

SHAREHOLDER BASE MANAGEMENT IN COMPANIES IN THE NEW MARKET LISTING SEGMENT OF THE BOVESPA STOCK MARKET

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Abstract

The study analyzes the characteristics of the investor relations departments at Brazilian listed companies in the New Market listing segment of the Bovespa stock market and their shareholder base management practices. Data were collected through questionnaires sent to 100 companies in this segment in June, 2008, 21 of whom responded. The results show that most companies are still managing their shareholders base inefficiently and making inconsistent use of performance indicators. The study also revealed that there are few options of technological IR tools on the market to help IR departments to obtain the potential benefits of shareholders base.

Keywords: stock market, Brazil, market listing

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1. Introduction

Brazil has witnessed an exponential growth of investor relations (IR) activities, especially during and after the wave of companies going public in the years from 2004 to 2007. Following the regulamentation of the segments of corporate governance, Brazilian governmental and publicly traded institutions, such as the Brazilian Securities and Exchange Commission (CVM) and the São Paulo stock market (Bovespa), presently demand that all companies appoint an IR manager to handle information requests from present and former shareholders, potential investors, specialized Press agencies, analysts, regulatory agencies and other stakeholders.

The IR director is a key player in the company/market relationship and is responsible for providing the market with information on company performance and for informing company administrators of the investors' and analysts' perception of the company's performance.

The activities of IR professionals include meeting the demands of shareholders and capital market regulations and preparing and managing communication between the company and the market. When dealing with shareholders, knowledge of the company's shareholder base is essential to design strategies for each target group and thereby increase liquidity and company value.

The present study is an analysis of the IR and shareholder base management of Brazilian public companies in the New Market listing segment of the BOVESPA stock market. The specific objective was to identify the shareholder base management tools used by the companies, the major difficulties and benefits encountered in IR management and the use, if any, of indicators to evaluate shareholder base management performance.

Following this introduction, Section 2 provides an overview of IR and shareholder base management; Section 3 describes the methodology employed in the study; Section 4 includes compilations of collected data and a discussion of our findings; Finally, Section 5 summarizes our conclusions.

2. Investor relations

IR activities gained momentum early in Europe and the US where capital markets were already developed and companies were soon hiring professionals specialized in writing reports on financial and operational results and in meeting investors' demands (Marston, 2008). A relatively novel activity in Brazil, IR management only truly picked up in the nineties and boomed in the period 2004-2007 when a large number of Brazilian enterprises opened their capital.

According to Agarwal and coworkers (2008), IR activities have grown significantly over the last decades in response to stakeholders' demand for

transparent financial information. Allen (2002) associates the great leap of importance in IR management with the aftermath of the Enron scandal, as stakeholders started demanding greater transparency and information quality and IR professionals found themselves facing the challenge of rehabilitating the confidence of investors.

Costa (2001) claims that for companies desiring to remain competitive on the market it is indispensable to establish a department of investor relations increasing company visibility and contributing to the company's image on the financial market. Presently, enterprises transitioning to open capital regime already employ IR professionals in the building of a solid relationship with the market.

The National Investor Relations Institute (2007), a US-based institution for IR professionals, defines IR management as:

"[...] 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."

According to the Brazilian Investor Relations Institute (IBRI) and the Bovespa stock market (2007,

p. 11), IR professionals play a strategic role in the company as they are responsible for communicating internal information to external constituencies and for bringing feedback to the company administrators thereby improving internal practices and satisfying market demands. This view is expressed by Higgins (2000, p.26) who believes that IR professionals should participate actively in high-level administration since they are aware of the market's evaluation of the company's performance and can ensure information regarding strategic activities reaches the financial community.

Mahoney (2007, p. 45) found IR management to be directly associated with the value of the company. IR professionals are expected to inform company administrators regularly of how the market evaluates the company's performance so company strategies may be aligned with the context of value generation.

To do a good job, IR professionals need ample access to fresh and precise information, whether it be on macroeconomics, the targeted market segment or the company itself. According to Higgins (2000, p. 76), the information flow between the company and the market should basically follow a triangle pattern; that is, information should travel from the high-level administration through the IR manager to the investors, and back the same way (Figure 1).

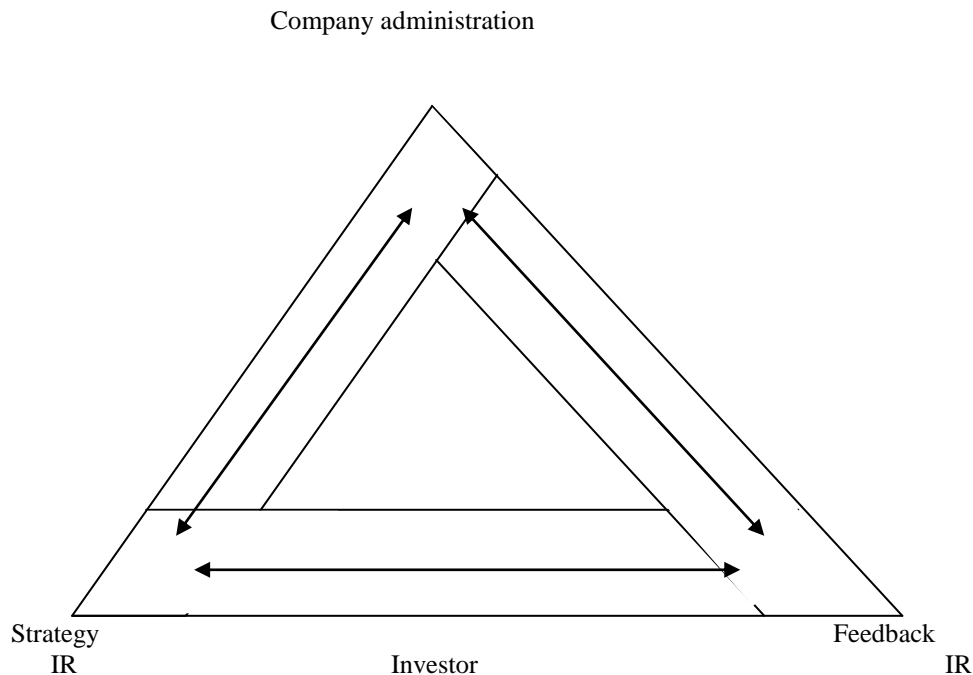


Figure 1. Investor relations triangle

Source: Adapted from Higgins (2000, p.78)

According to IBRI and Bovespa (2007, p.35), the main objectives of an IR program is to provide quality information to analysts and investors, to expand the shareholder base, to identify investors matching the company profile, to ensure company information represents the actual value of the

company and to give high-level administrators qualified feedback from the market.

An efficient IR program, says Higgins (2000, p. 70), should reflect the 4 C's of investor relations: *compliance* to norms and requirements of disclosure, *credibility* with the entire financial community and

the internal administration, *commitment* to company management policies and *consistency* between company actions and what is communicated to the market.

The daily work of an IR professional includes the writing of documents to meet the regulations of the capital market, direct contacts with domestic and foreign shareholders, the building of relationships with buy-side analysts (who evaluate companies and effect the purchase and sale of shares) and sell-side analysts (who publish company evaluation reports) and the development and updating of a range of communication tools, such as IR websites, financial results conference calls, individual meetings and public presentations of results.

To carry out these tasks, IR professionals must interact with several different company divisions and develop good interpersonal relationships, both internally and externally with the market.

Bushee and Miller (2007) believe that interactions with buy-side analysts are crucial to the long-term success of any IR program. However, other factors play an important role, such as the coverage of analysts and the media which, if properly done, does much to increase the visibility of the company. In fact, all activities aiding IR professionals in their efforts at achieving and maintaining fair valuation should be considered essential to the development of a successful IR program.

IBRI and Bovespa (2007, p. 37) recommend the adoption of IR indicators to evaluate the relationship between the company and its investors, measuring the evolution in the number of analysts monitoring the company, the number of public meetings, the number of individual meetings and interactions with investors, share volatility and liquidity as well as the size and, if applicable, the composition of the shareholder base.

In addition to the indicators above, Mahoney (2007, p. 371) observes that IR management performance should also be evaluated by the quality of the information provided at meetings, in published reports and on the company website.

The evolution of volatility, liquidity and shareholder base size can be significantly promoted by proper shareholder base management. A study by Merton (1987) shows that falling demand curves for shares of companies with small shareholder bases indicate a smaller market value even when good results are expected. Likewise, Amihud and colleagues (1999) found that the appreciation of shares in Japanese enterprises was positively correlated with the size of the shareholder base. Thus, efficient shareholder base management may serve as a means to attain satisfactory levels of indicators.

2.1. Shareholder base management

Managing the shareholder base involves monitoring the entry and exit of shareholders in order to develop relational strategies capable of attracting and/or

maintaining interest in the company's shares as an investment opportunity on the capital market. It helps the company identify the profile of its shareholders and provides the information required for the planning of communications with present and former shareholders and potential investors. The activity is usually carried out by IR professionals in the company who are in direct and continual contact with the market.

Shareholder monitoring begins when the IR manager receives the consolidated shareholder base position from the company's custody agent. IR professionals can use this information as they please, dealing with shareholders individually or grouping funds administered by the same company. Some companies organize the information in spreadsheets while others manage their shareholder base with commercially available or self-developed software.

A range of useful technological tools are available for shareholder base management. Domestic and foreign software products make it possible to view the history of shareholder entries and exits, new investors and the largest purchases and sales over a given period. Some of these tools can group shareholders in different ways so IR managers can view entries and exits individually or as companies managing multiple assets.

According to IBRI (2008, p. 112), the adoption of technological IR management tools is necessary to deal with work demands and respond to inquiries. At present, the most widely used systems are Customer Relationship Management (CRM) and Extensible Business Reporting Language (XBRL).

The adoption of a CRM system allows to integrate people, processes and technologies to the benefit of the company's investor relations (IBRI, 2008, p. 112) and to identify specific interest groups for the improvement of communications and services.

Companies using technological tools can better keep track of investor entries and exits and variations in the holdings of each shareholder so as to focus communication on selected shareholders and prepare to act when an important potential investor appears (Mahoney, 2007, p.78). Monitoring is essential when the company objective is to change the composition of the shareholder base through the inclusion of foreign or domestic investors or natural persons.

In order to change the composition of the company's shareholder base, the IR professional must determine a profile of shareholders on which to base strategies and identify former shareholders and potential investors. Then investors are contacted and informed about the company, its results and strategic perspectives. New entries in the shareholder base are monitored with the consequent changes in shareholder base composition.

IR professionals have access to the information required to revert previous exits of shareholders if such shareholders should match the desired investor profile.

Shareholder base management also helps identifying potential investors by discovering assets, asset management companies and banks, among others, whose profile matches that of the present shareholders. This process is referred to as targeting and was defined by Treiger (2009, p.33) as a set of measures designed to identify and attract desirable, long-term investors to the company.

Changes in shareholder base composition may be measured by the number of new entries in the base, variations in the proportion of domestic to foreign investors and the inclusion of new investment clubs and natural persons (Mahoney, 2007).

Mahoney (2007) adds that it can be risky or undesirable to concentrate shares in the possession of a handful of shareholders who might at any moment sell *en bloc* and cause prices to plummet. To prevent this, companies may wish to increase the number of retail investors. This will not only create a larger spread in the shareholder base but will increase share liquidity through greater trading volumes.

A greater number of investors can also boost company performance. A study by Frieder and coworkers (2008) found a correlation between the increase in the number of non-institutionalized shareholders and the increase in sales, especially in companies of the retail sector. According to the authors, potential investors are also potential consumers, and those who become shareholders will follow the company at closer range and learn more about its products.

In the opinion of Treiger (2009, p. 50), shareholder base management can also help prevent unforeseen events in the company, such as loss of control of a given shareholder due to the trading of others, the unexpected appointment or election of board members contrary to the preferences of the company and the establishment of fiscal councils.

Thus, to avoid predicaments and ensure the implementation of shareholder management strategies the company is advised to have an IR professional monitoring and managing the shareholder base.

Shareholder base management performance can be evaluated through the identification of a shareholder profile, the monitoring of major

transactions and shareholder interactions and the use of indicators reflecting the evolution of share prices, liquidity and shareholder base composition. Depending on the company's strategic objectives, the above criteria may be weighted differently allowing the IR team to align their actions with corporate policies.

3. Methodology

The present study was exploratory. In order to analyze the characteristics of the department of investor relations and the shareholder base management of companies in the New Market listing segment of the BOVESPA stock market, data from 100 companies were collected with previously tested questionnaires in mid-2008. The respective IR professionals were contacted directly by e-mail and telephone during a period of approximately 20 days. In general, the interviewees cooperated enthusiastically and were persuaded the study would contribute to the development of their activities.

The questionnaire, which included 20 open-ended and multiple-choice questions, was divided into two main sections: On one hand, company profile and IR management; on the other, shareholder base management. The first section was designed to collect information on the company structure and on the department of investor relations: how it works, how long it has been in existence and the main practices employed when dealing with the market. The second section was designed to verify if and how companies are managing their shareholder base.

Two categories of analysis were established: 1) IR activities and 2) Shareholder base management. Based on the theoretical references of the study, specific aspects identifying these two categories, along with their associated variables, were used to prepare the tables on which our analysis is based.

Twenty-one of the 100 companies contacted for the study completed the questionnaire. Figure 2 shows the distribution of responding companies according to sector. Thus, sampling was non-probabilistic by accessibility.

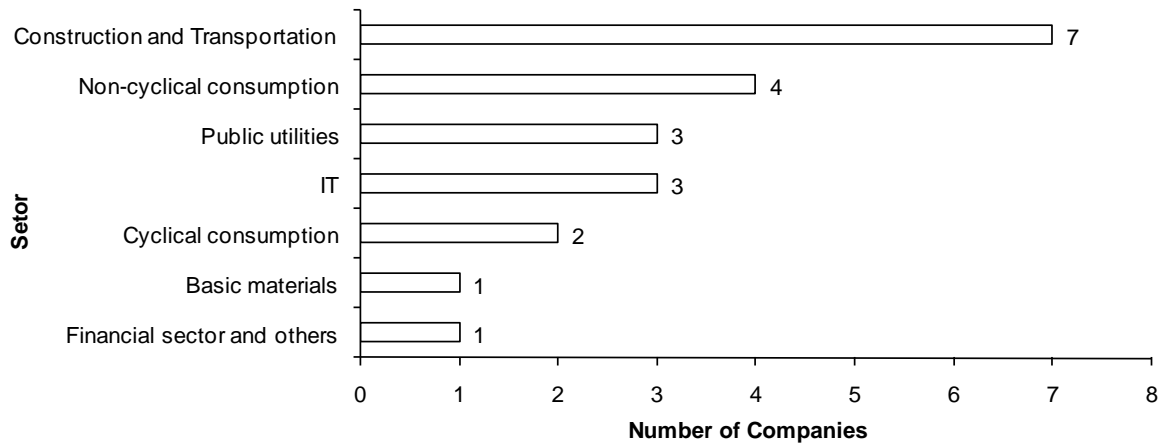


Figure 2. Responding companies according to sector.

Source: The authors.

4. Analysis and discussion of results

4.1. IR activities at responding companies

On June 30, 2008, questionnaires were sent to the 100 enterprises comprising the New Market listing segment of the BOVESPA stock market (segment with the highest level of corporate governance). Most of the responding companies had a net annual revenue

between BRL 500 million and BRL 5 billion. In order of frequency, the 2007 net revenue of the 21 responding companies (Table 1) was BRL 1–5 billion (n=9), less than BRL 500 million (n=8), BRL 0.5–1 billion (n=2), BRL 5–10 billion (n=1) and more than BRL 10 billion (n=1).

Table 1. Profile of responding companies

Characteristics	Variables	Number of Companies
	Million BRL	N=21
Net Revenue in 2007	over 10,000	1
	5,000 - 10,000	1
	1,000 - 5,000	9
	500 - 1,000	2
	Under 500	8
Time since IPO	Under 1 year	1
	1 - 2 years	7
	2 - 4 years	9
	Over 4 years	4

Source: The authors.

With regard to the time of initial public offering (IPO), only one of the responding companies had become a publicly-traded enterprise within the previous year (August 2007–August 2008). Seven companies had been public for 1–2 years (August 2006–August 2008), nine had been public for 2–4 years (August 2004–August 2008) while four had made their IPO over 4 years earlier. Since few of the sampled companies had long-time experience with public trading or shareholder demands, the work of the IR professionals—as companies were migrating from organizational structure to open capital—was particularly complex.

Our findings confirmed the perception that IR activities have grown considerably in Brazil over the past few years, as expressed not only in the growing number of IR professionals but also in the role IR management has come to play in the company structure. Table 2 shows that all the responding companies informed having a division exclusively committed to IR activities. The same trend was observed in a study published by IBRI and Fipecafi in 2006 in which 96% of the sampled companies already possessed a department committed exclusively to investor relations.

Table 2. IR profile of the 21 companies included in the analysis

Characteristics	Variables	Number of Companies
		N=21
Exclusive IR Department	Yes	21
	No	0
Time of existence of formal IR Department	Under 1 year	1
	1 - 2 years	7
	2 - 4 years	9
	Over 4 years	4
Number of staff in IR Department	Up to 2	3
	3 - 5 staff	16
	Over 5	2

Source: The authors.

In the sampled companies, the establishment of a department of investor relations coincided with the time of IPO (Table 2). Thus, the companies migrating to open capital structure over the past few years have demonstrated a clear understanding of the role of IR activities in their communication with the market.

Our study reveals that, compared to other company departments (such as sales or accounting), departments of investor relations are staffed by a relatively small number of professionals. Thus, in spite of the need to communicate with multiple departments to produce the information required for their daily activities, Brazilian IR departments typically function with a very limited number of staff. Fifteen of the 21 enterprises included in the study employed 3–5 IR professionals while three companies made with only two. Only two companies informed having over five staff in their departments of investor relations.

The number of professionals employed in the department of investor relations was found to be directly related to the size of the enterprise. Accordingly, the two companies with over five IR professionals on the payroll reported net revenues over BRL 5 billion in 2007.

IR managers have to deal with a range of different professionals and institutions to meet the company's demands. The sampled companies focused their daily IR activities on various target groups. Thus, twelve companies were particularly committed to foreign investors, 10 to natural persons, 12 to sell-side or buy-side analysts and 11 to portfolio managers. The remaining 9 companies claimed not to focus on any specific target group but to adjust to demands on a daily basis as they emerge from different groups.

Table 3. Target groups and IR communication tools

Characteristics	Variables	Number of Companies
		N=21
Target group	Foreign investors	12
	Natural persons	10
	<i>Sell Side Analyst</i>	12
	<i>Buy Side Analysts</i>	12
	Portfolio Managers	11
	None	4
Communication tools	Mailing	20
	<i>Conference Calls</i>	21
	Individual meetings	21
	International conferences	20
	National conferences	20
	Conference Calls	19
	<i>Non Deal Road Show</i>	19
	APIMEC-sponsored events	19
	<i>Site Visit</i>	16
	Others	3

Source: The authors.

Different target groups require the use of different communication tools. As shown in Table 3, the most commonly used tools are conference calls

and individual meetings, followed by conferences sponsored by domestic and foreign investment banks. Results conference calls, non-deal road shows

(organized by the top-level company administration to meet with shareholders and/or potential investors) and events held by the Association of Capital Market and Investment Professionals (APIMEC) were mentioned by 19 of the companies in our sample. Site visits to commercial or industrial facilities were reported by 16 enterprises.

Finally, 3 companies reported using other forms of communication with the shareholders, such as chats, IR websites and Investors' Day arrangements (gathering potential investors to visit the company, meet executives and learn about investment opportunities). Companies also kept their IR websites up-to-date with real-time information offering shareholders interaction with greater transparency.

4.2. Shareholder base management

Initially IR professionals of the responding companies were asked about their every-day shareholder base management practices. Our findings show that companies were concerned with the effect of the entry and exit of shareholders upon share prices and liquidity. As shown in Table 4, twenty companies reported practicing some form of shareholder base management. In a single company, the shareholder base was not managed as it had not been included among the priorities of the department of investor relations.

Table 4. Shareholder base management

Characteristics	Variables	Number of Companies
		N=21
Management of shareholders base	Yes	20
	No	0
	Expected to start within 12 months	1
Use of software to manage shareholders base	Yes	6
	No	11
	Expected to start within 12 months	3

Source: The authors.

Only six companies used some type of software to manage their shareholder base. Eleven companies stated they did not possess such software, while three informed they intended to purchase software within the next twelve months. Since the Brazilian market offers few options of software for shareholder base management, some companies have developed their own technological tools tailored to their specific needs.

The size of the company was not a determining factor for the purchase of shareholder base management tools. The six companies managing their shareholder base with software reported revenues under BRL 5 billion—in fact, half the companies billed less than BRL 1 billion in 2007.

Companies without software to manage their shareholder base generally used spreadsheets filled

out with information received from their custody agent. On a regular basis reports were issued with lists of the major shareholders or the main entries and exits over a given period.

In companies employing technological tools shareholders were monitored daily and entries and exits were registered individually or grouped according to asset management company for later contact and identification of the reason for the purchase or sale of shares.

As shown in Table 5, the participating companies had a generally favorable opinion of the use of software for shareholder base management. Three companies were very satisfied with the adopted software, two companies were satisfied and one was indifferent.

Table 5. Use of technological tools for shareholder base management.

Characteristics	Variables	Number of Companies
		N=6
Satisfaction with software	Very satisfied	3
	Satisfied	2
	Indifferent	1
	Dissatisfied	0
	Strongly dissatisfied	0
Obstacles to purchase softwares	Cost	2
	Few option on the market	4
	Complex operation	1
	Incompatible with the company structure	0
	Little practical utility	1
	Incompatible with company needs	0
	Others	2

Source: The authors.

However, difficulties with the acquisition of technological tools for shareholder base management were also identified. The main complaint—expressed by 4 companies—regards the lack of software options on the market. Indeed, since IR management is a relatively recent practice in Brazil, few technological tools are available on the market. With software development at an early stage, current software products have generally been adapted to IR management from existing customer relationship management tools. The literature describes other specialized software products available on the international market, but these tools have been found not to be in accordance with the reality of Brazilian companies or even the Brazilian capital market.

Other problems related to shareholder base management software included the cost of acquisition and/or maintenance (n=2), complicated operation (n=1), little practical utility (n=1) or the difficulty of acquiring software products in the form of modules. Some software products feature shareholder base management tools bundled with several other applications. Since developers do not offer modules separately, companies have no choice but to purchase a package of software containing applications for which they have no use.

Our findings show that the use of technological tools for shareholder base management does not dispense with the need for IR professionals. Thus, the three companies in our sample employing fewer than three IR professionals did not use any specific software, while all departments of investor relations operating with shareholder base management software were staffed with 3–5 employees.

Companies managing their shareholder base with or without software tools reported both benefits and difficulties in their task. The main benefits include the possibility of monitoring purchases and sales of shares and of targeting potential investors (Table 6). By managing the shareholder base on a regular basis, IR professionals know who enters and exits the base and when, and can choose a form of communication suitable for each type of investor.

Another benefit of shareholder base management reported by 16 companies in the sample is the possibility of speeding up communication with investors. When IR professionals have access to precise and timely information on the trading of the shareholders, they have better opportunities for communication and can carry out their work more efficiently. It is also an advantage to be able to design different strategies for different target groups, as reported by 15 of the responding companies. By managing the shareholder base, IR professionals can classify shareholders in groups (such as natural persons, domestic investors and foreign investors), each one of which may be approached with a different strategy.

Likewise, 15 companies recognized a benefit in the possibility of monitoring IR performance indicators. According to IBRI and Bovespa (2007), such indicators can express, among other parameters, liquidity, shareholder base composition and the number of contacts made over a given period. Finally, nine companies saw as a benefit the ease with which shareholder base management allows to draft IR reports, while four companies mentioned the greater objectivity achieved in meetings with investors.

Table 6. Benefits and difficulties associated with shareholder base management

Characteristics	Variables	Number of Companies
		N=20
Benefits	Speed up communication with shareholders	16
	Make report writing easier	9
	Monitor IR indicators	14
	Design different strategies for different target group	15
	Monitor evolution of purchases and sales	18
	Target potential investor	18
	Others	4
Difficulties	Large number of investors	4
	Few forms of contacts	5
	Difficult to locate fund managers	7
	Few software options	8
	Undersized IR Departments	8
	Access to potential investors difficult	0
	Others	1

Source: The authors.

As stated above, shareholder base management has also been associated with difficulties (Table 6). In this study, the most frequently reported difficulties were lack of software options (n=8) and undersized IR departments (n=8). The former item was also mentioned as an obstacle to the use of software for shareholder base management. The difficulty in purchasing technological tools was found to be directly related to the small size of IR departments. Understaffed IR departments without software tools will find it more difficult to carry out their tasks and they may not achieve the efficiency required to obtain the benefits associated with good-quality shareholder base management.

Seven companies mentioned difficulties in locating asset managers. CVM currently makes it possible to search the database of Brazilian assets using the identification numbers assigned by the national registry of legal persons (CNPJ), but this is not possible with foreign funds. To locate foreign asset managers, companies claim they have to resort to paid information services, which may in some cases be inaccessible.

In addition, the limited number of forms of contact with the shareholders was felt to be a problem in the shareholder base management of 5 companies. A single company reported difficulties in grouping assets around their principal managers.

Finally, the companies were asked about the use of indicators to evaluate shareholder base management performance. As shown in Table 7, more than half the companies (11 vs. 9) have still not adopted such indicators. In five companies the evaluation was based on the indicator *liquidity* (that is, the more concentrated the shareholder base, the smaller the volume of traded shares) and on reports covering the largest purchases and sales over a given period. Four companies used as indicator the expansion of the shareholder base, while three companies preferred the number of interactions between buyers and sellers of shares as they were putting together a shareholder profile. Only two companies measured shareholder base management performance by the evolution in share prices, with or without comparison to the performance of the main index on the market.

Table 7. Indicators of shareholder base management performance

Characteristics	Variables	Number of Companies
		N=20
Use of indicators	Yes	9
	No	11
Specific Indicators	Share price	3
	Liquidity	5
	Expansion of shareholders base	4
	Shareholders largest's purchases and sales	5
	Interactions with sellers and buyers	4
	Shareholders profile analysis	4

Source: The authors.

As for the relation between the use of indicators and company size, the study reveals that companies with revenues over BRL 1 billion in 2007 were more likely to use indicators of shareholder base management performance. In fact, only two of the nine companies using indicators were below the BRL 1-billion threshold.

In order to analyze the companies using the indicator *liquidity*, data were collected covering the daily trading figures of all the participating companies. Average values were calculated for the first two and last two months of the period January 1, 2007 to February 28, 2009.

The study shows that even in companies adopting the indicator *liquidity*, the volume of traded shares decreased significantly, suggesting that shareholder base management in itself may not be enough to prevent loss of liquidity. Table 8 shows that all five companies employing the indicator *liquidity* to evaluate shareholder base management performance experienced a decrease in traded volume greater than the Ibovespa index, which increased by 3.9%. Only two of the five companies came below the average decrease in the volume of traded shares.

Table 8. Evolution of average daily volume of traded shares in companies employing the indicator *liquidity*

Characteristics	Variables	Number of Companies
		N=5
Liquidity	Ibovespa	3,9%
	Average of participating companies	-68,9%
	Company A	-36,7%
	Company B	-86,0%
	Company C	-86,6%
	Company D	-74,8%
	Company E	-60,4%

Source: The authors.

The question of share market value was also analyzed for the three companies employing the indicator *share price evolution* to measure shareholder base management performance (Table 9).

Likewise, the shares of all three companies were depreciated in relation to the Ibovespa index, although two of them performed better than the average of the companies participating in the study.

Table 9. Share market value of companies employing the indicator *share price evolution* to measure shareholder base management performance

Characteristics	Variables	Number of Companies
		N=3
Share market value	Ibovespa	-16,0%
	Average of participating companies	-53,4%
	Company A	-47,8%
	Company B	-87,7%
	Company C	-24,8%

Source: The authors.

However, other market variables outside the control of IR professionals can directly influence share prices and liquidity. It should be pointed out that the period of analysis includes the time prior to and following the conflagration of the American credit crisis which produced a substantial negative impact on the market from September 2008 onwards. The fact that the crisis impacted economic sectors to varying degrees may have influenced our findings.

Our study reveals that, despite difficulties, the sampled companies were generally managing their shareholder bases using either software or spreadsheets. Companies using shareholder base management software and monitoring trading on a daily basis can directly benefit from communication

with their investors and gain greater agility and efficiency in their IR activities. However, as observed in the present study, few companies use shareholder base management and performance indicators consistently, suggesting the need for considerable improvement at the hands of qualified IR professionals employed by Brazilian companies in the New Market listing segment of the BOVESPA stock market.

5. Conclusions

The present study is an analysis of 21 questionnaires on shareholder base management practices completed by Brazilian companies in the New Market listing

segment of the BOVESPA stock market. Despite being practiced by virtually all the responding companies, shareholder base management is mostly performed using simple spreadsheets which are unlikely to speed up communication with investors. The lack of technological tools on the market to help IR professionals communicate with shareholders was found to be one of the major every-day obstacles to the development of IR activities. Today, most IR departments in Brazil remain undersized and relatively inefficient.

Among the most important benefits of shareholder base management are greater agility in the communication with the shareholders, the monitoring of the trading of shares and the targeting of potential investors.

The combination of shareholder base management and efficient communication with shareholders can make a significant difference in IR actions and help achieve the desired level of IR performance indicators.

The results of the study are not directly extrapolable since our sample was non-probabilistic, but they do offer interesting insights into the characteristics of IR activities and shareholder base management practices in the companies in the New Market listing segment of the BOVESPA stock market subject to the highest level of corporate governance requirements.

Future research efforts should include a study of shareholder base management of companies in different Bovespa segments of corporate governance, a comparison of shareholder base management performance of companies belonging to the same Bovespa segment of corporate governance, and an analysis of the influence of shareholder base management upon shareholder base composition and upon the price and liquidity of a company's shares.

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