Web².0 and the IRO

Also inside:
Corporate Social Responsibility
A Matter of Strategy
I am honored to have been elected to chair this organization that has had such an important influence on my investor relations career, and more broadly, has been so influential in the development of the investor relations profession.

At NIRI’s recent Annual Meeting, graciously hosted by the Austin/San Antonio Chapter, I had the pleasure of listening to former Chairman Matthew Stroud reflect on the strides NIRI has made in the past year. Some of the items he highlighted included: improving governance by filling the open CEO position and completing a two-year internal controls audit; better meeting the needs of NIRI’s most senior members through a new research program, our new IR Executive Forums and by increasing the membership cap of the Senior Roundtable; increasing the timeliness and flow of information to our members; and continuing our efforts to reach out to chapters through NIRI staff member visits to every chapter in the country to provide membership support and strengthen NIRI at the local level.

And while we have made important progress, there remains much to do to further NIRI’s mission of advancing the practice of investor relations and professional competency and stature of members. I look forward to addressing several key priorities in 2008 including providing a high level of board support for NIRI’s new CEO, Jeff Morgan, and the NIRI staff, continuing to enhance our national chapter program, and increasing NIRI’s advocacy efforts on behalf of our members. As we consider these priorities and all that NIRI does, we need to be mindful of how NIRI can best assist members during these challenging economic times.

The first priority is organizational in nature and relates to ensuring our new CEO and his staff are fully supported by the board. NIRI is a great organization and we want to provide it with all necessary support to ensure its continued success and improvement. We will also look to capitalize on our 2007 progress in enhancing our national chapter program, strengthening our chapter ties further through board member visits to chapters in 2008.

In our efforts to enhance our advocacy program, we have developed a good deal of momentum in terms of the organizations we are working with and the initiatives we’ve become involved in. A good example is our recent involvement with the SEC’s Advisory Committee on Improvements to Financial Reporting (CIFiR), Subcommittee on Delivering Financial Information, to comment on the substance, timing and mechanics of quarterly earnings press releases issued by public companies. We will look for other similar opportunities where we can bring the weight of NIRI member companies’ more than $5.4 trillion in

continued on page 23
June 8–11, 2008, Manchester Grand Hyatt, San Diego, CA
www.niri.org/conferences/ac2008

National Investor Relations Institute
8020 Towers Crescent Drive, Suite 250, Vienna, VA 22182
www.niri.org
Your Guide to Managing Constituents in the Digital Age

BY PETER PRODROMOU

By now virtually every major global company is implementing some kind of digital communications program. The evolving information consumption habits of key stakeholders over the past five years have made this essential for corporate leaders. Consider the following:

1. This year, for the first time in decades, no daily newspaper in the U.S. has a print edition subscriber base over two million.

2. At the same time, the number of blogs currently exceeds 100 million, with a new blog being created every 1.3 seconds.

3. The number of journalists working in newsrooms continues to shrink and many of the younger ones — who represent an increasing percentage of those on the job — ask communications professionals to interface with them via social networks (such as Facebook).

4. The more successful journalists are now those who have elevated their individual brand above the masthead that employs them, such as by posting news on their own blogs, leveraging rich media for video blogging and making regular appearances on broadcast channels.

These examples only scratch the surface of the radical transformation of information exchange. The evolution of mobile technologies, including sophisticated marketing platforms that enable highly targeted message delivery to mobile devices, drives yet another round of breathtaking change in marketing and reputation management. Thanks to the power of these technologies and the resulting democratization of media, the individual yields as much power to frame a company’s reputation — or dive its sales — as any seasoned team of communications professionals.

Blogging on the Corporate Reputation

In his book, Marketing to the Social Web, author Larry Weber cites many examples of the power of the Web and the individual. Among them is the story of Jeff Jarvis, creator of Entertainment Weekly, who used his blog “BuzzMachine” to voice his lack of satisfaction with Dell computer.
BuzzMachine traffic doubled when Jarvis posted his open letter of complaint to Dell. The commentary drew so much attention it sparked a white paper on the influence of bloggers on corporate reputation. The white paper credited BuzzMachine as the key online source for people with a negative perception of Dell and also criticized the company's influence on its customer service perception.

By now everyone has heard at least one story like this. That's because there are hundreds, if not thousands, of examples of companies being affected by new technologies. Each example illustrates the changing dynamic of information dissemination and the power of the individual to shape, and even permanently alter, perception and reputation. The Web, social media and, increasingly, mobile technology, have empowered the individual in a way that has permanently altered the balance of power between corporation and individual (Ralph Nader's opinions notwithstanding).

Who Owns IT — and Technology Breakthroughs?

Despite this power shift, many corporations are still, inside the walls, debating the questions, “Who owns the digital communications budget?” and “Should the CEO be blogging?” While these deliberations may occur at a snail’s pace, the individual stakeholder is wielding more power daily — and faster.

What every communications professional in an organization — from the CMO to the IRO (and some would say, most importantly, the IRO and the entire IR function) — can be doing is strategizing and acting quickly to implement a comprehensive program that capitalizes on the power of digital and mobile media to proactively manage reputation and drive results. The reality is, years of hard work can be undone by a single disgruntled customer, shareholder or employee with a blog. Conversely, entire companies can be made off the back of effective digital campaigns (Twitter is a prime example).

What Is Our Strategy?

The right strategy isn't one designed to offset a potential firestorm. It's one that capitalizes on the power of digital and mobile media — not in lieu of but fully integrated with other media — to proactively shape reputation and attract support from investors, customers, employees and partners, among others. Done right, the company will have a massive competitive advantage. Done halfway — or not at all — and the price could be steep.

Your program should focus on the following:

1. Creating Communities: Results and reputation no longer rest solely on quality of product or service. Increasingly it is about having the best community of supporters. A powerful community of like-minded constituents can drive reputation, sales and share price. This should include formation of both digital and physical communities.

At a minimum, every major corporation could be convening and participating in some form of digital community. One approach is a destination micro-site featuring forums, blogs and thought leadership (both video and audio). Populating the site with compelling information and offering the opportunity to exchange ideas will draw members. The community has the power to offer ideas and shape the opinions of many others but it also gives the host organization a voice to influence members and spread its message virally.
It is also essential also to convene physical communities. Once dig-
tital community is established, the opportunity becomes one in which
it is possible to leverage digital media to convene these communities
physically and to share their content and experiences more broadly
either during the meeting or after the fact.

Apple is an excellent example of the power of community. It’s
likely that without an early community of loyalists, the company
would have faded away. Now Apple is the darling of the digital age,
abling formation of some of today’s most powerfully communities
(I-tunes, for example) and convening its own digital and physical
commitunities. Need convincing of the power of this approach? Check
out Apple’s share price or, next time you’re in a mall, count the
umber of people in an Apple store.

2. Cultivating Dialogues: It is no longer about telling people
thing — it is about having conversations with them. A winning
company in the 21st century is one that creates dialogues with cus-
tomers, investors, employees and the media. A platform for conver-
sation will enable idea exchange and participation, driving loyalty.
Blogs and social networks are two of the most effective platforms for
creating dialogues.

Digital Era Realities

The realities of this era: Every company, regardless of industry or
sector, should be participating in blog conversations. This should
include corporate blogs to encourage conversation between company
employees and stakeholders in the customer and investor com-
nities, and active participation in conversations on independent
blogs. Blogging shouldn’t occur randomly. The right approach should
include an analysis of the kind of traffic a blog generates and the
blogs and aggregators to which it is linked. A simple evaluation will
give you a clear sense of the influence of the blog and whether it
is worth your time. Done right, you can engage with constituents,
influence opinion and enhance the company’s organic search.

It is also essential to have a presence on social networks, whether
simply posting good company news at www.digg.com for people to
read and rate, or creating a company page on www.delicious.com
that links to every press release so that readers can click on the desti-
nation to learn more about the organization.

Your Employees — “Voices”

Finally, remember to give employees a voice. One of the most
effective methods is through a corporate social network that forms an
exchange between every level of an organization, from CEO down.

This is an enormously powerful way to give voice to employees,
create strong relationships across the organization and cultivate idea
exchange. A recent National Public Radio story talked about the
difficulty corporation have retaining young talent because they feel
disenfranchised by the stratified nature of corporations. A corporate
social network works to eliminate stratification.

All of these components should be implemented with a serious
eye to corporate policy. Everyone has a story about the rogue
employee blogger whose postings either harmed the company or

got the blogger fired. Policies shouldn’t be so rigid that they undo
the strategy, but they should be there as guidelines to help frame the
conversation.

3. Mobilizing Constituents: Finally, companies need to har-
ness the power of mobile technologies. Entire countries and gen-
erations are bypassing other forms of media for the mobile device.
Companies like Ringleader Mobile provide platforms that enable
highly targeted message delivery to customers and prospects. A
winning communications strategy should include leveraging these
platforms for advertising campaigns, viral marketing campaigns and
targeted message delivery.

An effective strategy will take into account the cultural predi-
ictions and physical assets of particular constituent group. For
example, youth audiences in the U.S. and many entire countries rely
on text messaging as a prime means of communication. While this
would not be the way to communicate earnings news, it may
be exactly right for marketing a new product or communicating on
the fly.

The companies that will succeed and lead in the 21st century are
those that acknowledge and leverage the power of digital media.
It’s a huge opportunity and one no communications professional
can ignore in the pursuit of market share and reputation manag-
ment.

Peter Prodromou is an executive vice president and global leader of Racepoint
Group’s World 2.0 Practice. You can reach him at PProdromou@racepoint

group.com.

RESOURCES: Marketing to the Social Web; Author Larry Weber;
Published 2007 by John Wiley & Sons Inc.; Shankar Gupta, “Jeff
Jarvis vs. Dell: Bloggers Complaint Becomes Viral Nightmare;”
showArticleHomePage&art_aid=33307
On January 18, the SEC amended the proxy rules to encourage creation of electronic forums — “e-forums” — for shareholders to communicate among themselves and for shareholders and companies to interact with each other. The technology is available, and a good forum could enhance your investor relations program, but deciding to develop an e-forum is not as simple as the SEC would like it to be.

Important Background

For years, investors have used Internet chat rooms and message boards to discuss stocks. These forums generally are operated by passive third parties — Yahoo and AOL for example — not by the participants or issuers. In fact, most companies expressly refuse to acknowledge chat rooms and message boards because of lack of resources, the risk of selective disclosure, and concern that they would be deemed to support a forum over which they would have no control. Also, all participants risk having their contributions deemed “solicitations” requiring compliance with SEC proxy rules. The SEC set out to reduce these liability concerns.

The Proxy Amendments

The SEC under Chairman Christopher Cox encourages the use of technology to improve investors’ access to information, so it is no surprise that the Commission wants to help issuers and shareholders leverage the useful aspects of interactive forums. In particular, the SEC wants to promote year-round conversations among investors and public companies to supplement the flurry of single-issue discussions that now precedes an annual meeting.

To that end, the proxy amendments were designed “to facilitate experimentation, innovation, and greater use of the Internet to further shareholder communications.” The amended rules do not require anyone to create or participate in an e-forum. Instead, as described in the sidebar, the amendments remove two obstacles that potentially inhibited companies and shareholders from doing so. Amended Rule 14a-2 provides that participation in an e-forum will not constitute a...
“solicitation subject to the proxy rules” if certain conditions are satisfied. Amended Rule 14a-17 provides that, like an ISP or other publisher, a shareholder or company that operates an e-forum (either directly or through a third party) “will not be liable under the federal securities laws for any statement or information provided by another person participating in the forum.” The amendments do not dampen the antifraud rules or rules governing the activities of control groups.

Should Your Company Create an e-Forum?

A company developing and maintaining an e-forum can secure many benefits. You can make your company’s forum attractive by promising that management will actively participate in the company-sponsored forum (and no other). Management can use a sponsored forum to distribute and update information, explain the company’s position and respond to comments about contentious issues, and gauge support for proposed corporate initiatives.

Equally important, IROs can follow what matters to investors — maybe learning about possible proxy proposals or prevailing rumors early enough to address them effectively.

Finally, since an e-forum is an inexpensive way for individuals to broadcast their views, and a company-sponsored forum will have an aura of credibility, you are likely to hear from a wider range of investors than those that sponsor proxy proposals, attend annual meetings, or get invited to one-on-one sessions.

Still, despite the SEC’s best intentions, a company that creates an e-forum assumes some risk. Consider these potential problems and challenges for the IRO:

If we build it, will they come? Some observers wonder whether shareholders really want more interaction with public companies. Will an e-forum attract individuals who own a small number of shares, or own their shares in street name for privacy reasons? Conversely, will institutional investors have the desire and resources to participate in all the e-forums available to them, or will they stay away, depriving your forum of an important voice?

As one law firm warned, companies hoping that an e-forum will give them some insight “should . . . realistically assess the expected amount and quality of shareholder input to be gained when shareholders are under no obligation to participate.”

Will everyone behave? The promise of easy communication with a wide audience can be enticing for someone intent on committing fraud, or for someone with a complaint. Will a vocal minority monopolize the forum to advance a particular agenda? Will activists use the forum to promote future shareholder proposals or proxy challenges? If the conversation on your e-forum degenerates, serious investors will stop coming and your company’s reputation could suffer.

How much will it cost? Creating an e-forum will cost money. In addition to start-up expenses, you need to budget for publicity to reach all of your shareholders, staffing, and ongoing technical maintenance. As discussed below, you probably also will want procedures to validate participants and conduct straw polls.

Will it backfire? If you have an opinionated shareholder base, your e-forum could begin to look like a constant battle over shareholder proposals, putting the company on defense and
drawing resources away from running the business. And will the governance rating organizations — like ISS or Glass Lewis — monitor e-forums and consider the company’s participation as part of their overall assessment? Going a step further, will the investment community decide that creating or participating in an e-forum is a mark of good governance, and penalize companies that opt out?

**Decisions, Decisions**

If management decides that your company should set up an e-forum, there are many variables to consider.

*Who will moderate?* Does your company already have seasoned people who can moderate? These individuals will need time to read and respond to shareholder comments, access to information and managers to ensure that their postings are accurate, ongoing legal guidance to prevent ill-advised disclosure, and the fortitude to manage the conversation firmly but fairly. Even if you have the staff, would shareholders prefer to forego some institutional knowledge in exchange for a neutral moderator?

*What is the best format?* Do you want a “town hall,” where shareholders can raise any issue and management will respond? Or is it better to restrict the discussion to a defined set of topics? Although it’s true that if you restrict discussion you risk complaints of censorship, you also improve the odds of having a reasoned discussion. In addition, it will be easier to monitor and more efficient to respond to a forum with a restricted scope.

*Should you promise to monitor the forum and post responses daily, or commit to a less ambitious schedule?* Will your e-forum enable participants, including the company, to poll shareholders to gauge support for particular ideas? This ability could reduce fruitless shareholder proposals or alert the company to popular ideas, but it also could galvanize support for proposals that might otherwise languish in the proxy statement.

*Who can participate?* Will your e-forum be open to anyone with an interest (including analysts and the press), or will you restrict participation to shareholders? How will you reach beneficial owners to invite them to participate, and what will that effort cost? If you want participants to be shareholders, how will you verify their status each time they log in, and what will that technology cost?

---

**Being Green Helps Keep You in the Black**

After all it is about the bottom line, so why pay the hotel, airfare, restaurant meal and transportation costs that come with traveling?

Avoid those costs AND help the environment by using InterCall conferencing. Our fully integrated audio, video and web conferencing services enable you to have effective, engaging meetings without the hassle and cost of traveling and without the harmful carbon emissions traveling produces. Communicate and collaborate using InterCall, the feature rich and easy-to-use conferencing provider.

Start doing something that’s good for the environment and great for your business today! [www.intercall.com/niri](http://www.intercall.com/niri)
**Can participants be anonymous?**

There are many ways that participants in an e-forum can be identified to each other. You may require a full name and statement of ownership to promote accountability. Alternatively, you may decide that anonymity will foster a more candid discussion, despite the countervailing risk that anonymous participants have more opportunity to speak carelessly or even fraudulently. Perhaps you want to permit participants to withhold their names but announce their voting power.

**Will you operate year-round?** Under the amendments, communications in an e-forum will not constitute “proxy solicitations” if they occur more than 60 days before the next shareholders meeting. You can protect participants from inadvertently losing this exemption by disabling the forum when the 60-day period begins, but that approach cuts off all discussion when shareholders are likely to be most interested. Alternatively, participants (including the company) can be given the means to delete their own postings (now potentially “soliciting material”) if they later begin a solicitation.

**Conclusion**

The SEC’s amendments open the door to many possibilities, but raise as many questions. If your company is pondering an e-forum, you first must decide how much control you are willing to exercise and whether your shareholders will accept the constraints. If you do not want to impose content restrictions (including the right to edit or remove postings) and limit participation to shareholders, an interactive forum may not be your best option. Without that control, your forum easily can become indistinguishable from a Yahoo chat room.

That isn’t to say you shouldn’t do anything. If you provide a convenient on-line method for shareholders to submit comments to management, and regularly update your Web site with information on issues that spark shareholder interest, you will achieve two important goals of an e-forum and demonstrate your company’s responsiveness. To paraphrase Chairman Cox, shareholders will publicize their opinions, whether you like it or not. Maybe somebody ought to pay attention.

Lois Yurow practiced corporate and securities law for several years and now helps public companies satisfy the SEC’s plain English disclosure requirements. E-mail her at lois@securitieseditor.com.

---

**A Powerful Web Resource for the Investor Relations Professional**

Accountability-Central.com

Edited by the Governance & Accountability Institute, Inc.

The new Web-based resource — Accountability Central — is a reliable, objective clearinghouse for news and updates, research/insights, commentary/opinion, and advice on capital markets activities grouped under the broad umbrella of “accountability.” Editors bring you timely news, clarify the issues, present independent research, and identify key players — corporations, non-profits, activists and regulators — that shape the dialogue and sharpen public debate on key issues that affect corporate accountability and the “IRO” – Investor Relations Officer.

Key Topics in Accountability-Central.com:
- Corporate Governance
- Capital Markets
- Corporate Social Responsibility
- Shareholder Activism
- Socially Responsible Investing (SRI)
- Accounting/Financial Reporting
- Transparency
- And more...

Visit www.accountability-central.com

Publishers:
The Governance and Accountability Institute Inc. publishes the online “Accountability Central” to provide timely news, actionable research and information, a wide range of perspectives and opinion, reliable (and actionable) data, and independent, objective advice to organizations, institutions and individuals in the private (corporate), social and public sectors.

Visit www.accountability-central.com

For information:
Kenneth J. Cynar, Executive Vice President
Governance & Accountability Institute, Inc.
90 Second Street, Mineola, New York 11501
Tel. 516.248.2383, ext. 11 Fax. 516.248.4045
Email: kcynar@accountability-central.com
It’s almost like the U.S. Postal Service’s famous unofficial creed: “Neither rain nor snow nor gloom of night stays these couriers from the swift completion of their appointed rounds.” Every second Tuesday of the month, NIRI’s Rocky Mountain Chapter holds regular member luncheon programs in the city of Denver. With membership spread over a four-state region, some members can’t make the trek to Denver. Those who can’t attend the session are in luck: The chapter captures its monthly programs via rich media webcasting so those who can’t attend can view the presentations anytime, anywhere they wish ... even in their PJs!

Rich media is defined as the seamless integration of audio, video and accompanying graphics streamed live or on-demand over the Web for viewing.

The chapter partners with Catapult PR-IR — a Boulder-based boutique firm specializing in serving technology companies — to record presenters using its rich media recording capabilities. All the presenter has to do is show up and load their presentation into the laptop. The speaker’s presentation is captured on video and audio. Anything the presenter displays on their laptop is automatically captured. All of the presentation is synchronized and incorporated into one viewing screen so members can have

AccuBasis™ Puts Cost-Basis at Your Fingertips

With cost-basis information dating as far back as 1925, DTCC’s AccuBasis calculates the changes caused by stock splits, mergers and other adjustments and delivers accurate, adjusted cost-basis information.

With just a few strokes of the keyboard and all within minutes.

For more information on how AccuBasis can work for you, contact Joyce Rosen at jrosen@dtcc.com or call 212.855.3935 or visit www.accubasis.com.

AccuBasis is a service offering of DTCC Solutions LLC, a DTCC subsidiary, and NetWorth Services Inc.
the benefit of seeing, hearing and viewing exactly what everyone in the audience saw “live.”

In 2005, the Rocky Mountain Chapter was recognized by NIRI National for its rich media capture and playback capabilities, receiving the Innovation Award. The chapter finds that besides being a great benefit to existing members, the rich media service also helps drive new membership efforts.

Rich media is an important capability as increasing new forms of Web 2.0 communications emerge. For investor relations professionals, using the Web to communicate vital financial information is nothing new. In fact, IR practitioners were among the earliest adopters of conference call services that have evolved to include PowerPoint presentations to complement the audio feed. Now, a new wave of video-based technologies and services have emerged to further enhance the manner in which investor relations professionals can effectively communicate and strengthen relationships with target audiences.

Ways that IROs are using this new type of capability include (with sources for information):

- Earnings calls (see example at: www.sonicfoundry.com/q1)
- Annual meetings (example: www.sonicfoundry.com/annualmeeting)
- Investor meetings (example: www.sonicfoundry.com/mcm8/sofo/)
- Company financial presentations (example: Watch Presentation)
- Company or product announcements (example: www.sonicfoundry.com/4.3)

Basically, any type of presentation or meeting that you want to capture and allow folks to view with video — live or on-demand — can be converted to a rich media format and shared.

Just like YouTube, enterprise webcasting is enabling businesses, universities and government agencies to become their own content creation and distribution channels. Harnessing the power and potential of Web-based video removes the barriers of production, distribution and content management. By inspiring rich media communication within the enterprise, we forever are changing the way organizations communicate — whether for education, distance learning, training, earnings calls, meetings, conferences or video blogs. The possibilities are limitless for the IRO.

To view samples of the Rocky Mountain Chapter’s rich media library of content, visit www.rockyniri.org/medialist.cfm.

Terri Douglas is secretary and communications chair of the Rocky Mountain chapter of NIRI. She can be reached at tgdouglas@catapultpr-ir.com
NIRI Elects New Board Chairman and Four Directors

At NIRI's 2008 Annual Meeting, recently held in Austin and graciously hosted by the NIRI Austin-San Antonio Chapter, Bina Thompson was elected as the 2008-2009 chairman of the NIRI Board of Directors. Thompson is vice president, investor relations for New York-based Colgate-Palmolive. She succeeds Matthew V. Stroud, vice president, investor relations, of Darden Restaurants, Inc.

At its recent annual meeting, NIRI members also elected the following four new directors: Derek Cole, vice president, investor relations for Allos Therapeutics, Inc.; Barbara Gasper, group executive and senior vice president, investor relations of MasterCard Inc.; Nicole McIntosh, director of investor relations for Waddell & Reed Financial, Inc.; and David Prichard, vice president, investor relations and corporate communications for Corn Products International, Inc. NIRI board members serve four-year terms.

New Board Chairman

"NIRI is extremely fortunate to have someone of Bina's investor relations experience and industry standing as its new chairman," said Jeffrey Morgan, president and chief executive officer of NIRI. "The board and staff are fully committed to NIRI's mission of advancing the practice of investor relations and the professional competency and stature of our members. Under the strategic direction of Bina and the full board, we look forward in 2008 to renewing our commitment to meeting member needs, promoting NIRI's brand, advocating for members, and becoming a best-in-class association."

Thompson said, "I am honored to have been elected to chair this organization that has had such an important influence on my investor relations career, and more broadly, has advanced the investor relations profession. The board and I welcome our four highly qualified new board members, and look forward to meeting several important priorities in 2008 including resourcing NIRI appropriately, continuing to enhance our national chapter program, and increasing NIRI's advocacy efforts on behalf of our members, while being mindful of how NIRI can best assist members during these challenging economic times."

Bina Thompson joined Colgate-Palmolive in November 1992 as director, investor relations. Named vice president in July 1993, she is responsible for investor and financial relations as well as the publication of all financial communication. Prior to joining Colgate, Thompson spent seven years at Cognex Corporation, a manufacturer of machine vision systems. There she held a variety of positions, including manager of investor relations and treasurer. In 1999, Colgate-Palmolive received IR magazine's Grand Prix award for Best Overall Investor Relations. Thompson, a member of the Investor Relations Association, is also past president of that organization as well as NIRI's New York Chapter, and has served as a member of the NIRI Board of Directors since her election in 2005. Thompson graduated from Harvard University with a bachelor's degree in English literature and received her master in business administration from Babson College.

New Board Members

Derek Cole is vice president, investor relations for Allos Therapeutics, Inc. in Westminster, Colorado, having recently joined the company. Cole has been involved in the capital markets and strategic planning for over 17 years with 12 years of dedicated investor relations experience focused on supporting development of small- and mid-cap companies. He has managed or contributed to a broad spectrum of financing transactions that raised a combined total of approximately $800 million, and contributed to five M&A transactions. He has led several award-winning communications programs and annual report productions. Prior to Allos, Cole headed the investor relations and corporate communications function at Myogen, Inc., from its status as a private company, through its initial public offering and recent $2.5 billion acquisition. He currently serves as president of the NIRI Rocky Mountain Chapter, is a member of the NIRI BioPharma Roundtable steering committee, and is also on the board of directors of the Colorado BioScience Association. Cole received his bachelor's degree in economics from the United States Air Force Academy.

Barbara Gasper has more than 30 years experience in investor relations and finance-related positions, and is group executive and senior vice president, investor relations of MasterCard Inc., Purchase, New York. Gasper, who joined MasterCard in 2006, is responsible for cultivating relationships with the investment community.
By Brian Rivel and Jim Peebles

Well, if you ask bulge-bracket sell-side analysts, there is little doubt. These analysts (employed by the likes of Citibank, Credit Suisse, Goldman Sachs and Merrill Lynch) foresee a very different world from the one they may have envisioned at the start of their careers. A decidedly pragmatic mood has settled in as analysts have become reconciled to the fact that their role has changed — and changed markedly. Almost to a person, bulge-bracket analysts agree that the days have long since passed in which the soft dollars of investment banking business, whisper numbers or even high Institutional Investor magazine ratings bolstered their cachet and perceived value (and, ultimately, salaries) to the buy-side.

We recently asked over 50 bulge-bracket sell-side analysts across the country to tell us how their performance was judged at their firms. In essence, what did they think their superiors placed the most priority on and whether these analysts thought this priority would increase, decrease or stay about the same over the next two to three years. Their answers were startling from two perspectives — both in terms of the candor in which they assess developments (that is, willingness to admit that things indeed have evolved) and in the resounding extent to which they say that this is true.

Beyond a shadow of doubt, bulge-bracket analysts acknowledge that trading volume is the name of the game today and, toward this end, the single most important action item on their agenda (and compensation driver) is providing their clients with access to...
senior corporate executives of public companies. While accurate stock recommendations and thorough research also rank high (bolstered as they are by an understandable measure of pride and recognition of how their work adds a useful dimension to the buy side’s modeling and helps bring smaller companies to the radar screens of many investment professionals), there is no mistaking that analysts realize that the days of generating investment banking business have faded. Moreover, the trends toward providing management access and generating trading volume are only expected to accelerate, supplemented by coordinating and managing investor conferences. Indeed, over half the bulge-bracket analysts we interviewed stated with conviction that facilitating entrée to corporate officers and fostering trading volume would further increase in importance during the next couple of years. In stark contrast, this view (that importance would increase) was expressed by only 14 percent of these analysts with respect to generating investment banking business and by only seven percent regarding garnering a high Institutional Investor ranking. The following chart summarizes these results.

Clearly, as time moves forward, access will be the carrot that increasingly can be leveraged by IROs seeking wider coverage among bulge-bracket firms, especially IROs employed by those smaller companies still looking to make their mark on the U.S. investment community. And, the sell side (bulge-bracket or not) certainly is still worth the effort. Despite the evolving sell-side model, our research consistently shows that sell-side analysts are still an important audience and sought after information resource by portfolio managers and buy-side analysts when first learning about investment opportunities as well as when making investment decisions. 

Percent of Respondents Expecting the Importance of Following Factor to Increase over Next Two to Three Years (Aided) (Total Bulge Bracket Analysts - 2007)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing client access to corporate management</td>
<td>56%</td>
</tr>
<tr>
<td>Trading volume generated</td>
<td>52%</td>
</tr>
<tr>
<td>Accurate stock recommendations</td>
<td>40%</td>
</tr>
<tr>
<td>Thorough/comprehensive research reports</td>
<td>32%</td>
</tr>
<tr>
<td>Managing investor conferences</td>
<td>25%</td>
</tr>
<tr>
<td>Facilitating investment banking business</td>
<td>14%</td>
</tr>
<tr>
<td>High institutional investor magazine ratings</td>
<td>7%</td>
</tr>
</tbody>
</table>

Multiple responses


Jim Peebles is executive vice president and Brian Rivel is president of Rivel Research Group. E-mails: brivel@rivel.com; jpeebles@rivel.com

Each month, IR Update presents this sharing of important insights of value to the IRO, drawn from Rivel Research Group’s rich survey research database. Rivel has been surveying the capital markets for more than 25 years giving it a unique vantage point from which to observe and comment on important IR issues of the day. This feature is designed to have an interactive aspect. Readers are encouraged to submit ideas for future articles. Inquiries should be sent to Jim Peebles, executive vice president, Rivel Research Group. E-mail to: jpeebles@rivel.com.
Today, most directors recognize that the Web is a wide-ranging source of information that can provide insights into the outside perceptions of the companies on whose boards they sit. On the Web, directors and investors alike can find information from employees, about employees, from customers and about them, from shareholders and activists — all providing them with a view of management and the strategic challenges the company faces that they may not find in the carefully crafted boardroom PowerPoints.

With more and more professional directors (i.e., those who do not hold a full-time non-director job) and more directors who are technologically savvy — from using their Blackberries to their iPhones and high-speed connections — the use of the Internet as a resource for directors is booming.

As a result, directors are becoming less isolated and more aware. Many more directors are learning not only how management and the company is perceived, they are also learning how they as a board are perceived as well. And with all the coverage in the media and on the Web, they are beginning to recognize that it is not just a few fringe groups that have issues with their responsibilities on CEO compensation. They are coming to recognize this issue is mainstream; and as a result are coming to the realization that one area where they, as a group, “need improvement” is executive compensation.

All you had to do was watch the discomfort of the heads of the compensation committees of Countrywide, Merrill Lynch and Citigroup who were asked to testify at the recent congressional hearings on Capitol Hill to recognize that no director wants to face this kind of scrutiny or uncomfortable situation. Asked to comment on this for Fox Business, I said that I think the hearings were instructive in providing a potential updated checklist for IROs and boards with respect to this hot topic.

Here are the key takeaways and lessons learned from these proceedings for IROs and boards to keep in mind.

1. Have a policy on CEO and director stock sales during the time of a company share buy-back (i.e., prohibit them). In the rear-view mirror (which is always graced with 20/20 vision), these kinds of simultaneous actions can have the perception of conflict of interest, which is best avoided. How can there be alignment if the company is using shareholder’s money to buy stock, while management is selling their own?

2. Do not have a compensation consultant hired by the company who is essentially working as a negotiator for the CEO’s pay package. And don’t have that person work in conjunction with the board’s own consultant to set the pay package. When the details come to light, these actions can cause a real lack of credibility in the face of statements that the compensation process is independent or “uninfluenced by management.”
“Attract and retain” and the “importance of top talent” are good statements in the proxy with respect to the “labor markets” issues of compensation. However, be careful that the compensation program and disclosure also truly address the “capital markets” issues. How good is this compensation program for shareholders? How does it benefit them?

Read and re-read the proxy information disclosures for accuracy. Don’t include statements that sound good if you really aren’t doing them or it’s not the real intent. And if you do include statements, like “pay for performance” and “alignment with shareholders” then make sure you can provide a fairly long list of how you are doing this.

On pay for performance, make sure you have really thought through the definition of performance. For example, here’s a statement from the 2000 proxy filed by Tyco: “Mr. Kozlowski’s eligibility for…the stock award was conditioned upon an increase in earnings per share of at least 17.5% over fiscal 1998. The company’s performance substantially exceeded these benchmarks. These shares were granted based on achievement of fiscal 1999 performance criteria and vested on January 5, 2000.” On Fox Business, I was asked by Alexis Glick: Don’t CEOs need strong packages … in speaking with Mr. Kozlowski former CEO of Tyco he had said he was paid for performance — what’s wrong with that? My reply: yes, they need strong packages and yes, Mr. Kozlowski was paid for performance and that the performance measure set and enforced by the board was essentially EPS. The problem was that because EPS was the measure, he acquired, acquired, and acquired (one year at nearly the rate of a company a day) and so EPS may have gone up but it wasn’t in the long term economic interests of shareholders.

Eliminate CEO contracts as a good governance action to provide the board more flexibility in addressing compensation in crisis situations.

Pick your peer groups and your percentage targets carefully, judicially, independently and frugally; recognize this is the shareholder’s nickel.

Have clear policies with respect to the standards of CEO performance and what will constitute “termination for cause,” and consider performance criteria other than ethics for termination. Be clear about performance criteria. And as a board, make sure you are receiving the information you need to clearly monitor that performance.

Outline clear policies to address the risks in the compensation program. For example, consider bonus banking mechanisms in the compensation program (which hold back payment of bonuses for several years) to address volatility in future performance caused by decisions that are made today, particularly volatility or downturn that would suggest previous payouts were unwarranted. (Analogous to clawback provisions used to address false information.)

The comments made previously in this column (entitled Compensation Disclosure: The Important Role of IRO – October 2007 IR Update) continue to stand and could have helped avoid the heartache of the congressional hearings. They may be worth a review in that light.

Compensation is a public statement of what is important. And compensation information will continue to be a hot topic on the web. Using the SEC’s new web tool (at http://216.12.130.224/compensation/action/main/list.action) investors will be able to find compensation information on companies more readily than ever before. IROs, while keeping in mind the recent lessons learned, must be prepared to meet this challenge in this proxy season and the next by playing a significant role in representing to companies and boards the legitimate concern of investors with respect to compensation and making sure compensation disclosures are accurate, clear and well thought out.

Eleanor Bloxham, a strategic governance and valuation authority, is CEO and Founder of The Value Alliance and Corporate Governance Alliance (www.thevaluealliance.com), and author of the books Economic Value Management and Value-led Organizations, and the video library Conversations that Build a Bridge of Trust™, all of which discuss shareholder value, compensation and corporate governance topics.

ON MESSAGE. PRESS. LINE. BUDGET. TIME.

ON TOP OF CORPORATE REPORTING TRENDS FOR OVER 25 YEARS

John Meadows 314 983 9600 x27
info@prowolfe.com

INVESTOR RELATIONS update

APRIL 2008 | 17
A Matter of Strategy

BY CAROL METZKER

Corporate social responsibility (CSR) is a matter of strategy — how a company conducts its business and its effect on performance, stock price and the perceptions of various stakeholders. This month, two business school professors spoke with Update to shed new light on CSR, to provide some practical rules of thumb for company involvement that benefits business as well as people and the planet, and to examine the significance of CSR to IROs.

The Investors Point of View

From the investors’ point of view, there’s plenty of motive to check up on a company’s CSR attitudes and activities, continued Godfrey. Top reasons:

1. Companies that look at CSR issues tend to have higher quality managers. They tend to look at a broader picture, have greater foresight and apply the same sort of thought processes to M&A and other decisions. “CSR is a reflection of thoughtful management,” Godfrey explained.

2. CSR can build loyalty among customers and employees. Last spring, Godfrey and some of his students studied certain practices at Marriott and found that the way it treats employees leads to lower turnover rates than experienced by other companies in the hospitality industry. Such practices reduce expenses and affect the bottom line.

3. Public companies that engage in CSR activities build good will. “When bad things happen, on average companies get hit less hard than those who don’t engage in CSR activities,” he explained. In a recent, ongoing study, Godfrey and his fellow researchers looked at the stock price of 178 firms that were sued by competitors or the government. In general, the price fell, he said. However, they found that the effect of social responsibility and corporate philanthropy made the following differences:
   • Firms that engaged in no CSR lost 2.7 percent of their stock price, on average, the day the lawsuit was announced.
   • Firms that engaged in some CSR activities lost 7/10 of one percent of stock value.
• Firms that engaged in corporate philanthropy lost almost nothing.

They concluded that engaging in CSR activities and corporate philanthropy is a form of insurance policy against risk.

Companies’ CSR activities are being compared to those of their peers. If a company is seen as lagging, they’d better catch up! In another study, Godfrey examined 19 companies in the oil and gas industry. He found that all the companies dealt with similar environmental conditions of living under the scrutiny of numerous special interest groups “looking to make trouble [for the companies],” he said. By not acting socially responsible, a company will stick out. And “if you stick out, you get singled out,” Godfrey asserted. “It’s like putting your head over the parapet — you get shot at.” (Complete article: Godfrey, Paul, “The Dynamics of Social Responsibility: Processes, Positions, and Paths in the Oil and Gas Industry.” Schmalenbach Business Review, Vol. 59, July 2007.)

This last finding could be cause for worry for small-cap companies with fewer resources to expend — on CSR as well as other activities — than larger companies in their industry. One remedy is to ensure that whatever CSR activities are taking place get communicated.

“Green” Tea

For more than 30 years, the producers of Celestial Seasonings tea have engaged in ethical trade practices, although it’s been announced on the packaging only recently, said Mary Celeste Anthes, vice president, investor relations at The Hain Celestial Group, Inc., a small-cap natural and organic food and personal care products company. “For a long time we’ve had wax paper lining in our boxes. Our typical tea bags have no tag, string or staple so they’re more easily degradable. Many of these practices are second nature to us,” she said. The company is now more focused on them, however, and communicating them in a variety of ways.

Anthes said that she has been involved in some of the strategic decision making to engage in CSR practices. As IRO, it was important for her to be part of the committee that provided information about their “green” initiative for the company’s annual report. Furthermore, the Hain Celestial Group is included in KLD’s indexes of social responsibility and recently Anthes has fielded a few questions from shareholders on their practices.

“There’s a lot to consider when making strategic decisions surrounding CSR practices,” said Anthes. She provided an example that IROs must consider: “What’s the best use of shareholder
money? There’s a delicate balance — if you have to buy new capital equipment to become more eco-friendly, what will shareholders say?” Furthermore, different topics matter to different stockowners.

“Just Good Business”

Kellie McElhaney, an adjunct assistant professor and executive director at the Haas School of Business, University of California, Berkeley, concurs that CSR can make good business sense. Her upcoming book, *Just Good Business* (Berrett-Koehler, fall 2008) discusses how CSR can be used as a business strategy. Its effects contribute to company financials, as well as to the environment. It’s an effective branding strategy, particularly for employee recruiting when today’s college graduates prefer companies that demonstrate care for people and the planet. Finally, companies with proven track records of CSR practices can gain a leg up when moving into new markets.

McElhaney hasn’t seen much evidence of IROs and CEOs being overwhelmed with questions about their CSR activities, however. For that to happen, she said, there needs to be greater market reward for companies’ activities, further consumer pressure, and an indication that Wall Street is building CSR into its valuation models.

Just how financially green are CSR “green” activities? That is certainly a question that is ongoing and one for which the answers are continually changing. But one thing is for sure: if IROs haven’t ventured into corporate discussions about the subject, it’s time.

Carol Metzker, coauthor of *Appreciative Intelligence: Seeing the Mighty Oak in the Acorn*, contributes regularly to *IR Update*. She can be reached at Carol@ServeforSuccess.com.

RESOURCES


**MEET THE BOARD**

*continued from page 13*

Nicole McIntosh is director of investor relations at Waddell & Reed Financial, Inc., Overland Park, Kansas, and is responsible for all aspects of the company’s investor relations program. McIntosh established the firm’s first formal investor relations program in 1999, and began her career at Waddell & Reed in corporate reporting and analysis one year prior to her appointment to investor relations. Before Waddell & Reed, McIntosh served as a staff accountant for six years at a major oil company in Eastern Canada. McIntosh is president of NRI’s Kansas City Chapter, having served on the Chapter’s board since 2000. She was a member of the NRI Annual Conference committee for two years, and was awarded NRI’s annual scholarship to the University of Michigan’s Theory and Practice of Investor Relations program in 2007. McIntosh holds a business and accounting degree from Canada, a bachelor’s degree in management with Magna Cum Laude honors from the University of Ottawa, and an M.B.A. from Webster University.

David Prichard is vice president of investor relations and corporate communications for Corn Products International, Westchester, Illinois, and has more than 20 years of investor, shareholder and financial communications experience spanning numerous companies and sectors. Prior to joining Corn Products International in 2005, he was director, investor relations and corporate communications for Modine Manufacturing Company. Prichard has also held senior investor and corporate communications positions with IMC Global Inc., Vigoro Corp., Equity Group Investments, Mallinckrodt Inc., Abbott Laboratories and GTE Corporation. Prichard served as president of NRI’s Chicago Chapter and is a board member. He is a member of the NRI Senior Roundtable and is a charter member of NRI’s Roundtable for Strategic Communication and Reputation Management. Prichard is a cum laude graduate of the University of Illinois with a bachelor’s degree in communications, and has completed The University of Michigan’s Theory and Practice of Investor Relations program.
Telecommuting, or working from home through virtual communication with the office, has become an increasingly important part of the modern workplace. According to recent statistics from the U.S. Department of Labor, nearly twenty-five percent of all office workers telecommute for as much as one-third of their work hours. Telecommuting is seen as a way to address the needs of working parents, ease rush-hour traffic woes in major cities, and provide an important benefit to employees.

There are challenges to be overcome to make telecommuting a success. Here are the most common concerns along with some suggestions to help both companies and employees get the most from the telecommuting experience:

From the employer’s point of view:

• **Supervision:** This is probably the biggest challenge to the employer. Make sure that standards are set before telecommuting begins. In order to assure that “telecommuting” is not a code word for “watch TV from home and run errands all day,” make sure the answers to these questions are clear. How flexible are assignments? What work is required? Is the workday limited to “normal” business hours? What kind of evidence is required that work is accomplished? Is the employee expected to be available by phone?

• **Security:** Many companies require that all telecommuting be done through company-provided equipment. Others allow employees to use their own computers. Most companies require secure login procedures to access the company network, but some few don’t allow network access at all. Telecommuters from your office may also need access to sites other than your own network, depending on the nature of their jobs. Recent security breaches involving data files with customer identifying data have pinpointed the need for tighter protocols to protect this type of information. Many companies have banned the storage of sensitive files on laptop hard drives, requiring instead that all such information be kept on secure servers only. One of the outcomes of SOX regulations is that federal law now addresses IT security for publicly traded companies.

• **Scheduling:** According to the Department of Labor, most companies who employ workers who live more than 50 miles from the primary job site allow telecommuting at least two days per week. The challenge here is scheduling meetings or other face-to-face requirements such as training — especially when more than one department is involved or when many people in the department telecommute. It’s usually beneficial to have at least one day per week when everyone is expected to be on-site.

From the employee’s point of view:

• **Carving out a workspace at home:** Telecommuting is a great break from the tedium of rush-hour traffic — and there’s nothing like answering e-mail in your pajamas! But finding a suitable place to work from home can sometimes be difficult. Rather than trying to share space on the kitchen table, or find a way to juggle work on the coffee table, invest in a desk. It doesn’t need to be elaborate, just a dedicated space that signals your brain “You’re at work now.”

• **Avoiding distractions from children and other interruptions:** Telecommuting is a good way to be able to spend more time with your family, especially if your commute is a long one. Don’t make the mistake, though, of thinking that telecommuting means that you can allow yourself to be distracted during what should be dedicated work time. You can’t read stories to a three-year-old, participate in a web-conference and catch up on work e-mail at the same time. Arrange your household schedule so that your work is done during times that your children are otherwise engaged or out of the house. Don’t answer your door during work time. Don’t use a telecommuting day for doctor appointments. Remember that your employer is counting on you to show the same dedication to your work when you telecommute that you do when you are at the office.

• **Feeling out of the loop:** If you telecommute more than two days a week you may develop a feeling of disconnection from what’s going on at the office. So much of daily interaction is casual in nature, and you will need to put some effort into staying in touch. Remind your manager to e-mail you with observations and specifics about projects in place of meeting over coffee in the break room. Make sure you acknowledge your co-workers birthdays (if that’s part of your company’s culture) or other milestone achievements. If you are close to a specific person in your department, fit in a “daily recap” phone call near the end of the business day.

Pat Reuss is managing director and partner for Write for You, a Washington DC area consulting firm specializing in writing and editorial services, and a speaker on a variety of business issues. Additionally, she is director of training development for Renaissance Training, a provider of training materials to businesses nationwide. She can be reached at pmreuss@write-for-you.net
Walkowiak to Nexcen Brands to Head IR

William A. Walkowiak joined Nexcen Brands Inc. as senior vice president of investor relations, with responsibility for all communications with the investment community. Walkowiak was vice president, investor relations and corporate communications at EDO Corporation, an NYSE-traded engineering and technology company acquired by ITT Corp in December 2007. A 35-year veteran of financial management and communications experience, he has been active in NRI activities.

Walkowiak has held a number of posts in the New York Chapter, including a term as president; he was co-chair of NRI’s June 2005 national conference in Hollywood, Florida.

Prior to his EDO Corporation service Walkowiak was a 23-year veteran of AT&T and Bell Atlantic, the predecessor of Verizon Communications, with responsibility for IR and rating agency relations. During 1987-1988, Walkowiak served at the U.S. Securities and Exchange Commission as part of the team responsible for launching the EDGAR system. He is a graduate of West Chester University and the Wharton Business School, and is also a Chartered Financial Analyst.

Grainger Announces Laura Brown, VP IR

Grainger has named Laura D. Brown to the position of vice president, investor relations. She has been with the company for eight years serving in a variety of finance and marketing positions. She was appointed to the top IR post from her position as vice president of finance for Grainger’s field sales, operations, marketing and e-business functions. Brown joined Grainger in 2000. Laura recently became a member of NRI’s Chicago Chapter. She holds a B.S. in Accounting from Indiana University and is a CPA.

Name Change for Savage Design Group Haley Named President of Firm

Houston-based Savage Design Group, Inc. (www.savagebrands.com) is now Savage — the name change reflects a strategic shift in the company’s approach to business as a branding organization. Its new tag line: Branding + Corporate Design, emphasizing the firm’s capabilities. NRI member Bethany E. Haley was named president of the firm. She has served on the NRI Houston chapter board of directors and is currently vice president of membership. Savage is the in-kind branding and design sponsor for the 2008 NRI Annual Conference.
combined market capitalization influence to bear on matters important to members.

Finally, also at the NIRI Annual Meeting, the board had the pleasure of welcoming four highly qualified new members. NIRI members should know that your board takes seriously its responsibility to guide and oversee NIRI’s operations. Though we are pleased with the progress NIRI has made over the past several years, we are not satisfied with the status quo. We are committed to continual improvement in terms of meeting the needs of all members, promoting NIRI and the profession, serving as your advocate, and becoming and remaining a best-in-class association. The board and I look forward to reporting on our progress as we move forward in achieving these goals.

Sincerely,

Bina Thompson
Chairman, National Investor Relations Institute
Vice President, Investor Relations, Colgate-Palmolive Company
As an IRO, you provide the critical link between shareholders, management and the board.

Conversations that Build a Bridge of Trust™, a video and transcript library led by The Value Alliance CEO Eleanor Bloxham, contains over 600 videos to help you manage this important role:

- Inform your work as an IRO for your communications plans
- Gather information to educate others about the importance of issues
- Benchmark your organization’s practices against others
- Validate your existing practices
- Learn different points of view

“The ‘Building A Bridge of Trust™’ series is a very powerful knowledge sharing resource for leaders in the corporate sector. The people in this video database are the thought-leaders and change-agents that are shaping the business and capital markets today.”

Henry Boerner, Chairman
Issue Management Council
and Governance & Accountability Institute

New! NIRI members receive a special 15% discount on the complete Conversations that Build a Bridge of Trust™ series using NIRI code wk3e5m
For a sample on executive compensation, NIRI members can go to www.thevaluealliance.com/niri_benefit.htm and register.

www.thevaluealliance.com
Our mission? To build a bridge of trust™ between management, board, shareholders, and all stakeholders that creates a sustainable value for all stakeholders.