CHAPTER 13

Investor Relations

OUTLINE

PREVIEW

Effective investor public relations creates and maintains investor confidence. It builds positive relationships with the financial community by providing corporate information. Increased interest in investor relations following the *Texas Gulf Sulphur Co.* case has greatly increased public relations involvement in the financial reporting of corporate information. With Enron's bankruptcy amid criminal charges against its accounting and financial advising firm, Arthur Andersen, the spotlight has again been placed on the need for accurate, current financial reporting.

> *"Today, investor relations is not only a job that entails communicating a company's strategic direction, it is a discipline that requires its own strategic design."*
>
> —Geraldine U. Foster, Senior Vice President Schering-Plough

Strong financial relations programs, characterized by responsiveness, openness, and regular communications, help lower the cost of capital for businesses. A key function of financial relations is to provide prompt disclosure of corporate news that is significant to the financial community.

Hostile takeover attempts through tender offers or management takeover through a proxy fight are two key financial public relations crises that management of a corporation may face. Public relations professionals must become intimately involved in the battle for control when these crises occur.

Audiences for financial relations include individual stockholders, financial analysts, and the financial media. Major tools of financial relations to reach these key audiences include annual reports and annual stockholder meetings. But with many new technologies, the company's financial reporting also includes use of cable or satellite television, placement on the Web, or discussions with key stakeholders through video conference calls.

Effective financial relations gives a business increased support for its management, higher stock prices, and greater ease in attracting new capital.

Consider the following scenario. You have just been hired by a public corporation to join its investor relations area. As an entry-level employee, you've been assigned the task of working with the printed annual report to turn it into an electronic report. It won't replace the printed report this year, but it will provide an accessible version for those stockholders and related audiences who prefer to receive their reports in electronic form. Your first task is to find out the regulations for electronic reporting required annual information for the Securities and Exchange Commission.

What else is important to your assignment, and what pitfalls do you need to avoid?

Two defining events highlight the essential function of financial relations in corporate America—one coming to the forefront in October 2001 and another a case settled by the U.S. Supreme Court in 1968. The landmark case *SEC v. Texas Gulf Sulphur Co.*, 401 F.2d 833 (2nd E.r. 1968) in 1968 underlined the essential nature of timely and full disclosure of information in avoiding "insider trading" charges against a publicly held company. The Enron situation, which may not be settled for some years, emphasized both to investors and to the business community the necessity for accurate financial accounting and for reporting that financial condition through a company's investor relations materials.

Ultimately the success of any organization depends on its ability to attract resources from its environment. Among the most important of these resources is capital—the money with which other resources can be purchased. Corporations raise money in a variety of ways, including selling stock, issuing bonds, and securing loans from financial institutions. In all cases, a company can attract capital only if investors have confidence in the business and its management. Without accurate, honest financial reporting the investing public cannot have this confidence. Investor relations has developed in the last 30 years as a specialized public relations function "to build and maintain relationships with financial audiences, primarily institutional investors, analysts, and individual stockholders."[1]

Bond ratings, interest rates, and stock prices are not just a matter of negotiation between a corporation's financial officers and its bankers or brokers. Such negotiations are preceded by and based on the business's current performance and future prospects. These facts must be persuasively communicated, and that is where public relations is essential.

GROWING INTEREST IN INVESTOR RELATIONS

Since 1968 when the *Texas Gulf Sulphur* case was decided by the Supreme Court, business has had an increased interest in improved investor relations. Company executives were fined, and some served time in jail in the first major case of insider trading since the **Securities and Exchange Commission (SEC)** had been formed in 1934. That case was a landmark decision that was the wake-up call to Ameri-

Internal Public Relations Lessons Learned from Enron Inc.

Spotlight **13.1**

The collapse of Enron, a leading energy company headquartered in Houston, Texas, sent shockwaves through the financial marketplace in late 2001 and early 2002. The congressional hearings, court cases, and other investigations may go on for years, but the immediate impact on financial reporting no doubt will be far-reaching. Included is the internal impact that it is likely to have for financial public relations practitioners.

Some of the internal public relations lessons learned from the debacle include these:

1. *Share the bad news as well as the good news.* Although not a new concept to public relations, sharing bad news as well as good news is emphasized in this case because employees were heavily invested in the company through their retirement plan. The hardest time to convince a CEO to share bad news with employees is when things seem good and morale is high. But, to keep morale high, management needs to build long-term credibility by sharing the bad as well as the good with its employees before it becomes known outside, and especially before it is reported in the media.
2. *Treat all investors equally.* Often the largest number of investors comes from employees (although not usually the most total dollars). In Enron's case this especially was true because of the retirement funds being invested in Enron stock. SEC guidelines require disclosure of any information that would make a significant difference in the financial results of a publicly held company. Thus, employees who are stockholders should receive that same information. Investors must be given the potential downside as well as the upside of a company's performance, whether they are external investors or employee investors.
3. *Give internal communication center stage.* Some of Enron's problems might have been mitigated with better communication; some will require new legislation. The question of how much investor information should go to employees will become an issue in the next several years. Congress is studying potential legislation to require certain disclosure to employees in regard to their stock. Another similar issue is that Enron employees were kept from selling their stock for a period of time when the stock was dropping in value rapidly. Today, these "lockdowns" are legal. Congress may change that, or at least it may require certain notice to employees about any such lockdowns. Companies must have good internal channels of communication to deal with these issues.
4. *Know the difference between motivating and misleading.* Enron's communication from its CEO was overly optimistic. A company should refrain from being misleading in its optimism. If you have knowledge that something is wrong, it is misleading to say everything is great.

Source: Judy Buffington Aud, APR, "What Internal Communicators Can Learn from Enron," *Public Relations Strategist* 8, no. 2 (Spring 2002), pp. 11–12.

can corporations that the SEC meant business with its insider trading and related disclosure of information rules.

Enron, and its connection with Arthur Andersen as its accounting and financial reporting firm, has put financial reporting in the limelight. With a major public company going into bankruptcy and the inaccurate reporting of financial information that misled investors, analysts, and everyone else, financial reporting has suddenly undergone intense scrutiny by the press, the government, and investors (see spotlight 13.1 for lessons learned from Enron).

In 2002, WorldCom followed the Enron scandal with one of its own when it filed the largest bankruptcy in U.S. history (see the case study at the end of this chapter). Six former WorldCom officials have since been found guilty and sentenced to varying prison terms for their part in the corporate fraud case, including ex-WorldCom CEO Bernard Ebbers, who was sentenced to 25 years in prison. Ebbers resigned as CEO two months prior to the bankruptcy scandal. WorldCom investors, however, are expected to recover more than $6 billion of the $11 billion cited in the accounting fraud case.[2]

Other catalysts have vaulted investor relations into a multibillion-dollar-a-year operation. Among these factors have been a growing number of companies "going public" in the last three decades, high visibility of corporate mergers and acquisitions, efforts to stop hostile takeovers of companies, and much tougher requirements for disclosure by the SEC and the stock exchanges. In addition, the expanding importance of global financial markets and the growing understanding of the need for expert public relations guidance in view of court cases such as the *Texas Gulf Sulphur* case have increased management's interest in financial public relations.[3]

In the following sections of this chapter we examine the tasks of financial public relations, then look at disclosure of information and at the major issues facing the financial public relations practitioner. We also discuss the role of financial public relations practitioners, their audiences, and communication strategies, including the annual meeting and the annual report.

MAINTAINING INVESTOR CONFIDENCE

The first task of **financial public relations** is to create and maintain investor confidence, building positive relationships with the financial community through the dissemination of corporate information. Executives who fail to do this may be unable to attract capital investment. They may lose control over their organizations and even lose their jobs. Financial public relations is much easier to relate to the proverbial bottom line than are other kinds of public relations. Relative stock prices, bond ratings, and interest rates charged for loans are direct measures of confidence in a company. When confidence is high, stocks are worth more, and bonds and borrowing cost less. When confidence is low, stock is worth less, and higher interest is demanded by those who loan funds to the business. Most corporations consider their financial relations programs effective if they have been able to reduce the cost of funds or obtain the best cost of capital. (See mini-case 13.1.)

"The pace of communications and change in today's global marketplace, along with the thousands of institutions and millions of individuals around the world investing in equities has become increasingly complex, with thousands and thousands of investment alternatives,"[4] according to Mark Begor, executive vice president and chief financial officer for NBC. He continued by noting that "communicating a clear, concise and meaningful message to those investors is critical."[5]

Characteristics of a Corporate Communications Strategy

Peter Anastas, financial analyst, suggests that a corporate communications strategy has three major characteristics: consistency, credibility, and clarity. Consistency needs to be not only in the style and culture of the annual report but also in what the company says it is going to do compared with what it actually does. Credibility is increased when the company uses a candid and straightforward approach to describe its operations with a minimum of hype and a maximum of information. Clarity needs to be the focus of the communication. The purpose should be to be understandable, not obtuse.[6]

Specific Objectives for Practitioners

The practice of financial public relations touches on diverse areas like finance, accounting, law, public affairs, community relations, marketing, and employee relations. Consequently, its list of objectives is a lengthy one. Practitioners are charged with doing the following:

Building interest in the company.

Creating understanding of the company.

Selling company products.

Broadening the stockholder base by attracting new investors.

TurboBoosting Scios Inc.'s Reputation and Shareholder Value

Mini•Case 13.1

Overview

A *Forbes* account of Scios Inc., a biotech company, was not what the company management wanted to read. It depicted the 18-year-old company as "the oldest biotech company in the world without an approved product." This came just before an FDA report that rejected the drug Natrecor, a product to combat heart failure, said more research was needed to show the drug was as good as intravenous nitroglycerin. With that announcement Scios stock dropped from $6 a share to $3.84 per share.

However, within a year and a half, Scios was described by the *San Jose Mercury News* as being "like a phoenix that has risen from the ashes," as the stock had risen to $20 per share. Scios had been the beneficiary of a carefully executed and integrated communications program that focused on all key influencers in the health care, financial, and biotech industries.

Edelman Public Relations Worldwide, assisting Scios with a campaign entitled "Project TurboBoost," used select news media, analyst sessions, and medical meetings as communication tactics to reach target audiences with strategic information on the restructuring of Scios and highly persuasive new Natrecor clinical trials that Scios thought would have positive results.

Goals

Three goals were set:

1. Unlock the value of Scios's assets.
2. Position the company as a capable player within the biotech industry.
3. Narrow the perception gap between what the company desired and what its target audiences perceived.

Strategies

Five basic communication strategies were used:

1. Relaunch Scios as a completely new company to new audiences.
2. Exploit business milestone achievement vigorously.
3. Plant the first seeds of milestone achievement with key national media and stimulate broad-base support from other media.
4. Use third parties such as analysts and physician investigators to validate the Scios story.
5. Leverage value for all Scios pipeline activities and progress beyond Natrecor.

Questions

1. What is the value of its NASDAQ stock price today (NASDAQ: Scio)?
2. What would the value suggest about the long-term sustainability of the public relations effort by Edelman Worldwide?
3. Check the Scios Inc. Web page at http://www.sciosinc.com to find out more information on Scios. What effect, if any, do you think Project TurboBoost had on the FDA?
4. What evaluation techniques would you suggest for this campaign that was only measured in terms of increase of its stock price?
5. What public relations goals would you suggest at this point?

Source: PRSA Silver Anvil competition, 2001, Investor Relations.

Stabilizing stock prices.

Winning stockholder approval for management.

Increasing the company's prestige.

Creating favorable attitudes in the financial community.

Developing political sensitivities of stockholders for issues relating to the company.

Improving employee relations.

Building loyalty of stockholders.

Arthur Roalman sums up the purpose and rationale for financial public relations:

> An individual is not likely to invest money . . . in a corporation's stocks, bonds, commercial paper, or other financial pledges unless he believes strongly that he understands fully what is likely to happen to that corporation in the future . . . most investors' willingness to invest in a corporation is influenced by their trust in its management. Trust isn't built overnight. It is the result of long-term actions by the corporation to provide factual financial information in proper perspective.[7]

Investor relations changed considerably in the last decade of the 20th century as it moved into the 21st century. It had been primarily a passive carrier of information delivered mostly to the financial community. Today it has become much more proactive.

"Investor relations has moved from a primarily passive role to an active, indeed interactive, marketing function. In this evolving marketing role, investor relations serves as a link between the company and the investment community, responding to the needs of both."[8]

PROVIDING PUBLIC INFORMATION

Investors bet fortunes on what they believe to be true about a particular enterprise. Fraud and deception can part uninformed investors from their funds. These dangers have been reduced by government law and regulation, stock exchange policies, and the voluntary disclosures of corporate management. But, the recent cases with Enron and Tyco have illustrated the problems that can occur when these laws and regulations are ignored. For example, in September 2005 the former CEO and finance chief at Tyco were both sentenced to $8\frac{1}{2}$ years in prison, fined $134 million, and required to pay back $105 million for their part in the fraudulent use of funds and stock manipulation.[9] The importance of corporate information to investor decisions, however, points out the second major function of financial public relations: prompt provision of public information required by law, regulation, and policy.

SEC Regulations

Many aspects of financial public relations are affected by laws and regulations. The Securities Act of 1933 was passed "to provide full and fair disclosure of the character of securities . . . and to prevent frauds in the sale thereof." The Securities Exchange Act of 1934 supplemented the act of the previous year and was intended "to secure for issues publicly offered, adequate publicity for those facts necessary for an intelligent judgment of their value." These and other SEC regulations apply to all companies listed on any of the 13 largest U.S. stock exchanges, or with assets of $1 million and at least 500 stockholders. Other regulations require that corporations "act promptly to dispel unfounded rumors which result in unusual market activity or price variations."

SEC regulations are copious and subject to frequent changes. It is therefore impractical to present them all here. The commission routinely requires submission of three kinds of reports: annual reports **(Form 10-K),** quarterly reports **(Form 10-Q),** and current reports **(Form 8-K).** Form 10-K asks for descriptions of a corporation's principal products and services; assessment of competitive conditions in its industry; the dollar amount of order backlog; source and availability of raw materials; all material patents, licenses, franchises, and concessions; and the estimated dollar amount spent on research.

All of the information required by Form 10-K must be accompanied by corporate financial statements prepared in accordance with SEC accounting rules and certified by an independent public accountant. Moreover, the entire form must be submitted to the commission no later than 90 days from the close of the fiscal year. It must be submitted electronically through EDGAR (Electronic Data Gathering, Analysis, and Retrieval). EDGAR is the SEC's computer system for the collection, validation, indexing, acceptance, and dissemination of documents submitted in electronic format to the SEC. Finally, 10-K must be available free of charge to anyone upon request.[10]

The 10-Q quarterly report is much less detailed. It asks primarily for the corporation's summarized profit and loss statement, capitalization, stockholders' equity at the end of the quarter, and the sale of any unregistered securities.

In its effort to gather all relevant investment-related information on a continuous basis, the SEC also requires filing of Form 8-K, the current report. Filing this document is required when an unusual event of immediate interest to investors occurs. Examples would be the acquisition or sale of significant assets or changes in the amount of securities outstanding.

These documents are prepared largely by accountants and lawyers. They are described here, however, because public relations professionals should (1) recognize the extent to which SEC-regulated corporations must share information, (2) understand the kinds of information deemed significant by investors, (3) realize the extent of federal regulation in this aspect of business, and (4) avail themselves of the information contained in these forms.

In an effort to help restore investor confidence, the National Investor Relations Institute (NIRI) approved a 10-point program aimed at disclosure actions that would help the investor better understand what was in these reports. The first point of the 10 suggests that companies should use a two-tier system in information disclosure. The first tier would be a plain English summary, or executive summary, of information contained in these various required reports in order to help an investor better understand significant trends that would likely affect a company's performance. This summary, the NIRI suggests, should be placed on the company's Web site as well as in the annual report. The second tier would be the information required by the SEC and accounting requirements.[11]

Public relations should be involved in the preparation of the executive summary, as well as other parts of the reports. A 1998 SEC regulation requires that certain parts of disclosure documents must be written in plain English: "The cover page, summary, and risk factor sections of prospectuses must be clear, concise, and understandable, according to the new SEC regulations."[12] The SEC has prepared a handbook entitled *A Plain English Handbook: How to Create Clear SEC Disclosure Documents,* which is available online at the SEC Web site or can be obtained in hard copy from the commission.[13]

Sarbanes-Oxley Act

In the wake of corporate scandals involving companies such as Enron and WorldCom, Paul Sarbanes (D-MD) and Michael Oxley (R-OH) sponsored the Sarbanes-Oxley Act of 2002, which many have said to be one of the most significant changes to federal security laws since President Roosevelt's "New Deal" legislation of the 1930s. The Act, which was signed into law by President George W. Bush on July 30, 2002, has been directed toward public companies and establishes a more rigorous standard for accounting practices. The congressional intent of the Act was to bolster public confidence in the corporate arena and place duties and responsibilities on not just the company but also the executives, accountants, attorneys, and auditors who manage these companies. Although public outcry for federal reform of corporate management led to the creation of the Act, Sarbanes-Oxley has fallen heavily on small companies and created substantial financial burdens with large companies who are trying to comply with the new standards.

The official title of the Sarbanes-Oxley Act is the "Public Company Accounting Reform and Investor Protection Act of 2002." Some of its key provisions are as follows:

- Reporting of stock trades by company insiders.
- Creation of an independent accounting oversight board, overseen by the SEC.
- Public reporting of CEO and CFO compensation packages.
- Larger fines, along with criminal penalties, for security violations.
- CEOs being held responsible for internal information technology security measures.

Along with establishing new standards of accounting practices, the Sarbanes-Oxley Act works toward corporate responsibility by requiring detailed accounting, increased independent auditing controls, corporate fraud accountability, and increased financial disclosures, all of which can drain company resources and finances. The cost of maintaining compliance with the Act varies as to the size of the business, and according to 2004 auditing reports done by University of Nebraska at Omaha researchers and accounting professors Susan Eldridge and Burch Kealey, auditing costs of large Fortune 1000 companies have seen auditing costs increase by $1.4 billion.[14] The same research shows differing audit fee increases for differing industries, all of which range from the banking industry's audit fee increase of 65 percent to the retail industry's increase of 180 percent. The high costs of implementing Sarbanes-Oxley have left some to wonder if the cure is better than the disease.

While the Sarbanes-Oxley Act is beneficial to the general public who invests in these public companies, the Act places a formidable task on all companies to ensure compliance with these new standards. Whether a small company, or a large multibillion-dollar corporation, implementation of the Sarbanes-Oxley Act means that management will be forced to reallocate critical assets and dedicate time and resources toward compliance with the Act.

Stock Exchange Policies

Policies of various stock exchanges also influence the task of financial public relations. The New York Stock Exchange states, for example, that news on matters of corporate significance should be given national distribution.[15] What is significant is a matter of some debate. The American Stock Exchange considers the following kinds of news likely to require prompt disclosure and announcements:

(a) joint venture, merger or acquisition;
(b) the declaration or omission of dividends or the determination of earnings;
(c) a stock split or stock dividend;
(d) the acquisition or loss of a significant contract;
(e) a significant new product or discovery;
(f) a change in control or a significant change in management;
(g) a call of securities for redemption;
(h) the borrowing of a significant amount of funds;
(i) the public or private sale of a significant amount of additional securities;
(j) significant litigation;
(k) the purchase or sale of a significant asset;
(l) a significant change in capital investment plans;
(m) a significant labor dispute or disputes with contractors or suppliers;
(n) an event requiring the filing of a current report under the Securities Exchange Act;
(o) establishment of a program to make purchases of the company's own shares;
(p) a tender offer for another company's securities; and
(q) an event of technical default or default on interest and/or principal payments.[16]

To facilitate *timely* national disclosure, financial relations practitioners use several newswire networks and the World Wide Web. The Associated Press (AP) is the major general newswire service. Dow Jones and Reuters Economic Service specialize in business and financial news. PR News Wire and Business Wire charge a fee for their services but guarantee that corporate news is carried promptly. The key issue is that the disclosure of information must be made at the same time to all audiences.

The Disclosure Issue

One other SEC regulation of particular interest to the public relations practitioner is Rule 10B-5, which makes it unlawful "to make any untrue statement of a material fact or to omit to state a material fact . . . in connection with the purchase or sale of any security." In the landmark *Texas Gulf Sulphur Co.* case, this regulation was applied to press releases.[17] In subsequent suits, public relations counsel has been named as a defendant when press releases and other materials "contained false and misleading statements and omitted to state material fact."[18]

Two later cases sharply focused on the disclosure issue, although financial relations officers were left in confusion by their outcomes. One involved the 1984 merger between food giants Nestlé and Carnation. The other involved Chrysler Corporation's struggle to survive in the early 1980s.

Nestlé was bidding secretly for Carnation. Rumors were flying, and Carnation stock rose nearly 50 percent before Nestlé announced the purchase for $83 per share. Throughout the negotiations, Carnation's spokesman refused to comment. A year after the merger, the SEC ruled that by saying no comment during negotiations, Carnation had been "materially false and misleading." Because the company no longer existed, however, the SEC took no action to back its ruling.

Chrysler was saved by an unissued press release. One day in early 1981, Chrysler was down to $8 million in liquid assets. Company lawyers held that Chrysler must issue a press release to disclose its near insolvency, but company officials risked being charged by the SEC rather than destroy what little confidence their creditors and customers had left. The release went unissued and the company survived, its potential insolvency made a moot point by its renewed financial health.

No simple formula provides guidance in disclosure situations. Although the Chrysler example is unusual, it shows that judgment must be used. Generally, however, disclosure is both required and desirable. "The bottom line: The moment you have information that will make a material difference in the outcome of your financial results, you should be preparing and disseminating a statement to disclose that information."[19]

CRISIS ISSUES IN FINANCIAL RELATIONS

Several issues may come up in the life of a corporation that are crises in its effort to survive. In the last decade we have seen mergers and acquisitions that have often been hostile takeovers. In an effort to thwart hostile takeover attempts, bitter proxy fights often have ensued. Win or lose, the company is often left with considerable debt and, if it can survive, may have to spin off some of its assets.

Eugene Miller, executive vice president of United States Gypsum Company, says "the most stressful and crucial element of investor relations is in forestalling and defending against efforts of outside interests to take over the company."[20]

Takeover attempts come in two fundamental forms: the proxy fight and the tender offer. Both attempt to persuade shareholders, but in different ways and perhaps for different reasons.

The Tender Offer

In a tender offer money is the key factor. The **tender offer** is an offer that is above the market price of the stock enough to entice the shareholder to sell despite his or her loyalty to the company or desire to keep the stock. For example, if the shareholder had bought stock at $20 per share and it was now selling for $25 on the stock exchange, the person might be given a tender offer of $35 per share to sell to whomever wanted to get control of the company. Because of the financial gain that the shareholder would make, this is a tough fight by management to keep control of the company.

The Proxy Fight

In a **proxy** fight, the two (or more) contestants striving for control of management (or an issue) seek to get the shareholders to let them cast their vote for them. Thus, shareholders are requested to give their "proxy," or absentee voting rights, to one side or the other. In this case, though, the shareholder does not sell his or her stock.

Public relations for the management of the company under siege in a proxy fight can do several things to defend itself. Primary, of course, is focusing on providing information to stockholders, the financial press, and investors about the present management's operation and strategic plans for the future compared with what the competing group is suggesting.[21]

Laura Johnston, investor relations specialist at Citigate Communications, suggests that public relations practitioners in the financial arena need to be prepared as soon as possible. If you know you are going to have a tough fight ahead in the next year, begin now to prepare. She suggests these four strategies in the preparation stage:

1. *Don't procrastinate.* Start planning your investor relations strategy early.
2. *Begin by managing your shareholder's expectations. . . .* Pave the way for the proposal by informing shareholders about management's general line of thinking on that particular issue well before a proxy statement is produced.
3. *Involve investor relations people in drafting the proxy statement.*
4. *Hire a proxy solicitor* who will get down in the trenches and fight for every vote.[22]

Once the fight is under way, you can take a number of tactics to help you win. You should use every means at your disposal to reach your shareholders. You may need to go online or set up a World Wide Web page. Use all the communication tools at your disposal. A key element is also to target your message to a few key ideas and repeat them throughout the proxy campaign. Your theme should be recognized quickly by your shareholders. Rally your past supporters and don't be afraid to use the endorsements of the media or other credible third-party sources to your advantage.[23]

FINANCIAL RELATIONS PROFESSIONALS

Financial relations professionals must have a broad base of knowledge and skills to deal effectively with their many-faceted responsibilities. A survey of 300 senior financial relations officers in leading corporations showed that a broad financial background combined with marketing communication skills is considered the best preparation for the field.[24] The survey indicated that although financial and security analysts may go into financial relations, their lack of marketing and communication backgrounds often impedes their success. Knowledge of finance, marketing, law, and public relations skills are all important for those considering financial relations careers.

AUDIENCES FOR FINANCIAL RELATIONS

In addition to the SEC, those interested in a corporation's financial information include stock exchange firms, investment counselors, financial writers, brokers, dealers, mutual fund houses, investment banks, commercial banks, institutional buyers, employees, and both current and future stockholders. For the purposes of discussion, however, these categories can be lumped into three broad audiences: individual stockholders, financial analysts, and the financial press. Following is an examination of each group, their informational needs, the means by which they may be reached, and the best ways to secure positive relations with them.

Individual Stockholders

Some corporations consider their stockholders a vast untapped resource of potential customers and grassroots support on political and financial issues. Harrison T. Beardsley recommends that financial relations efforts, particularly of smaller companies, concentrate on stockholders rather than on financial analysts.[25]

As discussed previously, the SEC requires companies to keep their investors fully informed. Management has learned the hard way that uninterested stockholders may be quick to sell their shares to even the most unfriendly entity attempting takeover. Moreover, stockholders themselves have become more vocal and active—initiating proxy fights or raising financial, social, and ethical questions in relation to environmental issues, sex discrimination, corporate political activities at home and abroad, labor relations, and many other issues.

Most corporations now recognize that "a company's foremost responsibility is to communicate fully anything that can have a bearing on the owner's investment."[26] The extent and quality of their efforts vary widely, however. Informative annual and quarterly reports, dynamic Web pages, and well-organized annual meetings with follow-up reports are the basic tools of stockholder relations.

Sound stockholder relations are built on three principles: (1) learn as much as possible about your stockholders, (2) treat them as you would your important customers, and (3) encourage investor interest from people who are predisposed toward your company. A basic principle of communication is to know your audience. Consequently, learning as much as possible about stockholders makes excellent sense from a communications perspective. The stockholder survey, which asks for demographic and attitudinal information, is a readily available tool, but too few actually use it.

Treating stockholders as important customers has a number of implications for financial relations officers. Communicating in readable, nontechnical language is a must. Welcoming new stockholders and writing to express regret when stockholders are lost is a good business practice. Prompt and appropriate response to stockholder correspondence or e-mails also helps maintain positive relations.

Sun Company follows a comprehensive stockholder relations plan. The company believes, "Shareholders are our business partners. It's helpful to us if management gets an insight on what they think of us." Each new Sun stockholder receives a welcoming note from the company's chairman. A very readable newsletter goes out with every dividend check. About 100 shareholders are selected at random six or eight times a year and invited to a dinner at which a top company executive speaks. Sun also maintains a toll-free telephone line to make corporate news available to stockholders and invites them to call collect to the shareholder relations department with questions or complaints.

Finally, just as a company should seek new customers among the most likely segments of the population, it should seek stockholders from those predisposed toward buying stock. Employees, suppliers, dealers, and members of communities where the corporation is located are the most likely prospects. They should receive annual reports and other materials that encourage investment.

Financial Analysts

Financial analysts include investment counselors, fund managers, brokers, dealers, and institutional buyers—in other words, the professionals in the investment business.

Their basic function is to gather information concerning various companies, to develop expectations in terms of sales, profits, and a range of other operating and financial results, and to make judgments about how securities markets will evaluate these factors. They gather quantitative and qualitative information on companies, compare their findings to statistics from other companies, assess opportunities and risks, and then advise their clients. Corporate financial relations assists analysts by providing information and, in doing so, may positively influence expectations and judgments.

To maintain relations with financial analysts, the basic method is to identify the prospects, meet them, establish interest and understanding, and then maintain the relationship. All dealings with professional analysts should be characterized by responsiveness, openness, and regular communication, but care should be taken not to overcommunicate.

"Fluff and puff" will quickly sour an analyst's view of a corporation. When analysts become overly enthusiastic based on what they have been told by a company's financial relations staff, and corporate performance fails to live up to their expectations, the results can be disastrous. When Toys "R" Us Inc. announced that its Christmas sales were up 17 percent, its stock dropped 20 percent. Based on discussions with the company, analysts had expected a sales gain of 30 percent and thus were disappointed.

The shoe manufacturer Nike Inc. lost half its value when it earned 88 cents per share rather than the anticipated $2. Rather than informing the financial community when it realized profits would be lower than expected, Nike management tried harder to live up to the inflated figures. The next year the company set aside more time for communicating with financial analysts.[27]

Analysts want to know the company's background; that is, the nature of the business, primary factors affecting the business, current operating conditions, and estimates of future outlooks. Analysts are also vitally interested in management forecasts, pricing data, capital expenditures, financial data, labor relations, research and development, and any other information that may materially influence the quality of an investment. Annual reports provide much of the needed information. A survey of institutional investors showed annual reports as the most useful and informative source of information within a company's financial relations program.[28] Annual reports are discussed in detail later in the chapter.

A primary way to reach financial analysts is through **investment conferences,** which are meetings that investment professionals attend specifically to hear company presentations or discuss corporate issues. These programs contain information on a company's performance and provide persuasive arguments for buying its stock. Although such presentations center on speeches by company executives, they usually provide slick publications and audiovisual support materials as well.

A more popular conference in recent years has been the **conference call,** rather than an actual meeting. In some cases it is a video conference, and in other cases it is a phone conference. The conference call has become a quarterly ritual for many companies. The call is held the day after the quarterly report comes out. The CEO and CFO sit in front of a speakerphone or video camera and brief analysts, financial reporters, and other members of the investment community on the meaning behind the numbers. These calls provide the same story and interpretation for all the interested audiences at one time. A recent NIRI survey reported 73 percent of the responding companies held quarterly conference calls.[29]

Relationships with financial analysts are not all one-way. Analysts can provide valuable information to companies as well. When communicating with financial analysts, first be prepared to listen. They can give significant feedback about a financial relations

Bloomberg Television provides 24-hour business and financial news. Bloomberg's Web site is among the top five sites in the United States for financial news and information.

program in terms of its adequacy, credibility, and sufficiency of information. Perhaps even more important, this is an opportunity for the company to understand how the market perceives its strengths and weaknesses and the behavior of the business as a whole.

The Financial Press

The third major audience for financial relations is the **financial press.** "The financial press provides a foundation and backdrop for any corporation's financial communications program," says Hill and Knowlton executive Stan Sauerhaft. "It develops credibility and it can add impressive third-party endorsement."[30]

Financial public relations practitioners deal with media much as other public relations specialists do. The major difference lies in the specialized nature of the financial media. Major daily newspapers carry financial items of local, regional, or national interest. Weekly newspapers generally carry items of local interest. The business press includes *The Wall Street Journal, Forbes, Barron's, BusinessWeek, Fortune,* and other national publications as well as various local business-oriented publications (for example, the *Business Chronicle* in Houston, Atlanta, Los Angeles, San Francisco, and other cities). These are primary outlets for financial news, but they are deluged with information, so their channels of communication should not be cluttered with trivia or fluff.

Do not overlook the financial columnists. They carry considerable influence and can offer unique perspectives on particular companies. Trade magazines, usually devoted to particular industries, occupations, or professions, are also important outlets. They may reach such likely prospects as suppliers and producers.

Cable television is now a major outlet for financial news. Several cable or satellite channels are devoted exclusively to business news. With additional stations made possible through direct satellite transmission to homes or through fiber-optic cable systems, this is likely to increase several-fold. Certain local and network programs are devoted specifically to business. Bloomberg Television, Public Broadcasting's "Wall Street Week," Cable News Network's financial programs, and Associated Press Radio's "Business Barometer" are examples of such programs. Network or local major market news operations generally should be approached only if the information has news value that affects the community at large.

Finally, specialized financial media are extremely interested in company news. Market newsletters (often published by brokerage firms), investment advisory services, and statistical services (like Standard and Poor's, Value Line, or Moody's) frequently carry the greatest weight with potential investors.

COMMUNICATION STRATEGIES IN FINANCIAL RELATIONS

Strategies for communicating financial information, like those for implementing other plans (see chapter 6), must grow out of management's long-term view of the corporation. Communication strategy is a plan for getting from where you are to where you want to be. Thus, the perception of the company by its relevant publics should be compared with how it hopes to be perceived in the future.

The methods available for implementing strategy include personal meetings, financial literature (correspondence, quarterly and annual reports, dividend enclosures), financial news releases, and annual meetings. But with unprecedented advances in communication technology, the mode of communicating these strategies also has been changing rapidly. Videoconference calls, e-mail, cable business news shows, and the World Wide Web all provide the potential for more timely, specific information. These new technologies also increase the possibility for interactive communication with key stakeholders such as financial analysts, investors, and company employees.[31]

Whatever a corporation's current status or ultimate objectives, its financial relations communication strategy must be characterized by responsiveness, regularity, and openness. Communication should never be evasive and must include bad news as well as good. "Telling employees bad news seems to be the hardest thing for senior management to do."[32] But this is essential to building credibility with your employees. Credibility is the key to a strong financial relations program.

Annual Meetings

Annual meetings are a kind of mandated ritual in which the actual owners of a business consider and vote on the effectiveness of management. In theory, stockholders have the power to do what they please (within the law) with their company. But in practice, issues are rarely discussed and even more rarely voted on because management collects proxies in advance to support its positions, appointments, and decisions.

Views on the annual meeting ritual are widely divergent. Whatever the case, the annual meeting presents certain opportunities and entails genuine risks; thus, careful planning and orchestration are essential. Most major public accounting firms publish guides for corporate executives facing annual meetings.

Besides trying to attract, inform, and involve the audience of stockholders, the annual meeting has other functions. It enables corporate management to reach all stockholders through pre- and postmeeting communication. It provides a showcase and a focus for corporate publicity. It permits personal contact between executives and stockholders through which actions can be explained, accomplishments recognized, and feedback offered. It is a marketing tool when products are displayed in their best light.

The annual meeting also is a safety valve by which stockholders can let off steam. The democratic nature of the annual meeting makes the company vulnerable, and organized dissent is possible from stockholders who have bought a few shares of stock just to gain a platform. Such individuals may intervene or disrupt—confronting management with embarrassing questions and drawing the attention of the news media. For example, Chrysler Corporation, the third-largest U.S. automaker, was confronted with the possibility of hostility at its 1995 annual meeting when Kirk Kerkorian, who held a large block of Chrysler stock, was unhappy with the performance of the stock. His concern led to actions by the Chrysler board to improve the stock price. G. A. Marken suggests doing the following to improve the chances for an effective, successful meeting:

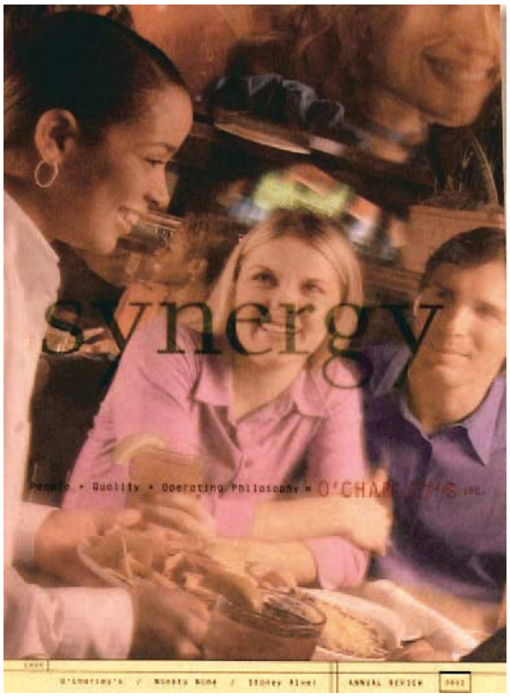
- Ensure the CEO is well prepared for the presentation.
- Provide displays highlighting company products, services, and financial results.
- Invite the media and representatives from the financial community.
- Prepare an advance news release for the media to highlight the CEO's presentation at the meeting.
- Have handouts such as annual reports, product literature, CD-ROMs, and videos available.
- Consider the meeting environment and amenities carefully (invitations, name badges, refreshments, tours, favors or specialty advertising gifts, etc.).
- Develop an executive summary or digest of the meeting, if it is particularly unusual or controversial.[33]

Commenting on such annual meetings, a former Atlanta newspaper business editor, Tom Walker, observed tongue-in-cheek that corporations should retain consulting sociologists, "especially during the annual meeting season when managements are forced to line up before their shareholders and give an account of themselves."[34] Financial relations actually plays the role that Walker would give to sociologists. By anticipating the concerns, issues, and even the mood of stockholders—based on continuous interaction—financial public relations should be able to prepare management for most situations that could arise. With careful planning, the positive potentials of annual meetings may even be realized.

Annual Reports

Annual reports are prepared not only to publish the required SEC information but also to perform a public relations and marketing function. Reports are usually released in March about six weeks prior to the company's annual meeting, which is often held in April or May. The trend in annual report preparation is for more CEOs to write their own letters to shareholders, to include the bad news up front, and to contract out the production of the annual report to consulting firms.

Annual reports come in a variety of shapes and styles. They are, on average, 44 pages long, according to Sid Cato, whose annual report newsletter office is in Kalamazoo, Michigan. Some reports, he says, "are spectacular, with glossy covers, creative art design, terrific color photographs and graphics, superior paper stock and easy to understand explanations of company performance."[35] Some reports are produced on CD-ROM and some on video; most are available on Web pages, while others may be



O'Charley's restaurant chain from Nashville, Tennessee, produces effective annual reports with excellent graphics, photos, and content.

done as newspaper supplements. However, some companies only produce the 10-K report in black and white that is required by the SEC.

Oscar Beveridge calls the annual report "unquestionably the single most important public document issued by a publicly held corporation."[36] Writing in *Fortune,* Herbert Meyer states: "Out of all the documents published by a Fortune 500 corporation, none involves so much fussing, so much anguish—and often so much pride of authorship—as the annual report to shareholders."[37] In short, the annual report can be considered the keystone of a company's financial relations program.

The Purpose of Annual Reports Fundamentally, the annual report fulfills the legal requirements of reporting to a company's stockholders. As such, it becomes the primary source of information about the company for current and potential stockholders, providing comprehensive information on the condition of the company and its progress (or lack thereof) during the previous year.

Some companies leave it at that. But nearly all major companies carry their annual reports considerably further, taking the opportunity to reinforce their credibility, establish their distinct identity, and build investor confidence, support, and allegiance. In this sense, the annual report becomes the company's calling card, a summary of what the company has done and what it stands for. By accident or by design, the report usually conveys much about the personality and quality of the corporation's management.

Some companies get further service from their annual reports by using them for marketing, public relations, and employee recruitment and orientation purposes. Most are on the World Wide Web for all the constituencies, from investors to reporters, that want to examine them. A report may also serve as an informational resource for financial advisers, a "backgrounder" for business editors, or even an educational tool for teachers, librarians, and students. General Motors uses its report to advertise its products. Goodyear produces a special edition for classroom use. Increasing numbers of companies produce special editions for employees to gain their loyalty and support, build morale by stressing their contributions, and improve their understanding of company operations.

Although accountants may decry verbal and pictorial embellishment of their ciphers, the communication opportunity presented by annual reports is too important to pass up. A few companies have toned down their documents, but annual reports are not likely to return to the minimum level of information required by the government.

Contents of Annual Reports The typical annual report consists of a cover; a president's letter; financial and nonfinancial highlights; a balance sheet and income statement; a description of the business (products and services); names and titles of corporate officers; names and affiliations of outside directors; location of plants, offices, and representatives; the address and telephone number of corporate headquarters; and reference to stock exchanges on which company stock is traded. The report may also include the company's history (particularly in anniversary issues), discussion of company policies, request for support of the company's stance on a political issue, results of

FIGURE 13.1 **Annual reports come in a variety of styles.**

stockholder surveys, and other reports or features. Figure 13.1 shows a sample of some annual reports.

Annual reports should always put corporate earnings in perspective and spell out prospects for the next year. They should answer these questions:

What is the major thrust of our company?

Where do we excel?

What are our weaknesses?

Why has the company performed as it has?

What are we doing about the future?

Financial highlights are a well-read aspect of annual reports. They generally include figures representing net sales, earnings before taxes, earnings after taxes, net earnings per common share, dividends per common share, stockholders' equity per common share, net working capital, ratio of current assets to current liabilities, number of common shares outstanding, and number of common stockholders. Other highlights include profit margin, percent return on stockholders' equity, long-term debt, and the number of employees. Report designers are concerned not just with the numbers but also how they look. Financial data are most often integrated into the entire report and presented in interesting or unusual ways.

Herbert Rosenthal and Frank Pagani list eight elements of what they call "big league annual reports:"[38]

1. A meaningful or provocative pictorial cover.
2. A well-designed format.
3. Complete and understandable graphics.
4. Unstilted photographs and artwork.
5. Comprehensive text.
6. Comparative figures.
7. Tasteful presentation of products.
8. Stylish printing.

Electronic Annual Reports Form 10-K is the SEC report that must be filed electronically. However, most companies prepare an annual report for stockholders in addition to the Form 10-K. The SEC allows information from one report to be used in another. Thus, often the principal information from the 10-K is included in the annual report to stockholders. A 2002 NIRI survey found that 89 percent of companies post their annual reports online, up from 31 percent in 1996.[39] A few companies produce no printed report at all but rely only on the electronic reports. The Institute's survey, though, found only 6 percent of its companies planned to discontinue the printed report.[40] Of the 500 companies surveyed, 473 (95 percent) included the annual report to shareholders for at least one year on their corporate Web site.[41]

Case Study

WorldCom Scandal

Overview

In 2002, WorldCom followed the Enron scandal with one of its own when it filed the largest bankruptcy in U.S. history. Bernard Ebbers resigned as CEO in April 2002 two months prior to the bankruptcy scandal. Six former WorldCom officials have since been found guilty and sentenced to varying prison terms for their parts in the corporate fraud case. Ex-WorldCom CEO Ebbers was sentenced to 25 years in prison. Employees were devastated, many investors ruined, the story ran in media all over the world, and the company's future was in doubt.

Unlike Enron, however, WorldCom came back. It hired as its new CEO a battle-tested "crisis junkie" in November 2002. Michael Capellas came to WorldCom from his position as president of Hewlett-Packard. Among the many business challenges he faced were to

1. Retain key employees and customers.
2. Establish a new board of directors.
3. Rebuild the management team.
4. Work with the corporate monitor.
5. Bring closure to the government investigations.

6. Create a culture of ethics and good corporate governance.
7. Rebuild the finance department.
8. Complete the largest financial restatement in history.
9. Emerge from Chapter 11 bankruptcy.
10. Relist the company on NASDAQ.

In addition, the communication challenges faced by the company were huge.

Strategy

Capellas's strategy to rebuild the company was based on a four-pronged approach:

1. Recognize an outrageous sense of urgency.
2. Emphasize commitment to ethics.
3. Use the CEO as chief communicator.
4. Focus on the three highest priorities: customers, customers, customers.

With a keen sense of urgency, the company installed a new board and management team. Capellas rebuilt the management team by bringing in several key players from Silicon Valley, including the senior vice president for communications and chief of staff, Grace Chen Trent. The company launched a 100-day Plan for creditor approval and rallied the employees around the new plan by overcommunicating. On the 100th day the company rebranded itself by changing its name back to MCI and by filing a plan of reorganization with the bankruptcy court.

To emphasize ethics, the company introduced the MCI Guiding Principles that were written by the CEO. They also revitalized the corporate ethics office and instituted ethics training for all 50,000 employees.

MCI used the CEO as its chief communicator by having him speak at 25 employee town meetings, 7 all-employee worldwide Webcasts, 8 all-employee conference calls, 26 all-employee e-mails, and 4 employee voicemails in those first 100 days.

To communicate with customers, the company had a high-touch retention effort that included customer advisory boards, an executive outreach program to the top 100 accounts, direct customer communications, and emphasized customer service quality for all its employees.

Outcome

MCI emerged from Chapter 11 bankruptcy in April 2004 and was relisted on the NASDAQ in July 2004. U.S. District Judge Jed Rakoff of New York said, "The Court is aware of no large company accused of fraud that has so completely divorced itself from the misdeeds of the immediate past and undertaken such extraordinary steps to prevent such misdeeds in the future." CEO Michael Capellas gave credit to his employees saying, "MCI's emergence is really about the triumph of the human spirit and a testimony to our 50,000 employees."

Source: Grace Trent and Brad Burns, "The Role of Communications in Restoring Trust and Credibility at MCI," presentation at the Public Relations Society of America national convention, New York, October 2004.

Questions

1. What should the communications role of a CEO be in a financial crisis such as this one?
2. What are the lessons that can be learned from communication in this crisis?
3. Find the company press release of September 1, 2005, about the decision by the U.S. attorney in New York. What did he decide about the company in regard to the WorldCom era scandal?
4. MCI has now merged with Verizon. How was the merger communicated to investors? Did MCI seek to get stockholders' proxies?
5. Check the Web site to see what changes have resulted since the merger.

Summary

For self-testing and additional chapter resources, go to the student DVD-ROM and the Online Learning Center at **www.mhhe.com/lattimore2.**

Financial reporting has never been more important than it is today. This has been highlighted by the collapse of Enron and its lack of accurate financial information provided to the investing public and its employees.

Effective financial public relations is necessary to develop and maintain investor confidence. Relationships with the financial community are developed by strategically planning investor relations.

Well-planned financial relations programs help lower the cost of capital for businesses. To meet the legal guidelines of the SEC, the company must provide prompt disclosure of corporate news that is significant to the financial community. But the corporation should go far beyond the minimum requirements. Good investor relations can help a company deal with hostile takeover attempts through tender offers or a proxy fight.

New technologies have provided an increasing array of tools for the financial public relations practitioner to communicate with its key audiences such as stockholders, financial analysts, and the financial media. Annual reports and annual stockholder meetings remain important investor relations functions, but additional tools including cable television, the Web, satellite interviews, and e-mail are becoming increasingly essential to have an effective financial relations effort. This effort gives a business increased support for its management, higher stock prices, and greater ease in attracting new capital.

Key Terms

Use the Online Learning Center at **www.mhhe.com/lattimore2** *to further your understanding of the key terms in this chapter.*

annual meetings
annual reports
conference call
financial analysts
financial press
financial public relations
Form 10-K
Form 10-Q
Form 8-K
investment conferences
proxy
Securities and Exchange Commission (SEC)
tender offer

Notes

1. Madeline Turnock, APR, "IR and PR Come Together," *Public Relations Strategist* 8, no. 2 (Spring 2002), pp. 13–14.
2. "WorldCom Investors to get $6.13 Billion," *Commercial Appeal,* September 22, 2005, p. C2.
3. Eugene Miller, "Investor Relations," in *Lesly's Handbook of Public Relations and Communications,* 4th ed., ed. Philip Lesly (New York: AMACOM, 1991), pp. 164–65.
4. Richard Higgins, *Best Practices in Global Investor Relations* (Westport, CT: Quorum Books, 2000), p. xii.

5. Ibid.
6. Ibid., p. 15.
7. Arthur R. Roalman, ed., *Investor Relations Handbook* (New York: AMACOM, 1974), p. iii.
8. Higgins, p. 26.
9. Samuel Maull, "Jail Time for 2 Former Tyco Execs," *Commercial Appeal,* September 20, 2005, p. A4.
10. Luke Hill, Interview with Jacob Fien-Helman, SEC, September 2005.
11. National Investor Relations Institute, "NIRI Ten Point Program to Help Restore Investor Confidence," NIRI Executive Alert press release, April 9, 2002, p. 1.
12. James B. Strenski, "The New SEC Regulations: Write in Plain English," *PR Tactics,* April 1998, p. 4.
13. Securities and Exchange Commission, *A Plain English Handbook: How to Create Clear SEC Disclosure Documents,* http://www.sec.gov/pdf/handbook.pdf, June 9, 2002.
14. Joe Ruff, "UNO Team Looks at Company Costs of Sarbanes-Oxley Reform Law," *Associated Press Newswire,* April 21, 2005.
15. NYSE Company Manual, August 1, 1977.
16. American Stock Exchange, "Part 4. Disclosure Policies" (last updated November 2000), http://www.amex.com, June 9, 2002.
17. Henry Rockwell, "A Press Release Goes to Court," *Public Relations Journal* (October 1968).
18. G. Christman Hill, "Financial Public Relations Men Are Warned They're Liable for Clients' Puffery," *The Wall Street Journal,* March 16, 1972, p. 30.
19. Jody Buffington Aud, "What Internal Communicators Can Learn from Enron," *Public Relations Strategist* 8, no. 2 (Spring 2002), p. 11.
20. Miller, p. 196.
21. Ibid.
22. Laura Johnston, "How to Succeed in a Close Proxy Vote," *Public Relations Quarterly* (Spring 1994), pp. 35–36.
23. Ibid.
24. "Investor Relations Pros Downplay PR Skills," *Communication World,* May 1983, p. 15.
25. Harrison T. Beardsley, "Problem-Solving in Corporate Financial Relations," *Public Relations Journal* (April 1978), p. 23.
26. Oscar M. Beveridge, *Financial Public Relations* (New York: McGraw-Hill, 1963), p. 68.
27. Stuart Weiss, "Hell Hath No Fury Like a Surprised Stock Analyst," *BusinessWeek,* January 21, 1985, p. 98.
28. Holly Hutchins, "Annual Reports: Earning Surprising Respect from Institutional Investors," *Public Relations Review* (Winter 1994), p. 311.
29. Charles Nekvasil, "Getting the Most Out of Your Investor Relations Conference Calls," *PR Tactics,* August 1999, p. 10.
30. Stan Sauerhaft, "Won't Anybody Listen?" in Hill and Knowlton Executives, *Critical Issues in Public Relations* (Englewood Cliffs, NJ: Prentice Hall, 1975), p. 37.
31. Higgins, p. 47.
32. Aud, p. 11.
33. G. A. Marken, "There's More to Being Public Than Being Listed," *Public Relations Quarterly* (Fall 1993), pp. 44–45.
34. Tom Walker, "J. P. Stevens Fights Catholics' Proposal," *Atlanta Journal and Constitution,* March 2, 1980, p. 10.
35. Ibid.
36. Beveridge, p. 137.
37. Herbert E. Meyer, "Annual Reports Get an Editor in Washington," *Fortune,* May 7, 1979, p. 219.
38. Herbert C. Rosenthal and Frank Pagani, "Rating Your Annual Report," *Public Relations Journal* (August 1978), p. 12.
39. *Journal of Business and Finance Leadership,* http://www.haworthpressinc.com, September 9, 2005.
40. Ibid.
41. Ibid.