Investor Relations- Professional or Therapist?

"You must gain control over your money or the lack of it will forever control you" -Dave Ramsey-

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As it is quite common, we IR professionals travel and meet quite a few people. Thankfully, I have been experienced enough to come around panels and have discussions with fellow colleagues worldwide, and one simple truth always sticks out. Retail investors. It is interesting, how most of my western counterparts cannot relate to some of the stories I tell. Retail investors in Turkey are quite interesting and there is quite a variety of them also, which makes my daily routine exciting in itself. But at times, when things get tough, I believe that we are no longer only IR professionals representing the company, we are also therapists to the retail investors who have just invested their money into our company and now are seeking answers, or rather… are sharing their dilemma.

Definitions and more…

Let's look at the basic jargon. According to the OECD/INFE financial literacy (OECD, OECD/INFE Toolkit for Measuring Financial, 2018) is defined as 'A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.' On Investopedia (Kenton, 2019), it is pointed out that "the lack of financial literacy may lead to making poor financial choices that can have negative consequences on the financial well-being of an individual." So, to be informed and make sound decisions on one's financial situation depends on the level of financial literacy. An important factor is also the level of awareness, as this is rather individually perceived. The OECD toolkit was adapted to a 2014 field study on financial literacy in Turkey, which was supported by the Financial Literacy and Inclusion Association Turkey. The toolkit was utilized in Turkey and the outcomes of the study were adjusted to make it comparable. "The OECD and the International Network on Financial Education (INFE) have recently supported field studies aimed at measuring financial literacy in 14 countries, namely, Albania, Armenia, British Virgin Islands, Czech Republic, Estonia, Germany, Hungary, Ireland, Malaysia, Norway, Peru, Poland, South Africa and UK."

	14 Countries Range	Turkey Sample	Turkey Comparison to the 14
Financial Knowledge	4.6 – 6.1	5.03	Low-mid range
Financial Behavior	4.5 – 6.1	4.74	Lower end
Financial Attitude	2.3 – 3.7	3.38	Better than average
Financial Literacy	12.4 – 15.1	13.17	Lower end

While the OECD has not necessarily picked alike countries, among these Turkey falls pretty much on the lower range of all the 14 countries, leaving a very low financial literacy profile. (Şahin, 2014)

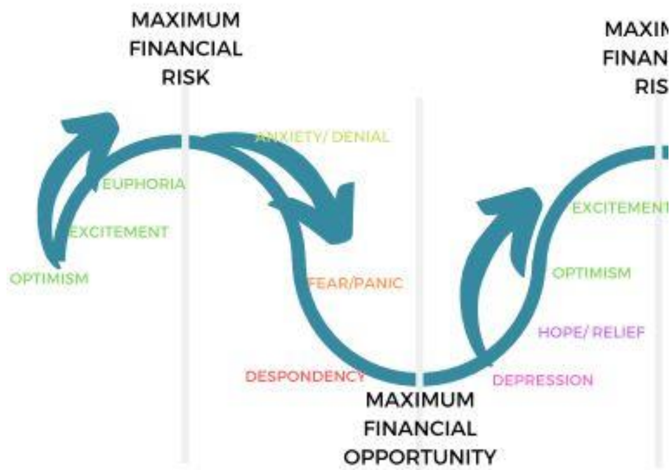
Of brain and emotions…

The construction of the brain in essence is about survival. It basically lives on the topic, "hey in the bushes is a tiger" (whether true or not), hence you have two options 1 - you choose to stay, you may or may not risk being killed, 2 – you choose to run, you definitely have a better chance of survival. Therefore, the brain usually functions in the fight or flight mode and is deeply connected to our emotions. As time has evolved, our stress response has continuously improved and developed to fit today's society and circumstances. However, the stress response has not really changed, it adapted to today's circumstances and the stress perception has shifted. So, while nearly each and every action and response scenario incorporate a stress response our perception on how we feel about it has evolved. Weddings, promotions, newborns, etc. are therefore not seen as stress (although they are), but rather deadlines, coping with difficult people, traffic etc. are seen as a stress burden. One is unaware, that personal finances even causes stress. The income situation, debts, assets and money management are all part of the financial stress equation. Having insufficient resources may lead to unhealthy thoughts, combined with lack of skills or knowledge may eventually lead to unhealthy financial situation, which in turn may lead to situations outside of one's control, such as divorce, physical and mental health issues, struggling at work/with own business. All this in turn comes with emotions where the target is not necessarily the investor relations professional, yet they somehow turn out to be in the position of listening to extremely personal matters. Dr. Paul Ekman "was named one of the 100 most influential people in the world by TIME Magazine and ranked fifteenth among the most influential psychologists of the 21st century." He identified seven basic emotions (anger, disgust, fear, surprise, happiness, sadness, and contempt). He also is known for having discovered micro-expressions, which in turn had inspired the series "Lie to Me". (Ekman, 2019) But let's not get off-tracked. Emotions also play a big role in financial decision making, which is where behavioral finance comes into play. According to Investopedia, "Behavioral finance, a sub-field of behavioral economics, proposes that psychological influences and biases affect the financial behaviors of investors and financial practitioners. Moreover, influences and biases can be the source for explanation of all types of market anomalies and specifically market anomalies in the stock market, such as severe rises or falls in stock price." (Kenton, Investopedia, 2019)

Coupled with the known fact of how impulsive Mediterranean people can be, emotions may lead to irrational financial decisions. When things are great, nobody questions the companies, or the IRO, and at times they even live a self-fulfilling high of being unbeatable. But when things turn bad, it is common to suddenly seek answers, and blame everyone else but oneself. This in turn is then reflected in the stock markets with irrational behaviors, as investors suddenly react drastically and uncontrollably to the negative circumstances "they feel".

Coping with emotional ups and downs

So, the emotional investing cycle occurs, not only in Turkey but worldwide, which is why behavioral finance studies have emerged. The financial literacy profile of Turkish investors, specifically retail investors therefore is quite low. While, it is common to explain certain economic and market cycles to institutional or professional investors, retail investors are so consumed in their own emotions, that the rational explanation is usually not enough. At times when things are good, and they are optimistic, obviously they don't call and tell you how extremely happy they are with their investment in your company. Few call in during a time of anxiety or denial, letting you know that they are worried, still happy, however, seeking reassurance to remain in the stock. IROs usually listen and ethically on grounds of ethics refer them to their financial advisor. Come panic, though, they start blaming you as the IRO, the company, the company's main shareholders, management etc. that things are not going right, some demand their money back, some tell incredible stories…and so forth. The blame doesn't stop there. Even when the point of maximum financial opportunity has been reached, still a few callers are still seeking for "answers" or "tips" on how to best beat the situation.



Tips and Tricks to calm the Caller

I believe that it is important for IROs to be emotionally ready to experience such drastic conversations and to **remain restrained.** Getting caught up in such stories can be devastating but it just proves the point of behavioral finance and how emotions do actually lead people to make irrational decisions. For the ones that do call, I try to use **empathy.** My experience and personal development in the field of energy psychology has taught me quite a few things, which makes taking care of these callers much easier. Anger is known to be strongest emotion in human nature. Negative thought patterns, inaccurate beliefs and destructive utterances are formed in various stages in one's life and when faced with such anger and panic, it is very easy to lose it. Hence, as an IRO, I have always taken the route of **actively listening** to all the yelling, swearing and raising their voices but I have **refrained of accommodating the provocation** of doing the same. I might not necessarily be calm myself, but as long as I act it, I speak slowly, calm and direct I have a chance of **de-escalating the situation**. Another big thing is to never point the finger. While being direct is very important, it should never encompass even the slightest bit of contempt or guilt. So never approach them with "You did…" but rather paraphrase it and **find common grounds** on the "Yes, I understand…" or "Yes, I hear you say…". Sometimes, if it does take too long for the angry party to calm down, I usually tend to let them know that in order for me to be heard and understood by them, that they need to calm down and that we need to stop the conversation. Fortunately, enough, I have more such instances where a healthy, reasonable conversation may lead to positive resolution, and I can turn the whole thing into **building a positive relationship.**

Time: Give them time to get things of their chest, which hopefully is a majority of their angry emotions. Try not to interrupt, as this may be perceived accusatory which may lead to further escalation.

Silence: A very important time range, where nothing is being said. This may at times be awkward, however affective, as silence leaves the monkey brain search for something that they can hit with more words, but when they don't find anything, it calms down and looks for two way communication.

90% Communication: Leave aside the 10% of communication which is content and firstly concentrate on "how" you say things. The tone of the voice, the way you word your speech, all are experienced at an heightened sense.

Information vs Advice: You are no financial counsellor, nor consultant. Your job is entirely on distributing the correct information. Make the caller understand, that they can always call double check their information and that they should call you no matter what. And that they secondly should hire someone for advice and double check with them also, on advice issues.

Realistic expectations: Tell the story like it is, share the realistic story. Some callers may read too much into it, if you start giving hope, hence only share facts after such an outrage call.