

Small Business Insights

➤ From the November 2, 2001 print edition

Public Companies

Internet, global economy will steer investor relations

Pam Lagano

Where is investor relations headed?

If the past 50 years are any indication, the field will continue to grow, gaining strategic importance within large public companies and establishing a firm foothold in smaller ones.

Investor relations -- as a profession and as a philosophy of how to communicate with shareholders -- is still in its infancy. The term "investor relations" was coined in 1953 by General Electric Chairman Ralph Cordiner. But only in the past two decades has a critical mass of publicly traded companies conducted IR -- communicating with investors regularly and consistently.

As IR comes into its own, more changes will, of course, unfold. Here are some predictions for how the field will evolve in the coming years:

- The Internet challenge: Unquestionably this tops the list for having the most profound impact on the profession. One report anticipates Internet traffic will grow ,000 percent a year. The only strategy for dealing with something of this magnitude is to make sure the Internet plays a central role in your IR plans going forward.
- Online non-annual reports: It's possible that, before long, the annual report -- the bread and butter of an investor relations officer's communications plan -- will no longer be a report but a document or file on a Web site. Nor will it necessarily be annual; a company could easily update its financial report whenever new data is calculated.

The Web allows companies to be more current (financial information can be posted instantaneously) as well as more comprehensive (several years easily can be archived).

- **Obsolete paper proxy:** Electronic proxies are an idea whose day has come. It is more widely available than you might realize. In the not-too-distant future, all states will allow proxy voting, and a few years hence, electronic proxies will stand a good chance of replacing the paper proxy altogether.
- **Market developments:** All markets are becoming more international in their outlook in the way they search for information, collect that information and put that information to work. I had personal experience with this in July.

I spent a week in Warsaw, Poland, addressing employees of small and micro-cap companies listed on the Warsaw Stock Exchange at a conference on how to compete in capital markets.

This was as educational for me as it was for the Polish IR and public relations professionals.

This conference was co-sponsored by the Financial Services Volunteer Corps, which is focused on working with former Eastern Bloc countries, and the Central European Table of Offers, the small-cap market of the Warsaw Stock Exchange.

The whole point is that markets will only get more global in the future. IROs should be prepared for some long hours ahead.

- **Global communication:** Over time, the flow of capital is becoming more international. Only 10 years ago, only 100 non-U.S. companies claimed a place on the NYSE. That number is now approaching 500.

A positive trend is that companies must communicate globally, treating analysts and institutions everywhere exactly the same. Technology is making this easier. E-mail, teleconferencing and Web broadcasts all allow investors in far-flung places to meet and share information. But technology can't make the world a village, and IROs should be prepared to spend more time traveling in the coming years. Globalization will demand more direct contact work in Europe and Asia.

Consistency will continue to be important; even small shades of difference in messages will do harm in the global marketplace.

- **Twenty-four-hour trading:** Extended trading hours will become a reality. For the first time ever, technology has made this goal attainable. How 24-hour trading will come to pass remains to be seen.

Individual exchanges will most likely be linked electronically, forming what is in essence a 24-hour-a-day trading market. Cooperative arrangements are already commonplace among the European exchanges.

When more investors trade in a given company, overall demand increases, the possibilities for execution improve, and valuations go up. Good news for companies and investors alike.

However, early indications in the United States are that spreading demand over more hours actually decreases liquidity, leading to higher volatility and wider spreads outside of traditional trading hours.

- Global listings: IROs whose companies are listed on more than one exchange may already know what round-the-clock trading feels like. For larger U.S. companies, multiple listings will probably increase in the coming years.

The advent of shares flexible enough to trade on several exchanges at once will make it easier to target investors globally.

- Global accounting standard: Many non-U.S. accounting methods reveal less to investors than the generally accepted accounting principles (Gaap) in the States.

But a set of global standards is on the horizon that could allow investors to make sounder decisions about international markets. Ultimately, U.S. Gaap will merge with global accounting standards, making international trading far less complicated and safer.

Pam Lagano is with Lagano & Associates, a Clearwater-based firm specializing in communications for public and private companies.



Copyright 2001 American City Business Journals Inc.
[Click for permission to reprint \(PRC# 1.1651.503113\)](#)

All contents of this site © American City Business Journals Inc. All rights reserved