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## Candor test finds corporate fog thickening

### Rittenhouse Rankings reveals a decline in CEO transparency

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NEW YORK -- Sometimes actions speak louder than words but in the case of the annual Rittenhouse Rankings, words are the quantifying factor. The latest study, which covers last year's batch of shareholder letters, finds that CEO transparency has worsened significantly, with more jargon, confusing statements and spin than before Enron's collapse and introduction of Sarbanes-Oxley rules.

'We have a model that quantifies the language in a shareholder letter,' explains former investment banker Laura Rittenhouse, president of andBeyond Communications. 'There is a common framework in shareholder letters. I use Warren Buffett's letter, which is the most comprehensive, as the gold standard for things you should expect to find in a shareholder letter.'

Rittenhouse's 'candor test' gives points for different elements of a shareholder letter, measuring how transparent and communicative it is. And it takes away points for anything that contributes to 'corporate fog' such as jargon or contradictory statements. The new survey finds more corporate fog than ever.

Rittenhouse goes one step further and compares scores for candor with stock performance. 'Over the years we have found a positive correlation,' she reports. 'The stocks of the top 25 candid companies have outperformed those in the bottom 25 for the last four years,' she says.

The top ten companies ranked in the new Rittenhouse Rankings:

- 1 Wells Fargo
- 2 Alcoa
- 3 JetBlue Airways
- 4 PepsiCo
- 5 Walgreens
- 6 Jack in the Box
- 7 Continental Airlines
- 8 Charles Schwab
- 9 Harley Davidson
- 10 Xerox

And the bottom ten:

- 100 Cigna
- 99 Humana
- 98 Motorola
- 97 Avon
- 96 Time Warner
- 95 ExxonMobil
- 94 Pfizer
- 93 Merck
- 92 AMD
- 91 Bear Stearns

by [Dea Katel](#)