The transparent corporation

There is an unmistakable push by the government and the corporate regulators to enhance and expand the corporate disclosure regime. Former BRW editor David Uren provides a user's guide on how companies should manage the new disclosure regime. **BILL BEERWORTH** provides this review.

David Uren is an information management professional. He edited BRW for nine years and is now an investor relations practitioner. A cynic might propose that his book is a gentle pitch for that nascent profession and his role in it, and he does suggestively append the *Australian Investor Relations Association Best Practice Guidelines*—a sort of 'dummies' guide' to achieving felicitous corporate disclosure and trusting stakeholders.

But the book is more than a marketing exercise. It contains a great deal of useful and topical commentary about the history, evolution and direction of the core ingredient of securities valuation and regulation—the disclosure and use of timely corporate information.

In pursuing these themes, he touches on many areas of the contemporary debate, including valuation theory, insider trading, the efficient market hypothesis, corporate governance, shareholder democracy, agency theory and a dozen related topics. It is not a textbook, but it is an informative primer about the development of securities regulation in Australia and a contextual guide to subjects of current contention.

The work is a little ponderously divided into six parts, commencing with the utility of corporate information, an explanation of the earnings game, communication modes, the importance of governance, the impact of information and the management of disclosure. What makes it interesting is the interweaving of historical snippets and examples of good and poor corporate disclosure. The illustrations have particular impact because they are modern.

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The first part demonstrates the ferocious market reaction if information is not fully disclosed in a timely manner and the long-term impact on personal and corporate reputations.

The prime example is the AMP's failure in 2002 to disclose its need for capital in its UK operations. There follows a discussion of managing the balance of corporate secrecy, public disclosure and stakeholder trust. A review of "information crimes" is next, being insider trading and failure to disclose continuously. The unifying theory of the efficient market is revealed.

The "earnings game" is explained as the ongoing ritual battle between management and corporate analysts to assess likely earnings accurately. The conflict between analysts and investment bankers is discussed. Accounting principles and the "vagueness" of profit are considered along with the corresponding audit issues.

Next is the role and use of the media, the significance of whistleblowers and the information available to retail investors. Attention is given to directors, agency theory, shareholder democracy and the need for honesty. The changing mood of investors and stakeholders leads to a review of the need for the triple bottom line and the notion of corporate responsibility.

The determination of ASIC and ASX to ensure a single, continuous and timely information market is discussed in detail, as is the need for systems and culture to achieve proper disclosure. Brief comparisons of other regulatory regimes are provided. The psychology of markets is considered with the efficient market hypothesis.

In view of its genesis, the final part deals with "defensive communications" or how managed communications at the right time and through appropriate media can enhance corporate reputation and market perceptions. Investor relations is, after all, a subset of public relations. Timing and context is critical in the release of information.

The book is a readable canter through a series of interrelated information topics. It is a worthwhile read for any securities professional or intelligent investor. ■

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