Positioned Message  
on Value Creation**

**Excerpts from a Presentation  
by Gary A. Kraut  
G.A. KRAUT COMPANY INC.**

**National Investor Relations Institute  
New York City**

**275 Madison Avenue, New York, NY 10016  
Tel (212) 696 5600 Fax (212) 685 2413**

**[www.gakraut.com](http://www.gakraut.com)**

## ***“investor relations could use a large dose of imagination”***

The title of my brief talk is why your company's multiple could be enriched if Alexander the Great became your director of investor relations.

Strange as that sounds, it goes to the heart of what I think are two major issues in communicating shareholder value to investors these days, namely, message and imagination. These critical areas are so basic and so hard to get right that many companies just find it easier to give them lip service.

My premise is simple: investor relations could use a large dose of imagination. By emphasizing methodology, which is what I see lots of, we risk placing in secondary position the power and value of a clear, concise and convincing message.

IR should not be a mechanical exercise, relying on a chain of safe tools that almost every company employs with cookie cutter regularity.

Like storefront psychics, IR folks are micro-analyzing 13F or stockwatch reports for omens that have more to do with process than action. Fundamentals like targeting, which began when two ancient Greeks decided who in the neighborhood would be the most likely buyers of their hand-chiseled chariot, have been elevated to rocketry. Analyst presentations are often much too long, too descriptive and unconvincing. Annual reports are often generalized and verbose.

Meanwhile, CEOs are crying out for help. They're competing in global markets for product, sales, capital and other opportunities and resources. What they need from investor relations is vision and imagination; what IR people too often provide is investor relations by the pound.

Here's where Alexander the Great comes in. Gordius, King of Persia -- and incidentally, the father of King Midas -- dedicated his chariot to

Zeus. On the yoke pole of that chariot, he tied a very complex knot. His Oracles then declared that whoever untied that Gordian Knot would rule both Europe and Asia. Many had tried and failed to unleash the knot until Alexander came by it en route to knocking over Persia. Told of the legend, Alexander studied the problem, then whipped out his sword and cut the knot off with one blow. And the rest, as they say, is history.

Old problem. New approach.

Alexander solved the problem because he didn't make the mistake others had. To them, the word "untie" meant a specific process; to Alexander, it suggested an objective that could be achieved in any one of several ways.

Creating shareholder value is the Gordian knot of the CEO and communicating shareholder value in the future is the Gordian knot of the IR officer.

Marketing and selling the future value of an enterprise requires imagination. Now, more than ever.

Allow me to feature two simple qualitative ideas that can add value. Neither is original -- how many things are? As with technology, it's the application that counts.

Idea one. Remember, as a public company, you're in show business. You are competing to sell tickets. Show business has some time-tested rules. One of them is to know your lines. Another is to deliver those lines in a distinctive and memorable way. A third is to act with conviction, to believe what you're saying. And -- the greatest skill of all -- know when to get off; don't over do it. If you do all these things imaginatively, you dramatically increase the odds that you can get your company's virtues noticed and properly appreciated. You will break through the clutter. To achieve this, you have to be interesting. Whether or not you put your annual report on

the Web is secondary to whether or not *your story is interesting enough* to put on the Web.

Stocks are fashion items. Is your company in or out of fashion? What do you do about it? One year, REITs are gobbled up like M&Ms. The next year, institutions don't want you. If you are an REIT, how do you get noticed and appreciated when the market doesn't love you? What do you do now if you are a public and prominent Southeast Asian company? You can't solve problems like this just by throwing technical or financial genius at them. It's broad imagination and its proper application that adds value. Think of Alexander. And think of show business.

Now you might ask, how can I improve my company's story whether it's well known or unknown. Here's an experiment in imagination for you. Go to your video store. Rent Henry the Fifth, both Laurence Olivier's and Kenneth Brannagh's film versions. Olivier's is very imaginative, especially how he begins the story as the actual play being performed on a stage before an audience in London and then moves to live action in France. How could you top it? Watch Brannagh's version and see how he topped it. Same story. New approach.

Idea two. Become a great storyteller. It's not enough to craft a good story; you must also present it smartly. People remember great stories. They soon forget factoids. Make positioning your special skill. IR is a persuasive art. Yes, God forbid, it has become to Wall Street what spin doctoring is to politics.

A smart, credible story can lead an enterprise. It can inspire. It can go well beyond investors.

Let me give you an illustration from a recent personal experience. A company called me to say that they had just lost \$2 billion in the quarter and would like my investor relations perspective on what to do now.

Rising to the occasion, with my 25 years of experience, I replied, "How the hell do I know?" Nevertheless, my colleagues and I took a hard look at the situation and after probing for awhile, we discovered that three divisions of the troubled company account for a third of the revenues and are quite profitable. Furthermore, these three divisions will count for two thirds of the revenues, quite profitably, within two years for two reasons. One, they are super growing businesses. Two, the rest of the place is falling apart.

We advised the company to focus its story to investors on these three good businesses. Insiders were preoccupied with the disaster side of the story. They couldn't see the real story.

We advised the company to speak openly about the disaster and their program to fix it; but not to focus on it. We persuaded the company to aggressively present the story of the three growth businesses directly to buy side institutions, mainly in one-on-one visits.

Obvious? Not to the stricken company. The result of telling a smarter story imaginatively and with panache:

- a) The new story has changed the way investors value the future of the business.
- b) Shares doubled.
- c) Customer and employee confidence is on the way to being restored.
- d) The stage is set for a major turnaround.

Effective storytelling can add a lot of value.

So, focus hard on your company's message continually. If it's interesting and good, you'll attract an audience. Work at story telling. Think show business. Get onto the imagination freeway. And learn how to untie knots.

**GARY A. KRAUT** is president of G. A. Kraut Company, a New York City-based global investor relations consultancy he founded in 1969. Clients include some of the world's largest companies as well as mid-caps, small-caps and IPOs. G.A. Kraut Company's website is: <http://www.gakraut.com>.