company-wide initiative on diversity.[12] Many diversity strategies focus on sourcing a broader talent pool by developing agreements with recruitment providers and measuring the candidate pool on a quarterly basis. Many also focus on development programs for women such as mentoring and leadership training. Women in senior positions often participate in one-on-one mentoring initiatives or group coaching programs. Mentoring supports the development of women's networks, skills and confidence.

The more progressive firms provide diversity awareness and skills training for men and women, particularly at senior levels. This enables executives and board members to become 'consciously competent' on diversity and inclusion. Male and female executives who are aware of their own biases and open to learning tend to become skilful and passionate advocates of diversity.

Organisations such as Hewlett-Packard, Orica and Caltex offer diversity learning initiatives. This ensures that a common language and understanding of diversity is shared across the organization. The focus of this learning in the most progressive organisations is on building diversity 'mindfulness' — supporting leaders to build their awareness of biases and their skills in managing a diverse workforce.

The fourth area of best practice involves metrics. Strong diversity performance relies on the integration of diversity-related metrics into key performance indicators or scorecards. These include diversity measures on hires, promotions, attrition, retention, parental leave return rates, and employee engagement scores among others.

In addition, a number of companies have set targets or 'measurable objectives' for the percentage of women at senior management and executive levels. This will be required by the amended *Corporate Governance Principles and Recommendations*. Setting targets requires an understanding of the percentages of women at management levels and those identified as 'high-potential'. It also helps to know industry comparisons. Companies then have a strong understanding of the internal and external pipeline and can set realistic targets.

Hewlett-Packard globally had a target for many years to increase the percentage of women in leadership positions by a minimum of one per cent in all countries where it operates. Similarly, Telstra publicly set a target in 2010 to increase representation of executive women by at least one per cent.

Conclusion

Efforts to improve gender diversity on boards are both timely and called for. Aside from important considerations of equity, these efforts are underpinned by the sound business objective of improving performance, supported by various research findings.

It is pleasing to see both the Australian Institute of Company Directors[13] and the Business Council of Australia[14] taking positive action to promote gender diversity at board level. Both have initiated programs where experienced chairmen and CEOs are mentoring talented women with the stated objective of improving the representation of women on the boards of our largest listed companies.

Significantly improving the gender diversity of Australian boards will require a sustained effort. We should not expect immediate change. Nevertheless, there are encouraging signs. In the first four months of 2010, there were 15 female appointments to ASX 200 board positions, more than throughout all of 2009.[15]

With the increased public focus on gender diversity, and the pending changes to the *Corporate Governance Principles and Recommendations*, shareholders at this year's annual general meetings are likely to ask boards to explain what they are doing to promote board diversity and prepare for the changes. Leading companies will be well prepared for these questions.

Katie Spearitt can be contacted on 0429 185 700 or by email at katie@diversitypartners.com.au. Sam Butcher can be contacted on (03) 9572 5664 or by email at sam.butcher@drascombe.com.au.

Notes

1 Equal Opportunity for Women in the Workplace Agency, 2008, *EOWA Australian Census of Women in Leadership*, International board data gathered by the Diversity Consulting Company
2 Department of Families, Housing, Community Services and Indigenous Affairs, 2009, *Review of the Equal Opportunity for Women in the Workplace Act 1999* — Issues Paper, p 4
3 Corporations and Markets Advisory Committee, 2009, *Diversity on Boards of Directors*, p iii
4 Catalyst, 2004, *The Bottom Line: Connecting Corporate Performance and Gender Diversity*, p 2
5 Chief Executive Women, 2008, *The business case for women as leaders*, Discussion Paper
6 McKinsey & Co, 2008, *Women Matter 2: Female leadership, a competitive edge for the future*
7 Page S, 2007, *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies*, Princeton University Press
8 Spearritt K and Ryall D, 2009, *Submission to Australian Government Review of the Equal Opportunity for Women in the Workplace Act*; Piterman H, 2008, The Leadership Challenge: Women in management
9 Walters K and Lindhe J, 2010, 'Why Business Men Need Women', *Business Review Weekly*, 20–26 May
10 Drawn from Morrison A, 1993, *The New Leaders: Leadership Diversity in America*, Jossey-Bass
11 Chanticleer Survey, *Australian Financial Review*, 'CEO Survey: The Big Questions Ahead for 2010', 29 December 2009–3 January 2010
12 2010 Catalyst Award Winners, http://www.catalyst.org/page/69/catalyst-award-winners [9 June 2010]
13 Australian Institute of Company Directors, 2010, *The Boardroom Report*, Vol 8, No 8, 5 May
14 Business Council of Australia, 2010, 'CEOs Step up to Take Direct Action on Women in Top Jobs', News Release, 31 March, www.bca.com.au/Content/101669.aspx [9 June 2010]
15 AICD, op cit ■

Meeting the challenge of investor relations

By Tom Murrell, Managing Director 8M Media & Communications

- Branded investor relations model presents a framework for aligning investor relations activities with the vision, mission and core values of an organisation
- Challenge of the timing and amount of information disclosed to the market reverses traditional governance and compliance thinking
- Core of investor brand is generation of shareholder wealth through a professional investor relations plan

Investor relations is an inexact science. Unlike an accounting balance sheet there is no right or wrong answer. It is a balancing act.

The new dynamics of continuous disclosure, greater compliance, second-by-second share market analysis and increasingly demanding shareholders make the role of an investor relations professional a challenging one that goes beyond the occasional contacts demanded at annual general meetings (AGMs).

This article introduces experienced and aspiring company secretaries and directors to the new concept of branded investor relations (BIR).[1] In today's crowded, noisy and information-saturated marketplace, governance professionals need to look at new ways of influencing share markets and communicating with shareholders.

The BIR model presents a framework for aligning investor relations activities with the vision, mission and core values of an organisation.

Underpinning this concept is the challenge of the timing and amount of information disclosed to the market. Too much and you lose market credibility and too little and you lack visibility with your share price being undervalued by the market.

This overturns traditional governance and compliance thinking, which is often based on accounting or legal frameworks.

The new approach is based on the governance professional's role in releasing information to the market in a timely way with messages that are compliant but also reinforce the core values and brand of an organisation.

Central to this concept is the ability to generate *shareholder wealth* through a professional investor relations plan.

Put yourself in a broker's shoes

Out of 1.5 million companies registered in Australia, more than 2,000 are listed and traded on Australia's national stock exchange, ASX. Out of these 2,000 stocks, which ones do stockbrokers monitor, trade or recommend as a buy or sell to clients?

Stockbrokers operate in an increasingly changing and competitive environment. We know there's a strong demand for broking services because the 'Find a Broker' referral service on the ASX website is generating 1.4 million unique visitors per month.[2]

Today the competition is coming from non-advisory brokers. These brokers don't offer recommendations or advice regarding the appropriateness of a decision, so their brokerage fees tend to be lower. This is an attractive option for investors confident in their sharemarket knowledge and trading decisions. They are typically either internet-based or telephone-based.

The internet, social media and the speed at which information flows around the world has changed the investment landscape forever.

If you are a company secretary for one of these 2,000 listed public companies, how do you get your message out to a stockbroker in an increasingly complex world?

Do you forget influencers like stockbrokers altogether and concentrate on new informal social media channels? Do you set up a Facebook page and log into chat rooms like Hot Copper and spend your time monitoring and engaging in discussion?

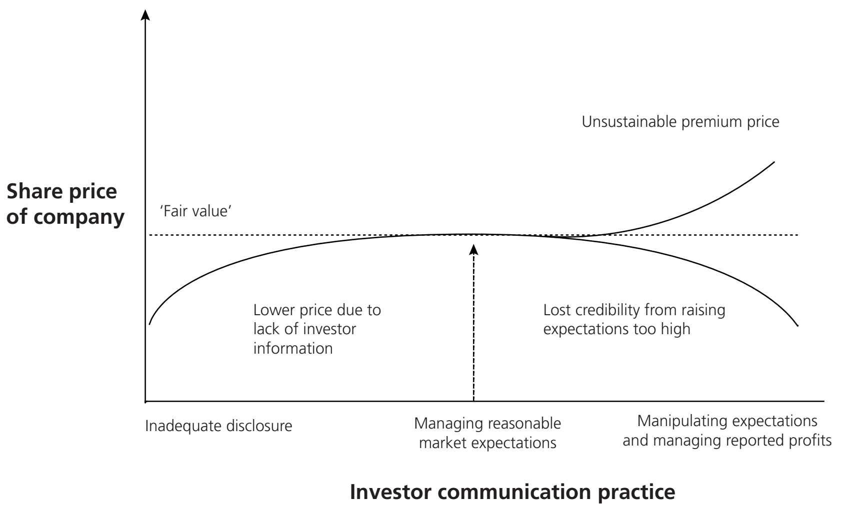
At the recent launch of CSA's new Certificate in Governance and Risk Management, well known company director and chairman Nick Greiner AC outlined that listed companies were now discussing their company's social media policy at board level.[3] He believes there are reputational, governance and compliance risks posed by social networking.

Recent research suggests that individual share investors fall into a number of groups with distinct preferences for particular share characteristics.[4] They argue the majority are relatively risk-averse and seek stable investments. An important source of advice for these investors is their stockbroker. But how well do stockbrokers understand clients' attitudes and preferences?

Academics suggest that retail stockbrokers overestimate their clients' willingness to take risk and to invest in more speculative stocks. As on-line stock broking is providing significant competition to the traditional full-service broker, stockbrokers must understand their clients' needs. If this is not the case, it may be difficult for retail stockbrokers to give appropriate advice or for a fruitful adviser-client relationship to be established.

My premise is that the world of broker communications and investor relations is changing rapidly. Governance professionals need a new paradigm.

Figure 1: The investor relations balancing act



Source: *The Centre for Corporate Public Affairs*

The credibility gap?

Let me give you a practical example of investor relations in action within this new environment. Figure 1 highlights the concept of the investor relations balancing act. Finding a fair value for a stock is the challenge and the goal is to manage reasonable market expectations.

Many company secretaries come from an accounting and legal background and they are brilliant at compliance. But their investor relations activities suffer from what I call the *credibility gap*. The information they release to ASX is compliant, but lacks credibility. This is because of the manner in which it is presented. Or they release too much or insignificant information and this also reduces their credibility.

My theory is based on the formula:
Credibility + Visibility + Compliance
= Fair Shareholder Value.

You can build credibility through *reputational capital*.[5] Like financial capital, reputational capital flows to where it's wanted and stays where it's well looked after. Reputations take years to build and can be lost in seconds. Meetings can be flashpoints if investor expectations are not met or managed effectively. You can buy a logo or an image, but you have to earn a reputation and work to maintain it.

My premise is that those organisations with the strongest internal values have the most powerful external reputations. Organisations with the strongest reputations are the most profitable.

Value of reputation

Reputations are forged during difficult times. Given the recent global financial crisis, there has never been a better time to invest in your reputational capital.

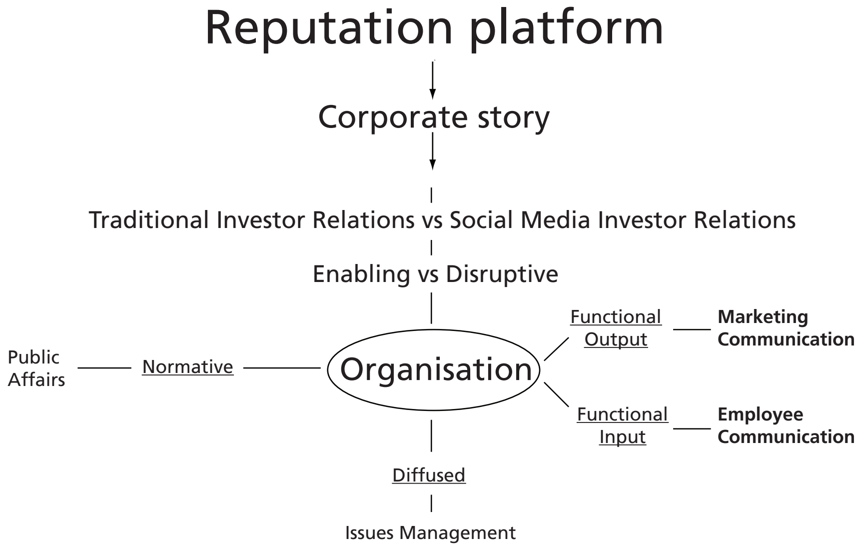
Reputation is a difficult concept to define. Here are three proposed definitions:
- the general opinion of the public towards a person, a group of people, or an organisation[6]
- 'goodwill'
- the strategic standing of the organisation in the eyes of its customers.

There are nine distinct perspectives on reputation:
- marketing — positive associations equal supportive behaviour
- economics — key strengths and competitive advantages
- strategic management —attract and retain customers, staff and shareholders
- sociology — impression management
- organisational science — sense making and sense giving through storytelling[7]
- accounting — intangible asset that measures the difference between book value and market value
- legal — compliant and not breaking the law
- governance — being ethical and transparent
- synergistic — all of the above working together.[8]

Because of the changing nature of stockbroking and the rise of financial information on the internet, clever companies are carrying out what I call 'disruptive investor relations', eschewing traditional communications and striking up a direct conversation with their shareholders.[9] Figure 2 demonstrates how this new disruptive style investor relations fits into more traditional corporate communications models.[10]

The benefit of being able to use this model as a governance professional is that you build trust, credibility and strong brand awareness among existing and potential

Figure 2: Disruptive v traditional corporate communication



shareholders and investment influencers quickly and cost effectively.

In essence the reputational platform is built on the corporate story and this is about the '*narrative and the numbers*'.

But few Australian businesses are able to harness the power of storytelling to influence and create shareholder value. Most get bogged down in compliant legalese that no one can understand. There are simply too few people following the lead of people like Sir Richard Branson, using social media creativity, innovation and story telling to build brands that can dominate the competition. Many governance professionals around Australia are dying a slow death by PowerPoint in dimly lit boardrooms.

Successful companies rely on emotionally engaging shareholders at AGMs and using other communications channels and a media-savvy approach to create shareholder value, often with a high profile CEO who becomes the brand champion regularly making connections through social media. Speaking frankly about Virgin Blue's approach, former CEO Brett Godfrey said 'We have a simple philosophy — Richard Branson is our walking, talking billboard.'[11]

Here's how someone like Branson created shareholder value.

1. Create a name that is memorable and distinctive.
2. Tell a story behind the name that captures the imagination of potential investors.
3. Use word of mouth marketing and be media savvy by seeking out free publicity.
4. Align your company's core values with those of your staff, shareholders and customers.
5. Create brand champions inside and outside of your company to help tell the story.

Branded investor relations

How can you harness the power of branded investor relations?

First, let's define investor relations:

> a strategic management responsibility that integrates media, stakeholder, finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, the media, and other stakeholders, which ultimately contributes to a company's securities achieving fair valuation.[12]

This is slightly more complex than a traditional investor relations definition:

> the consistent building and maintaining of relationships with existent and potential suppliers of capital.[13]

Complexity v simplicity

The relationships and communications channels within the investor relations function make for a complex process. In larger companies the typical investor relations professional provides advice to the CEO and board. In smaller organisations this may be outsourced to consultants or the role is taken on by the company secretary.

Their job description is to be responsible for the monitoring, investigation and management of all the company's current and potential investor relations activities including managing relationships with shareholders, prospective investors and associated entities.

Specific responsibilities may include:

- analysis of a company's share registry
- analysis of trends relating to the industry sector
- actively develop the company's profile
- establishing and maintaining a clear line of communication with investors and stakeholder inquiries
- managing investor relations activities including developing and maintaining relationships with shareholders, stock exchange, media, regulatory bodies, industry associations and appropriate community organisations
- overseeing the distribution of company reports, analysis and information to investors, prospective investors and stakeholders
- advising on and management of investor and ASX compliance issues: and
- advising the CEO of trends, significant changes and analysis of the broader market.

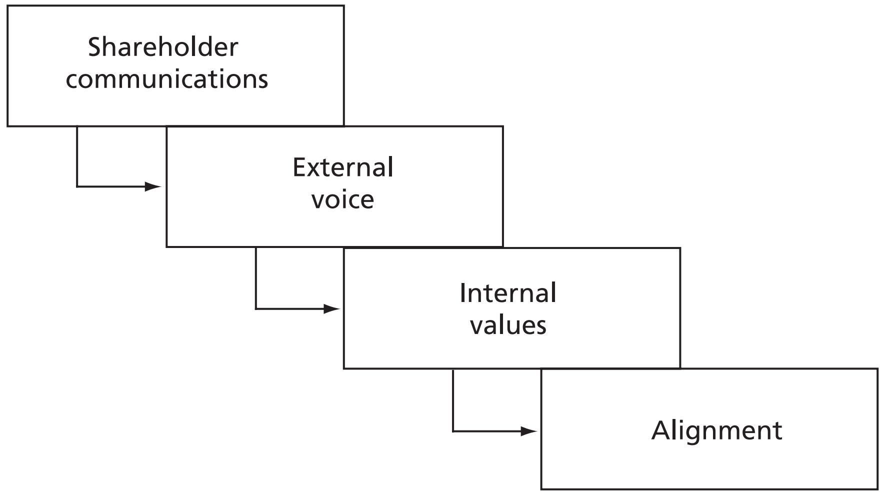
Great brands on the other hand are successful because of their simplicity. This is the challenge to turn the complex (investor relations) into the simple (singular brand vision, mission, purpose) into the compelling (story).

Why is it important to link investor relations activities to the brand of an organisation?

- Brands drive respected reputations, enhanced reputations result in higher financial returns.
- Brands provide consistency and alignment to deliver not only on functional values and emotional connections but on promised experiences.
- Those with the strongest internal culture have the most powerful external brand.[14]

This has led to the development of the concept that an organisation's values must be aligned with those of its shareholders. See Figure 3.

Figure 3: Evolution of branded investor relations



The drivers of BIR are:

- financial performance
- shareholder experience
- social responsibility leadership
- community linkages.

A good BIR program can reduce the cost of raising new capital and achieve a fair value for the company's share price, while increasing the liquidity of shares and help avoid hostile takeover attempts at an inadequate price. These activities must meet the three Cs of BIR:

- *comply* with regulations
- *create* a favorable relationship with key financial audiences
- *contribute* to building and maintaining the company's image and reputation.

Visibility for your brand — investment value proposition

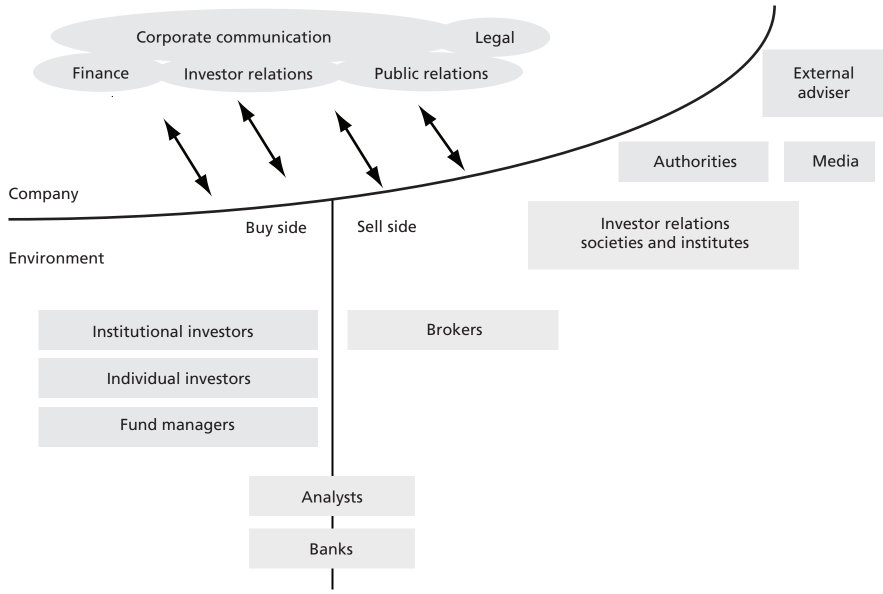
Why do some organisations seem to continually receive positive media attention, publicity and a great share price? It's really quite simple: they understand how the media works, understand that the media are different to brokers and investors and realise that visibility is critical to success.

They are able to successfully manage the media effectively. They are clever at working with the media rather than against them. Like Richard Branson, they are skilful at gaining the attention of editors and journalists and generating thousands of dollars of media coverage for free.

How do they do this? Well, first they understand the not inconsiderable differences between the various media and stakeholders within the investment community. They realise that different media and stakeholders have diverse and specific requirements for their news. In short, they know that media audiences are different to other audiences.
(See Figure 4).

While a media release is an effective way of getting the media's attention, it's different to an ASX announcement.

Figure 4: Target audiences for investor relations activities



Source: van Riel and Fombrun, p185

- Journalists look for the most newsworthy angle, while an analyst wants to know why what you are saying is important to the marketplace.
- Analysts want hard facts more than journalists. They can't be bluffed by statements made without substantiation.
- Analysts are not concerned about the immediate; they look at the longer term.
- Reporters look for different angles to the company news, while analysts look for the same type of information each time — hard data, customer attitudes and indicators that the company is well-managed.[15]

Before preparing your media release you have to clarify your communication objectives. Are you trying to provide information, build a profile for your organisation or product, influence shareholder opinion or achieve a higher share price? You have to clearly define what you want to do, what you want to say and how you want to say it.

The next step is to determine your target audience. Are they analysts, brokers, institutional investors, hedge fund managers, or retail shareholders? Once you have determined your target audience, you have to evaluate the demographics of this audience. What age are they, what is their level of education, geographic location, their beliefs and values? How likely are they to attend AGMs?

How do they access information and what media do they predominantly use? What newspapers and magazines are they reading? What TV programs are they watching and what radio stations are they listening to? Also what websites are they visiting and which ones are they book marking as favourites? What are their social media habits? The market intelligence you gather about your target audience will assist in determining what channels of communication you will use to convey your message.

In reaching retail shareholders, there are nine share buying styles to be aware of that will influence your communications strategy:

- media believer — what they see in media is the true picture
- share loyal — top of brand/share loyalty pyramid
- cautious — no unknown stocks
- conformists — approval from friends, neighbours, family, peers and influencers
- ecologists — environmentally friendly stocks
- economy-minded — specials, bargains, discounts, no broker fees
- experimenters — variety, novelty
- impulsive — spur of the moment
- style conscious — strivers, achievers, status-seeking.[16]

New media

Social media is changing the way investor relations professionals communicate. The facts on social media are that:

- people are still watching, listening and reading
- credibility and brand still critical
- you have to create tailored messages for audiences
- you have to deal with responses, which may be contradictory
- localisation is important.

This means that messages must be:

- personalisable
- customisable
- interactive
- scaleable
- measurable.[17]

So what's news?

One of the keys to getting noticed in any form of media is that you have to stand out from the crowd. In the media industry this is known as 'the hook'. Media outlets often receive hundreds of media releases a day and ASX receives thousands of announcements. If your ASX announcement is not crafted into a pithy media release and sent directly to the media, it will not stand out from the crowd and it will be less likely to be published. Your message has to have strong news value rather than just be compliant and meet continuous disclosure rules.

The criteria for news value often overlap:

- immediacy
- conflict

- consequence
- topicality
- drama
- proximity
- relevance
- human interest.

There are many ways that you can stand out from the crowd and gain news value to build your brand, some of the most effective are:

- becoming an expert. Position yourself as a leading authority or expert in the particular area that you are trying to publicise
- having a gimmick. Create an angle, something quirky or unusual or a message with human-interest appeal. Who can forget Dick Smith towing an iceberg into Sydney Harbour or his 'Dickheads' brand of matches?
- standing for something. Take a stance on a particular topic or issue. Many activist groups do this to achieve social change
- releasing a new product. Something new and innovative is almost guaranteed to receive media coverage.
- being controversial. Controversy attracts the media, but beware of being too controversial, as it may backfire and you could wind up with a decrease in your share price.

Media-savvy professionals develop and maintain long-term relationships with the media. Media coverage generates credibility through third-party endorsement and provides social proof that traditional advertising can't match. This creates momentum, torque and leverage.

The downside is you have reduced control and that is why media training is recommended for all company spokespeople and the use of media releases to control the message.

Planning your approach

It is critical to plan your approach to BIR. This is presented in three steps:

1. *Scenario planning and audit — where are we now?*
   a) Decide your aspirations.
   b) Is cultural change required for internal audiences?
   c) Decide your objectives.
   d) Create a narrative for your BIR by conducting an audit, distilling the essence of the message and aligning it internally.
   e) Decide which resources are to be devoted to internal and external audiences.
   f) Evaluate progress so far.

2. *Strategy — where do we want to go?*
   a) Set goals that are SMART (specific, measurable, attainable, realistic and timely).
   b) Focus on regulation, relationships and reputation.
   c) Target appropriate stakeholders.
   d) Decide the financial messages to send the stakeholders.
   e) Decide the appropriate financial communications channels.
   f) Conduct a health check on your BIR.

3. *Implementation — developing influence*
   a) Align social capital.
   b) Leverage the power of experts with strong personal reputations.
   c) Align values with those internal stakeholders with strong internal reputations.
   d) Speak and write about your strategy.
   e) Engage media and other third parties.
   f) Manage any legacy issues that arise.

Top ten tips on branded investor relations

These are ten success tips that will help implement a successful investor relations plan.

1. Clarify your mission.
2. Have a plan and set some goals and strategies.
3. Know your strengths and build on these.
4. Identify and talk to investors.
5. Be compliant and transparent.
6. Be the interface between retail and institutional investors.
7. Let people know about your activities — consistently, timely and regularly
8. Develop relationships with analysts.
9. Build, brand and sustain your reputational capital.
10. Evaluate and review on a regular basis.

Tom Murrell can be contacted on (08) 9388 6888 or by email at tom@8mmedia.com. www.8mmedia.com

Notes

1 Murrell TAC, 2007, *Essentials of Investor Relations*, Seminar delivered in Manila, Philippines, 3 October
2 www.asx.com.au [28 May 2010]
3 Greiner N, 2010, 'Launch of CSA Certificate in Governance and Risk Management', 14 May, http://www.csaust.com/Content/NavigationMenu/TechnicalResources/Podcasts/Governance_podcasts.htm [28 May 2010]
4 Clark-Murphy M and Souter GN, 2008, *Journal of Financial Services Marketing*, Vol 13 No, pp 135–149
5 Murrell TAC, 2010, *Essentials of Media, Stakeholder and Investor Relations*, Chartered Secretaries Australia Seminar, Perth, 13 April
6 www.wikipedia.com [28 May 2010]
7 See also Moodie A-M, 2010, 'Telling the corporate story', *Keeping good companies*, Vol 60 No 3, pp 140–143
8 Adapted from van Riel CBM and Fombrun CJ, 2007, *Essentials of Corporate Communication*, Routledge, Abingdon, p 50
9 Murrell TAC, 2010, *Writing ASX and Media Announcements*, Chartered Secretaries Australia Seminar, Perth, 11 March
10 Adapted from van Riel and Fombrun, op cit, p 182
11 Burbury R, 'Marketing 2002', *BOSS Magazine*, May 2002, p 9
12 Murrell, 2007, op cit
13 Netherlands Association of Investor Relations, www.nevir.nl
14 Murrell, 2007, op cit
15 Harrison K, 2007, *Strategic Public Relations*, Century Consulting
16 Adapted from Barban AM, Cristol SM and Kopec FJ, 1993, *Essentials of Media Planning*, NTC Business Books
17 Laudi M, 2007, CEO Investor Central, Personal Communication ■

'Two strikes' and you're out — preparing for the future of voting on remuneration reports

By Bill Koeck, Partner, Lisa d'Oliveyra, Senior Associate and Corey Lewis, Senior Associate, Blake Dawson

- The government intends to legislate to give shareholders the opportunity to remove directors if a company's remuneration report receives a 'no' vote of 25 per cent or more in two consecutive years
- Although managing director would be exempt, a near-total board spill is possible
- Potential for major shareholders to destabilise the board

On 16 April 2010, the government released its response to the Productivity Commission's report *Executive Remuneration* in Australia. The government supports most of the Productivity Commission's reforms to the director and executive remuneration framework. One of the more contentious changes is the 'two strikes' board spill proposal, which has the potential to greatly affect the board composition of listed companies.

The government intends to introduce legislation in 2010 to implement this reform, with the reforms to take effect on 1 July 2011. Further public consultation will be undertaken on the legislation for the 'two strikes' proposal during 2010.

The Productivity Commission's 'two strikes' proposal

The Productivity Commission's Recommendation 15 (which is supported by the government) is:

> The *Corporations Act 2001* should be amended such that:
>
> - where a company's remuneration report receives a 'no' vote of 25 per cent or more of eligible votes cast at an annual general meeting (AGM), the board would be required to explain in its subsequent report how shareholder concerns were addressed and, if they have not been, the reasons why
> - where the subsequent remuneration report receives a 'no' vote of 25 per cent or more of eligible votes cast at the next AGM, a resolution be put that the elected directors who signed the directors' report for that meeting stand for re-election at an extraordinary general meeting (the re-election resolution). Notice of the re-election resolution would be contained in the meeting papers for that AGM. If it were carried by more than 50 per cent of eligible votes cast, the board would be required to give notice that such an extraordinary general meeting will be held within 90 days.

The Productivity Commission also explains some of the terms used in its proposal as follows.

- 'Elected directors' excludes any director not required to submit for election (for example, managing directors) under ASX Listing Rules.
- 'Eligible votes cast' — Directors and key management personnel would be prohibited from voting their own shares, or undirected proxies held by them, in relation to the remuneration reports and the re-election resolutions. Normal voting protocols would apply to the re-election of directors.
- 'Director re-election' — If the re-election (or spill) resolution is carried, all directors would continue in their position until the EGM, at which time they would present individually for re-election. If re-elected, the terms of appointment for those directors would continue as if uninterrupted.