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New Technologies and Financial Communications: The Opportunities and Risk of Social Media and Other Online Tools for Investor Relations

Investor relations is a strategic management responsibility that integrates finance, communication, marketing, and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation.

-- National Investor Relations Institute, 2003¹

Investor relations (IR) professionals need the ability to effectively manage the timely *disclosure* of firm information and the *dissemination* of that information to as broad an audience as possible. This reduces information asymmetry among constituents (retail investors, institutional investors, analysts, etc.) and promotes the fairest trading environment possible. This is a difficult task to accomplish, and IR professionals have long struggled with the limitations of traditional methods of disclosure.

Examples abound. Not all investors are available to attend in-person annual meetings; information intermediaries who are typically relied on to disseminate firm information (i.e. the press and analysts)² are constrained by resources, airtime, and space when prioritizing the firm news they can distribute to investors.³ Further, analysts and the press are biased toward coverage of high-visibility firms.⁴ As a result of these constraints, many publicly traded companies experience difficulties in getting their disclosures widely disseminated to the public on a timely basis.

"Disseminating information through traditional channels and making financial statements available in one format are no longer enough," argued Darrell Heaps, president and CEO of Q4 Web Systems, a leading provider of online investor relations solutions. "The world is adopting social media in record numbers ... Adding social channels to distribute information ... will increase your audience reach, empower people to engage with your company and give them a better understanding of your investment proposition," he explained.⁵



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