

Introduction

In times of crisis, companies can leverage reputation and brand power

To many, Wall Street has become an emblem of greed, power and elitism in the wake of the financial and economic crisis. People have lost faith and trust in the system. This is fatal, as trust is at the foundation of how the markets work. As Chief Executive Officer (CEO) Duncan Niederauer said in a recent NYSE Euronext advertising initiative, you have to have trust in the system. When investors come to the market feeling confident and willing to invest, it translates into business and job creation. This chain is vital.

In the crisis of September and October 2008 the chain was broken. A lot of the markets that contributed to the crisis were unregulated, were not transparent and offered no accountability. However, markets such as NYSE Euronext are transparent and highly regulated. As we enter a period of necessary re-regulation, we find ourselves in a unique position to be part of the solution. The resulting business environment must be one that can instill trust going forward and get us back on the right path, harking back to the days when Wall Street was the symbol of a country and an economic system developed through trade, capitalism and innovation.

At NYSE Euronext we have chosen to react to the crisis by continuing to reinvent ourselves, to seize the opportunities arising from the crisis and to participate actively in the debate around the public policy issues that are currently front and centre. We are at a critical juncture of US history. Our financial system has suffered some major setbacks in recent years. How we emerge from this crisis as a financial system, as an economy and as a country will play a large part in determining the role of the United States in the global landscape. We have an opportunity to fix some things that have been broken for a long time. We need to do everything we can to restore faith in the integrity and fairness of the system and the financial markets – and transparency is the hallmark of fair and efficient markets.

Use reputation to lead

But how are we to move forward in an efficient and

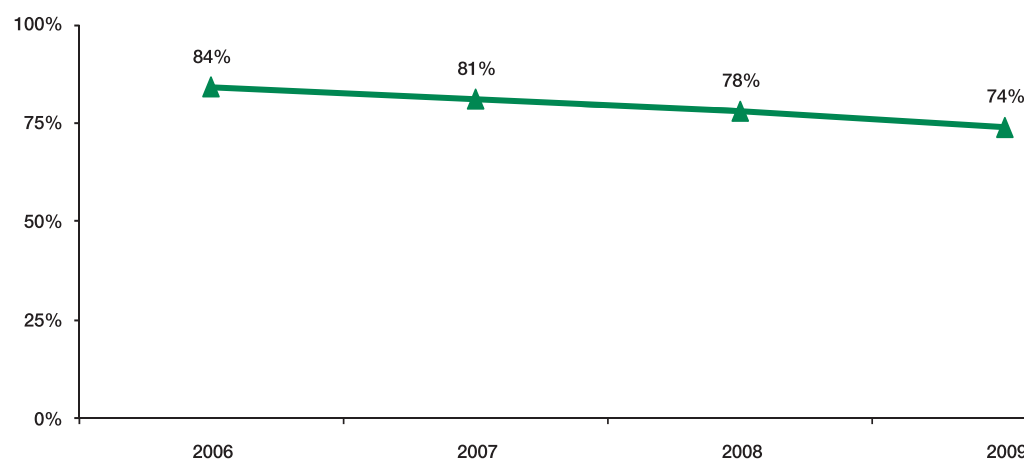
transparent way? For business leaders, it comes down to our intangible assets – the predominant ones being brand power and corporate reputation. Executives are the guardians of an organisation's stability and financial wellbeing. Along with that role comes the responsibility for protecting the company's reputation.

According to Opinion Research Corporation, which conducts the annual NYSE Euronext *CEO Report*, reputation is as much about perception and the perception of behaviours as it is about fact. It is about ethics, trust, relationships, confidence and integrity. It is built on the fundamental belief that management knows how to run its business and will win in the long term. The principal tenet of reputation is that it cannot be manufactured by an advertising agency or created by a public relations firm. Reputation is built as a result of ongoing interaction between a company and its key stakeholder groups, where the experience of the latter is consistent with the values the company claims to uphold, as well as with the promises it makes through advertising and other marketing communications. It's all about walking the talk. Today, reputation can be the most vital asset a company has.

To move organisations forward in the face of populist opposition to corporate leaders and wealth creators, business leaders must leverage the value of the company's reputation for following through on promises and chart a course of action. That course involves communication – frequent and transparent sharing of information with all stakeholders.

Each year for the past several years, we have taken the pulse of our CEOs on issues ranging from globalisation to governance. The NYSE Euronext 2010 *CEO Report*, the results of which were issued in Summer 2009, shows gradual erosion in the percentage of CEOs who say they take as much action as they should to protect the reputation of their companies. This metric has fallen 10 points since the question about reputation was first asked in 2006. From a high of 84 per cent in 2006, fewer than three-quarters of business leaders

Do CEOs take enough action to protect their company's reputation?



Source: NYSE Euronext CEO Report 2010, a survey of 284 global CEOs.

now say that their C-suite contemporaries do enough to safeguard their company's good name. The stresses created by the crisis are starting to peek through, and the many stories on wrongdoing and financial mismanagement have affected how CEOs feel top managers are handling corporate reputation.

As reported in *nyse magazine*, Alan Boeckmann, chairman and CEO of Fluor Corp, says that his company's reputation is "almost exclusively determined by the performance we achieve on the more than 1,000 projects we are working on globally." Still, a CEO is the "ambassador for the reputation of a company," he says. "I came into my current position at Fluor in the aftermath of the Enron and WorldCom scandals. I understand the impact that senior executives and their actions can have on their company's reputation."

Many leaders are increasing their communication with stakeholders. CEO Michael Earley of Metropolitan Health Networks believes the best armour for a company's reputation is communication with shareholders and employees, according to the *nyse magazine* report. "We have turned up the volume here," he says, adding that he's travelling more to meet with various stakeholders to answer questions about the company and its place in the changing healthcare system. Earley says the company uses quarterly town-hall meetings to keep employees aware of what is happening. "You can't sit behind a closed door and hope challenges go away," he says. "If you only show up when the news is good, people are going to assume the news is bad when you don't show up."

Ed Fritsch, president and CEO of Highwoods Properties Inc, says he tries to remain a "credible

cheerleader" for his company. "You can't candy-coat things," says the chief of the Raleigh, North Carolina-based real estate investment trust, "because then people will lose confidence. As CEO, my job is to deliver a sincere and accurate message to all stakeholders about what's happening within our company."

nyse magazine also asked Merck & Co President and CEO Richard Clark how he has worked to address what he calls a "trust deficit", which is certainly evident when it comes to the pharmaceutical industry and the public. This, he says, requires a clear-cut understanding of the needs and concerns of all stakeholders. So he and his top managers are also spending more time meeting with those stakeholders and listening closely to them. "We're using what we learn to change our business model," he says, "including the way we sell our products, which in turn is helping us to rebuild trust and deliver even greater value." He is also boosting transparency, such as new voluntary disclosures of payments to US-based medical and scientific experts who speak on behalf of the company and its products. "At the end of the day," Clark says, "reputation is grounded in actions, accompanied by candid, timely and transparent communication."

200-plus years of brand building

But without a solid reputation and brand, such messages would fall on deaf ears. At NYSE Euronext we are proud of our rich history and reputation for integrity and excellence. Our brand value is very important to us. We believe our brand is synonymous with transparency, honesty, credibility and strength, and we believe it invokes confidence. A recent brand perception survey found our organisation highly rated for being "the leading global

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exchange”. Asked where their companies were likely to list if going public, the NYSE’s rating among CEOs and chief financial officers (CFOs) at private companies was at its highest level in three years. The NYSE is preferred among both CEOs and CFOs of publicly traded companies and CEOs and CFOs of private companies if their company were to go public.

Our NYSE roots go back to the founding of the United States; you can trace our history on a parallel course with the history of the country. And our Euronext roots go back four centuries to the origins of share trading: the first traded shares in the world were those of shipping company Verenigde Oostindische Compagnie, which was in permanent need of funds to finance the shipping of goods from the Far East. Its shares were traded heavily at the start of the 17th century on a street in Amsterdam a stone’s throw from the Amsterdam exchange’s current premises. So we are an enterprise competing effectively in the 21st century with roots in the 17th and 18th centuries. This puts us in a small group of companies.

Since then, we have been able to build and invest in our reputation and our brand. Following the merger of NYSE and Euronext, we are now a truly global exchange group. We have grown to become a global exchange operator, with 4,000 companies from nearly 55 countries. Our footprint is broader than any other market. We offer the most diverse array of financial products and services for issuers, investors and financial institutions. And we are the only exchange in the world that combines high technology with high human interaction, resulting in superior trading characteristics for our listed companies.

On our exchanges in Europe and the United States we trade equities, futures, options, fixed-income and

exchange-traded products. In equities alone – the New York Stock Exchange, Euronext, NYSE Arca and NYSE Amex combined – we represent nearly 40 per cent of the world’s equities trading, the most liquidity of any global exchange group. We also operate NYSE Liffe, the leading European derivatives business and the world’s second-largest derivatives business by value of trading. We now offer comprehensive commercial technology, connectivity and market-data products and services through NYSE Technologies. And we are proud now to be a component of the Standard & Poor’s 500 Index and the only exchange operator in the Standard & Poor’s 100 Index and the Fortune 500.

As such, we attract companies of all sizes and sectors. NYSE Euronext has grown to become the ultimate marketplace for entrepreneurial companies, the final landing place for the world’s best companies with the brightest leaders. We are home to companies that understand value creation – the world’s most forward-thinking innovators which grasp the need to maximise their IP assets and use them to ensure strategic flexibility, build returns and boost shareholder value.

It may surprise some to learn that 40 per cent of NYSE-listed companies are small cap (with a market capitalisation below \$1 billion). The approval of a new NYSE listing standard in late 2008 enabled growth-stage, venture-backed companies to list directly on the ‘Big Board’, and the acquisition of the American Stock Exchange – re-branded NYSE Amex and now running on the same technology platform with the same high-tech, high-touch market model – truly expanded our US listing venue options to companies of all sizes and maturity.

Recently we have shown strength in attracting initial public offerings (IPOs), despite the difficult climate.

As of November 16, the NYSE had raised the largest amount of IPO proceeds of any US exchange in 2009, raising \$15.1 billion in proceeds (versus \$6.9 billion on Nasdaq). We are proud to be the destination of choice for many technology companies. Since 2007, 76 per cent of the technology companies that qualified to list on the NYSE chose to do so and technology companies have raised \$6.2 billion in IPO proceeds. Companies in the technology, media and telecommunications sector represent 14 per cent of all NYSE-listed companies, including brands such as IBM, HP, EMC, Salesforce, Red Hat, NetSuite, Rackspace, Rosetta Stone and VMware.

These companies are discovering that our uniquely positioned brand offers excellent opportunities to raise their own global visibility. Our reputation and brand power drive companies to be a part of our exchange community. When a company lists, according to our research, it enhances their global visibility, shining a light on them as a leader in global business. Achieving an NYSE listing, for example, remains a sign of success and sends a powerful, positive message to investors. In fact, we count among our listed-company family:

- 81 per cent of the 2009 Fortune 500;
- 93 per cent of the Dow Jones Industrial Average;
- 71 per cent of the Global Dow;
- 88 per cent of the 2009 Barron's 500;
- 82 per cent of the Standard & Poor's 500;
- 70 of the largest 100 global corporations; and
- 33 of the 2009 *BusinessWeek* 50 Best Performing Companies.

Once listed, we help our companies to leverage their association with the leading and most respected global exchange brand. Many companies use our NYSE facilities for analyst, investor or board meetings, product launches, marketing initiatives and more. We help them to boost their global share ownership and customer reach in a strong, open and transparent way, and in a way that makes issuers and their shareholders feel protected.

The daily openings and closings represent an unrivalled opportunity for them to increase their own brand awareness. With 25 news entities from around the world putting out 225 broadcasts each day, we are now seen as the world's business news epicentre. We are the only place in the world where companies can tell their stories to the financial markets while standing amid live trading in their stock. The fact that it is a living, breathing centre of liquidity price discovery and market insight is a key reason why journalists choose to report from here. Companies value that one-stop, turnkey access to visibility and it is a great benefit of listing

with us, available not just on day one of an initial public offering, but at any time the company wants to use the platform.

Protecting our IP assets

The media show our façade and our trading floor to help tell their stories about the financial markets, good or bad. Because of this, our building – the façade and our trading floor – is recognised worldwide. We are the image of Wall Street and corporate America, and protecting these trademarks is paramount to the future success of our organisation. Every day we work hard to deliver on our brand promise. So, we are reinventing our company, infusing new growth into our organisation and investing heavily in our future.

Now more than ever, in recessionary times, with the bottom line under extreme pressure, it is crucial for companies to be looking at their intangible assets and securing legal protection for those assets. Measuring, protecting and maximising the value of intellectual property by legally protecting them are paramount for companies of all sizes and across all industries. At NYSE Euronext, we are no exception. We are doing our best to manage our intellectual assets for future value creation. We recognise that intellectual property plays an increasingly important role in driving profitability.

For example, now that we are in the business of selling our technology and operational capabilities to trading venues and market participants, we are rapidly building a portfolio of assets that need to be protected. We are aggressively pursuing protection for these assets, as well as the technology that we invest in to run our markets. Some of our technology assets, like the software itself, are protected by copyright, but we are pursuing patents for the many various components of our technology.

A look ahead

As shareholders, analysts, boards and even regulators continue to put more emphasis on correctly and transparently valuing intangibles, challenges lie ahead. For example, these assets are sometimes hard to quantify, especially now when the bottom line is under so much pressure. But such fundamental challenges will force us to become even more creative and strategic as we navigate the financial and economic crisis at hand. It is up to us as business leaders to lead against a backdrop of unprecedented distrust of corporations and their top executives that is pervasive around the world.

NYSE Euronext and our listed companies are all looking for ways to boost revenue and we are taking lessons from our listed company peers, including Coca-

Cola and IBM, the two top global brands according to Interbrand Corp, a division of NYSE-listed Omnicom Group. The annual study values Coca-Cola's brand at \$66.7 billion and Big Blue's at \$59 billion. What are these companies doing right? Smart brand strategies and executions include making sure they are represented accurately and consistently to maintain their integrity.

For NYSE Euronext to maintain its pre-eminent position, we must maintain and extend the reach of a strong and consistent brand that is compelling to both current and future internal and external audiences. Our brand is an extremely valuable asset; it must not be compromised or diluted. It represents who we are and the way we conduct business; what we promise to deliver; and why our customers and the investing public believe in us.

Our brand strength is what has enabled us to take a vocal role on public policy issues aimed at restoring faith in our economy, financial markets, regulatory system and the global business community. It has given us a unique position to advocate on behalf of companies with a significant stake in the global and US workforce. We are working as an advocate on behalf of not only listed

companies, but also the investing public. We view serving as a proxy for the more than 100 million public participants in our capital markets as both a privilege and an obligation. At this critical juncture, there is a need to restore trust and we want to be part of the solution.

Meanwhile, we are building a strong strategy around intellectual property. Our ability to do so is also derived from the strength of our reputation and our brand.

As companies are finding their way back to the markets and once again raising capital, issuers must remember that any innovations they bring to market must be truly transparent. We have learned from our mistake of being unable to value certain complex assets on the books of financial companies truly. Today's issues must be able to stand up to intense investor scrutiny and withstand any new regulatory conditions. We need sensible methods for discovering value and pricing it in a transparent, credible, understandable way.

Nevertheless, we are excited about what the future holds – the creativity and entrepreneurial spirit that will drive their way into the capital-raising process and help to deliver untapped opportunities for issuers and investors worldwide.



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Scott Cutler is an executive vice president of NYSE Euronext, responsible for the Americas listings business. He manages the exchange's relationship with over 1,700 companies in Canada, Latin America and the United States. He is also responsible for the exchange's relationship with the investment banking, private equity, venture capital and legal communities to attract new listings. He oversees initial public offerings, structured products, closed-end funds and the listings business recently acquired from the American Stock Exchange.