IR pros see change following birth of SEC's dot-com commission

By Craig McGuire

NEW HAVEN, CT: Whether they result in increased self-regulation or a new SEC rule, the findings of the Garten Commission are likely to change the way IR pros do their jobs. That's what many practitioners are saying about the panel, formed at the request of SEC chairman Arthur Levitt, to look into ways for valuating intangible assets in the New Economy.

"You need to communicate the value of these intangibles, like intellectual property, strategic relationships, new technology and patents," said Leon Berman, SVP and head of Makovsky & Company's IR practice. "It's especially key with New Economy start-ups, where sometimes there aren't any hard assets."

While the panel is said to prefer that New Economy companies adopt guidelines on their own, the SEC may pass rules if they don't. Meanwhile, investors are growing impatient.

"More and more, investors are putting on the pressure for the payoff," said Basil Ford, VP of IR at the William Mills Agency. "So the IR pro's challenge is to show how these intangibles are going to lead to a payoff – and for a lot of them, it's just not going to work."

The 15-member panel is led by Yale School of Management dean Jeffrey Garten and includes Enron CEO Kenneth Lay, among others. It has met several times since May, and a source close to one member said it plans to issue a report to Levitt by the end of this year.

GCI study reveals global M&A coverage in US is mostly negative

By Craig McGuire

NEW YORK: A GCI Group study has revealed that negative coverage of five large-scale global M&As exceeded positive coverage in the US media.

Jim Cox, EVP and managing director of GCI's North American corporate practice, said the study shows how challenging it can be to merge two distinct corporate cultures. "At a time when management wants to be building enthusiasm and a strong brand for the new company, the merger integration troubles are often competing for headlines," he said. According to the study, 41.7% of the major media news placements focused on negative issues, while 32.7% of coverage was positive and 25.6% neutral.

The five mergers analyzed were British Petroleum and Amoco; Citicorp and Travelers Group; Daimler-Benz and Chrysler; Deutsche Bank and Bankers Trust; and Exxon and Mobil.

A number of other M&A-related studies have pointed out that PR and IR pros working on these deals have their work cut out for them. An A.T. Kearney look at 115 global mergers between 1993 and 1996 revealed that 58% of the deals failed to create substantial returns for shareholders, while KPMG found that 83% of the 700 largest cross-border deals between 1996 and 1998 failed to produce shareholder benefits and that 53% actually destroyed shareholder value.

"One of the things that we see for law firms and companies is that they will shout how great the merger is going to be today, but then they don't follow up," said Levick president Richard Levick. "You need to continue to focus on the benefits to clients and consumers."

IR pros work to calm fears in wake of market volatility

By Craig McGuire

NEW YORK: IR pros took a cautious breather last week when markets rebounded following one of the largest point losses on record. But first, the volatility had IR pros on both the agency and client side scrambling to calm fears of a market collapse.

IR pros representing tech clients seemed to be hardest hit. "We received quite a number of calls from journalists seeking market commentary," said Jim Brown, president of BergerBrown Communications.

Not everybody, though, was as nervous as tech investors, according to Dix & Eaton SVP Mary Dunbar. "A lot of the companies in this area [the midwest] are old-line companies with positive earnings reports coming out," she explained. "So while they went down with everybody else on Friday, they recovered quicker."

Kurt Fawkes, VP of IR at Sprint, said he was "swamped because of our earnings," but said his internal team received few panicky phone calls from stockholders. "In terms of the market sell-off, our investor base understood that it was based on broad macros trends," he explained.

And Michael Rosenbaum, president of The Financial Relations Board/BSMG, described the drop as an opportunity for IR pros: "When stock prices go down, some companies slow down their IR efforts believing there's nothing they can do in the face of a weak market. However, there will be someone there to quickly fill that vacuum, marketing to those investors willing to listen."

Meanwhile, PR pros at the New York Stock Exchange had their own problems to worry about. "Not surprisingly, the call volume has been greater than usual," said NYSE spokesman Ray Pellecchia