



GOTHAM RESEARCH GROUP FINANCIAL ANALYST PANEL

Managing Analysts' Perceptions of Your CEO

- An analyst's impressions of a CEO are critical pieces of qualitative data for evaluating a company's prospects — but surprisingly few companies have a systematic, research-based understanding of what drives analysts' perceptions of CEOs.
- Based on our most recent panel study of prominent sell-side analysts, we have isolated 10 CEO actions that raise “red-flags” for analysts and identified 3 ways that CEOs can send positive signals to the analyst community.

RED-FLAGS

Ten CEO Actions that Raise Red Flags for Analysts

- 1. Failure to communicate a compelling, thoughtful rationale for strategic decisions.**
For analysts, the CEO's decision-making process is almost as important as the decision outcome.
- 2. Failure to acknowledge and discuss the company's challenges and vulnerabilities.**
Analysts are on the lookout for potential hazards that can undermine the companies they cover. A CEO who does not appear similarly vigilant is viewed with suspicion.
- 3. Failure to acknowledge the strengths of competitors.**
Analysts are pessimistic about the prospects of a company led by a CEO who does not have a clear respect for the competition.
- 4. Real (or perceived) disconnect between a CEO's statements and the company's actions.**
Analysts expect a strong correlation between a CEO's strategy and company performance. When this correlation is low, analysts worry.
- 5. Failure to engage in unscripted “give and take” with analysts.**
CEOs who rely on earnings calls to communicate with analysts display a fundamental misunderstanding of the analyst community – analysts want firsthand, personal access to CEOs.
- 6. Failure to articulate a vision about the prospects for the industry at-large.**
Analysts have little confidence in a company led by a CEO who does not have a “big-picture” view of his or her industry.
- 7. Narrow focus (either real or perceived) on the company's stock price.**
Analysts are sensitive to indications that a CEO is engaging in short-term earnings management.
- 8. Hiding behind the CFO.**
CEOs who do not demonstrate a good working knowledge of “the numbers” lack credibility among analysts.
- 9. Vanishing when times are tough.**
If the company is having problems or is undergoing a transition, analysts expect more firsthand access to the CEO.
- 10. Lack of organizational message discipline.**
If analysts do not see the CEO's strategic message explicitly echoed throughout the company and especially among the senior leadership team, the CEO's credibility is undermined.

ABOUT

GOTHAM RESEARCH GROUP
FINANCIAL ANALYST PANEL

A more detailed report of these findings, as well as customized reports tailored for specific industries and individual companies, can be ordered by calling our office at 917 374 6704 or emailing info@gothamresearchgroup.com.

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How CEOs Can Send Positive Signals to the Analyst Community

1. Display what analysts call a firm “grasp on reality,” as evidenced by:
 - **Transparency:** A ready willingness to acknowledge shortcomings and challenges; Cautious optimism when the outlook is good; Clear respect for the competition.
 - **Sophistication:** The ability to express a clear articulation of company strategy; Obvious familiarity with “the numbers”; Focus on the long-term performance and value of the company.
2. Demonstrate a *deliberate* personal decision-making style characterized by:
 - Ability to articulate the upside and downside of all reasonable strategic options for the company, including those that are ultimately rejected; and
 - An informed, fact-based view of the company’s prospects, as well as those of the competition and the industry at-large.
3. Provide a window into “how the CEO thinks” via:
 - Unscripted discussions (outside the context of earnings calls) that allow analysts to hear CEOs “think aloud” about their approach to their business, their vision for their company, and their assessment of the industry/competition.

More on the Gotham Research Group Financial Analyst Panel

The Gotham Research Group Financial Analyst Panel is a quarterly study designed to produce actionable strategy for improving our clients’ standing in the analyst community.

The Panel is a rotating group of prominent sell-side financial analysts representing a broad range of industries. Each quarter, our panel members participate in an hour-long, in-depth interview designed to reveal their views of the industries they cover, as well as their assessment of specific publicly-traded companies and their CEOs/senior management teams.

A more detailed report of the findings summarized in this memo, as well as customized reports tailored for specific industries and individual companies, can be ordered by calling our office at 917.374.6704 or emailing info@gothamresearchgroup.com.

Gotham Research Group

Gotham Research Group is a New York-based research and consulting firm advising corporations, non-profit organizations, government agencies, and electoral campaigns on issues of communication, reputation, and strategy.

