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GE embraces blogs, some see disclosure worry

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By Scott Malone

BOSTON (Reuters) - General Electric Co has quietly changed the way it communicates with Wall Street over the past month, using a company blog, GEReports.com, to share news with investors.

In some cases the company has used the blog in lieu of more traditional tools like press releases and investor briefings.

Not all corporate governance experts applaud the change, though given the conglomerate's standing as a leader in corporate America, they expect other companies to follow suit.

Recently companies such as Boeing Co and Wal-Mart Stores Inc have experimented with blogs -- short, sometimes breezy Internet postings -- as a way to talk directly to customers, investors and employees.

GE, which has lost about 62 percent of its value in the last year, has twice over the past week used its blog to release potentially market-moving news.

"In some ways, it's what you want to see in governance in that they're talking more directly with their stakeholders," Timothy Pollock, professor of business at Penn State University said. "On the other hand, you wonder about the validity of the information to some extent too. What's the agenda behind it?"

Given the current turmoil in financial markets, GE described the blog it launched on October 22 as a way to quickly respond to situations it might have previously ignored.

"This is a tough environment, a lot of misinformation in the marketplace," GE spokesman Gary Sheffer said. "This is just a fast and simple way to punch through it and to make sure that you tell your story in a simple and engaging way."

GE intends for the blog to be a way of providing investors with additional information, not to replace other modes of disclosure, Sheffer said.

The Securities and Exchange Commission this summer ruled that U.S. companies may use their Web sites to distribute market-sensitive information.

'INTERNAL IS EXTERNAL'

On Tuesday, the Fairfield, Connecticut-based company used the blog to tell investors of its planned \$2 billion in cost-cutting measures next year at GE Capital. The finance unit has become the focus of intense Wall Street interest as its troubles been the prime reason for the company's 12 percent profit slide so far this year.

That is news the company would not have reported in a press release, Sheffer said.

"We typically wouldn't have even put out anything on an internal reorganization," Sheffer said. "And it would leak, eventually somebody would say, 'Hey, they reorganized Capital,' and then we would respond to it. This is a way of recognizing the inevitability that internal is external these days and acting on it."

The company also used the blog on November 13 to rebut rumors that the

world's biggest maker of jet engines and electricity-generating turbines would cut its dividend, after that market chatter drove down its shares about 10 percent.

GE did not issue a press release or hold an investor conference call on either the event, though it would continue to communicate financial news including earnings reports via traditional channels, Sheffer said.

The company is still "learning" what the blog's best uses are, he said. Updated several times a day, it also features video interviews with GE executives, brief reports on company events and responses to articles in the financial press.

TECH HANDICAP

Some investors expressed concern that disclosing market-sensitive news on a blog, which requires less-tech-savvy readers go look for information rather than having it delivered to them, would penalize some investors.

"I would probably think that they would be better served if they did both. Put out a press release and then follow up," said Peter Klein, senior portfolio manager at Fifth Third Asset Management, of Cleveland, Ohio, which holds GE stock. "They don't want to be accused of holding back."

An executive at PRNewswire, a division of United Business Media Plc, which along with BusinessWire, part of Warren Buffett's Berkshire Hathaway Inc, is a primary conduit for companies to talk to their investors, said Web disclosure raises the risk that not all investors see the news at the same time.

"Any time you shrink the number of outlets you use or the number of methods you use, you raise the potential for reaching a smaller audience," said Ken Dowell, executive vice president at PRNewswire. "I don't think that levels the playing field at all."

Companies pay PRNewswire and BusinessWire to distribute press releases. News outlets like Bloomberg, News Corp's Dow Jones Newswires and Thomson Reuters Corp's Reuters News then write stories about them for their customers and the public. They also distribute the press release feeds.

While GE's shift requires investors and journalists to seek out news rather than having it delivered to them, disclosing developments on the Web makes them available to all readers at the same time, while professional channels typically first serve their paying customers -- professional traders.

"This is a way that says, 'If I'm interested, I'll get that information as quickly as any specialist at any company or any hedge fund,'" said Howard Anderson, professor of entrepreneurship at the Massachusetts Institute of Technology's Sloan School of Management.

In any case, Anderson said he expects more companies to follow GE's lead in reaching out directly to markets: "People follow GE whatever they do. Even if they're dead wrong, they follow GE."

(Editing by Leslie Gevirtz)

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