

**Communication strategies used by Investor Relations practitioners to build  
and maintain relationships with investor stakeholders**

**By**

**Brighton Matsika**



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**Supervisor:** Dr Blessing Makwambeni

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## ABSTRACT

Investor Relations (IR) has become a key area of focus in academic and professional debates over the last few decades. Although the identity of the field is contested, with both finance and communication disciplines claiming the fledgling field, there is consensus across disciplines that communication is paramount in IR success. However, a number of scholars (see Schutzmann, 2013; Laskin, 2011; Watson, 2008) argue that IR is not being fully utilised to maximise fair valuation and obtain favourable return on company investments due to lack of strategic communication expertise among IR practitioners who usually have a purely financial background.

It is against this background that this study evaluated communication strategies employed by IR practitioners in South Africa to build and maintain relationships with investor stakeholders. The purpose is to contribute towards theoretical debates on strategic communication practice in IR, an area that remains under theorised and understudied, especially within a developing country context. The theoretical frame of the study was derived from public relations Excellence theory and the two-way symmetrical communication (Grunig and Hunt, 1984).

The research methodology of the study was qualitative and employed an explorative design to gather data through a combination of document analysis, indepth interviews and content analysis. The findings show that financial and non-financial information is disseminated to investor stakeholders. However, the communication of financial information by IR professionals to investor stakeholders remains dominant in South Africa. Importantly, two-way symmetrical communication and two-way asymmetrical communication strategies are used in different ways to build and maintain relationships and to disclose mandatory key corporate information to investor stakeholders. One-on-one meetings in different formats and online dialogue with closed feedback emerged as the dominant key two-way symmetrical communication strategies of nurturing and sustaining relationships with investor stakeholders. This includes two-way asymmetrical communication strategies such as the corporate publications and IR websites. IR policies that promote two-way symmetrical communication, trust, honest, transparency and credibility emerged in the study as being implemented by IR professionals of South Africa. In addition, the findings show that such characterised IR policies advances the rules of investor stakeholder relationship building and engagement. However, it remains unclear from a South African standpoint whether IR professionals are ready to engage in an open dialogue with investor stakeholders using social media.

The findings show that IR in South Africa has transcended into a synergy era where two-way symmetrical communication is emphasised. It further shows that the theoretical frame of the

study as derived from public relations Excellence theory and the two-way symmetrical communication (Grunig and Hunt, 1984) has positive implications in the investor relations efforts of building relationships and information disclosure. However, investor stakeholder preferences of engaging with IR professionals require further exploration. This will assist in theorising communication strategies ideal for IR practice.

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## **CHAPTER ONE INTRODUCTION AND BACKGROUND**

### **1.1 Background to the study**

Investor Relations has become a key area of focus in academic and professional debates (Hodgson and Hodgson, 2008; Laskin, 2011). The field has garnered much attention from academics and professionals largely because of the corporate scandals in the United States of America, particularly the Enron scandal, which have made it imperative for investors to closely scrutinise companies they invest in (Laskin, 2011). As a result, it has become important for organisations to not only develop and maintain good relations with financial stakeholders, but to also constantly provide them with relevant and useful information about their investments (Bechan, 2011). It is in this context that Argenti (2007) and Laskin (2011) posit that today Investor Relations (IR) is regarded as one of the most important contributors to corporate value. It is essential for attracting investors and achieving and maintaining a fair pricing of the company's publicly traded stock over the long term (Hobor, 2012).

Yet, despite its growing importance, IR as a field remains contested between Finance and Public Relations practitioners and scholars. Kelly, Laskin and Rosenstein (2010) have argued that finance holds the dominant paradigm in IR both in terms of who is in charge and the requisite qualifications for the job. This view is further corroborated by Petersen and Martin (1996) who aver that IR is still largely treated as a financial function rather than a communication function. This is largely because, firstly, Public Relations practitioners lack in-depth financial knowledge of business management, and secondly, they lack sufficient stature within the corporate structure to demand oversight for investor relations (Holmes, 1998). This contestation seems to run contrary to the growing acknowledgement, especially in academic realms that IR has shifted from a publicity and 'persuasion'-orientated marketing activity to a profession that combines the expertise of communication, law and finance (Bechan, 2011). This contemporary eclectic conceptualisation of IR, which seeks to enhance corporate value through effective communication, is aptly captured in the National Investor Relations Institute (NIRI) definition: IR is

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 (NIRI Web, 2003).

It is therefore becoming increasingly acknowledged in IR literature that extensive two-way symmetrical communication as well as building and maintaining long term relationships between companies and their investor stakeholders is at the heart of the IR profession in the post-Enron era (Tuominen, 1997; Laskin, 2011; Ragas, Laskin & Bruschi, 2014). Given the increasingly competitive nature of the global capital markets, the recent financial crises of 2007 and 2008, and a host of large corporate scandals, different IR scholars acknowledge that two-way symmetrical communication is essential in rebuilding investor confidence (Tuominen, 1997), and for corporates to achieve credibility (Allen, 2002) and fair corporate valuation (Silver, 2008; Laskin, 2009; Argenti, 2009). The influence of this form of communication is further perceived by scholars as strategic in making it possible for corporates and investor stakeholders to listen to each other's viewpoints, and thus bring about improved corporate performance or improved understanding of company performance. This includes differing perspectives and constituencies that are not fully understood (Laskin, 2009). In fact, Nielsen and Bukh (2010) reveal that emerging IR communication has a considerable effect on the company's stock price performance.

The prominence of two-way symmetrical communication also comes as IR professionals assert that the success of corporates can no longer be measured based on number disclosure and accountancy rules alone but through building blocks that encourage engagement such as facts, numbers and narratives that communicate a comprehensive corporate story (Laskin, 2009, 2014). Numbers particularly are argued as not sufficient to capture the true market value of major corporations (Minnow, 2002). Not only that, Djordjevic (2013) states that numbers suppress the communication of other information critical in the evaluation of corporates. Laskin (2016) further argues that a lack of transparent information, such as that which regulates the environment along with corporate ethics and governance trends, is prompting investor stakeholders to demand communication directly from corporate management. With a notable rise of activism by better-informed investor stakeholders empowered by new information technologies, two-way symmetrical communication is arguably an effective engagement strategy, particularly in enhancing the investor stakeholder relationships (Favaro, 2001; Laskin, 2014).

Despite the acknowledgement of the criticality of two-way symmetrical communication and Public Relations theories to IR practice, academic research that explores IR practice from a communication or public relations perspective remains scarce (Petersen and Martin, 1996; Laskin 2009). The paucity of IR research that explores the field from a communication or public relations perspective has led to a situation where IR is often separated from public relations and communication functions despite the two being inextricably bound together (Petersen &

Martin, 1996; Laskin, 2009). It is against this background that this study utilises public relations and communication theory to gain insights into how IR practitioners in South Africa build and maintain relationships with their key stakeholders through two-way symmetrical communication.

## **1.2 Statement of the problem**

Investor relations as a profession now shows a clear shift from purely financial reporting to building and maintaining relationships with investors. Two-way symmetrical communication between an organisation and its investor stakeholders is now considered to be central to the IR profession. Two-way symmetrical communication does not only enable a company to balance its interests with its corporate stakeholders, but it also assists the organisation to develop balanced relationships with its corporate stakeholders in the environment of operation, thus providing it with competitive advantage and increased fair valuation of its securities. Despite the growing realisation, particularly in IR literature, that relationship management through two-way symmetrical communication is at the heart of IR, what remains unclear and under-theorised is the extent to which IR practice particularly in South Africa has transcended the 'financial era' and embraced public relations practices where relationships with investor stakeholders are built and maintained through two-way symmetrical communication. It has become clear that any failure to transcend the 'financial era' inhibits organisations from achieving fair valuation, credibility, and a positive financial reputation, especially among investor stakeholders.

## **1.3 Aim of the study**

The aim of the study is to assess the communication strategies used by IR practitioners to build and maintain relationships with their investor stakeholders in South Africa.

## **1.4 Research questions**

**Main research question:** What are the communication strategies used by IR practitioners to build and maintain relationships with their investor stakeholders in South Africa?

### **Sub questions:**

**1.4.1** What are the key roles and functions of IR practitioners in South Africa?

**1.4.2** How do IR practitioners communicate and engage with their investor stakeholders in South Africa?

**1.4.3** What information do IR professionals communicate with their investor stakeholders in South Africa?

**1.4.4** Do IR practitioners fulfil the communication needs and expectations of their investor stakeholders in South Africa?

## **1.5 Significance of the study**

The study will contribute towards theoretical debates in IR by bringing in a public relations management perspective to help strengthen the strategic relationships between IR practitioners and their investor stakeholders, an area that remains under-explored within South Africa and in other countries as articulated by Laskin (2012). The study will further assist South African listed organisations and their management in understanding the contributions of IR practices particularly how the two-way symmetrical communication and its variables enhance organisation competitive advantage.

In addition, the study will further benefit IR practitioners in South Africa by suggesting communication strategies which can be used to maximise corporate value and establish effective stakeholder relationships with their financial stakeholders. The study will further benefit IR practitioners understand the nature of corporate information disclosures that alleviate the problem of asymmetric information between organisations and particularly investors stakeholders with interest in performing organisations but with less access to information. In addition, investor stakeholders will obtain excellent information to price risk more accurately and if the incentives are right, the mutual relationship between organisations and investor stakeholders will be advanced. Furthermore, placing of relevant information by IR practitioners at the disposal of the investor stakeholders may reduce the probability of future financial crisis such as the recent Steinhoff crisis and global financial crisis of 2007/2008, as it can make sudden changes in investor's stakeholders' sentiment less likely.

South African publicly listed companies, IR practitioners, chief financial officers and public relations practitioners involved in IR activities are counted among key beneficiaries of this study.

## **1.6 Outline of chapters**

This study will be categorised into six chapters.

### **Chapter one: Introduction and background of the study**

This chapter will provide an introduction and background to the study. It outlines the research problem, objectives and questions and the significance of the study to the South African IR industry and IR research.

### **Chapter two: Literature review**

This chapter discusses the relevant literature on IR and stakeholder relationship management. The evolution of IR will also be explored. The chapter will further outline theoretical debates about stakeholder relationship management and engagement. This chapter will then conceptualise the strategic communication approaches to relationship management. In addition, the Stockholm accords and the King III Report's position on stakeholder governance will be discussed.

### **Chapter three: Conceptual framework**

The chapter presents and discusses the conceptual framework of the study. The study's theoretical framework is built on Grunig Excellence theory and the two-way symmetrical communication model (Grunig, Grunig & Dozier, 2006). The frameworks provided will be used to make sense of the data collected and to understand how IR practitioners build and sustain relationships with their investors.

### **Chapter four: Research methodology and methods**

This chapter outlines the research methodology and the research methods used in the study. It will justify the choice of the qualitative research methodology and what influenced the study to adopt a qualitative research methodology. The chapter also presents and discusses sample size and procedures, data collection instruments, data analysis and ethical considerations.

### **Chapter five: Data presentation, analysis and discussion of findings**

This chapter presents analyses and discusses the research findings of the study. The chapter relates the findings to the literature review and the conceptual framework in order to understand how IR practitioners build and maintain relationships with investor stakeholders in South Africa.

### **Chapter six: Conclusion and recommendations**

This chapter provides a conclusion to the study. It evaluates the major findings of the study and makes recommendations for further research.



## **CHAPTER TWO LITERATURE REVIEW**

### **2.1 Introduction**

The main purpose of this study is to evaluate the extent to which contemporary IR practice in South Africa has transcended the 'financial era' and embraced strategic communication practices where relationships with shareholders are built and maintained through two-way symmetrical communication. To achieve this objective, this chapter discusses the existing literature on IR relevant to this study. It should be noted that scientific research about investor communications is limited, particularly in the South African context (Petersen and Martin, 1996; Laskin, 2009; Lundholm, 2016). The chapter discusses the current state of IR today. The chapter further discusses literature on stakeholder relationship management from a public relations (PR) perspective.

### **2.2 Defining Investor Relations: A contested field**

A diverse number of scholars have advanced different definitions which foreground different understandings of IR. Brown (1994:44) defines IR as "strategic communications activity combining the disciplines of finance and communication". The leading NIRI (2003) of IR professionals globally conceptualises IR 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.

Despite IR being diverse and consisting of other disciplines, it is imperative to note that the definitions place emphasis on communication, and particularly engagement using two-way communication. This two-way communication is further emphasised by the UK's Investor Relations Society (n.d) which defines investor relations as "the means whereby listed companies maintain a dialogue with existing shareholders and potential investors". What is critical to extract from these definitions, particularly the NIRI's articulation, is that communication is conceptualised not only as a strategic function of IR but as underpinned by a two-way engagement. In addition, the NIRI definition suggests that two-way communication is the basis of Investor Relations' achieving its desired outcomes. What is also important to note is that PR scholars hold the view of the NIRI definition as noted in emerging communication research (Chandler, 2014; Hong & Jung Ki, 2006; Laskin, 2009).



Importantly, Anderson (2011) and Chandler (2014) note a shift of the NIRI definition from an earlier conceptualisation which emphasises marketing activities, to building relationships with investor stakeholders. Such viewpoints are also maintained by Cutlip, Center and Broom (1999:21) who define IR as a “specialised part of corporate public relations that build and maintain mutually beneficial relationships with shareholders and others in the financial community to maximise market value”. Additionally, Laskin (2011) states that IR is no longer about numbers, but about building relationships and maintaining consistent communication with investor stakeholders.

These assertions and this emerging conceptualisation of IR as a practice indicate a shift towards a PR perspective on IR. Arguably, this shift towards PR could be prompting greater involvement of PR scholars in IR field. As mentioned earlier, IR research within PR is still scarce although building relationships and two-way communication are two main public relations functions (Grunig, 2004; Hong and Jung Ki, 2006). In spite of resounding evidence that points to IR as having a largely finance-based function, given these shifts and the scarcity of related scholarship, how IR professionals build relationships and can transcend the finance-only focus to embrace two-way communication requires exploration.

Moreover, IR definitions including the aforementioned refer to communication with the investor community. In this case, the investor community cited encompasses financial institutions, investment analysts, financial media, financial investors and potential investors and analysts (Marston and Straker, 2001; Savage, 1970; Marston, 1996; Andrew, 1990). This suggests that IR practice is confined to financial stakeholders. However, the NIRI definition does not specify the “other constituencies”, which means IR could be communicating with a wider spectrum of stakeholders that extend beyond financial stakeholders. Although this thesis concentrates on communication strategies used by IR professionals to build and maintain relationships with investor stakeholders, identifying IR stakeholders and determining whether they do extend beyond financial stakeholders is crucial. This will assist IR practitioners in reaching all relevant stakeholders effectively.

### **2.2.1 Understanding investors as an organisational stakeholder**

The primary stakeholder group is investors. Investors are owners of financial assets who typically make self-directed investments on their own behalf, often with the advice of analysts and registered representatives such as brokers. Individual investors constitute two categories: those who invest in individual shares with high net worth and those who invest in mutual funds

- these are largely middle class investors. Some individual investors include those who invest in commodities, speculative investors, and day traders (Michaelson & Gilfeather, 2003).

Scholars argue that investors are the most significant stakeholder group to consider in the field of IR (Donald & Preston, 1995; Freeman, 1984; Evans & Freeman, 1988). They are considered distinct and more important than the rest of the organisational stakeholder spectrum. This is largely due to the financial investment in the form of stocks, bonds and money they provide directly to corporates through a series of morally justified exchanges (Garcia, 2008; Spitzeck & Hansen, 2010; Donaldson & Preston 1995). The salience of investor stakeholders is further attributed to legal frameworks that protect shareholder rights to be the ultimate beneficiaries of corporate performance (Meintjes, 2012; Meintjes & Grobler, 2014). Therefore, organisations and their management structures have a fiduciary obligation to shareholders in the sense that the affairs of the organisation must be conducted in the best interests of investor stakeholders to avoid lawsuits. A significant part of this obligation is transparent investor relations and clear communication. However, how IR professionals build and maintain sound investor relationships is not a clear-cut given in today's practice.

### **2.2.2 Extended investor relations stakeholders**

It is important at this stage to note that the IR function is claimed to be found only in corporates whose shares are publicly traded on a stock exchange (Laskin, 2011). In such organisations, IR practitioners' purpose is to serve as a link to a diverse number of current and potential financial stakeholders (Riel, Charles and Fombrun 2007). Regarding the criteria used to measure investor relations, Michaelson and Gilfeather (2003) outline a description of IR stakeholders which assists in understanding their character and role. They (Michaelson and Gilfeather, 2003) state that IR stakeholders are a broad group, which implies that the identified stakeholder descriptions such as investor analysts, portfolio managers, the media, advisory services, regulators, public corporation, stockbrokers or, financial consultants are not exhaustive.

### **2.3 The evolution of investor relations practice**

IR has relatively a short history. According to Laskin (2010), IR's evolution can be traced through the eras of the communication approach (1945-1970), the financial approach (1970-2000) and the synergy approach (after 2000). IR's origins can be traced back to the post-World War II period (1950s -1960s) when Americans were experiencing an economic boom, which gave ordinary American citizens surplus and investable capital (Christensen & Berge, 2011). At the same time, companies were expanding to meet the growing needs of consumers, resulting in fierce competition for capital. Trading volumes increased exponentially as

professional investors came into play. Within this period, the management of various companies particularly in the United States of America started to look for individual communication professionals with interpersonal skills that generate financial relationships with investor stakeholders (Laskin, 2010; Berge & Christensen, 2011).

### **2.3.1 The communication approach to investor relations (1945-1970)**

The first PR utility that focused on investor activities was pioneered by Ralph Cordiner in 1953, whilst he held the chairmanship of the General Electric Company in the United States of America (Berge and Christensen, 2011). Cordiner's intention was to maintain the relationship that existed between the organisation and its investors professionally. He also intended to build relationships with ordinary American consumers and target the new type of investor - the private or individual investor - emerging on the financial markets (Kelly *et al.*, 2010; Laskin 2010). To succeed in this manner, Morrill (1995) states that expertise within the public relations field was sought to win over these emerging types of investor. Large American corporates such as Ford and General Motors (GM) put their trust in the expertise of communication professionals and internal PR departments to run IR activities so as to increase the firms' visibility and ability to report financial information through the media (Berge & Christensen, 2011; Laskin 2010; Brenna and Tamarowski, 2000).

According to Berge and Christensen (2011), strategies of targeting and developing relationships with individual investors became the main business strategy of the day. This strategy included giving away free gifts with samples of the company's products and conducting annual general meetings (AGMs). Most of these meetings are described as having no substance but were opulent events where investors could feast, drink and stay in luxurious hotels at no cost. Berge and Christensen (2011) further claim that 48-page annual reports with financial data became common within this communication approach, and glossy sales brochures with company's products became instruments for targeting individual investors (Berge and Christensen, 2011).

This communication approach has been criticised for being marred by "a trend of producing, peddling and promoting half-truths and untruth even cloaked in hedge language" (Kelly, Laskin and Rosenstein, 2010:187). Kelly *et al* (2010:187) further quote Morrill (1995) who described the communication approach as synonymous with press pageantry and publicity where "persuasion, manipulation and deception" rather than informing is dominant. In addition, Berge and Christensen (2011) note the communication approach as lacking the strategic management input and failure to conduct research that brings depth understanding of the nature of investor-stakeholders. This contributed to poor corporate financial performance

leading to communication expertise being voluntarily cut off and regarded as redundant. In addition, information flowed one way from the organisation to the investor publics through mass media channels. This meant that dialogue with investors was not present (Berge & Christensen, 2011). Laskin (2010) argues that this lack of dialogue tainted the image of PR in IR practice.

### **2.3.2 The finance approach to investor relations (1970-2000)**

The second paradigm shift in IR is understood to have run from 1970-2000. IR responsibilities shifted from PR professionals to finance professionals under the supervision of Chief Finance Officers (CFOs) (Berge & Christensen, 2011). This was due to investors demanding detailed financial information about the company, and disregarding PR professionals or consultants as credible sources of this financially orientated information (Lipponen, 2013). Berge and Christensen (2011) claim that the nature of the investor profiles shifted during this period from poorly educated private individual investors to institutionalised professional financial investors who refused to accept glossy reports full of propaganda and manipulated information. Out of this shift, two-way communication emerged.

Corporate strategies, sales and research development became the new information financial investors requested (Laskin 2006). In addition, the use of intermediaries, particularly between institutional investors and large corporates, became new forms of building relationships and obtaining feedback. According to Berge and Christensen (2011), the intermediaries' feedback was used by companies to come up with persuasive messages and positive corporate news aligned to IR objectives of increasing the share price. Berge and Christensen (2011) further posit that an increased share price meant increased value of the company and this would keep the investors satisfied and grounded.

IR activities and responsibilities also adjusted from communicating information to defending and explaining management actions. Institutional investors were being seen as corporate activists fearless about questioning the behaviour of companies if they sensed that the behaviour was not in the best interest of the investors. In addition, Laskin (2010) states that IR activities in this approach include increasing a company's valuation, communicating positive financial information, and tightly controlling undesirable information detrimental to the nature of existing relationship with the suppliers of capital. Such practices led to unethical selective business and financial practices and manipulated the flow of information which resulted in overvaluations, financial scandals and eventually the collapse of large corporates, such as Enron. Scholars suggest that this approach was dominated by a failure by senior management to present accurate financial information due to inadvertent or intentional errors (Hodgson & Hodgson 2008; Laskin, 2009, Allen, 2002). In other words, corporates and their

senior management disclosed manipulated information to investor stakeholders deliberately as a result the inability of investor stakeholders to fairly evaluate and understand the corporate business and its value.

Leves of trust by financial stakeholders in publicly traded organisations diminished during this period (Bechan, 2008). This situation was worsened by the prevailing “economic conditions resulting from widespread market failures” (Kelly *et al.*, 2010:189) to the extent that investors in particular were on the look for organisations with reputational capital that would be sustainable in tough times (Watson, 2014).

### **2.3.3 The synergy approach to investor relations (after 2000)**

It can be argued that the current state of IR practice results directly from the history of the field. According to Laskin (2011), IR has moved into a paradigm where the synergy of communication expertise and financial expertise which characterised the previous approaches are equally esteemed in rebuilding investor confidence and trust, and establishing long term organisational relationships. While the shift from the previous financial approach was caused by society and the economy, this third paradigm shift after the financial approach is understood to have started in 2000. This shift is a result of disastrous accounting corporate scandals and failures. Such accounting scandals are argued to have necessitated an overhaul of the IR approach to obtain the approval of present investor stakeholders of organisations and companies (Riel *et al.*, 2007; Bottcher, 2005).

## **2.4 The evolving roles and functions of IR practice: A synergy approach**

Laskin (2010) states that IR practice has assumed more responsibilities than ever before. The competition for capital increased has made IR a key function that influences corporate performance (Laskin, 2010). The following section discusses the changing roles and functions of IR in the synergy approach.

### **2.4.1 Communication with investor stakeholders**

Emerging findings in the IR literature show that communicating accurately with investor stakeholders is a core function of investor relations. Notably, the primary objective is to ensure that the corporate story is valued fairly and accurately by investor stakeholders. This articulation shows the abandonment of “a trend of producing, peddling and promoting half-truths and untruth even cloaked in hedge language” which characterised the dawn of IR (Kelly *et al.*, 2010:189). The emphasis on communication is further compounded by the fact that most investor stakeholders remain professionalised. Before arriving at a decision to invest, they seek to understand more about the company. According to Jones, Erickson and Hargittay

(2001), today's investor stakeholders' distrust companies that do not communicate messages that align with other communication functions of the corporate. They are increasingly paying attention to what is communicated and how it is communicated. For example, when IR communicates one way and PR sends out a different message, the chances of maintaining loyalty and trust from all investor stakeholders will be decreased. As argued by Jones *et al.* (2001), messages should be whole, and corporates should be consistent in this regard.

It is acknowledged in the literature that accuracy, clarity and transparency in communication determine the credibility of IR (Healy & Palepu, 2001). In addition, transparency is emphasised as a factor which influences the corporate financial position. It further enables investor stakeholders to appropriately evaluate the corporate price performance, to make better decisions, to increase confidence in the fairness of the corporate, particularly when access to information is permitted, and to eliminate unscrupulous corporate practices (Doorley & Garcia, 2007). Failure to apply these determinant factors is viewed as risk to the efficiency of any corporate in the capital markets, as it becomes impossible for investor stakeholders to fully understand the corporate. As a result, IR professionals will be deemed to have failed to create value, not only for the company but also for investor stakeholders (Vlittis, 2012). It is therefore important to analyse how corporates are advancing transparency in their efforts to build sustainable relationships. The section below looks at two-way communication strategies in contemporary investor relations.

#### **2.4.2 Two-way communication and investor relations**

What is critical to note in the literature is that IR is shaped this time by a strategic communication quality that necessitates dialogue between a corporate and its investor stakeholders. In other words, this can be understood through two-way symmetrical communication as delineated in the NIRI's (2003) definition. To demonstrate the strategic value of two-way symmetrical communication in this synergy approach, scholars agree that IR professionals are increasingly listening to investor stakeholders as much as they listen to senior corporate management and assist in aligning the interests, propositions, and recommendations of both parties (Laskin, 2009; Hockerts & Moir, 2004; Allen, 2004). To fully demonstrate the value of two-way communication, IR professionals are extending the scope of IR practice from mere publication of obligatory annual and interim reports to more frequent, extensive, proactive and diversified interactions (Hockerts & Moir, 2004). Negative information either from the corporates' perspective or coming from the investor stakeholder environment is emphasised as the new rule of investor engagement (Allen, 2004). This is critical as failure to be transparent, particularly about information that relates to corporate performance and the

company's fiduciary duty could lead to conflict that could impact investors' evaluations of corporates.

Djordjevic (2013) describes the emerging two-way communication of IR as key to driving the communication of information back and forth between corporate and investor stakeholders. Feedback obtained particularly from investor stakeholders is evaluated and the analysis thereof incorporated into corporate decision-making processes and planning IR strategies. In addition, Allen (2004) states that IR professionals are embracing the feedback obtained and using it to adjust corporate strategies as a mechanism for improving relationships with investor stakeholders. As much as this demonstrates the criticality of performing investor stakeholder research, the extent to which this practice, particularly in South Africa and other countries embrace IR, demands enquiry.

### **2.4.3 Building and maintaining relationships with investor stakeholders**

Building a mutually beneficial trust relationship between the corporate and investor stakeholders through two-way communication is predominantly emphasised in the synergy approach (Dooner & McAlister 2013; Laskin, 2009; Hutchins, 2008). Scholars agree that managing the corporate-investor relationship enables long-term cooperation and adds to the corporates' competitive advantage and value creation prospects (Laskin, 2009; Harrision, Bosse & Phillips 2010). The literature also notes that excellent relationships lead to excellent financial performance and that the pursuit of long term relationships provides IR professionals with opportunities to learn about investor stakeholder views over time. This is critical given that the increasing complexity of investor stakeholders (e.g. institutional investors) leans towards influencing corporate decisions on critical issues around corporate management, governance and compensation matters.

To effectively develop these relationships, scholars agree that such cultivation of relationships demand regular contact, as well as transparent, accurate and timely communication (Dolphin 2004). With the advent of two-way communication, the question that arises is, what are the communication strategies used by IR professionals to build and maintain relationships with investor stakeholders? This question is discussed below. Finally, as much as IR is critical in ensuring understanding of an organisation by its financial stakeholders, its role extends beyond information dissemination. Communication strategies that create that relationship and additionally cultivate trust and confidence with all stakeholders require further investigation amid the hypothesis that better communication with investors increases corporate value, and thereby stock performance (Vlittis & Charitou, 2012).

#### **2.4.4 Communication strategies used by investor relations practitioners**

To fulfil investor relations objectives, IR professionals use communication strategies that vary across organisations. Bushee and Miller (2012) state that the choice of communication is critical if one desires a recognisable and an efficient capital market. According to Laskin (2009) the most dominant strategies used by IR practitioners to engage investor stakeholders entail conducting roadshows and organising investor conferences and presentations. Arranging investor stakeholder meetings are also cited as important. According to Virtanen (2010), one-on-one meetings are usually tele-conferences, and emails are a further form of effective two-way communication. Allen (2004) adds that conducting live webcasts of investor conference calls can be used to enable engagement with a diverse number of investor stakeholders spread across the continent at one time.

There are other disclosure channels such as financial analysts, ratings agencies and industry experts who engage in private information production to uncover organisational information (Healy & Palepu, 2001). According to Bragg (2014), IR professionals predominantly use financial media platforms such as the Stock Exchange News Service (SENS) announcements, Bloomberg, Business Wire and PR Newswire not only to keep up to date with investors' perceptions, but also to engage with investor stakeholders. This indicates that IR professionals could be working with a number of stakeholders in increasing information disclosure and securing coverage and positive valuation in capital markets (Bragg, 2014). It is through this strategy that corporate news and features are disclosed as business news. It should be noted that giving out prompt press releases and conducting perception research are still dominant in the synergy approach (Vlittis & Charitou, 2012). However, there is a clear distinction from the distribution of information using press agency activities performed in the communication approach. The distinction here is that the information is properly researched before it is disseminated.

The Internet also has a substantial effect on IR practices. Corporate websites are being launched on the Internet as a communication strategy of engaging with investor stakeholders (Penning, 2011). Bottcher (2005) stipulates that the Internet creates opportunities for investors to find information on their own without having to contact the company or attending investor meetings. This is important. Most companies in developed countries are launching IR websites with a list of frequently asked questions (e.g. Microsoft). IR web pages include email addresses to which stakeholders may submit further questions and subscribe to investor information. IR professionals are responsible for finding the answers to stakeholder questions and replying to these email queries. In addition, some IR web pages contain downloadable



information and reports (Dallara, 2001), but the validity of the information on IR web pages is questioned and could be out-dated and unreliable. This calls for clarity as to how IR websites are strategic in relationship building, especially given amid Williams and Brunner's (2010) findings that websites are not necessarily aligned to a number of positive attributes such as trust, commitment and satisfaction.

Williams and Brunner (2010) suggest that websites are competent when engaging with stakeholders but not as a medium of communication used to create relationships. This is critical given that the Internet has become an integral channel for other organisations particularly in building dialogic communication, making corporate announcements and proliferating information. It is argued that some investors trust content obtained on the Internet. However, the medium is viewed to come with new forms of risk as the advancement of technology continues to outpace established industry boundaries, as well as legal and regulatory frameworks. It is thus important for IR professionals to consider risks associated with using the Internet in these ways.

Using Gratification Theory, Penning (2011) sought clarity as to what specific communication strategies of information disclosure are preferred by IR professionals in making investment decisions. Annual financial statements emerged at the centre of investor stakeholder engagement and as the first point of organisational valuation. However, Penning (2011) suggests that disclosure through these regulated financial statements no longer captures the true market value of major corporations, a view also maintained by Laskin (2011). The two scholars point out that financial statements: (1) contain misleading information, and (2) are disregarded by investors stakeholders, who cite the accounting information as difficult to comprehend and interpret. A number of scholars seem to agree that annual reports are still part of investor stakeholder engagement's this time with narratives, graphical, pictorial and broader aesthetic content conveyance. This is a direct opposite of annual reports with financial data and glossy sales brochures that form part of the financial approach (Watson, 2014; Campbell, McPhail & Slack, 2009).

#### **2.4.5 Increasing firm visibility in the investor stakeholder community**

Various studies show that investor stakeholders develop more interest in companies that are more visible than others (Hoffmann & Fieseler, 2012). As a result, increasing firm visibility in the investor community is argued by scholars to be an important IR function. Increasing firm visibility is the basis for widening investor following, increasing institutional ownership, and obtaining coverage by investor stakeholders such as investor analysts (Kelly *et al.*, 2010; Bushee & Miller, 2012). In this light, Chandler (2014) maintains that IR professionals have to

demonstrate advanced knowledge of communication practices such as obtaining media coverage and corporate reporting, while clearly balancing the interests of diverse investor stakeholders in the investor community (Kelly *et al.*, 2010; Bushee & Miller, 2012). While increasing firm visibility leaves IR professionals in a position of formulating credible relationships (Laskin, 2011), it improves investor stakeholder understanding of the company thereby empowering investor stakeholders to monitor corporate behaviour and hold corporates accountable.

Miller (2006) and Villittis and Charitou (2012) maintain that sustaining visibility has an effect on capital investment. Miller (2006) in particular argues that it reduces agency costs that lead investors not to sell off the stock even when organisations face uncertainty. Hockerts and Moir (2004) affirm the importance of visibility and investors following leads to increase liquidity of corporate stocks. According to Laskin (2011), increased trading activities pull large number of investors while a lack of liquidity discourages investor interests in the corporate, particularly short-term investor stakeholders. Therefore, this function should be assumed as intended to increase liquidity as Laskin ties increased liquidity to establishing a wide investor stakeholder base. In light of this, the number of corporates who list increasing liquidity as a core outcome is not clearly discernible in the literature. Some scholars consider increasing liquidity or increasing trading volume as undesirable but rather promote efficiency of corporate securities in the investor community.

## **2.5 The nature of information disseminated to investor stakeholders**

Investor stakeholders are reportedly learning about corporate business strategy through IR. However, a diverse number of scholars differ on the nature of information required to build relationships and provide understanding to investor stakeholders. For instance, Chandler's (2014) study, in particular, does not elucidate the nature of content shared between investor stakeholders and corporate management. What is critical to note is that information that borders on the intangible (e.g. corporate reputation), and non-financial information is being disseminated to investor stakeholders. Information about corporate strategy is rated important in understanding the value of a company (Laskin, 2016). In another study, Laskin (2011:307) outlines detailed information about managerial discussions, indicating that future plans such as a "business model [and] financial forecasts" are paramount to investor stakeholders hence need to be communicated. Laskin (2016) further adds that credibility of corporate senior management team and their commitment to the corporate strategy are critical in building trust. Therefore, these factors should be at the forefront of information disclosure strategies.

According to Keheller (2007), the credibility of the management is perceived as the most salient information used by investor stakeholders when making investment decisions. Credibility actually sums up the corporate image and reputation in the capital markets (Hoffman & Fieseler, 2012). This is largely because if investor stakeholders do not have trust in those running the companies, numbers will not make a difference. Dolphin (2003) states that the corporate image is a critical intangible particularly the corporate financial reputation because if the corporate image rises and falls, it will consistently mirror earnings growth and stock performance.

Laskin (2011) and Deloitte (2014) propose integrating different non-financial information classes such as organisational mission and vision, corporate governance and operations, and resource allocation such as corporate capital, intellectual, human, social and natural resources. As much as non-financial information is being communicated, financial information remains dominant both in the frequency of communication and the perceived importance of such information (Laskin, 2016).

In seeking a stakeholder-centric approach to IR strategies (Watson, 2014), corporate social responsibility (CSR) is gradually taking centre stage (Hockerts & Moir, 2004) within IR, capital markets and publicly listed companies. CSR is becoming an integral part of mainstream relationship-building with multiple stakeholders, and is critical to investor stakeholder investment analyses (Nardo, 2013; Freeman, 1984). The rise of CSR information is attributed to the growing awareness that financial statements omit salient information about corporates. With the rise of educated investor stakeholders, IR professionals are making a deliberate attempt to increase transparency (Nielsen & Thomsen, 2007). However, Laskin's (2016) study notes that CSR information is one of the least communicated elements, and not integral to understanding a business and its value. Laskin (2016) concedes this finding is puzzling as disclosure of CSR is widely practiced. This requires further exploration to understand its validity in the synergy approach.

In an article on shareholder activism in South Africa, Lekhesa (2009) establishes that there is a positive relationship between CSR and the financial success of an organisation and that investor wealth decreases when companies act in a socially irresponsible manner. Lekhesa's argument is consistent with the view that management and its board should be held accountable to investors for poor corporate performance. According to Hoffmann and Fieseler (2012), Lev (2004) and Hockerts and Moir (2004), CSR-centric investor stakeholders use CSR information to measure the intensity of corporates' social performance, and their organisational image which translates into higher sales and lower employee turnover, greater

accountability and transparency, and compliance with relevant regulations that satisfy public scrutiny in the environment of operation. IR professionals thus need to educate stakeholder groups about corporate citizenship standpoints and disclose CSR information aimed at influencing stakeholder perceptions towards the corporate (Jamal, 2008). As much as this is an important and growing activity of IR, it appears to be contrary to the South African Companies Act (2008), which does not make it obligatory for corporates to undertake CSR activities. Yet, King Report III (IoDSA, 2009) encourages organisations to engage in CSR activities not only central to their business interests but also those that align to climate, social and the community under the tripple bottom line concept. What is critical tonote in the literature is that CSR engagement activities are perceived as a reality in building effective business relationship and cannot be ignored by corporations with good governance policies and high moral standards (IoDSA, 2009).

Interest in CSR could presumably be attributed to the idea that investors are seeking to enter into long term strategic relationships with companies not susceptible to regulations. Being susceptible to regulations influences efficiency gains such as the share value of a company, and investors are generally profit driven (Freeman, Harrison, Wicks, Parmar & De Colle, 2010; Hoffmann & Fieseler, 2012). From an organisational perspective, CSR can be interpreted as shifting the corporate strategy from being shareholder-centric and oriented to owners' satisfaction, to establishing strategic networks and strategic dialogue with a wider stakeholder spectrum (de Beer & Rensburg 2011).

However, while it is evident that CSR information and activities are critical and linked to financial performance, an understandiJng as to which credible CSR information and activities investors consider in making investment decisions is critical. Jamal (2008) emphasises that CSR activities are varied with many facets which can be drawn from an external and internal perspective of an organisation and its stakeholders. It encompasses a wide range of issues aligned to corporate governance, sustainable triple bottom line approaches and social welfare issues (de Beer & Rensburg, 2011).

Market moving information that creates strong relationships with financial stakeholders is essential. It is therefore important for IR professionals to have a clear ethical basis as to which CSR strategies and information to engage in not only for relationship-building but also for creating a competitive advantage, yielding market share, improving corporate valuation, and controlling risk in publicly trading organisations (Deephouse, 1997). In South Africa, it is interesting to note that financial institutions such as Standard Bank are viewed as the most socially responsible companies, undertaking different social initiatives, while tobacco and alcohol companies carry undesirable reputations when it comes to corporate citizenship.

Another notable example in CSR is leading global mining company, BHP Billiton, which runs a development trust in South Africa to coordinate and manage various sustainable development initiatives in different areas (World Business Council for Sustainable Development, 2015).

The advent of these diverse forms and sources of information suggests that today's investor demand more than being supplied with financial disclosure. Thus, it is critical for IR practitioners to not only communicate in financial terms, but also to be able to strategically engage with investor stakeholders using diverse information that creates a more holistic sense of the corporate. Allen (2004) equates communicating corporate information to increasing understanding of the corporate in the investor stakeholder community, particularly why they are a good investment prospect. Allen (2004) further argues that this information should be realistic in fulfilling organisational goals.

Communicating all of this information reduces what is termed information asymmetry and it sets an entry point for all investors to engage with organisational leadership through dialogue in seeking fair transactions. According to Villittis and Charitou (2012:940) information asymmetry creates "an adverse selection cost in the transaction between sellers and buyers of firm's shares". This has an impact on the valuation of companies and can cause a decline in stock liquidity (Villittis & Charitou 2012). As stated by Huang and Watson (2015), the disclosure of financial and non-financial information is essential, as it reduces information asymmetry and uncertainty about a company and it enables investor stakeholders to better assess key areas of performance and support a broader view of corporate performance. Failure to balance the disclosure of information can minimise investor stakeholders' understanding of the corporate. According to Laskin (2010), this in turn can lead to stock undervaluation or increased volatility in corporate stocks.

It should also be noted that intangibles such as sustaining trust and creating a long-term relationship, two-way symmetrical communication, corporate governance and a company's image are extremely important parts of the IR function. A Consideration of all these issues provides for better quality of a company's IR communication and helps investors to develop a clear understanding of a company's current situation and future prospects. These intangible factors are relevant to this thesis, as they have a significant impact on relationship formulation.

## **2.6 The relationship between investor relations practitioners and top management**

In his descriptive study of IR profession in the United States, Laskin (2009) highlights counselling of top management as a prominent and unique IR strategy in the synergy era. The nature of counselling includes updating management about the market perceptions on all aspects of corporate performance (future challenges and opportunities), which means the practitioner's role extends to knowing the organisation in totality and its impact on shareholder value (Hoffman *et al.*, 2011). Counselling management also implies the need for IR professionals to understand factors outside the firms' control such as macro-economics, socio-political issues and associated potential risks to the firms' value. This earns their companies a reputation of being honest in the view of financial stakeholders (Villittis & Charitou, 2012; Chandler, 2014).

While it is critical to note that management is an important stakeholder of IR practice, one can also describe the IR role as operating on the boundary between management and its environment, disseminating and discussing present strategies and concerns, and developing a constituency of informed and interested stakeholders through a two-way communication process. These roles further underscore the provision of feedback and conducting research as a critical role of the IR professionals in this era (McCartney 2003; Christensen & Berge, 2011)

In addition, top management is increasingly seen as the mouthpiece of organisations, particularly when engaging with financial and corporate stakeholders. Cees, van Riel and Fombrun (2007) argue that an IR professional's role is to assist top management with creating, rehearsing, confirming and orchestrating IR messages before engaging with investor stakeholders. According to Hoffman *et al.* (2011:149), this is because today's crop of financial stakeholders pays attention "to the persuasiveness of top managers, their personal appearance and their communication skills". This view is critically emphasised by Laskin (2010), who asserts that a fall in Apple's stock value was prompted by a comment that CEO Steve Jobs looked too thin. In addition, these observations actually underline not only what constitutes non-financial strategies but what ought to be made inclusive when seeking to build relationships. It further suggests that competence in communicating accurately corporate strategic plans in a credible manner builds investor confidence and understanding of the business and its processes (Hoffman *et al.*, 2011, Laskin, 2011). Having such ability further ensures that nothing will be distorted and missed in meaning when communicating with

stakeholders. It can also amount to developing good relationships, particularly with financial media analysts, who are critical when reporting on corporate organisations.

## **2.7 Convergence of investor relations and public relations management**

Regardless of the need for convergence and the rise of two-way symmetrical communication in IR, there is a fair amount of mutual wariness. Some IR professionals see PR professionals as either unversed in or as having no interest in the role of IR. Conversely, PR professionals view IR professionals as speaking a different language and serving a different role (Petersen & Martin, 1996; Dolphin, 2004). Despite these differences, there is an essential need for the two to collaborate. However, this cannot be fully achieved if the equilibrium of power as to who should be in charge and who should lead the IR work remains a challenge. The dominance of CFOs in IR is still prevalent in the synergy era (Kelly *et al.* 2010; Petersen & Martin, 1996; Laskin, 2009, 2011). Hence, there are queries about the competence of IR professionals in building and maintaining relationships through two-way symmetrical communication.

According to the survey conducted by Laskin (2009) at Fortune 500 companies in the United Kingdom, 60% of IR professionals predominantly hold a graduate degree such as Master of Business Administration (MBA). In South Africa, in 300 of listed South African corporates on the Johannesburg Stock Exchange (JSE), finance professionals still hold an upper hand in the affairs of IR over their counterparts from a communications background (Schoonraad, 2003). Additionally, it is apparent from the low volume of communication abstracts and reports that communication in IR is undervalued. This is partly because of its relatively newness (Silver, 2004; Petersen & Martin, 1996; Dolphin, 2004; Laskin, 2009, 2011; Kelly *et al.*, 2010, Hoffmann *et al.*, 2011). However, Lauzen (1992) assertion that PR carries a history of isolation particularly in strategic operations and its practitioners are often considered in lower levels of operations as technicians who should not be ignored.

Johnson and Neilson (1990) state that a number of senior corporate leaders remain unaware of the pitfalls lying in wait for corporations that do not coordinate PR and IR. This is true, as the value of PR is commonly noted when the corporation cannot reach the investment it needs for survival due to a poor corporate image in the investor stakeholder community. Haywood (1991) adds to this by saying that investor stakeholders remain influenced by attitudes towards organisations, and effective external corporate communication might enable a company's shares to stand out from a thousand others. With so many high profile scandals rocking the market, PR and IR will have to find a way to pull their companies out of the firing line, although

differences in opinion as to who should take the lead are slowing the process down (Galaza, 2002). For example, the Enron scandal was a shock to many, but widespread panic could have been averted if all the departments had acted in unison, especially the communication and accounting departments.

As argued by Silver (2004), a lack of convergence between IR and PR carries negative consequences for a company's share price. Silver considers reputation as the most important intangible asset of a company, as the intangibles determine 40 percent of a company's capitalisation. Silver emphasises that a new investor relations and public relations paradigm should companies desire to use mass media to share their investment story with investors. According to Silver (2004), mass media greatly influences how investors think about companies. A company's story should be self-evident to the whole company including management, IR and PR professionals. However, it is extremely important to bear in mind that overly optimistic messages are not only unacceptable but also illegal.

## **2.8 Defining organisational-public relationships: A PR perspective**

It is apparent to note that there is no universally accepted definition of organisational-public relationships in the communication's literature (Williams & Brunner, 2010). In this study, Ledingham and Brunning (1998) and Thomlinson's (2000) expressions are considered appropriate in understanding the sustenance of relationships in IR functions. Ledingham *et al.* (1998) define organisational-public relationships as the state that exists between an organisation and its strategic stakeholders, where the behaviour of each partner influences the other economically, socially, politically and culturally. Thomlinson (2000:178) refers to this relationship as "a set of expectation two parties have for each other's behaviour based on their interactions patterns". Both definitions indicate that such a relationship is bound by interdependence and patterns of interactions, in this case between the organisation and its strategic publics. It also means that such interdependence needs to be consistently managed to suit each party's behaviour or expectations. This is because relationships are not static and organisations serving their interests and those of their stakeholders time and again encounter contradictions in expectations or consequences which may alter the nature of the existing relationships (Hung, 2005; Grunig, 1992).

Similarly, Grunig and Huang (2000:35) view relationships with publics as "situational or behavioural". By situational, Grunig and Huang (2000) argue that publics come and go and change as situations change, thus forcing the relationship to change. Therefore, evaluating the context of the relationship is critical. It helps in understanding when, why or how to begin,



maintain or end the relationship. By behavioural, the relationship is viewed to be dependent on how the involved parties in the relationship behave towards each other (Grunig & Huang, 2000). Failure to manage the differences relationship can bring the organisation into disrepute. To enhance sustainable relationships, Wright (2001) advocates dialogue and feedback mechanisms. In creating these, organisations will ensure participation, and thereby strengthen the relationship.

According to Hung (2002)'s, relationship management model developed using social exchange theory and dialectical perspectives, relationships are an unending process and each phase of relationship development is affected by the state of the previous phase such as the quality of the relationship, the view of organisational reputation as perceived by stakeholders, and organisational goal attainment. Hung further postulates that organisational-public relationships are interdependent or embedded within other units in the organisational environment or in the network of other relationships. On that note, Toth and Pavlik (2000) (1992), argue that PR becomes an important instrument in this millennium that influence the meaning of communication in developing relationships. Therefore, to continue in the same environment, the course of the relationship expectations and the choices of communication strategies should be carefully determined (Hung, 2002). One critical way of understanding the relationship strategy formulation can be through the lenses of corporate communication strategies and relationship strategies.

### **2.8.1 The PR roles model and its strategic impact on organisational strategy and implementation**

Despite the inadequacies of the PR role in organisational strategic management, different scholars have theorised that PR can play a role in advancing a more comprehensive understanding of the PR functions, particularly in strategic management processes, and strategy formulation (Broom & Dozier, 1986; Creedon, 1991; Lauzen, 1992; Steyn 2003, Grunig & Repper, 1992; Moss and Green *et al.*, 2001). To understand the involvement and impact of PR in business strategy, Steyn (2003) recommends building on early streams of PR research (Broom & Smith, 1979) which has argued that the roles could be effectively conceptualised as strategic, managerial and technical. Dozier (1992:340) posits that such role enactment, particularly the managerial and technical roles, creates an approach that may "operationalise roles and test relations with antecedents and consequential constructs". It further provides a in-depth understanding of internal PR roles as compared to those outsourced from external agencies that tend to be less enduring and vary with the clients being served (Dozier, 1984). The paragraphs below provide a discussion of these three distinct roles as part of strategy formulation, implementation and evaluation.

### **2.8.1.1 The PR strategic function**

According to Steyn and Puth (2002), the strategic function of PR professionals constitutes feeding intelligence into the corporate enterprise strategy, and enhancing strategy formulation through monitoring and gathering information on key stakeholder concerns, expectations, values, norms and issues. This role is likened to a mirror function executed by top management such as executive directors at a societal or corporate level (Hunt & Grunig 1994; Steyn & Puth 2002; Dozier & Broom, 1995).

Steyn (2003) and the Stockholm Accords Reports (2010) maintain that PR's strategic role takes an outward-in approach in enhancing strategy development. The internal and external environment is scanned and relevant information is gathered and exchanged so as to understand either new developments or anticipate external consequences or trends which might impact the overall business strategy and environment. In the same view, White and Vercic (2001) contend that scanning the environment sets PR professionals as observers on the edge of or between the internal and external environment of an organisation. The function being to liaise and interpret the context in which organisations behave towards the referred environment. Such function assists corporates to adapt match or improve both the effectiveness and the efficiency of their business strategy development, to meet stakeholder expectations and ensure their future existence (Moss *et al.*, 2001).

Argenti, Howell and Beck (2005) argued that PR is a strategic unit that integrates business functions and aligns communication messages with the strategic positioning of the organisation. They concur with Van Riel (1995) who positions PR in the decision-making process as a mechanism that eliminates fragmented communication which might create negative consequences or tarnished relationships with strategic constituencies - that is those groups that may limit the autonomy of the organisation (Grunig and Grunig *et al.*, 1992). In other words, PR's role in strategic management is to ensure effective maintenance of involved stakeholder interests and expectations. The Stockholm Accords (2010) posit that balancing interest requires providing organisational leadership with necessary, timely and relevant information. The Stockholm Accords further explain that this will allow the corporate leadership to effectively govern organisational-stakeholder relationships and understand the dynamics of its corporate stakeholders at large.

Mahoney (2011) and Tench, Verhoeven and Zeffass (2009) note that by undertaking this role, PR professionals are placed in a position of counselling management, as well as influencing decisions and strategy formulation to respond to environmental demands that positively impact the corporate strategy. From this perspective, this strategic role remains important in creating relationships with all identified stakeholders. Thus, it is important to note that concepts

such as shared meaning, dialogue, trust, mutual benefit, listening, social capital, collaboration and mutuality are at the centre of top management conversations, as they all emphasise relationship building (Heath, 2001; Smith, 2009). This highlights the criticality of PR in stakeholder relationship-building and achieving organisational goals.

Yet, the strategic roles of PR are still largely misconstrued, undervalued and only a fraction of top management give recognition to PR despite the value it holds in strategic management (Ledingham & Bruning, 2000; Moss, *et al.*, 2001). This is even evident in investor relations, which is a strategic management function receiving attention from PR scholars (Chandler, 2014). Grunig (2002) attributes this predicament to managers who predominantly perceive PR as a technical function that focuses on organisational image but has little impact on or involvement in the most important strategic management processes. In the United States of America, PR professionals are least likely to hold senior positions. Chief Executive Officers (CEO) and Chief Financial Officers (CFOs) are preferred to assume PR roles, should these be part of the dominant coalition (Grunig, Grunig & Dozier, 2002). The PR strategic intent and its facets need to be discussed in depth, particularly the interplay in investor relationship formulation and ultimately the success of the organisation.

#### **2.8.1.2 The PR managerial function**

According to Steyn and Puth (2002), the conceptualised PR managerial roles at a functional level consists of formulating policy and corporate communication strategies, as well as implementing corporate governance principles. Guth and Marsh (2007) add that PR managers are involved in issues management, and monitoring, evaluating and conducting communication audits on how well the organisation is achieving the set objectives. Steyn and Puth (2002) further elucidate the PR managerial role as critical in determining the course of planning and support for different organisational functions as well as stakeholder groups, such as the media, employees, investors, the government and the community. In this regard, PR managers craft integrated short-term and long-term communication strategies and objectives (Niemann, 2005) that help achieve sustainable relationships and balance expectations of the organisation and its stakeholders (Steyn, 2003; Steyn & Puth 2000).

#### **2.8.1.3 The PR technical function**

The technical function is another level of PR, which ensures the implementation of organisational activities through public relations strategies. The emphasis of this level is to support the strategic and managerial activities that represent the overall organisational image and values in the stakeholder environment (Steyn, 2003). In addition, Steyn and Puth (2000) state that innovative communication plans, such as dialogue or activities with stakeholders

should take place, are implemented at this level taking an inside-out approach. Dozier, Grunig and Grunig *et al.* (1995) posit that strategic stakeholders are identified and specific messages are created and designed to reach the intended stakeholders. Furthermore, PR professionals evaluate the effectiveness of these implemented tactical plans and keep the entire corporate informed (Steyn & de Beers 2012). Writing and producing press releases, maintaining media contacts, editing newsletters, writing speeches, arranging conferences and developing web information are common tactical activities in this role (Cutlip, Center & Broom, 2006; Steyn, 2002; Steyn, 2003; Steyn & Puth, 2000).

These approaches demonstrate that PR plays a role in all functional levels of an organisation. Its strategies can facilitate the balancing of stakeholder interests with consistent engagement and stakeholder retention, inclusive of all internal and external stakeholders of the organisation. This suggests that PR communications are significant in permitting different views to be integrated effectively, enabling fair valuation of the organisation particularly by those who have a financial interest in said organisation (Laskin, 2011). Therefore, PR roles in the field of investor relations are important, particularly in building profitable relationships, creating transparency, and delivering the expectations of the dominant coalition, management and its executives through communication. PR is the 'glue' that joins different business units of an organisation and creates room for communication with strategic stakeholders (Angelopulo & Schoonraad, 2006).

### **2.8.2 Public relationship strategies and management**

Extant research indicates that PR is vital for building and maintaining the capacity of relationships in today's organisations (Dozier & Lauzen, 2000; Grunig *et al.*, 2002; Laskin 2011, Smith, 2009). This is because relationships have evolved to become an essential part of organisational goal attainment.

Botan and Hazleton (2006) maintain that relationships fostered in the form of intangible assets or financial assets through enduring collaboration with other strategic stakeholders can generate value for investors or the organisation (Eccles, Ioannis & Serafeim, 2011; Girard & Sobczak, 2012). Heath (2013:431) postulates that relationships are "textual, multidimensional, multilayers and complexly interrelated". This suggests that organisations have to connect with all their stakeholder groups if they desire to create long term value (Rensburg, 2011). Therefore, maintaining a culture of transparent communication and consistent disclosure through PR can result in binding and effective relationships between the organisation and its environment (Ferguson, 1984).

Hon and Grunig (1999) conceptualised strategies of relationship-building using communication strategies embedded in a two-way symmetrical model. They (Hon & Grunig 1999) argue that symmetrical relationship strategies such as access, positivity, openness, assurances, networking, and sharing of tasks, are useful in understanding, building and sustaining effective relationship processes with involved parties. These strategies are widely considered as the base that supports PR's efforts in relationship building and are discussed below.

#### **2.8.2.1 Access**

By access, Hon and Grunig (1999) contend that involved parties to the relationship should have access to each other's decision-making processes. They should respond to each other frequently in addressing issues rather than taking unsatisfactory experiences and unanswered questions to the third party.

Contemporary PR professionals embrace new technologies such as websites to build access and dialogic communication (Kent & Taylor, 1998; Kent, Taylor & White, 2000). Websites are perceived as an essential tool for communicating organisational responsibilities and the willingness to interact through websites is of high relevance (Stuart & Jones, 2004, Jung Ki & Hon (2006). Hon and Ki (1999) maintain that accessibility should be further achieved through interpersonal meetings and other sites that promote feedback and access. This will help obtain the most out of two-way dialogic communication between top management and stakeholders (Kent & Taylor, 1998).

The use of websites is regarded to be the first PR's sustainable communication approach that permits integrated dialogic flow of information between the organisation and its stakeholders. It is perceived as eliminating gatekeepers of the mass media (Grunig & Hunt, 1984). Different PR scholars describe websites as unidirectional whose essential objective is to diffuse information to present a particular corporate image to organisational stakeholders. In contrast, scholars such as Hill and White (2000) describe websites as a bidirectional communication tool that can establish and build relationships by enabling interaction and dialogue between the organisation and its different stakeholders. To make website more interactive, Jung Ki and Hon (2006:33) state that websites should contain contact details such as "telephone numbers and electronic mail and physical addresses" as these, according to Hill and White (2000) allow organisations to have the power to influence, allow and obtain feedback from stakeholders.

The use of social media as a subsidiary of the Internet is taking a central role in enabling two-way dialogical communication. In this regard, Qualman (2012) states that social media carries the capacity to sustain interactions and relationships between the organisation and its

constituencies due to its instant feedback features. This makes organisations competitive in the strategic management of communication. Social media is widely viewed as a channel where corporates converse with their stakeholders, at the same time linking stakeholders with each other and thus creating unregulated public conversations without the restricted use of words (Mangold and Folds, 2009). Some notable social channels being used by companies include Myspace, Twitter, Facebook with chat rooms and discussion forums, corporate blogs and YouTube (Asur & Huberman, 2010). In some organisations, social media is used to provide services to clients, advocating as well as raising organisational profiles. In these cases, social media can be useful in engaging and creating dialogue with investor relations constituencies and supplementing other traditional channels.

#### **2.8.2.2 Positivity**

By positivity, Hon and Grunig (1999) assert that both the organisation and the stakeholders involved should make sacrifices that result in an amicable relationship. Politeness and friendliness during engagement are considered to be acts of positivity. Williams and Brunner (2010) illustrate positivity using a website. The duo posit that a website should be user friendly, easy to navigate with sitemap clarity, and have accessible search functions and audio visual elements. This will create satisfaction and positive relationship outcomes.

#### **2.8.2.3 Assurance of legitimacy**

Hon and Grunig (1999) state that organisations should guarantee the involved parties that their concerns are legitimate. This can be achieved through following up on communication efforts and other interactive means of assuring understanding of the concerns raised. In so doing, an organisation can gain credibility and trust from its publics (Williams & Brunner, 2010).

#### **2.8.2.4 Networking**

Networking is perceived to be an essential component of relationship building. It entails spending time with reciprocal contacts so as to obtain support that creates good relationships. Networking is perceived to be as a result of shared conversations, “control mutuality and liking” (Jung Ki & Hong, 2006:34). Different scholars maintain Hon and Grunig’s (1999) findings of building coalitions with the same groups as their stakeholders, such as environmental groups, unions, or community groups (Hung, 2005; Hung & Grunig, 2000; Jung Ki and Hon, 2006). This implies that effective relationships can be maintained through quality of contacts with networks in these groups.

#### **2.8.2.5 Openness and Disclosure**

Doorely and Garcia (2009) explain that openness is critical in today's efforts of building relationships, particularly in investor relations. Doorely and Garcia (2009) cite its criticality in times of uncertainty, emphasising that organisations should be willing to communicate openly information that is accurate, complete, relevant and meaningful to stakeholders. In so doing, stakeholders will be able to assess corporate performance. Doorley and Garcia (2009) further state that transparency creates greater credibility with stakeholders and critics. From a PR perspective, communicating complete information provides a full picture of a company's actions and performance. This justifies why increased disclosure of both financial and non-financial information is increasingly being called for, especially now that the global economy is progressively moving towards service and increased access to information (Hodgson & Hodgson, 2008).

Meintjies' (2012:196) thesis of "strategic communication approach to stakeholder relationship management" articulates transparency, or openness, as important. Meintjes posits that corporate information should be freely available to those who are influenced by its decisions. In addition, Meintjes states that:

- Transparency is measured by accuracy and accessibility of corporate information by stakeholders .
- Transparency can be active, passive unilateral or reciprocal. It is active where the information is actively disclosed, passive where the information is available, but revealed only upon request. Unilateral transparency is found where the information is revealed from the business to the stakeholders and reciprocal where the business is responding to the expectations of the stakeholders (Meintjies, 2012:196).

These strategies are essential not only to PR but to the entire organisation. It is clear that these relationship strategies can afford organisation opportunities to build unique and engaging approaches to relationship management that sustain a strong corporate brand (Van Riel & Fombrun, 2007). Since these strategies are built from a symmetrical perspective, dialogic relationships can generate interest, mutual understanding and a shared reality between the organisation and its stakeholders (Aula & Mantere, 2008). It is imperative to note in the relationship literature that relationship strategies are seen as a means to an 'end', with that 'end' being long term stability, quality interactions between the organisations and its different stakeholder constituencies, long term investment, and financial competence (Laskin, 2009).

## **2.9. Corporate governance and reporting approaches: Implications for IR practice**

Corporate governance approaches emphasise building sustainable and valuable legitimate relationships and balancing the integrated socio-economic and environmental states of the organisation and all its stakeholder groups so as to avert financial problem (Freeman, *et al.*, 2010). The King III Report on Corporate Governance for South Africa (2009) proposes an inclusive framework (strategy) for stakeholder relationship governance. It enlists 6 principles that suggest stakeholders as interconnected with the corporate reputation, proactive governance, stakeholder engagement, equitable treatment particularly of investors, and transparency through full disclosure of financial and non-financial information. These principles are strategic in maintaining relationships with stakeholder constituencies and equally apply to IR professionals of publicly listed companies perceived to be responsible for strategic communication management in the governance of the organisational strategic relationships (Laskin, 2011).

As part of corporate governance, stakeholder engagement - a practice of listening to and incorporating stakeholder's interests into corporate strategy processes - is widely considered an instrument in realising mutuality and helping organisations adjust to varying environmental concerns (King Report, 2009; MIT Sloan Management Review, 2009; Accountability, (anon). Furthermore, undertaking engagement ensures that organisations response to issues of sustainability and accountability. One significant tool proposed for monitoring stakeholder engagement and accountability is sustainable integrated reporting (Herringer, Firer & Viviers, 2009).

The Global reporting Index contends that reporting provides a holistic valuation of organisational performances, policies, practices and management systems. Similarly, in South Africa, as of June 2010 all publicly listed companies are obliged to assemble an integrated sustainable report that additionally addresses environmental, societal and governance-related issues as a new requirement of listing on the Johannesburg Stock Exchange (Johannesburg Stock Exchange, Socially Responsible Index (JSESRI) 2014). These reports have become an essential driver for evaluating corporates' non-financial risk and disseminating information to capital market participants, such as investors - for them to make responsible investment decisions (Goa & Zhang, 2006). This approach demonstrates how important reporting is not only in making investment decisions but also in relationship formulation, valuation and compliance (King III Report, 2009).



Since public organisations and strategic communication professionals are a key tenet of corporate governance activities (King III Report, 2009), PR knowledge should remain critical in developing communication business strategies through research, monitoring, content writing and implementing management decisions that demonstrate commitment to stakeholder interests and in turn influence relationships. On that basis, Falconi (2009:4) maintains that the governance of stakeholder relationships, particularly reporting, is the “new global frontier” of communication management in influencing financial prospects and economic objectives, and meeting stakeholder expectations. Nieman, Meintjes and Grobler (2014) maintain the same view, stating that reporting provides stakeholders with access to information about aspects of the company business activities within a reasonable time period, ensuring that relevant information is available on a timely basis beyond the publication of glossy reports (JSE SRI 2014). This means that to create value proposition relationships being included, communication practices and actions should form part of strategy development and governance as a way of activating stakeholder responsive approaches.

## **2.10 Stakeholder management**

The section below discusses stakeholder management as it relates to relationship development in organisations. The normative theories of stakeholder management were discussed below so as to enable understanding of how communication value is maximised to establish effective long term relationships and avert conflict between different stakeholder groups with specific corporate investments investors being one of them. With corporate scandals on the rise, the normative theories will assist further to understand the moral consequences of management decisions on the formulation of organisation’s relationships.

### **2.10.1 The stakeholder concept**

The stakeholder concept provides a theoretical framework for analysing relationships with relevant organisational constituencies in the industry and environment (Schanz 2008). The concept has undergone important shifts in definition and characterisation since its initial articulation by Freeman (1984) to the extent that a coherent stakeholder definition is difficult to identify (Roberts & Mahoney, 2004). For example, Friedman and Miles (2006) claim that there are more than 55 definitions of the term stakeholder. Similarly, Miles (2011) identifies the term stakeholder to have been conceptualised 435 times in 493 reviewed articles. Despite the different conceptualisations of the term, Freeman’s stakeholder definition (1984) has remained central to most scholastic stakeholder discussions hence its adoption in this study.

Freeman (1984:46) defines stakeholders as “any group or individual who can affect, or is affected by the achievement of the firm's objectives”. Similarly, Gibson (2000) explained the

term stakeholder as individuals who can affect, or is affected by the achievement of the firm's actions, decisions, policies, or practices of the organisation. Various scholars argue that the definition is too broad and ambiguous to be given the status of theory. Despite its popularity, some scholars suggest that it runs short of specifying who exactly are these groups or individuals (Freeman, *et al.*, 2010; Hill & Jones, 1992; Goodpaster 1999; Donaldson & Preston 1995; Miles, 2011). On the contrary, Mitchell, Agle and Wood (1997) substantiate Freeman's assertions, pointing out that an organisation can be affected by nearly everyone and anyone can affect the corporation.

Building on the works of others, Clarkson (1995) proposed primary and secondary stakeholder groups. Primary stakeholders are those whose participation is central to the survival of the organisation. Clarkson identifies investors, owners, employees, government and customers as primary stakeholder groups with mutual interdependence or who have reciprocal interests, "rights, objectives, expectations and responsibilities" (Clarkson 1995:107). Similarly, in public relations, Hon and Grunig (1999) discuss stakeholders as key publics and distinguish between six main groups, which are namely employees, investors (shareholders), the media, customers, government institutions, and community.

Despite this debate around the stakeholder concept, it is apparent that organisations are influenced by a wide array of stakeholders, with or without a contractual relationship (Mitchell *et al.* 1997). Therefore, meeting stakeholder needs, interests and concerns for those who either impact or may be impacted by the organisational policies and operations remains a key factor in enhancing corporate value and business performance (Mainardes, Alves & Raposo, 2011). However, it should also be noted that according to Freeman *et al.* (2010), it is still a challenge to balance all the stakeholder needs, particularly those of strategic stakeholders who provide resources vital to the success of the organisation and with whom the organisation has interdependency. On that note, Freeman, Harrison and Wicks (2008) argue that understanding begins with understanding all stakeholders' ultimate goal, which is to develop and build effective relationships using various strategies, and to preserve the interests of all parties.

### **2.10.2 Stakeholder theory approach to relationship management**

The normative approach to stakeholder theory (Freeman, 1984; Evans & Freeman, 1988; Donaldson & Preston, 1995) and empirical stakeholder-approaches (Clarkson, 1995) oblige organisations to pay attention to all stakeholder groups' interests as an empirical means of broadening governance and relationship management. It suggests that all stakeholders must have integral value or intrinsic worth that surpasses the capacity to help organisations yield

profits (Friedman & Miles, 2006). In fact, shareholder capitalism and profit maximisation (Donald & Preston, 1995) is viewed as immoral and with risky consequences for business performance (relationships included). The theory further argues that both financial stakeholders and non-financial stakeholder constituencies have influence on the growth of a company (Evans & Freeman, 1993). Therefore, organisations should seek to balance the interests and concerns of all its stakeholder constituencies instead of focusing attention only on the needs of investors (Mitchell *et al.*, 1997). Should these relationships become imbalanced, the continued existence of the business may be in jeopardy.

Evans and Freeman (1993:99) argue that “each stakeholder group has a right not be treated as a means to some end and therefore must participate in determining the future direction of the firm in which they have a stake”. In other words, one stakeholder group should not have primacy over another, “although there will surely be times when one group will benefit at the expense of others” (Evans & Freeman, 1988). On that note, the theory asserts Corporate Social Responsibility (CSR), ethics, utilitarianism, morality and compliance with regulations as the property right of organisations and their management to help balance different stakeholder concerns and create value activities (Freeman & Liedtka, 1991; Spitzack & Hansen, 2010).

It should be further argued that the normative core of stakeholder practices legitimises relationships and ensures that stakeholder interests are incorporated into strategic decision making. This affords organisations a license of good corporate citizenship and excellent corporate social responsiveness. Potential and existing investors will be afforded a benchmark of evaluating the value of an organisation before or during investment periods. Ford (1980) postulates that by pursuing balanced relationships with all constituencies, organisations obtain the benefits linked to increased return on investments, reduced costs and improved market efficiency. However, the extent to which these non-financial stakeholders impact on relationships primarily with financial stakeholders needs further clarity.

There are several types of stakeholder theory besides normative theory. Though in the context of your work, the other ones may not be appropriate for a full discussion, you need to either discuss them briefly or state while you have decided to focus on normative theory only.

### **2.10.3 Stakeholder identification and mapping approaches**

Identifying stakeholders is an essential process that enables organisations to create plans and decide the extent of communication necessary, desirable and inevitable with specific stakeholder groups, on the basis of their importance or power (Podnar & Jancic, 2006).

According to Bryson (2004), the interconnected nature of the world simply emphasises how critical an organisation is to all forms of stakeholders who it can affect or be affected by. Goodpaster (1999) contends that selective handling of stakeholders poses a risk to the organisation hence total identification of all corporate stakeholders should be prioritised. This is critical given that the interests of different stakeholder clusters are interlinked (Freeman *et al.*, 2010). A critical illustration could be the issue of overlooking the needs of some stakeholders; it can harm the shareholder value and the organisation at large and spiral to consumer boycotts, inability to attract a skilled workforce and paying punitive restrictions to the government (Eccles, Ioannou & Serafeim, 2011).

Friedman and Miles (2006) outline a descriptive stakeholder approach framework with eight questions that act as a guideline on how organisations should behave towards stakeholders and how stakeholder expectations should be measured. The framework emphasises processes of identifying and classifying organisational situations based on the following questions: “Who are our current and potential stakeholders? What are their interest/rights? How does each stakeholder affect us (Challenges and Opportunities)? How do we affect each stakeholder? What assumption does our current strategy make about each important stakeholder? What are the current environmental variables that affect us and our stakeholders? How do we measure each of these variables and their impact on us and our stakeholders? How do we keep score with our stakeholders?” (Friedman & Miles, 2006:106).

Mitchell *et al.* (1997) put forward a complex three factor model entitled ‘stakeholder salience’, which indicates further how stakeholders vary from one class to another. By salience, Mitchell *et al.* (1997) mean the extent to which organisations prioritise competing stakeholder claims. The prioritisation of stakeholders is decided in accordance with power, legitimacy and urgency clusters which demonstrate how management should behave towards each class of stakeholders on whom they bear a fiduciary duty (Cornelissen, 2011). Additionally, Mainardes and Raposo (2011) argue that the model acknowledges the distinctiveness of situations in terms of how managers should prioritise relationships with stakeholders. The model puts forward that the strategic behaviour of an organisation is subject to different stakeholder groups located within its sphere of influence; therefore organisational strategies should be crafted in such a way that they meet the needs of these groups in accordance with their respective importance (Mitchell *et al.*, 1997).

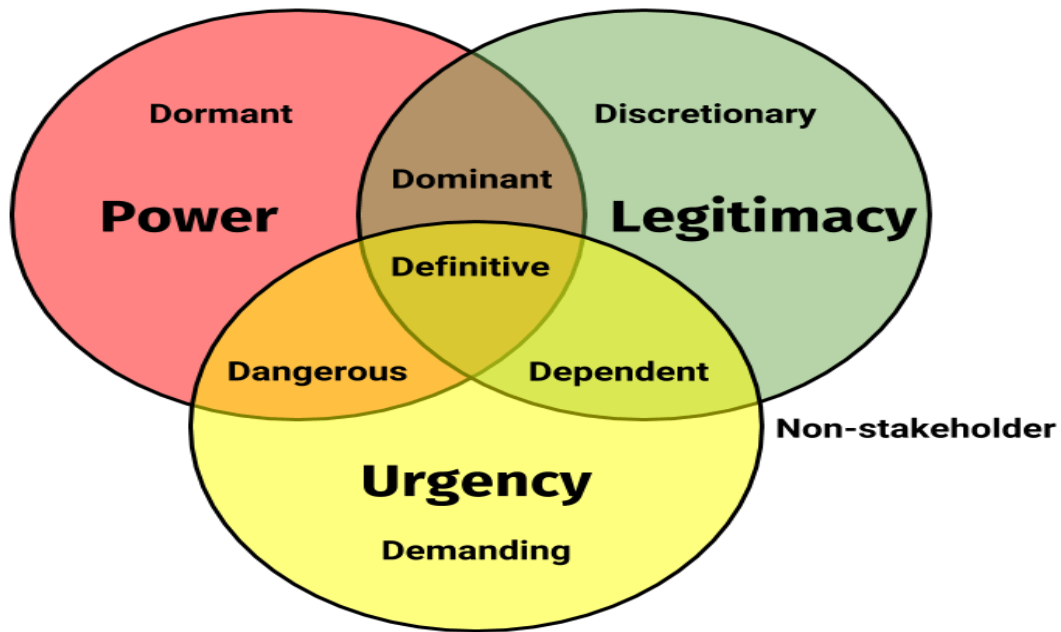
Mitchell *et al.* (1997) outline the following attributes of power, legitimacy and urgency depending on the prevailing situation.

- **Power:** Power is referred to as the degree to which a stakeholder has a coercive, utilitarian or normative means to impose its will on the relationship. Mitchell *et al.* further state that stakeholders have power if an organisation perceives them to have competence to inflict their will on the organisation.
- **Legitimacy:** Mitchell *et al.* (1997) illustrate that these are socially-accepted and expected structures or behaviours perceived to be desirable, measured based on some socially constructed context of norms, values, beliefs and definitions. This may be individual, organisational or social.
- **Urgency:** By urgency, Mitchell *et al.* (1997) mean the degree to which stakeholder claims call for immediate attention. Urgency is based on two attributes: time sensitivity and criticality. Time sensitivity is the extent to which a delay on the part of the organisation in the deadline of the claim to relationship is unacceptable to the stakeholder.

According to Mitchell *et al.* (1997), the model proposes a further classification of stakeholders such that organisations can focus attention on stakeholders with implications and influence on the overall performance of the organisation. The classification is: Latent stakeholders, Discretionary stakeholders, Demanding stakeholders and Dominant stakeholders. Based on the above three attributes, the model further divides the stakeholders into four groups of salience, latent, expectant and highly salient (Mitchell *et al.*, 1997).

Latent stakeholders are observed as possessing only one of the three attributes (power, legitimacy and urgency) making them dormant, discretionary and demanding stakeholders. An expectant stakeholder possesses two of the three attributes and is classified as dominant, dangerous and dependent. Many scholars argue that the activities of stakeholders particularly with power and urgency but no legitimacy are dangerous for the organisation and they cannot be ignored when crafting communication strategies. This dangerous stakeholder can be likened to Freeman *et al.*'s (2010) secondary stakeholders with a stake in the business, or "terrorist groups" "whose objective is to simply interfere with the smooth operations of business".

The highly salient stakeholders are classified as definitive stakeholders who possess all three attributes and are in the middle of the salience model. This is illustrated in the figure below.



**Figure 2.1 Salience Model  
(Mitchell et al., 1997)**

Mainardes, Alves and Raposo (2011) proposes that organisations should identify and have in-depth knowledge of their stakeholders, taking note of their concerns, norms, values, needs and wants and their aptitude to influence the firm’s behaviour, direction, processes and outcomes. In so doing, efforts of building and maintaining relationships will be directed towards the legitimate stakeholders with such influence rather than to illegitimate stakeholders without such influence.

Moreover, the theory provides a framework of prioritising stakeholders on the basis of how salient they are to the organisation. It also provides a frame which enables, in this case, IR practitioners to prioritise which of the IR stakeholders to focus on in different situations based on their unique contexts and stance towards the organisation. The NIRI (2003) definition identifies the IR stakeholders as the “investor community and other constituencies”. It does not provide for the entire spectrum of stakeholders that constitute the investor community or those appropriate for IR engagement practices.

#### **2.10.4 The implications of communication to stakeholder management approaches**

As noted in the earlier reviewed literature, the relationship perspectives of PR, particularly of balancing stakeholder interests, depends on communication functions such as developing organisational-public relationship strategies as effective managerial tools (Ledingham, 1999), and adopting a balanced and integrated approach to effective corporate messaging and maximised consistency of reporting (Grunig, 2009; Schanz, 2008). Meintjies (2012) maintains

the same view, arguing that PR carries a vast amount of knowledge, as well as tools and insights that can generate value for stakeholders and as well as the capacity to address stakeholder concerns.

To function effectively and with excellence, dialogic communication, which is based on two-way symmetrical communication, is important in identifying and engaging stakeholders (Kent & Taylor, 2002). Habermas' (1987) theory of communication of action is argued to have a constructive impact on the normative stakeholder approach. It suggests that through dialogue and negotiation, organisations and their stakeholders can reach mutuality, reciprocity, involvement and openness in addressing concerns. This means that IR professionals and stakeholders should prioritise PR to build trust and confidence (Thulkanam, 2014).

In addition, two-way symmetrical communication comes into play in balancing the interests and managing conflict between the organisation and its stakeholders. It closes the relational gap when there are differences by creating a win-win situation (Steyn2000a; Grunig *et al.* (2002). Hon and Grunig (1999) further note that PR has the capacity to listen, react, respond to and adjust the behaviours of the dominant coalitions. That capacity to listen is critical to relationship building, particularly in an organisation and its publics. In this regard, PR and its relationship-building power should be observed as competent in maintaining stability and establishing mutual outcomes between an organisation and its publics.

Not only do these models suggest the importance of knowing all organisational stakeholders, but they indicate the criticality of formulating relationships with multiple stakeholders in the environment of operation. A general consensus noted in the stakeholder models presented here is that not all stakeholders have the same characteristics and they are not equally important. Hence a strategy of differentiating them through categorisation before engagement is central in PR, business practice and in ensuring that stakeholder concerns are not ignored, particularly when factors such as the globalisation of financial markets, corporates' poor performance and macro-economic issues have consequences for the organisational-stakeholder relationship. Closer interaction with a wide array of corporate stakeholders is one of the aspects of problem solving, and building and maintaining relationships.

Furthermore, the implications of stakeholder identification or communication can be seen through the lens of Doorely and Garcia *et al.* (2009), who note the impact of stakeholder profiling in aiding management in strategic policy formulation, PR programme formulation, implementation and evaluation, and in understanding and analysing complex issues in strategic communication management. The communication aspect assists in the maintenance

of relationships and in developing specific and tailored communication strategies which fit the context of the relationship (Meintjies, 2012). Equally, it profiling stakeholders helps minimise resistance and bring about integrated and holistic approaches to stakeholder relationships (Thulkanam, 2014; Steyn & Puth, 2000; Lipponen 2013).

It is also apparent to note that none of the stakeholder models reviewed observe communication as unimportant, but rather emphasise communicating with all stakeholders, particularly the lower level stakeholders. Cornelissen (2011) argues that it is not only the primary and the definitive stakeholder who matter to the organisation, since other stakeholder groups carry the power to influence or be influenced by other organisational constituencies or actions. This is critical especially in today's contemporary world of advanced technologies and new media where practically every person has the opportunity to express their concerns and be heard.

## **2.11 Conclusion**

This chapter has revealed the literature that informs this thesis. It has presented various arguments on IR, the evolution of IR and the evolving roles and functions of IR practice. In addition, the literature revealed the relationship between the IR practitioners and the top management and the implications thereof to investor stakeholders. Furthermore, the literature revealed the relationship management strategies used in organisational stakeholder relationships, drawing from public relations stakeholder relationship and communications knowledge.



## **CHAPTER THREE CONCEPTUAL FRAMEWORK OF THE STUDY**

### **3.1 Introduction**

The purpose of this chapter is to provide a conceptual framework that can be used to make sense of how IR practitioners engage with their investor stakeholders. The chapter discusses excellence theory (Grunig, Grunig & Dozier, 2006) and the Grunig and Hunt's (1984) two-way symmetrical model, a normative model used in PR to guide communication between organisation and their stakeholder. Its effectiveness and meaning will be explained. The chapter will also present a normative approach to stakeholder theory as conceptualised by different scholars. This will assist in ascertaining how IR practitioners and their investor stakeholders build and maintain relationships.

### **3.2 Excellence theory of PR management**

Excellence theory is a general theory of PR that seeks to explain the best practices of communication management. It is a theory that is rooted in four models of communication advanced through the study of excellence in PR and communication across various organisations in Canada, United Kingdom and in the United States of America. It argues that the value of excellent communication lies within the quality of long term relationships organisations develop and maintain with their publics. To understand the value of organisational-public relationships, this theory argues that corporates should use PR professionals or communication functions to reconcile the organisational goals with the expectations of its strategic constituencies (Grunig, *et al.*, 2006).

The theory further states that the quality of these relationships is a result of organisational behaviour and consciousness, and the effect of their decisions on society rather than the messages they communicate to society. It further advances that PR practitioners should play a pivotal role in overall business decision making processes so as to influence behaviour and outcomes, and also to identify opportunities and constraints. Moreover, stakeholders are empowered through autonomy and involvement in strategic decision making, as organisational strategies and directions are shared. The emphasis is on interdependence rather than independence, integration rather than segmentation and team work instead of individual effort (Grunig *et al.*, 2006).

According to Meintjies (2012), the major assumption in excellence theory is that information flows freely between sub-systems, the latter seeking a moving equilibrium with other systems through cooperation and mutual adjustment. The input of all stakeholders involved is valued

equally and that there should be a commitment to eliminate the adverse consequences of organisational actions. Four dimensions were identified being in part or the entirety of each model: symmetrical or asymmetrical, two-way or one-way, mediated or interpersonal, and ethical or unethical (J. E. Grunig & Grunig, 2011). To fully understand these dimensions, the two-way symmetrical model is adopted in this study and explained below.

### **3.3 The two-way symmetrical communication model**

The two-way symmetrical communication is central to this study. Meintjies (2012) argues that the two-way communication adds value to the effectiveness of an organisation and it reconciles organisational strategies with the expectations of its strategic constituencies, which contribute different values to the organisation. To fully understand the model's contribution to the communication and business spectrum, it is important to examine the four public relations models of communication as developed by Grunig and Hunt (1984) which describe how PR practitioners practice communication in organisations. The models are press agentry, public information, two-way asymmetric, and the two-way symmetrical model.

#### **3.3.1 The press agentry model**

The press agentry model is also referred to as the publicity model. According to Grunig and Hunt (1984) this model seeks to obtain publicity through mass media. Exaggerated, manipulated and distorted information is distributed so as influence the publics to behave in the manner the organisation desires. It predominantly relies on propaganda and untruthful techniques, and communication in this model is characterised by one-way communication. Research before communication is not prioritised.

#### **3.3.2 The public information model**

According to Grunig and Hunt (1984), the public information focuses on disseminating information to the public. It seeks to minimally persuade with no force the behaviour of the public without altering its actions. It is characterised by one-way communication and no feedback from the public. It relies on little research. According to Grunig and Grunig (1992), the model is a result of a need to counter attacks from media agencies that were launching assaults on public organisations. In-house journalists or PR practitioners were employed within organisations to disseminate truthful and positive information that explained organisational behaviour. Press releases, brochures, and website content are noted as some of the activities of these internal practitioners. Government, non-profit organisations and some corporates use this model.

### **3.3.3 Two-way Asymmetrical Model**

According to Grunig and Hunt (1984), this model is characterised by two-way persuasive asymmetrical communication. The two-way asymmetrical model uses social scientific persuasion to influence the attitudes and actions of key stakeholders. Its two-way approach supports a feedback loop to allow PR professionals to monitor their persuasive communication, the creation of their persuasive messages and the implications of their messages on others. In addition, the feedback loop of asymmetrical model allows PR professionals to assess the associated benefits and costs to those external to the organisation and make necessary ethical adjustments. The model further illustrates the ethical development of PR from self interest approach to one that incorporates a concern for others in its actions compared to press agency model which uses obtained information as a weapon of manipulating, dominating and influencing publics to acknowledge organisational views and to lobby the publics to align with the organisational goals without altering any of its actions.

### **3.3.4 Two-way symmetrical model**

According to Grunig and Hunt (1984) and Grunig (2009), the two-way symmetrical communication model uses research, listening and dialogue to resolve conflict and build relationships with strategic publics. Grunig and Hunt (1984) state that the model is characterised by two-way communication, which is ideal for negotiating and building mutual understanding and respect between the organisation and its publics. The persuasive messages on others model is asserted as carrying the capacity to adjust the “the behaviours of the dominant coalitions closer together” (Dozier, Grunig and Grunig, 1995; 21).

The two-way symmetrical communication model is seen as the most ethical approach to creating organisational-public relationships and is more effective in meeting organisational goals than the other three models (Dozier Grunig & Grunig, 1992). This is also indicated by Dozier Grunig and Grunig (1995) who claims the two-way symmetrical model as ethically balanced and capable of incorporating the interests of the organisation and its strategic stakeholders through scientific and informal research, willingness to listen and to dialogically respond to the concerns and interests of its key publics. Another justification comes from Lipponen (2013) who notes that the model creates shared meanings through communication processes which are in accordance with the strategic communication practices of meaning creation, sharing and upholding the meaning. This suggests that the willingness by the organisation to negotiate and resolve conflicts with its publics determines the depth of mutual understanding and desired respect to be achieved. This requires transparency in information exchanges. For example, Laskin (2010), in his study of two-way symmetrical effects in IR, suggests that the more effective the communication and information exchange between a

company and its stakeholders, the higher the competitive advantage for the corporate and greater the confidence of investors stakeholders in the organisation securities. Therefore, for organisations to yield value they need to use the two-way symmetrical communication model.

It is also critical to note that the model places emphasis on two-way and dialogic communication (Hunt & Grunig 1994). This two-way and dialogic approach is considered paramount in PR practice in that it demonstrates interpersonal skills, listening and empathy (Kent & Taylor, 2001). Steyn and Puth (2002) reiterate that organisations that practice such communication to address issues of strategic importance, as well as concerns and interests are in a position to establish mutually beneficial relationships that generate legitimacy, trust, and a good corporate reputation. With regards to corporate reputation, it has began to matter more now than in the past decades. It is considered to be a form of equity which adds to investor stakeholder value. In addition, the reputation risk thereof is perceived to be an immediate indicator of share price performance by investor stakeholders and a determinant factor of measuring trust in the organisation by IR professionals. Importantly, investor stakeholders put greater confidence in organisation with a stronger reputation that yields higher future earnings than the one that does not.

This two-way symmetrical model and the excellence theory is applicable to this study as it will assist in understanding how IR professionals translate the interests of the organisation and its stakeholders into regulatory and integrated decisions. To be symmetrical, Grunig et al (2002) explained that organisations are two serve interests of both parties without shifting the core focus of business. Therefore, this theory will further help analyse how IR professionals and their constituencies actively participate in dialogue, adjust their practices accordingly and translate interactions into relationships. For example, Gelb (2000) states increased interaction between the corporate management and investor stakeholders' increases interest into corporate securities and eventually lowering the cost of capital. In addition, two-way symmetrical communication model will help determine which effective strategies to listen to stakeholder interests and to account to management so that they may be appropriately interpreted and where relevant integrated into decision making processes. In addition, the model will signify a disruption from the predominant world view that PR is manipulative and bias in favour of the organisation (Grunig; 1989).

In conclusion, it is therefore critical for organisations to exercise excellent communication practices when engaging stakeholders so as to yield a competitive advantage that amounts to organisational-public relationships. Failure to use the excellence theory and two-way symmetrical model in IR will pose challenges in evaluating theoretical assumptions that

underpin strategic investor stakeholder relationships in IR. It will remain a challenge to assess how IR practitioners are competent and professional enough to execute the communication function in IR and how they influence their constituencies.

## **CHAPTER FOUR RESEARCH METHODOLOGY AND METHODS**

### **4.1 Introduction**

This chapter discusses the qualitative research methodology, particularly how it was used to achieve the objectives of the study. The section further describes the sampling and data analysis techniques used to obtain the findings discussed in chapter five. Ethical consideration and measures to ensure trustworthiness of the study were also discussed.

According to Burns and Groove (2001), research methodology is defined as a total strategy, from identification of the problem, to the final plans for data gathering and analysis. Henn, Weinstein and Foard (2009) state that the adoption of a particular methodology can be influenced by the researcher's natural or social standing and theoretical scope of the research question. Factors such as whether the researcher intends to evaluate qualities or to identify quantities of variables in the obtained data to arrive at a conclusion in answering the set objectives are critical (Henn *et al.*, 2009).

### **4.2 Qualitative research methodology**

There are two primary research approaches that can be used in research to obtain knowledge of human behaviour in different settings: quantitative (positivist) and qualitative (interpretivist) research methodology approaches. These two research approaches vary on what constitutes reality, what counts as knowledge, what count as fundamental values, what is acceptable as rigour and inference in the development of arguments, and the research techniques for the collection and analysis of data or information.

For the purposes of this study, a qualitative research methodology was adopted to understand how IR practitioners in South Africa build and sustain relationships with their investor stakeholders. This qualitative, interpretivist paradigm was chosen on the basis of its epistemological worldview which assumes that the context of reality or meaning is socially constructed by those involved in it (Draper, 2004) and that it subjectively differs from an individual's experiences and perspective (Guba & Lincoln, 1994). Silverman (2009) posits that qualitative research assists the researcher to obtain descriptive or thick data by studying attitudes and behaviours within their natural context. In so doing, insights and perspectives on issues being investigated will be retrieved from the social actors involved in it.

Therefore, to make sense of the meaning and events that others give to their own world, interpretivists asserts that the qualitative researcher should experience the participant's world

through an interactive relationship within the context in which they live (Silverman, 2009). Thus, first hand meanings, feelings, experiences and quotations from actual conversations of how IR professionals in South Africa construct relationships using communication strategies were obtained (see Lincoln & Guba, 1985; Strelitz, 2002). It should be said that the researcher gathered insights into and perspectives on IR communication strategies without moving IR practitioners out of their natural setting. This also assisted in obtaining documents and content that may further the understanding of IR in South Africa.

According to Du Plooy (2009), qualitative research is human mind- and context-dependant. The origin of meaning creation and the social world does not exist outside of the human mind and can only be understood from the standpoint of engaging with individuals who are participating in it (Cohen, Manion & Morrison, 2006). Therefore, based on these philosophical considerations, the researcher maintains that a qualitative research paradigm provides an understanding of how IR practitioners use communication strategies to build relationships with investor stakeholders.

In addition, qualitative research puts emphasis on texts as the substance of analyses in the context in which it is explored. This role of context as the centre of this research study further underlines the significance of a qualitative research approach to this study. It enabled the researcher to analyse the context of the relationship between the organisations represented by IR practitioners and the investors in words, rather than numerically. Grounded on this fact, the connection to social constructionism can also be said to be solid amid arguments sustained by Lindlof (1995:314) who argued that "For too long in the history of communication scholarship, we have focused on what messages refer to, or the effects they have, without examining what messages are or how their articulation creates social realities for speakers and audiences."

Furthermore, Wagner and Maree (2000) state that qualitative methods allow the researcher a degree of flexibility in the conduct of a particular study. This flexibility enables the researcher to pursue other worthwhile issues that emerge during fieldwork through probing in-depth questions culturally salient to the participant (Babbie & Mouton, 2009). Unlike quantitative research, qualitative research favours a relatively open and unstructured research strategy as opposed to one decided in advance which dictates what ought to be investigated as well as how it ought to be investigated (Wagner and Maree, 2000).

#### **4.2.1 Limitations of qualitative research methodology**

The researcher is aware of the limitations of qualitative research. Limitations consistent with this study were observed. As noted above, qualitative research can examine social processes in their particular contexts permitting the bulk of data to be generated through qualitative methods, the collection and especially the analysis of the data generated can be time consuming and therefore expensive (Griffin, 2002:9). This time factor suggests why qualitative research commonly employs fairly lesser numbers of respondents. However, employing fewer respondents may compromise the quality of the study.

In addition, scholars criticise qualitative research as being too subjective as it relates to the role of the researcher particularly the interpretation made on the basis of own bias (Zikmund, 2003). Qualitative research is also viewed as difficult to duplicate and can be subject to generalisations and to transfer to other topics of research as the approaches to research are strongly linked to the specific research topic at hand. In spite of these limitations, qualitative research remains the most suitable approach for addressing the research problem of this study.

#### **4.3 Research Design**

De Vaus (2001) defines research design as the overall plan or strategy chosen to integrate different components of the study in a coherent and logical way, thereby ensuring the effective address of the research problem. Research design constitutes the blueprint for the collection, measurement, and analysis of data to achieve the set objectives. The aim of this study was to evaluate how IR practitioners in South Africa use communication strategies to build and maintain relationships with investor stakeholders. The study employed an explorative case study design so as to obtain an in-depth understanding of IR as an emerging field which has remained under-researched from a communications standpoint (Laskin, 2009).

According to Yin (1984), qualitative case study methodology examines a contemporary phenomenon within its real-life context and multiple sources of evidence are used. It is amenable with textual data further capturing the flow of conversations in an ordinary manner (Polit, Hungler & Beck, 2001:19) The researcher considered this design as appropriate because it enables a holistic understanding of the investor relationship management practices in their real-life context, which would not be feasible with experimental or survey research approaches (Denscombe, 2010).

##### **4.3.1 Exploratory case study approach**



Exploratory research is defined by Burns and Grove (2001) as research conducted to gain new insights, discover new ideas, and increase knowledge of a phenomenon. Given that many organisations have a single IR practitioner (Laskin, 2010), the study specifically applied a qualitative exploratory case study design (Yin, 2003). Through this design, access to IR practitioners and clarity in their multiple perspectives of how to build and maintain investor stakeholder relationships in different corporate settings was obtained. The researcher further learned about communication strategies and new information that can enhance investor stakeholder evaluation of corporates. This required the researcher to purposively select IR professionals in organisations with IR functions.

The further reason for using an exploratory case study was the objective that the study sought to evaluate effective communication strategies that can provide a comprehensive understanding of IR communication practice in South Africa.

#### **4.4 Data collection**

According to Burns and Grove (2001), data collection is a detailed, systematic collecting of information appropriate to the study using different techniques. In this study, document analysis, semi-structured interviews and content analysis were used to understand the communication strategies used by IR professionals to build and sustain relationships with their investor stakeholders at selected South African companies. The techniques used are described below.

##### **4.4.1 Semi structured Interviews**

Qualitative interviews are a two-way conversation in which the interviewer probes the respondent's questions to collect data and to learn about the phenomenon being researched (Yin, 2003). According to Creswell (2012), qualitative interviews have their origins in qualitative research philosophy and they take the form of a conversation in understanding the participant's constructed nature of reality. For this reason, semi-structured, in-depth interviews were used in this study to explore and understand how IR practitioners in different settings perform IR activities in South Africa. Semi-structured interviews were further used to probe deeper (Creswell, 2012) IR practitioners' thicker descriptions on the nature of their engagement with investor stakeholders.

Semi-structured interviews is good for seeking clarity on emerging insights into investor relations, prompting the researcher to make minor adjustments to the proceeding questions related to investor relationships (Strauss & Corbin, 1990). In this study, this prompted further

reaction in understanding the actual nature of IR communication, which would be difficult with structured questions. This further proved to be useful when exploring how IR practitioners maintain relationships with investor stakeholders (Curtis & Curtis, 2011; Kotler, 1991).

#### **4.4.2 Disadvantages of semi-structured interviews**

The researcher was aware of the limitations attributed to the chosen interview techniques. However, effort was made to counter the weaknesses. For instance, the interviews were done in a more formal set-up, to ensure that there was no tension; the researcher started by asking easy questions to encourage respondents to feel relaxed and open up. More persuasive questions followed as suggested by Struwig and Stead (2007). Semi-structured interviews were a time-consuming exercise, however, they did not disappoint in probing sensitive issues and in eliciting detailed insights and complete feelings of the IR practitioners (Gordon, 1975). As advised by Starke (1995), this required the researcher to listen attentively to different views of respondents' multiple realities based on the set questions. Much time was also consumed in getting approval from the organisations and in arranging appointments with the IR professionals.

As much as the researcher maintained a degree of control in the interview sessions, the order of the open-ended questions was not adhered to and actually depended on how the IR practitioners answered. This was specifically applied so as to encourage the flow of conversation in IR practitioners' own words and in a natural way that helped attain a deeper understanding of their lived reality without disrupting the flow (Polit et al. 2004:248). The presence of the researcher during interview sessions also helped maintain consistency and eliminate vague responses such as "don't know" and "no" answers. This helped in assessing the validity of the IR practitioners' responses.

#### **4.4.3 Interview selection**

With regards to the unit of analysis for the interviews, a total of 6 in-depth interviews were completed with 6 selected IR practitioners as respondents, all with extensive knowledge of IR and belonging to organisations with IR functions. Importantly, investors whose role assisted in validating IR practitioners' responses also formed part of the total sample of the interviews. These interviews were conducted within one month period. Although the length of each interview varied with each respondent, each interview lasted longer than 40 minutes, which is above of what is recommended. The interview questions which guided the in-depth interviews were in keeping with the research objectives (Denscombe, 2010).

The interviews were recoded using a digital recorder, for which permission was granted. The researcher then transcribed the interview data. This entailed listening to the recordings repeatedly for further clarification and writing down word for word accurately, to avoid misrepresentation (Robson, 2002). Recording allowed the researcher to concentrate on building a rapport and observing the respondents' non-verbal indicators such as attitude, gestures, interest and enthusiasm (Greef 2005).

The in-depth interviews were conducted at the selected organisations' premises so as to allow the researcher access to the organisations' documents relevant for this study. In addition, the researcher made arrangements with company secretaries before the interviews for a clean and cordial environment.

#### **4.4.4 Document analysis**

There was a need to use other techniques of collecting information so as to enable the researcher to validate and understand further the functionality of IR, the nature of engagement with investor stakeholders, and the communication strategies used in relationship management. Therefore, document analysis was employed in this study. Robson (2002) describes document analysis as a systematic procedure of reviewing documents used in everyday life.

This technique was chosen on the basis that documents can be used without imposing on participants and they can be checked and rechecked for reliability (Gordon, 1989). The researcher managed to obtain documents such as annual reports, bulletins, IR profiles and job descriptions, IR policies and Stock Exchange News Services (SENS). Permission to access these documents was sought during interview sessions. In some cases, the researcher was referred to the corporate website to obtain more information relating to investor communications. The researcher could not access information from emails and faxes as it was deemed confidential.

Document analysis requires that data be examined and interpreted in order to elicit meaning, gain understanding, and develop empirical knowledge as evidence (Strauss & Corbin, 1990). Hence, this method was deemed appropriate in this study as it assisted in elucidating documented insights and in evaluating relevant thematic subjects that underpin IR communication strategies. It further assisted in shedding light on the detailed nature of engagement, corporate governance and the reporting process between the IR professionals and the investors (Strauss & Corbin, 1990:21), as well as validating the evidence obtained

through interviews. It is important to state that the document analysis contributed to understanding IR communication practice and meanings documented (Robson, 2002).

#### **4.4.5 Qualitative Content Analysis**

Qualitative content analysis is defined as an analytic strategy that entails the systematic examination of forms of communication to document patterns objectively (Robson, 2002). It is mainly used to analyse the contents of any text derived from pictures, or sounds and it should be changed into written texts before commencing the analysis. In cases where the data comes from existing texts, the researcher is entitled to justify the reason for choosing the texts based on what he seeks to understand (Patton, 2002).

In this study, qualitative content analysis was used to gather and analyse the content of texts, videos and images posted on identified investor relations websites. The websites create an environment where the stakeholders interpret content, and significantly empower them to contribute or give feedback to organisations. The researcher paid attention particularly to comments, quotations and statements made by IR practitioners and management during the study period.

This technique afforded the researcher an opportunity to explore the content of IR conversations and the nature of the interaction between IR practitioners and the investor stakeholders, further eliminating inaccuracies and prejudices which participants may have consciously or unconsciously stated or ignored during interviews (Robson, 2002). The researcher used this information to triangulate and validate data obtained through in-depth interviews and document analysis. Its straightforwardness allowed the researcher to understand how two-way symmetrical communication amounts to relationships between the organisation and investor stakeholders. In some cases, the technique presented major disadvantages particularly in circumstances where it was difficult to tap into individual words, expressions events or what is commonly known as the manifest content. It made it difficult to code the content of the conversations especially conversations without dialogic statements.

**Table 4.1. Data collection methods**

<b>Research Question</b>	<b>Research Objective</b>	<b>Research Method</b>
Main Research question: How do IR practitioners in South Africa build and maintain relationships with shareholders?	To understand how IR practitioners in South Africa build and sustain relationships with shareholders.	Interviews Document analysis Content analysis
What are the key roles and functions of an IR practitioner in South Africa?	To explore the key roles and functions of an IR practitioner in South Africa.	Document analysis Interviews
What kind of expertise and skills do investor relations practitioners in SA consider important for the IR profession?	To investigate the expertise and skills do investor relations practitioners in SA consider important for the IR profession.	Document analysis
What strategies do IR practitioners in South Africa use to build relationships with their shareholders?	To evaluate strategies IR practitioners in South Africa use to build relationships with their shareholders.	Content analysis interviews
How do IR practitioners engage with the investor stakeholders?	To understand how IR practitioners engage with the shareholder community.	Document analysis interviews content Analysis
What do IR professionals communicate with their investor stakeholders in South Africa?	To describe what is communicated between IR practitioners and shareholders.	Document analysis Content analysis Interviews

#### **4.5 The research sample and procedure**

Sampling refers to the process of selecting a portion of the population that conforms to a designated set of specifications to be studied while sample is a subset of a population selected to participate in the study (Polit & Beck 2004; Uys & Basson 1991). There are two major classes to which sampling methods belong. These are probability and non-probability sampling. According to Maree (2012), probability sampling methods are based on the principles of randomness and probability theory to accurately generalise to the population hence they are viewed as usually suitable for large populations. These methods ensure that

every element of analysis has the same equal opportunity of being selected in the sample (Du Plooy, 2009) and subjective interference is eliminated in the process. Systematic, stratified, cluster and simple random sampling are some of the methods classified under probability sampling (Maree, 2012).

On the other hand, non-probability sampling refers to procedures whereby the population sample is selected focused on prior understanding of an issue, combined with the researcher's judgement (Denscombe, 2010). In most cases, this method is selected when there is insufficient information or if the sample of the population is unknown or difficult to identify (Maree, 2012). Dane (2011) states that the units of analysis have unequal chances of being selected. Convenience, quota, snowball and purposive sampling are the main types of non-probability sampling methods. Given that this is a qualitative study, non-probability sampling was considered to obtain the most appropriate individuals for in-depth interviews, as well as relevant organisations and official documents applicable for this study.

Given that IR is a specialised function (Laskin, 2009), the sample was selected using purposive and convenience sampling techniques. Convenience sampling technique refers to selecting subjects based on accessibility, affordability and proximity to the researcher (Babbie & Mouton, 2009). In this light, IR practitioners functioning in publicly listed companies were conveniently selected aiding the researcher in keeping transport costs low and avoiding travelling long distances unnecessarily when the participants were not available. In-depth interviews were conducted in Cape Town and Johannesburg.

Purposive sampling technique refers to purposefully choosing the research subjects based on their expertise and suitability (Denscombe, 2010). It is applied when there are limited subjects with expertise or knowledge that meaningfully contribute to obtaining relevant data. It is also viewed as the most important non-probability sampling technique. The researcher adopted this method on the basis that IR is a specialised function and is increasingly found within publicly listed organisations (Laskin, 2009). IR professionals were purposively selected based on the listing and performance of the corporates on the Johannesburg Stock Exchange (JSE) and the JSE Social Responsible Index (JSE SRI) in which they work. The researcher used results of the 2014 JSE SRI review to select IR professionals of the best performing companies. In addition, listed companies on the JSE are evaluated based on the compliance with capital markets regulations such as the King Code IV report and their involvement with stakeholders (Thulkanam, 2014). These organisations were further selected based on the fact that they practice IR and that their IR functions were indicative of best practices, particularly in relationship management. In addition, IR professionals in consultancies were purposively

chosen on the basis that they offer services across publicly listed companies and are certified to represent the opinions and practice of various institutions in need of IR services.

Moreover, IR professionals were purposively selected as the subject of in-depth interviews because of their expertise, competence and involvement in working with investor stakeholders. Targeting IR practitioners of listed companies assisted in gaining insights into IR strategies of building and maintaining relationships with investor stakeholders. This assisted in understanding the nature of the relationship from investors' point of view. The snowballing sampling technique is used when subjects of interviews are difficult to find (Boubie & Mouton, 2009). The researcher sought permission from the companies to access the investor stakeholders.

#### **4.6 Data analysis**

According to Creswell (2013), data analysis in qualitative studies involves organising and arranging textual data obtained into themes through a process of coding and condensing the codes, and expressing the data either in figures, tables, or a conversation. In this study, soon after obtaining the data, qualitative content analysis was used to analyse and explain the data transcribed from all digital recordings of the interviews transcripts, selected documents and online discussion forums.

The researcher used qualitative content analysis due to its competence in permitting a systematic approach of creating sets of statements and concepts that make subjective meaning of IR stakeholder relationship management practice (Carey, 2009). This was critical as the study sought to explore the communication strategies used by IR practitioners to build and maintain relationships with investor stakeholders at the selected South African companies. To obtain this information, the researcher analysed all the data obtained from interview transcripts, online conversations and documents of collected data. The researcher further read and interpreted the content in the text before developing themes and coding them as categories (Denscombe, 2007). Moreover, descriptive qualitative paragraphs about the identified categories with the use of quotes where necessary were developed, bearing in mind the objectives of the study and research questions.

Give that the data was obtained from different IR professionals and different techniques of gathering data, the researcher applied Tesch's eight-step strategy (Tesch, 1990) to triangulate the findings and maintain a logical and a thorough analysis of IR practice as it emerged from the content. The steps followed are as follows:

- “The researcher began with reading the transcripts to have a holistic understanding of the data collected.
- After reading all the transcripts, the researcher then selected and read one outstanding transcript with the view to understanding the respondent’s answers in relation to the objectives of the study.
- Transcripts were searched and notes were made against the text that explained, described and raised questions.
- The researcher labelled notes that seemed to be linked to each other using similar colours.
- The researcher then took all transcripts and repeated step three in a cautious manner to clarify categories and sub-categories by looking for the interrelationships between them.
- The researcher finalised categories and sub-categories that emerged.
- The researcher then assembled data under explicit themes, sub-themes and categories.
- Finally, the researcher compared categories to transcripts and thus looked for data that had been left out.

#### **4.7 Ethical Considerations**

The collection of data from human subjects raises important ethical considerations. Researchers are obliged to conduct research in an ethically acceptable manner (Strydom, 2005). In this study, in order to avoid perceived deception regarding the purpose of the research, a formal procedure according to CPUT’s ethical guidelines for collecting data from participants was followed prior to undertaking the research. This involved submitting the research topic to Higher Degree Committee (HDC) of Cape Peninsula University of Technology for approval, undergoing research proposal presentation, and submitting signed consent letters from the participants. The researcher received signed consent forms from the IR practitioners after a detailed emailed was sent explaining the objectives of the research, the nature of the data required as well as how the data would be kept and used. Permission to record the interviews was obtained at the start of the sessions. Debriefing was done in such a way that the participants felt compelled to discuss the issues which became the subject of analysis in this study.

The confidentiality of the participants was maintained and made explicit in writing in the consent form. A confidentiality clause contained therein was signed by the participants prior to completing the interviews. This was done as a measure of guaranteeing that no data revealed by the participant would be made public knowledge without their consent (Polit and



Hungler (1999). In addition, confidentiality in this study meant that the participants researched should be protected by making it difficult to attach aspects of data to a definite individual or organisation. This enabled the participants to share their views freely, and in turn aided the researcher to gain comprehensive information. To maintain coherent data analysis, the names of the participants were omitted since not all participants consented to have their names included. The participants are referred to as IR professionals

#### **4.8 Conclusion**

This chapter described the research methodology, including the population, sample, data collection instruments as well as strategies used to ensure the ethical standards, reliability and validity of the study. The researcher used a qualitative, descriptive survey design. Questionnaires were administered by the researcher himself to collect the data from a convenient sample of three subjects. The questionnaires had open-ended questions. Permission was obtained from the participants and consent was obtained from the subjects themselves. Anonymity, self-determination and confidentiality were ensured during administration of the questionnaires and report writing. Questionnaires were distributed to subjects to ensure validity.

## **CHAPTER FIVE PRESENTATION AND DISCUSSION OF RESEARCH FINDINGS**

This chapter presents, discusses and analyses the findings of the research undertaken. The main focus of the study was to evaluate the extent to which contemporary IR practice in South Africa has transcended the 'financial era' and embraced strategic communication practices, where relationships with shareholders are built and maintained through two-way communication. To achieve the stated objective, the study examined the key roles and functions of an IR practitioner in South Africa as well as the communication strategies used to effectively engage, build and maintain relationships with investors. In addition, it also sought to understand the nature of engagement between IR practitioners and investors.

The analysis of the findings was done through a combination of document analysis as well as content analysis, taking into consideration the objectives of the study as outlined above. The analysis was further guided by the PR excellence theories, stakeholder theory as well as the literature on PR knowledge and stakeholder relationship management. Furthermore, the analysis of the findings was done in a narrative form using quotations where necessary as obtained from diverse information sources detailed in chapter four.

### **5.1 The key roles and functions of IR practitioners in South Africa**

The research findings of this study reveal that the main focus of South African IR is to build communication relationships or act as the primary point of contact between investor stakeholders and the organisations' senior management. Key roles and functions of IR professionals were described in this study as including building long term investor relationships with investor stakeholders and formulating IR communication messages and strategies. In addition, IR professionals who were participants in this study mentioned conducting perception audits as an emerging and critical IR function in South Africa, paramount in strengthening the organisational-investor-stakeholder relationships. Counselling top management was also highlighted in this as an important IR function.

#### **5.1.1 Formulating IR messages**

IR professionals of this study revealed that conceptualising investor stakeholder messages and communication strategies is one of the key IR functions in South Africa. IR professionals interviewed stated that they formulate messages which are a fair reflection of their company's activities and that attract and maintain investor stakeholder interest in the company. The interviews further revealed that the process of formulating messages entails engaging internal business functions in obtaining information that covers all facets of the corporate strategic

objectives. Senior management, operations, public relations, sustainability, and finance and human resources corporate and division managers were highlighted in this study as sources of gathering internal information in the conceptualisation of investor relations messages.

The interviews further revealed that the formulation of IR entails listening to investor stakeholders. According to IR professionals and obtained IR policies, investor stakeholders are described as integral to the formulation of corporate messages hence the need to engage them. Formulating messages that are inclusive of not only organisation's activities but that represent the views of all corporate stakeholders was reported in this study as critical. The in-depth interviews stated that IR professionals in South Africa are creating messages that are direct, consistent, accurate, and that establish trust between the corporate and investor stakeholders.

The following were some of the responses solicited.

*"We conceptualise investor relations communication messages that resonate with our investor stakeholders".*

*"We situate most of the information obtained internally and from our investors as essential in designing messages and communication strategies that bring about trust in the investor stakeholder community".*

### **5.1.2 Disseminating of information to investor stakeholders**

Findings of the study further revealed disseminating information to the investor stakeholder community as a core function of IR professionals. The in-depth interviews revealed that IR professionals undertake dissemination of information in accordance with relevant laws, regulations, stock exchange rules and corporate communication policies that govern the relationships between the corporate and investor stakeholders. Both document analysis and analysis of interview data revealed that the South African disclosures standard as imposed by the South African King Code IV (amended 2016), the JSE-SRI Index, the Global Reporting Initiative Index (GRI), International Financial Reporting Standards (IFRS), the South Africa Consumer Protection Act, the Sarbanes-Oxley Act and other global disclosures standards, are used to guide IR work of disseminating information and improving understanding and transparency for investor stakeholders.

The IR professionals further stated that they undertake the dissemination of information solely to improve the fair valuation of the company's share prices and for investor stakeholders to

make meaningful assessments about the organisation and thus informed investment decisions. During the interviews, a common understanding was that without access to information, investor stakeholders cannot make an accurate evaluation of a company. As a result, the IR professionals stated that they maintain fairness in the information disclosure that not only keeps investor stakeholders engaged but that upholds visibility in the investor stakeholder community. Content analysis showed that there is a common practice of disseminating information on an interim base of every quarter, bi-annually and on an annual basis. Other critical strategic information is disclosed as it arises. In so doing, IR professionals asserted that investor stakeholder confidence into the company, which translates into trust, is generated. In addition, the interviews further revealed that the dissemination of information reduces information asymmetry and encourages investor stakeholder understanding of corporate activities.

### **5.1.3 Conducting perception audits and research**

In-depth interviews revealed that IR professionals in South Africa are undertaking perception audits, particularly to understand the nature and expectations of investor stakeholders with an interest in the organisation. Importantly, the in-depth interviews repeatedly revealed that how investor stakeholder attitudes about a company's strategy and corporate investment messages are understood has an impact on organisational performance and the progressiveness of the organisation. In relation to this, the interviews revealed a collective understanding that the feedback obtained from these perception audits is used to evaluate the depth of existing mutuality between the corporate and investor stakeholders. This finding shows how significant the two-way symmetrical communication model (Grunig, 1994) which put emphasis on creating mutual understanding through interaction.

The findings further showed that any discontent noted from the perception audit feedback from investor stakeholders is used to fine tune the investment story and make responsible communication clearer. In addition, content analysis and in-depth interviews revealed that the perception audit feedback is further used to formulate content messages that mutually construct understanding and meaning integral to relationship formulation and investor stakeholder contextualisation of the direction the company is taking. Moreover, the in-depth interviews pointed out that much of the investor information obtained from the perception audits is dealt with at a strategic management level before final decisions are formulated that relate to messages and strategy.

*“We are involved in intelligent research for efficient investor planning“.*

*“Our role has expanded to gathering investor opinions about our corporate policies and progress of the organisation”.*

*“We have a philosophy that says that the good, the bad, and the ugly sentiments about the organisation financial metrics are influential to the share price and therefore someone has to keep on checking and asking investors, what are we doing, are we doing it right or wrong, what’s nagging them, what do they really want before it is in the public”.*

*“Oftentimes, we have been caught up in conflicting opinions leading to confrontations and withdrawals by investors. This has huge implications on the working capital. The problem has been from the beginning, we did not ask or bother to listen and act”.*

*“We use perception audits to determine whether there is any under the surface investor discontentment, and we have realised that perceptions are a reality to such an extent that we keep on finding out the reasons for any disapproval now than during a contested proxy battle. In our case, it has helps us understand our clients requirements. This also helps us communicate effectively and attain corporate set priorities”.*

*“It’s a commitment to keep ourselves informed, we have recently engaged investor perception audits where we are purposefully engaging our investors through a questionnaire and this helps us gather information which we use to interpret changes in the financial community and to constantly check on our investor pulse versus our communication plans”.*

An analysis of the investor surveys conducted by IR professionals in the form of questionnaires showed that IR professionals ask investor stakeholders questions that speak to the composition and characteristics of organisational management, management credibility, corporate governance policies and share price performance. Further analysis showed that these questions include investor stakeholder perceptions about corporate disclosures and dialogic investor interactions with corporate management, if it resonates with investors. In addition, questions about the organisations’ responsiveness to investor enquiries, the quality of post-investor meetings, previous presentations conducted during conferences and road shows were noted in these perception audits.

#### **5.1.4 Counselling corporates’ senior management**

The findings of this study revealed that counselling top management is one of the key roles and functions of IR professionals. According to the interviews, this is because the image of management remains under scrutiny in the capital markets. In seeking to understand the nature of counselling, the research findings reveal that it involves:

- Preparing investor PowerPoint presentations and enabling senior corporate management to transform every presentation into a credible and compelling communication.
- Taking management through a series of rehearsing actual presentations. This includes communicating in earnings language.
- Allocating senior management time and setting the date for them to engage with investor stakeholders optimally.
- Advising management on which investors to meet, geographic regions and conferences to target for possible investors.
- Providing up-to-date information to senior management about investor stakeholder perceptions of financial performance, corporate strategy, market conditions, regulations, management actions, products and financial performance before an attempt is made to engage with investor stakeholders. The information includes equity research and exclusive market analysis emerging from investor market commentators that may signal key changes in the attractive valuation of the company, or that may influence investor stakeholder decisions to remain in a relationship.

The interviews further showed that management presentations are a factor in the development of investor stakeholder relationships. As result, one of the interviews stated that IR professionals:

*“Sit with the management for days agonising on every potential wording that emphasises a set of corporate values, a distinct corporate voice and a coherent message that makes impact on organisational investor relationships”.*

IR professionals were asked why counseling management is a core function of IR; the responses from the interviews show collective understanding that senior management are dominant in direct investor stakeholder engagement. As a result, the IR professionals stated that they update senior management with accurate investor information so as to eliminate “*lack of coordination*”, “*confusion*”, and “*inconsistences*” that point to communicating conflicting messages during engagement with investor stakeholders. Content analysis shows that South African CEOs are involved in a number of investor stakeholder engagements. For

example, during crisis situations that range from ecological or socio-political disasters and scandals that involve senior management, to unplanned CEO succession issues, CEOs have always led effort to engage with their organisation's stakeholders.

In-depth interviews in this study added that counseling ensures that *“executives take note of the investor lamentations”*, meaning investor stakeholder concerns raised with IR professionals. IR professionals' elaborated this function as guiding management on how to respond to investor questions, particularly the forwarded questions, without upsetting confidence and existing investor relationships. In this view, IR professionals stated that they do so by dedicating a significant amount of time to assisting management to anticipate and professionally respond to investor questions. According to IR professionals, there is an increased interest by investor stakeholders in South Africa to engage with senior management, seeking insight into issues of interest, or requiring unfiltered direct responses from senior management.

#### **5.1.5 Building investor stakeholder relationships**

The findings of this study further revealed that South African IR professionals spend time building investor stakeholder relationships on behalf of the organisation. Building relationships is perceived to be a key function in South Africa. One interviewee stated that

*“Our role is to build relationships. In fact, we are actually absorbing the pressure directed to the management. I want to believe that you are aware that South African management teams are time limited, they do not have 100% dedicated time to engage with investors. Their responsibility is to manage the business and we manage the relationships and brief the management about investor stakeholders and our interactions with them. It is still a common practice in South Africa that CEO's of large corporates manage investor relationships but not entirely maybe a maximum of 30% of their time is in engaging with investors. But being an investor relations officer, you are 100% involved”.*

Two-way communication with investor stakeholders and consistently communicating corporate performance information were dominant points raised during interviews as critical in building and maintaining investor stakeholder relationships. IR professionals stated that the tone of investor presentations in disclosing information and how questions are answered during engagements plays a critical role in strengthening relationships. This is largely because investor stakeholders with an interest in South African corporates react to the tone of these presentations. If there is no confidence inspired or strategies to subdue risk-related issues

such as those that are outside the corporate performance, e.g. poor currency performance or the political climate, the relationship will be compromised. This finding demonstrates that interpersonal communication skills such as the ability to talk with eloquence and purpose, stressing key corporate strategies and responding to investors' questions in a focused and controlled manner, is key in building investor stakeholder relationships.

Content analysis and interview data revealed that investor relationships are a result of honesty, trustworthiness, transparency and credibility. Honesty and trustworthiness in particular were emphasised in this study as critical in the preservation of investor stakeholder relationships. For example, the analysed earnings calls and transcripts thereof show that IR professionals in South Africa communicate both positive and negative corporate performance information. This demonstrates honesty and transparency. Disseminating impressive information alone can call for investor stakeholder pessimism and lack of transparency can increase uncertainty thereby impacting the relationships negatively (Bushee, Matsumoto & Miller, 2003). One IR professional stated that:

*“The key to relationships is brutal honesty. Remember investors are people and they are supremely confident in their ability to analyse your [corporate] behaviour. You have to be honest, you have tell them your accurate view of what happened if something wrong is going on. Allow them to speak and your job becomes to listen and you have to know that investors are genuinely interested in the success of their ventures. So being honest about the status of the company is liberating and ultimately a more relaxing environment that guarantees survival even in times when the company’s sales are falling short”.*

Another interviewee pointed out that:

*“Throughout our engagements we have opened a claim, to be honest, and that the information we communicate should be consistent, in so doing, the relationship takes care of itself, to an extent that in our business practice, relationships impact on the corporate reputation coming down to credibility and essentially to the company making money”.*

In addition, IR professionals in this study revealed that they engage in continuous dialogue, listening and offering responses that demonstrate transparency and consistency even when performance is not in favour of the organisation or investor stakeholder expectations. The interviewees further suggested that if investor stakeholders perceive corporates to be



engaging in honest conversations, it further impacts the relationships and earns IR professionals and their corporates a reputation of honesty. The interviewees further described maintaining accessibility, particularly accessibility that creates opportunities for investor stakeholders to meet with the representatives of the company, adding that it is critical in the development of relationships. One interviewee stated that:

*“We engage in dialogue, even if there is a scandal, not only a scandal but a down turning performance or negative effects on the share price such as product recall. Investors will remain steadfast in your corporate if you engage them and listen to them. This is the biggest challenge we have in South Africa, we don’t want to remain accessible in practice and normally, the problem starts trouncing the moment companies’ start acting against investor relations open door policy, but remaining connected and accessible narrows the volatility of market reactions in times of stress. You have to ensure that the relationship resources are available to deal with investors.*

These findings suggest that IR professionals in South Africa are committed to regaining investor stakeholder confidence after the IR scandals and economic crisis that hit early in 2000 (Lev, 2012; Rawlins, 2007; Laskin, 2009). However, efforts to build and maintain long term corporate relationships with investor stakeholders’ remains a challenge in South Africa as acknowledged above.

#### **5.1.5.1 The reasons for failed investor stakeholder relationships in IR activities**

The study probed the issue of failed investor relationships in South Africa. All interviews largely raised and admitted that lack of maximised information disclosure as requested by investor stakeholders and openness in the communication of both positive and negative particularly financial information as what jeopardises the existing relationships in South Africa. IR professionals advance that some South African corporates are characterised with communication of information that is little or too optimistic and that on the day of information disclosure the performance results tend not meet the investor stakeholder expectations. Another in-depth interview suggested that symmetrical dialogue engaging with and debating corporate issues transparently remains critical in maintenance of relationships. Some of the in-depth interviews state that

*“Oftentimes relationships break down due to lack of disclosure in the sense that there is no openness in the relationship. If the company is underperforming, actually the stakeholder and investors will be concerned and that’s natural, but I think if you are open and honest, the relationship itself should not suffer. The messages could be good*

*or bad, but all the relationships should be good. It should not break down on substance, in other words, poor performance should not affect that relationship. I think there should be retentions, questions and debates”.*

*“Sometimes the relationship breaks down when a company itself is a little optimistic, and when the results are released, the market is deflated. Is there a danger sometimes in mood and sentiments can sway the dynamic. Well, maybe, swaying the dynamic, people would be happy with you. It is different to breaking down to relationships.*

These findings demonstrate that the IR function in South Africa is developing. Much IR practice is consistent with the emerging findings of developed countries, particularly in this synergy era where relationship building, disclosure of information and research is emphasised (Laskin, 2009, 2011). In addition, the findings resonate with Hon and Grunig's (1999) relationship management theory, which emphasises the maintenance of relationships with key publics of the organisation.

From a South African standpoint, it is apparent from the analysis of the findings that South Africa IR professionals in their scope of practice are located between senior management and investor stakeholders. They play a two-way communication role, presenting views to and of both investor stakeholders and senior corporate management (Grunig, 1994). The findings further confirm Steyn's (2002) assertions given that IR professionals in the study scan the environment and communicate findings to senior management and investor stakeholders. In addition, the identified IR activities, particularly of feeding intelligence to inform strategy echo White and Vercic's (2001) conclusions that communication professionals observe and interpret the context in which corporates behave towards their reference environment.

It is also apparent from the findings that top management are part and parcel of IR communication, and also build and maintain relationships with investor stakeholders. This is a tremendous shift considering that the communication approach (Laskin, 2009) was characterised by a history of senior management hiring unethical propagandists to communicate with investor stakeholders using press agency. While the findings show that IR professionals perform many IR activities in South Africa, one cannot speak of investor stakeholder communication without IR professionals and senior corporate management working together. For example, the counselling of senior management by IR professionals eliminate engaging investor stakeholders with conflicting versions of the corporate story which get disclosed through other corporate communication strategies. According to Grunig (1994),

communicating conflicting messages impact on the development of interest and relationships (Grunig 1994).

The conceptualising of messages and communication strategies is consistent with managerial and technical activities of the public relations model (Steyn & Puth, 2000). These messages mutually construct understanding and meaning with corporate stakeholders. This is integral to relationship formulation, particularly to investors' contextualisation of the company information. IR professionals not only formulate strategic messages but are participants that engage other internal business units through enhanced inclusiveness, partnership and dialogue as a strategy of co-creating meanings before engaging with investor stakeholders. This assists IR professionals in understanding the factors behind the business unit's profitability, particularly when providing clarity to investor stakeholders.

The findings lay emphasis on the consistent communication of investor information with more emphasis being laid on the need to establish credibility. This is another critical component in the establishment of excellent organisational relationships. This means that clearly explaining the business information is important in the creation of organisational credibility and creating a distinct competitive advantage that compels investors to learn about the organisations' business practices and make informed decisions that result in a financial relationship. On the same note, the current study has established that IR professionals have the task to evaluate the strategy information on a continuous basis so as to measure whether performance and growth targets of each business unit are being met. This evaluation is critical particularly in checking whether the organisation is meeting and fulfilling the investors' needs which compelled them to enter into a relationship with organisations.

These findings demonstrate how critical transparency is in building relationships. If investor stakeholders know the company, trust the management, and put faith in the management team, they will give the organisation benefit of the doubt.

## **5.2 The nature of information disseminated into the investor community**

### **5.2.1 Non-financial information communicated to investor stakeholders**

The research findings revealed that IR professionals in South Africa communicate the organisational overall corporate strategy, particularly how it operates. Content analysis show that the corporate strategy consists of long term strategic objectives of the organisation with fully explained set objectives of each business unit, implementation of the objectives and how objectives translate into performance and value creation over a period of time. The IR professionals' interviewed noted corporate strategy information as a major investment

valuation information used by investor stakeholders to determine business profitability and efficiency over a period of time.

Adding to this, IR professionals revealed that they communicate important developments to investor stakeholders such as mergers and acquisitions, business diversification, innovation, and the formation of new growth initiatives as information that formulates business strategy and is worthy of communication to investor stakeholders. While each business strategy information type is unique, the corporates analysed in this study differentiate their points of valuation by being descriptive about the corporate belief system, operations, and aspirations as well as purpose of existence. One of the IR professionals stressed that:

*“Investors in the South African market demand a unique strategy which outlines the future direction of the firm. This takes a lot of commitment, a lot of research and flawless articulation of the core business. You cannot separate the strategy from the corporate mission. Neither can you separate it from long term objectives nor your financial objectives because that’s where investors estimate value for money”.*

Importantly, it is apparent that IR professionals communicate market share in the industry of operation. This includes the superiority of organisational products, production levels and the existing relationship with other corporate stakeholders, such as customers.

#### **5.2.1.1 The quality of the organisation’s senior management information**

According to the findings of the study, IR professionals in South Africa pay attention to communicating non-financial information, particularly in categories related to governance. Content analysis showed the quality and credibility of the management information communicated. Most of the information is in the form of corporate executive profiles that communicate detailed qualifications, years of experience on the current job and previous employment, age and compensations. IR professionals in this study attributed communicating the management qualities to investor stakeholders to a need for transparency in evaluating executives’ competence, e.g. *“the experience and skills”* are of *“benefit to the success of business and its strategy”*.

Content analysis further revealed achievements and milestones reached by senior management. For example, IR professionals communicate capital raised and profit margins attained over a period of time while at the helm of a senior corporate position to investor stakeholders. This includes managerial positions held in previous companies served or within the current organisation. In addition, the content analysis shows that the information goes as

far as communicating personal appearance of CEOs in the form of photographs. While this finding is consistent with Hoffmann and Fiesler (2011) and other studies (Laskin, 2009; Kelleher, 2007), IR professionals in this study state that investor stakeholders gain a sense of who the management is and whether to buy into the company. One of the interviewees explained that:

*“Investors value the ability to zoom in for a detailed picture. In particular, they value profiles that include age, biographical, a photograph and we know it has to be a happy face I mean like not of someone who is about to bite the dust or who is on the death bed”.*

What is clear from the content analysis of the in-depth interviews is the continuous disclosure of senior managements' age and image. IR professionals of the study repeatedly stated age as critical to investors' analysis of corporates, particularly in enabling valuations of a corporate *“business continuity plan”* and *“cultivation [of] own leadership replacement”*. The interviews further revealed that investors trace this through analysing hierarchical structures of organisational management, leadership training and development policies. This is particularly important in cases of eventualities like death, resignation or retirement of a senior management person.

In addition, IR professionals interviewed stated that the today's business world is complex due to globalisation. As a result, investors prefer to commit financial resources where there is “excellent leadership”, capacity to “deal with complex business challenges” and ability to influence “investor perceptions” positively. These disclosures are critical; if investors trust the management qualities it will earn the organisation a reputation of honesty and transparency which leads to solid long-term relationships.

#### **5.2.1.2 Corporate Social Responsibility (CSR) information to investor stakeholders**

IR professionals in South Africa disseminate CSR information, predominantly aligned to the social, environment and governance matters as a strategy of creating understanding about how South African corporates relate and engage with salient stakeholders. The IR professionals continuously stated that investor stakeholders in South Africa use CSR information to screen and select corporates that are *“agents of social change”*.

Content analysis revealed that disclosures about corporate philanthropy and community engagement are emerging as part of IR's mainstream communications in South Africa. For example, information that discusses corporate energy consumption, recycling programs and

greenhouse carbon emissions reductions were noted as taking dominance in IR professionals' CSR financial disclosures. Further analysis showed that IR professionals of larger corporates extensively communicate initiatives that contribute to eliminating the effects of climate change. For example, IR professionals report on the organisations' shifts towards lower carbon economy and energy-efficient technologies in partnership with other moral agencies (stakeholders) in the environment of operation. What is more important to note is that IR professionals submit disclosures in the form of sustainability reports accompanied with pictorials and video case studies on their corporates websites as evidence of active stakeholder engagement. For example, cases studies of humanitarian activities such as the construction of solar farms, wind farms, waste processing plants, participation in the conservation of the ecosystem and charitable activities are notable in regulated IR communications such as annual reports and Stock Exchange Commission (SEC) filings. One of the IR professionals stated that:

*“Remarkably, we have positively disclosed and engaged with our investors on issues related to climate change, diversity, sustainable business practices, stranded assets, energy efficiency all envisioned to attaining value attached to economic growth, profits, and positive long-term relationships”.*

Moreover, the analysis revealed that the performance of the organisation is tied to the morale of the workforce. As a result, information that cuts across organisation-employee relations is disclosed by IR professionals in South Africa. According to the interviews, this is predominantly as a proxy for good corporate governance information and as a strategy to enhance investor stakeholder gauging of sustainable performance of corporates in their valuations. Some of the trending information noted includes:

- Human resources policies.
- Remuneration of employees and the benefits thereof.
- Measures to ensure a health, safety and well-being of the workforce (e.g. promotion and elimination of discrimination)
- Employee diversity
- Employee training.
- Labour turnover.

Furthermore, *“bribery, corruption policies and supply chain management practices”* were raised during interviews as emerging information being largely communicated to investor stakeholders focused on South Africa.

In seeking to understand how CSR disclosures are significant to organisation-investor relationship formulation, IR professionals' stated that as much as they communicate CSR information to comply with regulations of security exchanges and for economic reasons, they further highlighted that CSR information affords investor stakeholders a voice through which a broader symmetrical dialogue with the senior management can continuously take place. The interviews further described the nature of dialogue as co-creating shared meanings not only crucial to long term investments decisions, but to the overall corporate reputation. In addition, the interviews further noted retaining sustainable relationships with key investor stakeholders as a result of full disclosure of corporate sustainability efforts. One of the interviewees stated that:

*“Through our regular interactions, a number of investors are sharing information and expertise on number of emerging CSR topics, including the environment and regulatory changes..., a common ground of understanding is being achieved and we are considerably being open and receptive to each other’s views and analysis. Where clarity is need we also give ....of course with the assistance of our sustainability officers, its translating to be an effective engagement”.*

Another interviewee added that:

*“South African corporates are susceptible to regulations and are on the spotlight of socially sensitive business practices from different activists including investors. That’s why from an investor standpoint are giving access to a more balanced and broad view of how we socially and responsibly engage with stakeholders in our sector”.*

In addition, CSR communications are an instrument of generating recommendations from investor stakeholders. This suggests that applying regulatory frameworks may influence corporates to behave ethically and in return maximise profits for investors. If IR professionals are honest in their CSR communications, corporates can generate a positive corporate reputation in the investor stakeholder community and garner recommendations critical in improving CSR strategies that promote sound and inclusive stakeholder relationships.

The findings here show that IR professionals apply obligatory guidelines from the King Report (2009) on an inclusive stakeholder approach in governing organisational stakeholder relationships.

### **5.3 Financial Information communicated to investor stakeholders**

The financial information reported on in this study remains imperative and dominant as compared to the non-financial information. Comments such as financial information “influence[s] investor decisions”, is “most important for understanding business financials”, “matters to investors”, and is “relevant to investor’s needs and expectations” underscores its increased visibility in annual financial reports and quarterly earnings releases. The interviews highlighted that it is the financials that prompt investors to continue holding company shares. In seeking to understand which financial information matters, financial income statements, cash flow statements and balance sheets were described as IR’s major points of engagement with investors. However, the information is reported as still complex to investors despite the IR professionals’ assertions that there is a “remarkable improvement in the disclosures of financial material”. In the face of complexity, the IR professionals stated that more effort is being put into making financial information understandable and useful to investors with transparency and simplicity being emphasised. This is further demonstrated by a formidable team that comprises a CFO, an accountant, writers and a public relations manager in the composition of IR personnel.

Besides historical financial performance, the study also noted that budgets set by management are disclosed and investors are described as inclusively using these budgets together with other financial disclosures to evaluate the corporates’ financial performance, making comparisons with other competing firms in the same sector. Additionally, profit margins before and after tax, interest, depreciation and amortisation are presented to investors to make fairly accurately forecasting and compare the income of companies with different asset structures. These financial presentations are of each business unit, service, and product and are split by market in the related industry. Thus, IR professionals provide a clearer understanding of corporate financial performance.

These financial presentations are further illustrated by glossy charts, tables and graphs. Some of these diagrams illustrate sales revenue by each business unit and capital growth. This finding is consistent with the financial era as described by Laskin (2009). As the case may be, there is improved design of financial publications, and the IR professionals asserted that this creates an impressive image in the eyes of the investor, and keeps the investors interactively engaged in their pursuit of understanding corporates disclosures. This suggests how relevant the technical skills of public relations officers are in this synergy era. Interestingly, these charts are communicated in such a way that investors can compare share price performance, and earnings per share with other share prices indices.



Moreover, the study noted that the majority of financial disclosures are accompanied by footnotes and a glossary of financial terms. This is critical to investor stakeholders point of reference in seeking clarity and understanding. To authenticate corporate financial information, the identified statistical summaries are largely assessed by external auditors before communicating to investors. According to the interviews, auditing legitimises information disclosed although valuation, and explicitly excludes any type of audit. As a result, unverified earnings are disclosed on a quarterly basis and are considered acute to investors in keeping the corporate progress towards set objectives and strategies in check. This approach of communicating audited information is dominant in South Africa. This is crucial, particularly in the establishment of credibility which according to PR studies is critical in the establishment of long term relationships, accuracy and fairness of information. What is interesting to note is that the IR professionals asserted that the auditing firms engaged in auditing accounting information are also assessed by investors. The interviews revealed that investors are increasingly demanding disclosure of accounting policies used in the auditing of corporates' financial standing. Such policies include consolidation principles, property revaluation policies, and the treatment of off-balance-sheet items. This demonstrates how important the credibility of corporate stakeholders is in developing relationships with investors.

What is critical to note in this role is a complete shift from a financial era where the totality of the data supplied to investors could only be explained in financial terms. It can also be differentiated from the communication approach where PR professionals were dominant in executing the IR role. As much as the developing of investor messages cannot be separated from the technical activities of a public relations practitioner (Steyn 2002), the scope of message development from a South African standpoint requires both public relations and finance expertise.

IR professionals and publicly trading organisations in South Africa are using the principles of a two-way symmetrical model of public relations (Grunig, 1994) to share information with their investors and as a result lines of dialogue between the investors and the organisation are opened. The model emphasises information exchange so as to create equally balanced decisions indicative of both the corporate and its investor stakeholders. Additionally, IR professionals in this study submitted that they distribute the communication materials in the investor community; as a result, a trend of setting appointments by investors and making requests to meet and engage with the representatives of the organisation is established. This means that communication materials remain strategic for IR professionals in the practice of investor relations and building relationships.

As noted in the literature review, investors are concerned with corporates' susceptibility to regulations and socially sensitive business practices. This view emerged during the study. Analysis of the findings shows that regulations frameworks play a critical role in IR communication practices. What IR professionals clearly argued is that the desire to meet governance and public disclosure obligations demands adhering to consistent disclosure of the guidelines used. Lack of such credibility of information communicated may raise eyebrows thereby influencing relationships in a negative way.

## **5.4 The critical IR skills in building and maintaining investor stakeholder relationships**

The study revealed that financial and analytical skills, public relations management and technological skills are critical to excellent IR practice. In addition, the analysis further highlighted that in-depth understanding of the company and its sector, knowledge of capital markets and regulations are critical in building long term relationships with investor stakeholders. These findings are explained below.

### **5.4.1 Financial and analytical skills in South African IR practice**

In seeking to understand the exact financial skills critical to the development of investor relationships, IR professionals repeatedly stated the ability to critically discuss corporate financial information accurately in financial language. Balance sheet, accounting policies and cash flow statements were raised as important financial information that demands analytical skills. In addition, IR professionals further need to understand volatility in capital markets, liquidity, and economic and political factors that affect corporate performance. One of the Interviews highlighted that:

*".....financial analysis is key; sometimes investors can give you a spreadsheet and ask you to fill in all the numbers. You need to know the accounting standards they derive from and be comfortable with valuation models they use. As for now, I have grown to be the kingpin of financial statements and I know where to look".*

Another interviewee stated that:

*"Liquidity calculation is an important"*

All interviewees in this study strongly advanced financial skills as important. However, having a financial qualification was not argued as a necessity by some of the IR professionals in this

study. This is contrary to a volume of studies which asserts financial qualifications as important in the IR industry. This is even more contrary given that a majority of IR professionals in South Africa are housed within the finance departments (Petersen & Martin, 1996; Laskin, 2009). This finding was illustrated by one of the in-depth interviews, which clarified that:

*“You need to understand and interpret the financial statements, but you don’t need to know as much as about accounting, valuation, or modelling as someone in a traditional corporate finance role. And you would not be the one actually creating the financial statements for the company. You may get technical questions on accounting, valuation, and interpreting the financial statements but they generally won’t be as depth as one would think”.*

#### **5.4.2 Knowledge of capital markets and understanding of regulations as a skill**

IR professionals emphasised knowledge of capital markets and a “*working knowledge of JSE listing requirements*” as important if one desires to build and maintain relationships in the investor stakeholder community. The interviewees suggested “*the macroeconomic factors of the market and equity markets*” as important areas of investor stakeholder interest. IR professionals added that a grasp of macro-economic policies, political awareness and interpreting the nation’s often oblique legal terminology is also important. IR professionals further revealed that South African industry sectors are tied to policies and regulations, therefore if there is a new regulation passed, IR professionals need to update investor stakeholders, interpret the policies and monitor the implementation thereof. This finding indicates that scanning environment is a necessary skill.

#### **5.4.3 Public relations management and technological skills**

The interviews further revealed strategic public relations communication skills, such as the ability to write corporate investor stakeholder messages, as a valuable skill. The interviewees explained that it is in the nature of today’s investor stakeholders to demand concise communication of the corporate story with transparency. Entities’ strategies, the business model, how the entity creates value and its impact on the broader environment of operation were raised as what makes the corporate story and are used to develop investor stakeholder messages. The interviewees further reiterated that IR professionals carry the capacity to:

*“Know everything about the corporate, its market movements, the sentiments, and the feedback from others, what corporate competitors are doing and to think beyond what has been communicated before”.*

The findings further reveal that modern IR practitioners are a person for all seasons. Interviewees explained IR professional as somebody who is not only

*“Financially literate, but somebody who is really plugged in to the strategic DNA of the business, somebody that understands where the business is exactly going but can never get all the various storms and inevitable issues that happen between here and there”.*

This finding means that the capacity to diffuse a crisis at the interface with investor stakeholders, the business and the media, and inspire investor confidence is critical in IR. It demonstrates that IR professionals in South Africa handle corporate issues, ensuring that relationships with investor stakeholders remain intact throughout.

In addition, analysis of the findings showed the value of coordination skills, such as planning events like annual general meetings (AGM), excellent presentation skills, and speech and letter writing skills. In addition, the interviews highlighted the value of maintaining media relations, sound knowledge of corporate social responsibility strategies and broader understanding of sustainability strategies from a corporate standpoint and those that resonate with investor stakeholder expectations.

IR professionals stated that understanding technological trends and recalibrating new technologies are indispensable criteria for success in IR relationship building efforts. This is emphasised as critical in today’s ever-changing global economy, particularly in deciphering the interplay between the *“corporate financials, investors, process, and technology”*.

This study shows that there is an integration of finance, public relations and law in coordinating building and maintaining investor stakeholder relationships. This supports Laskin’s (2009) findings that there is a need for synergy of public relations and finance in building and maintaining investor stakeholder relationships. What is important to note is the acknowledgement of public relations activities in improving the efficiency of IR. This demonstrates that without public relations communications, enhancing corporate value and building relationships would be a challenge (Laskin, 2005). It should also be added that with the advancement of technology, technological skills and an understanding of regulations are critical in the maintenance of relationships.

## **5.5 Strategies used by IR practitioners to build and maintain investor relationships**

Penning (2011) describes investors as in need of avenues and opportunities where they can make their own assessment of the corporate performance. In addition, Grunig's (2006) theoretical propositions of the empowerment of public relations functions in excellent communication theory emphasise developing communication strategies which create dialogue with stakeholders. The research findings revealed that different communication strategies are being used by IR professionals in South Africa to foster relationships. These strategies are print publications, the media, electronic, and interpersonal communication.

### **5.5.1 Corporate publications**

IR professionals are using print documents to disseminate influential information to investor stakeholders. The findings of this study further illustrate the existence of different publications used not only to disclose but to separately communicate corporate information. Some of the documents obtained include financial reports, sustainability reports, integrated reports, corporate magazines, and press releases.

### **5.5.2 Financial reports**

IR professionals in South Africa predominately use financial reports to communicate relevant structured financial and related information about the organisation to investor stakeholders. All financial reports analysed contain balance sheets statements, cash flow statements, income statements and states of changes in equity. The interviewees described the financial reports as a dedicated strategy of communicating robust financial information periodically on an interim, quarterly and annual basis. All interviewees stated that all financial information disclosed is unbiased, accurate and verifiable. Content analysis shows that financial reports disclose information of past corporate performance in nature.

### **5.5.3 Sustainability reports**

IR professionals in South Africa use sustainability reports to engage investor stakeholders with corporate information which takes into account economic, social, and environmental information together with the principles of corporate governance. In addition, it is within these reports that IR professionals disclose corporate sustainable relations with all other corporate stakeholders.

### **5.5.4 Corporate magazines**

IR professionals in South Africa use corporate magazines to further foster investor stakeholder relationships. Analysis of such magazines revealed the communication of corporate celebrations such as annual gala awards accompanied by photo captions. This is in honour of the organisations' engagements with society. In some cases, the magazines contain the awards which the organisation gives to its workforce and acts of goodwill the organisations have been involved in, such as sponsorship of different community initiatives which are located within the corporate environment.

The corporate magazines together with sustainability reports show the relationships the organisation has with other stakeholders of the organisations. This is important given Lewis' (1999) assertions that stakeholders such as consumers use their consumer power to reward good companies and punish bad ones. This enables investors to understand the perceived reputation of the organisation through the lens of other organisational stakeholders before making investment decisions.

#### **5.5.5 Integrated reports**

The interviews further revealed that IR professionals frequently use integrated reports as a concise and contemporary primary communication strategy of engaging investor stakeholders with key corporate financial and non-financial information. These integrated reports are published on an annual basis and are made accessible to investor stakeholders globally through IR's multiple channels in the form of IR websites, print versions posted to investor stakeholders, pdf files or HTML formats emailed to investor stakeholders.

The IR professionals further stated that integrated reports are adopted as a strategy of enhancing transparency and providing understanding of how corporate information is integrated with the business model and strategy. In addition, the interviewees stated that the integrated reports provide investor stakeholders with a platform to measure performance versus the strategic objectives set.

Further analysis of the integrated reports showed that integrated reports are a communication vehicle for other reports. The reports noted include: annual financial reports with definitions, operations reports, risk and risk mitigation reports, senior management reports, sustainability, ecological footprint and corporate social investment reports, remunerations reports, forward looking statements, compliance frameworks, auditor's reports and board of directors' composition and senior management team reports.

#### **5.5.6 Press releases**

IR professionals in this study reported that they use press releases to consistently update investor stakeholders and keep them engaged with the developments taking place within the organisation. Content analysis show that press releases in South Africa are predominantly used to disclose corporate announcements of financial information, particularly quarterly earnings clearly indicating changes related to share price performance. This includes announcements of conference call dates, changes within organisation management and operations, upcoming public speaking engagements by senior management, charitable initiatives, and the product launches.

Further analysis of the findings showed that press releases are disseminated through corporate IR websites and major news wires with clear articulations of how that development affects the company. Other critical examples of IR press releases obtained include the communication of how the South African rand has performed against the American dollar and the impact it has had on company share prices. Another example shows how loadshedding of electricity in South Africa reduced the estimated targets of production levels. The IR professionals elaborated that such information constitutes part of IR disclosure rules and corporate investor relations policies. IR professionals added that this approach enables investor stakeholders to “*continuously re-evaluate the corporate performance against closely competing firms*” as new information keeps emerging.

What is significant about communication materials is that IR professionals provide investor stakeholders with useful channels to gather information which they can use to determine corporates’ fair value and ultimately make informed investment decisions. As much as the communication materials analysed appear as one-way communication, the interviewees emphasised that the information is researched from all aspects of the business and its environment taking into consideration the interests of investor stakeholders. Additionally, these activities are argued in the public relations scholarship as strategic in relationship building, enhancing transparency and promoting open dialogue with the involved parties (Steyn, 2003). What is also important to note is that different IR professionals have adopted a diverse number of communication materials unlike in the financial era where annual financial reports were much more central in all investor conversations.

Most of the strategies analysed demonstrate that relationships are as a result of both one-way and two-way communication. Two-way symmetrical communication encourages direct engagement, reporting, and obtaining feedback. The use of integrated reports enables investor stakeholders to measure non-financial information along with financial information at

the same time. This further reveals a long term corporate perspective, forecasted direction as well as created value and how that value is affected now and in the future.

### **5.5.7 The financial media**

IR professionals in the study reported using financial media specifically to engage with both existing investor stakeholders and capital markets. Content analysis shows that financial press and the digital financial media networks are influential to IR practice, particularly in generating “coverage of corporate disclosures” to geographically dispersed investor stakeholders and to maintain investor stakeholder interest in the corporate. In addition, IR professionals revealed that media is critical in stimulating volumes of trading activities. As a result, they are careful to build and maintain relationships with media outlets. The interviews further revealed that stimulating trading activities is a result of the continuous supply of accurate information to the financial media that extends beyond financial results to corporate news stories, commentaries of the corporate sector and corporates’ views about the economy. In so doing, the interviewees stated that it influences the formation of investor stakeholder opinions about the company and its representatives.

IR professionals in the study further noted that increased feedback independent of financial media channels. The interviewees stated that this is partly due to a consistent presence in the financial media. They describe the feedback obtained as centering meeting with senior management to discuss further in person the corporate performances and stock price calculations. Some of the interviewees stated that:

*“The media is not a dump and go platform, something huge always follows and you have to develop tough skin with a soft tone to deal with it, its all about developing relationships, remember”.*

*Today’s investors are a sophisticated audience, when media is involved, they will always come to you saying let’s talk through the numbers, let’s talk through the evaluation, something like how did you determine the price and you have to be very alert because that is sensitive information that you cannot chit-chat anyhow, you have to pull up some PR muscles”.*

*“The investor share value is in the capital markets. This is why we are so consistent in our communication efforts, and the media is pretty much strategic but you need a PR expert to get the facts straight. Our investors’ like that positive energy and they demand it, they want to us there to make worthy noise and this keeps us busy”.*



And:

*“We are using the financial media so often. Every now and then, investors count on the financial TV networks to light up with breaking-news alerts on quarterly earnings. The media influences prices hence we use global financial media outlets with audiences large enough to meaningfully impact capital allocation”.*

What is significant to note is that throughout the evolution of IR, the media has remained critical in interacting with investor stakeholders and increasing visibility in the financial community (Bushee *et al.*, 2012). What makes this synergy era different from the communication approach is the absence of a PR model of press agency whose interest is to generate publicity with manipulated information (Grunig *et al.*, 1992). IR professionals are consistent throughout this study that information disclosed is properly researched, and they are aware of the consequences of dishonesty for existing organisational relationships. This further demonstrates that IR professionals have shifted away from manipulative means of engaging with investors, a characteristic dominant in the communication approach (Laskin, 2009).

#### **5.5.8 Senior management: An IR voice in the investor community**

The analysis shows that South African Chief Executive Officers (CEOs) and deputy managing or financial directors engage dialogically with investors as facilitated by IR professionals. The interviewees predominantly describe this as an effective communication strategy, as these personnel are authorised to be a corporate voice in the investor community. One of the interviewees described top management as the:

*“The face and the mouth piece of the organisation in the investor community”.*

Another described them as an:

*“Efficient, reliable and well-respected point of contact”.*

This demonstrates that CEOs are not only critical in IR activities but are a catalyst in building relationships with investors. This finding is further supported by content analysis of video conferences and investor presentations presented in this study where CEOs appeared, having a dialogue with investors. In this regard, IR professionals in South Africa are described as *“routinely interacting with the executives and departments heads within the organisation on both high level strategy and the day to day, nitty gritty assisting the management on communication issues that they may have about investors”.*

This strategy of using the CEOs in the communication process brings opportunities of building confidence in the organisation, as investors have the opportunity to gain a sense of who the management is through their body language, their tone of voice and of course looking through their eyes. In addition, it enhances the corporate reputation considering the reference to Apple CEO Steve Jobs widely reported as having impacted the company share price after his public appearance brought mixed reactions towards his health (Laskin, 2009). Moreover, this finding justifies why IR professionals works are positioned within the strategic management functions, counselling senior management about their communication and presentation skills in external communication.

#### **5.5.9 Senior managements' strategic views in speeches and letters**

The interviewees in this study stated that contemporary investor stakeholders seek a sense of company strategy by putting 'into perspective' management views of set corporate objectives. In this regard, the data show that senior management views are communicated to the investor stakeholder databases bound by their signatures. Communication reports such as annual and integrated reports emerge in this study as ultimate communication vehicles with dedicated sections of managements' views in letters or speeches. Document analysis further showed that these management views are communicated under headings such as "CEO message", "Management Commentary" or "Chairman's Comments" and "Chief Executive Statement".

Information gleaned showed that predominantly the views of the management are inclined towards enhanced corporate performance outlook, factors that contribute to operating results, the impact of current year performance on investor value, and progress made towards achieving strategy at the business unit level. In addition, growth activities such as acquisitions made during the trading period as well as changes in corporate leadership such as new appointments, new board members, governance structures and responsibilities are communicated by management. In addition, any changes to business strategy, and challenges and risks faced in achieving previous strategies are presented to investor stakeholders in management letters. This includes actions taken to improve performance in the sector of operation.

IR professionals further emphasised that the "*CEO signature is supreme*" not only to the investor communications but to investor stakeholders, who need assurance that the corporate has the ability to plan and meet set objectives. In addition, the in-depth interviews further stated that signatures give investor stakeholders power to hold the executives accountable in

situations where there is misrepresentation and manipulation of information disclosed. This approach is important given the chain of corporate scandals triggered by executives' manipulation of information and, as a result the inability of investors to understand and make accurate valuation of the corporate value (Laskin, 2010; Allen, 2002).

#### **5.5.10 Investor relations websites as a communication strategy**

Kent, Taylor and White (2001) perceive websites with interactive technologies as dialogic, and Ledingham (1999) describes websites as supportive particularly in maintaining and building relationships. The findings of this study revealed that IR professionals in South Africa are gradually adopting IR websites as a strategy of information disclosure, value creation, building relationships, expanding corporate visibility, and increasing investor stakeholder interactivity with corporate activities.

IR professionals maintain frequent communication with investor stakeholders using IR websites. IR professionals confirmed that IR websites are an effective disclosure strategy that meets investor stakeholders' need for information. Content analysis further revealed that IR websites in South Africa are used to communicate historical public disclosures stretching back to more than five years. Such disclosures include annual or quarterly reports, historical investor stakeholder presentations, conference call transcripts, media releases, investor calendars, and documents relating to investor stakeholder meetings and sustainability reports, many of which are in pdf formats. In addition, IR websites contain links directing users to other corporate investor information such as corporate governance and corporate codes of ethics.

Information disclosures on the IR websites dating years back was probed in this study. IR professionals maintain historical information as relevant to investor stakeholder investment valuations particularly in tracking performance over time, risk factors, and reducing investor stakeholders' costs of acquiring information. One of the interviewees commented that:

*“There is completely nothing called obsolete information in our system of operation, ever information that you see disclosed is pertinent. We are very much aware that companies are in the spotlight including us as professionals, investors all over the world navigate through websites looking for information; they forward questions, and they subscribe to our information materials so we got to be precise in our capital communication efforts. In our case, we are not suggesting that the only way to get information is through the website, we are saying here's one page and if you want detailed information, you have the option to go directly to the web and search for yourself or you can contact us directly and we will provide you with the hard copy”.*

In addition, IR websites are further described by IR professionals who participated in this study as a tool (1) which permits convenient and quicker access to information and (2) enables the communication of information to geographically dispersed investor stakeholders with less effort. In addition, analysis of the findings showed that email alerts, RSS feeds and webcasts on top of IR websites further communicate information to subscribing investor stakeholders. One of the IR professional indicated that:

*“...67% of our investors are internationally embedded and a website is an extension of our regulated work which enables us [IR professionals] to broadcast to our financial stakeholders accurate and real time data about our performance in real time”.*

Furthermore, IR professionals interviewed in this study revealed that websites with branded corporate colours and tailored investor relations sections as a strategy of building and maintaining a network of relationships between the organisation and its investor stakeholders were valuable. IR professionals indicated that branded IR websites are a *“primary strategy of image building”* and *“profiling in a market outside a company’s home country”*. The findings further indicated such image building comes through maintaining *“visibility”* and ensuring that the *“corporate is being recognised in the investor territories”*, thus capital markets.

Analysis of the IR websites in South Africa shows that the websites are designed to be interactive. They contain interactive applications such as key performance indicators, charting tools that allow comparisons with other market participants and indices. They further show calculators, share price charts, as well as share price values in real time and for certain periods. In addition, the websites demonstrate user friendliness coupled with a structured site-map to navigate through the content. This means that while any communication strategy has the capacity to convey IR messages, it needs to be strategic and user-friendly for investors to interact with the organisation.

#### **5.5.10.1 Two-way symmetrical communication on IR websites**

The two-way symmetrical communication model (Grunig, 1994) emphasises information exchange to create equally balanced decisions indicative of both the organisation and its stakeholders. In order for IR professionals to keep abreast of investor views and concerns, there must be corresponding communication strategies that promote interactive dialogue. Content analysis and interviews revealed that IR professionals in South Africa are committed to dialogue with investors through two-way symmetrical communication. However, analysis of the findings showed that the two-way communication on websites happens in a closed and

controlled environment. They lack maximised interactivity as the main focus is on the presentation of information rather than expanding the feedback mechanism for interaction and open dialogue with investor stakeholders who have an interest in the same corporates. None of the IR professionals had open feedback mechanisms that openly answered investor stakeholder questions or handled criticism openly on websites. The findings noted that feedback mechanisms that were placed on the IR website included:

- Personalised emails addresses of IR professionals, however it should be noted that a large number of South African corporate IR websites have incomplete contact details.
- Direct telephone numbers of the IR officers.
- Corporate postal addresses.
- Links to downloadable shareholder forms and notices of meetings.

#### **5.5.10.2 The strategic use of electronic mails in IR**

IR professionals in this study revealed that personalised emails are used to maintain two-way communication and to hold strategic conversations with investor stakeholders. By strategic conversations, the interviews meant enquiries, particularly about disclosed information, which demanded prompt feedback, requests for clarity on disclosed information and requests to meet with organisational senior management. In addition, the interviews attributed prompt communication to the fact that capital markets work on timely communications, thus failure to act promptly bears consequences for the existing relationship with investors stakeholders. Interviewees stated that:

*“We want you to talk to us and we want to talk to you, we have nothing to hide and precisely access to the management is activated at any given time. This is of extreme importance”.*

Another interviewee elaborated that emails enable IR professionals to:

*“.....receive and provide both private and public feedback and disclosures to queries and request for information that relates to all financials standings, announcements and corporate activities of interest”.*

These findings demonstrate that IR professionals in South Africa are embracing websites as a key communication strategy to enhance organisational investor stakeholder relationships. This is further demonstrated by the disclosure of email as a strategy of maintaining two-way communication with investor stakeholders. The use of websites by IR professionals in South Africa also demonstrates that IR professionals seek to meet investor stakeholder information

needs. This further minimises the number of routine enquiries as investor stakeholders can revisit either the webcasts or website historical information on their own and perform a detailed analysis of the organisation without having to directly approach the IR office. It can be argued that significant information deemed trustworthy and obtained without difficulty enhances the relationship between the organisation and investors.

The understanding here is that the use of these communication strategies increases the valuation of the organisation in the public space and investor relationships are improved if the organisation maintains two-way symmetrical communication strategies. Analysis of the IR professionals' communication strategies showed that IR professionals are using both one-way communication and two-way communication to build and maintain relationships with investor stakeholders. One-way communication of knowledge brings about continuous learning about the organisation by the investor stakeholders. This depicts principles of two-way communication critical in the development of relationships as argued by Grunig's (1994) excellence theory.

Further analysis of the communication strategies demonstrates a complete shift from Grunig's (1994) description of press agency implemented in the IR communication approach, where relationships and value creation through controlled media never existed. Instead, communication was marred by manipulation and untruthful information. The fact that IR professionals seek to bring about continuous learning about the organisation suggests that the analysed strategies, e.g. IR websites and regulated corporate publications, are a mutual strategic approach for investors to access quality information and conduct research. Grunig's (1994) public relations two-way symmetrical model posits that research brings about mutual understanding thereby building relationships.

Further analysis of the findings demonstrated that websites are an effective communication strategy that can improve efficiency and timely communication of managed information and that meets the needs and expectations of investor stakeholders, thereby establishing relationships. The collapse of the Enron is largely argued as an IR calamity exacerbated by lack of transparency and withholding of information. When the findings of this study emphasise timely disclosures, they suggest that IR professionals in South Africa have come of age to address an investor stakeholder need for timely and relevant information. In relation to this view, Grunig and White (1992) state that timely communication earns organisations a reputation of honesty and transparency. In addition, Laskin (2010) states that investor markets work on information.

It should be suggested that historical investor information and real-time investor information is critical to investment decision making, and accurate information carries the capacity to increase investor stakeholder confidence. Adding to the above, Grunig (1994) posits that if communication is made in a manner that demonstrates transparency, it can build and sustain relationships.

## **5.6 Interpersonal engagement between IR professionals and investor stakeholders**

Evan *et al.* (1993) argue that each stakeholder group has a right not be treated as a means to some end and therefore must participate in determining the future direction of the firm in which they have a stake. To ensure equal participation, the research interviews revealed that IR professionals in South Africa are predominantly developing planned communication strategies that provide a forum for direct engagement and interaction with investors through two-way dialogic communication. These two-way strategies are observed as instrumental in building balanced relationships. Analyses of the findings revealed that IR professionals devote an inordinate amount of time to engaging in direct dialogue with investors to bring about mutual understanding. Some of the two-way communication strategies include one-on-one investor meetings, informal meetings, organised site visits, investor presentations, conferences and road shows.

### **5.6.1 Investor relations meetings - a strategy of direct investor conversations**

IR professionals who participated in this study stated that they frequently give priority to directly engaging with and listening to investors through one-on-one meetings. Most of the IR professionals' comments showed that one-on-one meetings are a strategy of all business transactions, and included hosting direct conversations, creating equal participation and acting as review sessions, building trust and relationships, and creating win-win situations. The interviewees described that:

*“Meetings are a strategy of building stronger and more meaningful investor relationships through providing greater detail of corporate activities in robust conversations. We often use meetings as a review session where we speak with our investors on how we are managing expectations. We also use meetings to remind our investors about the progress of our long-term strategy. In so doing, we are building trust”.*

And that:

*“Meetings are a crucial part of all our business transactions and investors’ value organisations that create channels of equal participation and that permit understanding expectations not only of the investors but of our management as well. We are always talking to our investors and it is our way of avoiding situations whereby the relationship is imbalanced”.*

Another interviewee added that:

*“But look they own us [investors], so we have to meet with them [investors] and have a dialogue taking them through the process inspiring confidence. If they [investors] lose confidence, they will dump you”.*

By robust dialogic conversations, IR professionals explained that investor stakeholders chase in-depth understanding with clarity, and they probe questions which are not generally asked in the investor stakeholder public domain. One of the interviewees further explained that:

*“Asking questions is a common practice of how investors measure the trustworthiness and reliability of organisations. It is also where we mutually gain understanding of their concerns. If we do not engage them and allow them to speak, we are creating our own recipe for disaster”.*

Another interviewee added that;

*“We have a reputation of engaging in one-one-one frequent meetings with our investors. The frequency thereof directly provides investor stakeholders with a substantial understanding of how our corporate thinks through its broader organisational strategic operations”.*

This shows that the advent of dialogic meetings is a decisive factor in building relationships, establishing trust and eliminating risk associated with lack of engagement.

#### **5.6.1.1 Conflict resolution through two-way investor meetings**

The interviewees in this study revealed that investor stakeholder meetings are a strategy of resolving competing interests and finding a compromise acceptable to both the investor stakeholders and the organisation. IR professionals in the study stated that corporate governance issues are the dominant areas of conflict which demand inclusive participation in



creating mutual understanding. Investors seeking board seats, the alignment of executive compensation versus the financial performance of the organisation, issues of takeover bids, sluggish economic growth and low returns on investments were highlighted by IR professionals as challenges that can change the dynamics of existing investor stakeholder relationships. One of the interviewees stated that:

*“As part of our policy, we engage our investors on issues of governance and share prices, we don’t shut the door. We are not sure of other IR professionals in South Africa but in our practice meetings opens up opportunities of finding sustainable ways of problem-solving. Sometime, we don’t reach mutuality; yes that’s part of the business. But on what we agree with our financial partners, we communicate the extent to which as a corporate are fulfilling the tabled interest or are willing to do so. In our case, I noticed that every time we listen to our investor’s point of view, we are responsive in a way that fit our strategy and their expectations. If there is no mutual agreement particularly if we are doing what they don’t like, they can opt out of the existing relationship”.*

In addition, another interviewee explained how they resolved a conflict thus:

*“At the shareholders meeting in the previous fiscal year, the takeover defence measure had been rejected, so during the past year, we proactively engaged in dialogue with our shareholders and institutional investors more than we have done in the past. This is the time, we realised that seating down with investors explaining the processes is the solution. Presently there is close to non-significant opposition to corporate takeover defence measures and other corporate decisions. Even now, our current investors suggest ideas on how to improve performance and we don’t ignore their contribution without careful consideration”.*

Furthermore, another interviewee revealed that:

*“Raising the share price and sluggish economic growth are always a major premise of conflict but look with increased efforts to engage and hosting direct conversations, there is always light at the end of tunnel”.*

#### **5.6.1.2 Two-way symmetrical communication through informal meetings**

According to Dozzier, Grunig and Grunig (1995) two-way symmetrical models of communication are characterised by formal and informal strategic research. The current study

confirms that IR professionals use informal meetings to engage with investor stakeholders (e.g. attending social events together with investor stakeholders such as a cricket or golf day) as a strategy not only of “*direct networking with the financial suppliers*” but also understanding investor stakeholder interests and concerns. The networking described by the IR professionals is consistent with Ki and Hon’s (2006) recommendation, who state that networking is an essential component of cultivating satisfactory relationships and bringing about shared understandings. One of the interviewees revealed that:

*“Informal meetings afford management opportunities to sit down informally with the group of sophisticated investors who have knowledge of the corporate and the industry talking beyond the generalities probing all sorts of esoterica”.*

Edelman (2014) stipulates that interacting with investors in this manner influences the behaviours and attitudes of the stakeholders, trust being a dominant outcome. Therefore, IR professionals should consider this approach to cultivating effective investor relationships.

These findings posit meaningful implications for the establishment of two-way symmetrical and dialogic communication which according to Grunig and Hunt (1984) eliminates mutual distrust and misunderstanding, and enhances an organisation’s effectiveness. While it is apparent from this study that meetings offer investor stakeholders a channel to seek clarity in pursuit of evaluating organisations; on the other hand, meetings do permit IR professionals to enter into dialogue which is a powerful process through which win-win situations can be established and trusting relationships can be built, thereby enhancing the value of the organisation. The process of investor stakeholder inclusion in conflict resolution offers a competitive advantage of improved relationships to the organisation. At the same time investor stakeholders can deliberate on buying, selling or holding organisational stock based on the outcome of addressing the imbalances. Such commitment to communication helps build trust and credibility for the organisation particularly if the concerns of the other part are acknowledged (Chandler, 2014). Failure to reach mutuality in addressing investor concerns on which the organisation has interdependency may harm relationships, thereby affecting the performance of the organisation.

## **5.7 All-inclusive two-way communication approaches to building and maintaining relationships**

### **5.7.1 IR roadshows**

The research findings revealed that IR professionals in South Africa periodically organise roadshows followed by one-on-one meetings. According to the interviews, the roadshows are purposefully designed to meet and engage with investor stakeholders in various major financial centres both in South Africa and in different countries. The findings stated that roadshows are a communication strategy of disseminating information that could have a material influence on investments. In addition, the findings suggested that roadshows are a strategy of obtaining investor stakeholders' views about the corporate investment performance. Some of the IR professionals who are frequently active in roadshows noted the views as critical in directly understanding investor stakeholders' positions towards the company, as well as interests in and aspirations related to the corporate information presented. In addition, IR professionals use the feedback to inform corporate decision-making processes, particularly in determining the amount of information to disclose, improving transparency, accountability and consistency.

The interviewees stated that:

*“Roadshows with investors are an excellent strategy to communicate a corporate story to group of investors and sell the company as [a] good investment and to discuss the future prospects of the organisation and such strategies have proven to be useful in obtaining feedback that fuels up our decision-making processes. For example, soon after lunch or dinner, the IR manager introduces the CEO of the corporate. The CEO then makes a 20 to 35 minutes address, followed by a question and answer segment”.*

*“We’ve also focused on doing that outreach in a more targeted and efficient way, leveraging opportunities to get in front of investors and to showcase particular parts of the product portfolio that we can’t fit into one-hour earnings call”.*

*“We are getting out telling the story and road shows work for us particularly in engaging with a diverse number of investors across the globe at the same time, but it demands consistency. You can’t just appear to them and then you disappear. The more you go out there and the more you tell it, the more investors understand it, the more consistency there is, and the more credibility you build. There is no substitute for that in terms of building two-way trust”.*

However, it should be noted the consistency of direct engagement with investor stakeholders varies by organisation. There is inconsistency in the frequency of direct engagement, particularly in closed meetings. The majority of IR professionals in South Africa act on such

on requests when there is a need. This is the same with roadshows; IR professionals did not give consistent frequency of such as some stated that they embarked once a year, while some corporates go as far as more than four times per year and some corporates do not go on roadshows. This inconsistency is related to limited budgets for IR activities.

### **5.7.2 Investor stakeholder conference calls**

The research findings reveal that conference calls in the form of telephone or video conferencing are used as a two-way dialogue and disclosure strategy. The interviewees explained that investor stakeholder conferences permit communicating ongoing activities of the corporate and reporting performance related information while investor stakeholders are listening. Further analysis of the findings showed that IR professionals may produce conference call transcripts that are in line with information being communicated with live teleconferences. Investor stakeholders with enquiries are referred to IR websites to obtain the transcripts and make sense and comparisons of the firm's performance. IR professionals further highlighted that conference calls allow investor stakeholders to gain timely share price performance outcomes and forecast future price volatility based on other documented historical conference calls published on IR websites.

*"We are constantly engaging ourselves seeking new communication technology that we can use and be useful to future generations of our investors if you go to our website you will see webcasts that we broadcasted to our investor stakeholders in the past and even now in the month of April. We are constantly posting these casts and transcriptions of our private engagements. This helps us prevent information asymmetry between other players [stakeholders] caused by lack of transparency. Very soon we are launching our own application for easy access to disclosures of our historical material information".*

*"....Although I have used conference call updates frequently, one tactic that helps make the calls worthwhile is to create a script before so that I hit every point that I want to touch on".*

To increase participation during investor conference calls, large organisations publish a series of direct telephone numbers on their IR websites together with the date and time of the call and investors call through and listen, while those that pre-register may participate in the question-and-answer (Q & A) sessions. This Q and A demonstrates two-way communication. One of the interviewees detailed that:

*“Some of the investors that we have worked with in the past prefer having the ability to ask questions about our reports. We still provide written documents containing financial information but instead of just sending documents to read at their leisure, I review the report on a conference call. This approach for us, it adds a personal touch to the process. It shows engagement and the willingness to answer any tough questions from investors. Of late, we have been able to share ideas and advice more freely than on email”.*

In seeking to understand the frequency of these conference calls, content analysis showed that on a quarterly basis IR professionals open lines of dialogic communication with investors stakeholders. IR professionals announce conference calls to investor stakeholders predominantly via the media, email databases and IR websites following strict calendar dates.

Apart from conferences calls, IR professionals report high numbers of telephone calls that are comparable to the high volumes of emails they receive on daily basis. In one of the interviews, 472 incoming calls were reported as received in a single trading period and the majority of the calls were described as requesting further clarity or to meet with management. This demonstrates that IR professionals are at the centre of maintaining regular contact with investors through two-way communication. This two-way communication adds value to the relationship as the interviewees further stated that conference calls are critical in today's efforts of building relationships and providing solid understanding to investors.

These findings demonstrate that investor conference calls are not just a strategy of communicating relevant information to investors but the tone of the conference call content has the ability to influence investor perceptions of risk and alter existing investor relationships with corporates. They also suggest that IR professionals' and managements' ability to communicate effectively can calm rather than upset investor stakeholders thereby maintain firm relationships. Technological infrastructure to host high volumes of live conference calls is still challenge in some South African corporates. A larger portion of the identified South African corporates are emerging as casting delayed conference calls on IR websites as part of the corporate disclosure strategy and enabling accessibility to corporate information.

### **5.7.3 Investor stakeholder conferences and roundtables**

Content analyses of the interviews revealed that IR professionals in South Africa build relationships through participating in sector driven conferences and roundtables. IR professionals confirmed participating in conferences organised in partnership with financial media houses such as Bloomberg, Investec, Business Day, the Johannesburg Stock

Exchange and the recently launched Investor Relations Society of South Africa (2016). CEOs, under the consultation and guidance of IR professionals, feature in conferences leading the dialogue or as a participant in discussion panels, forwarding expert viewpoints on the sector, macro-economic policy and political uncertainty. The interviewees further revealed that participating in topical issues ensures that the organisational position is understood and agreed upon at the same time as *“value-destructive uncertainty among investors is minimised and doesn’t take root”*. One of the interviewees detailed that managements’ ability to *“clearly and accurately communicate in open discussions to investors is key to maintaining and enhancing credibility”*.

Moreover, the interviewed IR professional’s comments further show that an all-inclusive communication approach is best in expanding the shareholder (investor) base (shareholder activism), targeting new investors, creating awareness, and securing corporate visibility. While this finding is consistent with Bushee and Miller (2007) who state that IR activities carry the power to overcome low visibility with their information intermediaries, IR professionals in this study stated that the effect of all-inclusive two-way communication approaches in South Africa exposes the credibility of management largely when corporates’ top management meet with investors in person, for example during a roadshow or in dialogue during a conference call. Roadshows were further discussed as a strategy that affords the attending investors the opportunity to meet the CEOs in breakout sessions and expand conversations. This opens up a two-way communication line, which in turn leads to reaching mutual understanding between the involved parties. This critically points again to the earlier finding that corporate decision makers are increasingly involved in IR activities. According to the interviews, the established mutual interest as a result of two-way communication stimulates relationships commonly measured in stock buying and an increase in stock liquidity.

## **5.8 Emerging IR communication strategies in South Africa**

### **5.8.1 Corporate site visits**

The research findings of this study revealed that IR professionals in South Africa conduct corporate sites visits as requested by investors’. By site visits, IR professionals take investors on a tour of the organisational headquarters, manufacturing plants and organise meetings with lower level management. The interviewees described site visits as an effective strategy that offers investors a *“unique window”* of understanding into organisational business segments and operations. One particular interviewee described this strategy as *“putting the company under an operational microscope”* where investors display a *“show me attitude”* which can lead to finding holes in the IR corporate story *“that merits further lines of questioning”*. The interviewees further stated that site visits are critical and are a phenomenon which exposes

the corporate, revealing contradictions and operational risks associated with the business. Thus, it demonstrates that transparency is important in all communication.

The findings of the study further revealed that in a short space of time, investors request a site visit to obtain *“first-hand important information through observing and discussions”*. For example, investors in South Africa request access to the information technology infrastructure, legal and compliance rules or the human resources practices as a measure of verifying processes to see whether they are functioning in the way initially disclosed. The interviewees revealed that giving such crucial pieces of information sustains relationships and lead an informed investor to make proper investment decisions. What one can draw from these findings is the site visits are competent in providing understanding which is critical in the maintenance of relationships. Denying investors access to the organisational premises may send a conflicting message to investors.

### **5.8.2 IR corporate videos**

Content analysis showed that IR professionals include videos on their corporate sustainability micro-sites or IR sites as part of IR messaging. The videos feature either a message from the organisational leadership talking about the vision or the organisational mission, a tour of facilities, or a demo of specific products that communicates the organisation’s strategic message. Upon probing such practice, the interviewees revealed that the use of videos is a new trend in the IR South Africa and that:

*“The corporate videos have power to evoke emotions in such a way that is impossible through a static printed annual report or the power-point presentation or the IR website and speeches that frequently go along with investor conferences”*.

Another interviewee stated that the videos take investors to environments they cannot go to physically, and at the same time show them *“things that make impact”*. This, therefore, means videos are critical in shaping perceptions and creating value as investors get a glimpse of the business, its culture and vision.

### **5.8.3 IR consultancies**

Content analysis shows that publicly trading companies with no full capacity to perform the IR function engage PR firms. Only recently in South Africa are IR firms emerging, particularly to assist the less capacitated listed companies to perform the IR role. In addition, the interviews of this study notes that it is costly to engage an external IR or PR consultant. On the same note, one of the interviews of this study describe that PR firms in particular are an invaluable

two-way dialogical channel which assist an organisation to obtain “honest investor stakeholder expressions independent of organisational representatives timid”. According to the interviewees, IR professionals in South Africa use PR firms to understand investors and combat undesirable perceptions existing before they spill into the public, and to create new relationships. As noted in this chapter, investor stakeholder responses are used to refine IR messages, demonstrating that IR professionals have an interest in investors’ views and that messages developed have a balance of involved parties, which eliminates conflicts of interest (Grunig, 1994).

## **5.9 Conclusion**

This chapter focused on presenting the data analysis and the findings obtained from the applied data collection methods. The findings show that financial and non-financial information is disseminated to investor stakeholders. However, the communication of financial information by IR professionals to investor stakeholders remains dominant in South Africa. Importantly, two-way symmetrical communication and two-way asymmetrical communication strategies are used in different ways to build and maintain relationships and to disclose mandatory key corporate information to investor stakeholders. This demonstrate that the theoretical frame of the study as derived from public relations Excellence theory and the two-way symmetrical communication (Grunig and Hunt, 1984) has positive implications in the investor relations efforts of building relationships and information disclosure.

One-on-one meetings in different formats and online dialogue with closed feedback emerged as the dominant key two-way symmetrical communication strategies of nurturing and sustaining relationships with investor stakeholders. Two-way asymmetrical communication strategies such as the corporate publications and IR websites are also considered in this study as strategic in building long term investor stakeholder relationships with stakeholders. This demonstrate that communication strategies are IR practitioner’s link between organisations and investor stakeholders that facilitates obtaining information from investor stakeholders and communicate information from the organisational management to investor stakeholders

In addition, IR policies that promote two-way symmetrical communication such as trust, honest, transparency and credibility emerged in the study as being implemented by IR professionals of South Africa. Such characterised IR policies are noted in this study as advancing the rules of investor stakeholder relationship building and engagement. What these findings strongly demonstrate is that IR in South Africa is transcending into a synergy era where two-way symmetrical communication is emphasised. However, it remains unclear from a



South African standpoint whether IR professionals are ready to engage in an open dialogue with investor stakeholders using social media.

The following chapter concludes this study with more detailed conclusion and recommendations.

## **CHAPTER SIX CONCLUSION AND RECOMMENDATIONS**

### **6.1 introduction**

This chapter draws this research to a conclusion highlighting the key insights gleaned from the research. The main objective of the study was to evaluate the communication strategies used by IR professionals to build and maintain relationships with investor stakeholders. The study further evaluated the extent to which contemporary IR practice in South Africa has transcended the 'financial era' and embraced strategic communication practices where relationships with investors are built and maintained through two-way symmetrical communication. This chapter comes full circle, returning to the research questions set out in chapter one, in order to establish whether the study at the centre of this dissertation, provided answers to the research questions posed. In addition, the chapter discusses the limitations and strengths of the study and identifies some topics for future research that could offer practical solutions to relationship building within IR. For ease of reference, these questions were:

1. What are the key roles and functions of IR practitioners in South Africa?
2. How do IR practitioners communicate and engage with their investor stakeholders in South Africa?
3. What information do IR professionals communicate with their investor stakeholders in South Africa?
4. Do IR practitioners fulfil the communication needs and expectations of their investor stakeholders in South Africa?

### **6.2. Summary of the findings**

#### **6.2.1 The key roles and functions of IR in South Africa**

The findings of this study show that IR key roles and functions in South Africa include building long term communication relationships and act as the primary point of contact between investor stakeholders and corporate senior management. In addition, the findings reveal that formulating IR communication messages and strategies that reflect the fair value of the organisation are key activities of IR professionals. This includes disseminating information to investor stakeholders guided by internationally recognised regulatory frameworks of business reporting such as the King Report IV (2016), the JSE-SRI Index, the, Global Reporting Initiative index (GRI), the South Africa Consumer Protection Act, and the Sarbanes-Oxley Act.

In addition, IR professionals conduct perception audits, a finding which correlates with the public relations model of two-way symmetrical communication (Grunig, 1994). This emphasises research to bring about mutual understanding and symbiotic relationships. This study also notes that conducting perception audits cannot be separated from White and Vercic's (2001) assertions that communication professionals observe and interpret the context in which organisations operate and relate with organisational stakeholders. While conducting perception audits is noted as an emerging IR function, it is strongly perceived as paramount in understanding investor stakeholder concerns and strengthening organisational investor stakeholder relationships.

Moreover, IR professionals counsel corporate senior management on different aspects of the business environment. This includes feeding them intelligence, investor stakeholder perceptions and detailing their interactions with investor stakeholders. Additionally, IR professionals advise senior management on communication and presentation skills, the nature of investor stakeholders and which investors to engage with at a particular time, updating the senior management on corporate governance and regulations changes. This further includes making recommendations on the information and disclosure policies and the implementation thereof.

These findings show that IR functionality in South Africa is consistent with the emerging findings of developed countries and of the synergy era (Laskin, 2009, 2011). However, building sustainable relationships with investor stakeholders remains a challenge as most companies are caught up in conflicting zones of interest. On that note, IR professionals note that effective and long-term investor stakeholder relationships are as a result of accountability, transparency, honesty, dialogue, proactive communication, consistency, accessibility, trustworthiness and credibility built over a period of time. This is in line with Grunig's (1994) two-way symmetrical communication model which provides a platform for honest dialogue and understanding. The findings are also consistent with managerial and technical activities of the public relations model (Steyn & Puth 2000) of developing and implementing corporate content messages that mutually construct understanding and meaning with corporate stakeholders.

### **6.2.2 The nature of information disseminated into the investor stakeholder community**

This study further examined the nature of information disseminated to influence investor stakeholder decision making. This study concludes that there is a shift in the dissemination of purely financial information to the communication of both financial and non-financial information. Many of these information qualities are consistent with the emerging findings of developed countries of a need for a synergy approach where both financial and non-financial

information is valued equally in building investor stakeholder relationships (Scholz *et al.*, 2002; Laskin, 2011, 2016; Chandler, 2014). Non-financial information such as the business strategy, corporate senior management qualities such as credibility and trustworthiness and their remunerations is fundamental in IR efforts of communication, and CSR and relationships with other key organisational stakeholders is raised as key metrics in IR communication that advances long term relationships. Information gleaned further showed that corporate performance outlook, factors that contribute to operating results, impact of current year performance on investor value, and progress made towards achieving strategy at the business unit level is disseminated to investor stakeholders. In addition, corporate growth activities such as acquisitions made during the trading period as well as changes in the corporate leadership such as new appointments, new board members, governance structures and responsibilities are communicated in the words of the management. Furthermore, any changes to business strategy during the operation period, as well as challenges and risk faced in achieving previous strategies are presented to investor stakeholders particularly through management letters. This includes actions taken to improve performance in the sector of operation.

This study however notes that financial information is still acknowledged as important information that should be disseminated to investor stakeholders. This is based on the views that emerged during the interviews and analysis of volumes of information disseminated. Content that ranges from management forecasts of cash flows, dividends announcements, daily stock quotes and earnings releases remain credible financial information in South Africa. It is perceived as critical in assisting investor stakeholder in evaluating the fair share price of the company.

### **6.2.3 The critical IR skills in building and maintaining investor stakeholder relationships**

The findings show that financial and analytical skills, PR management and technological skills are critical to excellent IR practice. In addition, analysis of findings further highlights that in-depth understanding of the company and its sector, knowledge of capital markets and regulations are skills critical in building and maintaining long term investor stakeholder relationships. Such skills show an integration of finance, PR and law which supports Laskin's (2009) findings that there is a need for synergy of public relations and finance in building and maintaining investor stakeholder relationships. The acknowledgement of PR activities in improving the efficiency of investor relations demonstrates that without PR communications, enhancing corporate value and building relationships would be a challenge (Laskin, 2005). It should also be added that with the advancement of technology, technological skills and an understanding of regulations are critical in the maintenance of relationships.

#### **6.2.4 Communication strategies used to build and maintain relationships with investor stakeholders**

The research findings further show that South African IR professionals communicate information through a broad range of communication strategies. The findings show that two public relations models are predominantly used during investor stakeholder communications: two-way symmetrical communication and two-way asymmetrical communication (Grunig, 1984). The findings further confirm the NIRI definition (2003) of two-way communication. The two-way symmetrical communication model seems to have dominated the communication process in the South African context of IR practice and as a strategy of engaging with investor stakeholders and providing access to dialogue.

##### ***6.2.4.1 Two-way symmetrical communication strategies***

Two-way symmetrical strategies such as one-on-one meetings are predominantly used to engage with investor stakeholders. Some of the two-way communication strategies are in the form of annual general meetings, conference calls, roadshows and investor presentations supplemented with follow-ups. In addition, the use of two-way strategies with closed feedback mechanisms such as emails and telephone calls is noted in this study. Additionally, investor conferences and roundtables are evidently being prioritised by IR professionals as mechanisms of directly engaging and building relationships with investor stakeholders. These finding correlates with Grunig's excellence theory which advocates two-way symmetrical communication to build long term relationships. Moreover, IR professionals are expanding their two-way interaction with investors through informal meetings such as attending social events together. This is observed as a strategic way of maintaining relationships or investor stakeholder networks.

IR professionals confirmed using two-way symmetrical communication strategies to host direct conversations about corporate performance, to negotiate and reach mutuality with the investors (Dozier, 1992), and to resolve conflicts of interests particularly when there are conflicting interests at stake that need to be addressed such as the share price, or the role of management versus the board of directors. This demonstrates that pure two-way symmetrical communication takes place during the investor stakeholder engagement process. There is also greater acknowledgement in the study that symmetrical communication facilitates obtaining constructive feedback as a result creating mutual understanding that advance the long-term interests of involved parties through equal participation in the business development processes, decision making processes, learning and research. These sentiments further resonate primarily with Chandler's (2014) findings and Grunig's (1992) excellence theory,

where stakeholder input, interests and concerns are entertained. However, the study notes that not all South African publicly trading organisations are internally capacitated to implement two-way symmetrical communication strategies. As such, organisations are increasingly using IR consultancies to assist them in building and maintaining two-way communication relationships with investor stakeholders. In addition, there is a rise in the use of corporate site visits by IR professionals powered by a senior management delegation. The study notes that corporate site visits provide a platform for enhancing transparency and interactions particularly for investor stakeholders in understanding inside corporate activities and systems on the ground. This presents IR professionals and investor stakeholders to listen to each other and negotiate based on the evidence gathered during interactive site visits. These findings demonstrate the symmetrical communication as the most ethical framework (Dozier et al., 1995) as it places emphasis on mediated and interpersonal dialogue.

#### **6.2.4.2 Two-way asymmetrical communication strategies**

The research findings further confirm that IR professionals use a continuum of public relations tactical plans and two-way asymmetrical communication strategies to disseminate information, engage stakeholders, and enhance investor stakeholder relationships. An increase of IR publications, from press releases and financial reports to sustainability reports, corporate magazines, integrated annual reports, brochures and PowerPoint presentations show that more asymmetrical lines of communication are currently used. This finding validates public relations communication as having value to investor relations functions and suggests that IR professionals communicate more information and build relationships through public relations communication strategies than the news media or other sources in an investor relations context (Penning, 2011).

In addition, management strategic views expressed in speeches are circulated through corporate videos and letters disseminated through investor stakeholder databases are increasingly adopted in IR practice. Additionally, IR websites, financial news wires, stock exchange news services, and the financial media are increasingly and consistently adopted by IR professionals of listed companies to publicly disclose more corporate information, target investor stakeholders and to reach dispersed investor stakeholders in foreign markets.

Despite the channels used in this regard being two-way asymmetrical and symmetrical in nature, what is considered essential by IR professionals is the information for investor stakeholder investments decision. The information is effectively researched and evaluated before disclosure, it is produced with the investor in mind, it is informative and it increases understanding of the organisation. This suggests that IR professionals have shifted from

propaganda-orientated strategies with connotative meanings as it was in the communication approach to the synergy era where mutual relationships are emphasised (Laskin, 2011). This further demonstrates that asymmetrical communication strategies are ethical to IR practice. Importantly, asymmetrical strategies are used interchangeably with two-way symmetrical communication strategies to advance investor stakeholder relationships. It is also important to argue based on the findings that sustaining relationships with symmetrical strategies alone is not enough; the enactment of asymmetrical strategies is also required. To succeed in this effort, this study puts forward that it requires the integration of advanced PR knowledge to demonstrate the technical and the strategic communication value in IR practice and across relevant investor stakeholder groups.

### **6.3 Recommendations**

IR professionals do receive a bulk of electronic mails and telephone calls from a diverse number of investor stakeholders. This presents challenges of maintaining swift responses to investor stakeholder enquiries given that performing IR activities in South Africa is central to a single IR professional. The study recommends increasing the size of the IR workforce or merging with communications departments to enhance the speed of giving feedback to investor stakeholders thereby sustaining communication relationships. Merging with PR functions increases the value of communication in the IR functions. Failure to manage excellent communication in IR poses a threat in the development of quality relationships.

Two-way symmetrical communication strategies enable frequent interactions and creating win-win situations and obtaining more knowledge deemed important not to be disclosed publicly. IR professionals need to reconsider, in particular, the frequency of investor meetings at an interpersonal level given that the idea of meeting investors quarterly or annually may not be sustainable enough to achieve and maintain long term mutual relationships.

The findings further note that IR practitioners rarely provide online open feedback mechanisms that answers investor stakeholder questions publicly or deal with criticism openly particularly on IR websites. It remains arguable whether IR professionals in South Africa are prepared to engage in online conversations. The study therefore recommends the use of social media as a supportive communication strategy that builds and maintains investor stakeholder relationships. Significant social media networks such as Youtube Periscope, Facebook and Twitter provide platforms for which IR professionals and stakeholders interact with each other through two-way symmetrical communication. At the same time, the networks can further be used as an integrated communication routine that disseminate corporate messages, investor stakeholder information, and investor presentations. This opens up a stronger two-way

dialogue through listening and direct participation of involved parties. In addition, the networks can be used to create corporate awareness and increase firm visibility in the investor stakeholder community. This generates traffic to the corporate information portals such as IR websites and allows corporates the opportunity to develop relationships and investor stakeholder base that is measurable and finite. The metrics for measuring the success of social media strategies would be not only by share price and performance but also by the the number of investor stakeholder 'subscribers', 'followers' and 'friends' engaged with the organisation. These subscribers will stay engaged with the corporate, if they can find the social media to be interactive, the content to be speaking to their information needs and if their enquiries are responded to quickly and if they feel wanted.

To identify opportunities and minimise risks associated with the use of social media communication, IR professionals can further develop IR policies that guide the corporate social media conversations and interaction to take into consideration regulatory frameworks and disclosures policies in the capital markets. IR professionals can develop a strategic approach to social media that fits into organisational communication culture and develop long term relationships in financial markets as the end result. The social sites can further be linked to other integrated communication strategies such as the IR websites.

Based on the findings of this study, building relationships through building investor stakeholder confidence is at the core of IR practitioners activities. IR practitioners and their organisations should communicate relevant and understandable information, which is always based on absolute facts and should guarantee easy access to information for all investor stakeholders groups through two-way symmetrical communication. The dissemination of earnings, corporate story and growth strategies should be presented not only through one way communication but through two-way symmetrical engagement. This offers opportunities for obtaining critical feedback from investor stakeholders at the same time helping IR practitioners understand investor stakeholder expectations better.

#### **6.4 Areas for further research**

The findings provided communication strategies for best practice in building and maintaining relationships with investors by IR professionals. There is a need to further research the impact of two-way asymmetrical communication versus the two-way symmetrical communication strategies on the investor stakeholders intended to be reached. IR research and findings of this study proves that two-way symmetrical communication is ideal in building investor stakeholder relationships (Laskin 2009, NIRI, 2003). This is equally the same in this study that two-way asymmetrical on the other hand does advances relationship building through its



informative and persuasive communication approach. Clarity of the impact of symmetrical and asymmetrical communication strategies will further provide indepth understanding of how symbolic these strategies are in IR communication and as well as if the strategies are a true reflection of the theoretical framework applied in this study.

The study provided a view of only IR professionals, omitting investor stakeholder group since, future research should focus explicitly on actual investor stakeholders through a process of co-creation, and explore fully investor stakeholder communication preferences and expectations. Institutional investor stakeholders and retail investor stakeholders would be ideal stakeholder groups to explore what they expect from IR practitioners. Despite the findings revealing that IR professionals conduct perceptions audits as a strategy of understanding investor stakeholder needs, there is also ambiguity on whether non-financial information contained in annual reports meets investor stakeholder expectations and sustain relationship maintenance. Therefore, in-depth understanding of the issue of materiality is required to gain an understanding of more information relevant to investor stakeholder needs of evaluating organisations. Clarity should be sought from an investor stakeholder standpoint given that this research was limited to IR professionals.

The researcher further recognises the need to apply the study to a larger sample of IR professionals so as to add validity to the findings of this research. A quantitative approach on larger scale can also be used to test and increase the validity and generalisation of the findings. The study can further be duplicated to various IR stakeholder groups. This will enable academics and listed organisations to gain greater insight into stakeholder relationship management and approaches to sustain relationships across the board through two-way communication.

Lastly, the opportunities of using new communication technologies, mainly social media strategies in IR communication need to be examined in more detail, as the importance of these is rapidly increasing and the question of how companies could apply social media strategies in building relationships still remained unsolved.

## **6.5 Limitations and strength of the study**

The limitations of the present study were considered when analysing the finding presented in Chapter 4. The most significant limitation arose from data collection. In particular, access to the participants of this study proved to be a challenge. The challenge can be seen through the lenses of Flowers (1996) who argued the difficulties of accessing private entities, particularly

financial institutions are rampant when exploring issues which could potentially undermine the interest of the dominant coalitions. For example, in this study, 23 IR practitioners of different organisations were approached but only four responded positively with two of them setting conditions associated with anonymity. Seven of the approached organisations requested the research plan and after the response to this request, they never responded again. Ten of the organisations did not respond to the initial letter for permission to conduct this study.

The study was then conducted on a small sample of IR professionals which makes it difficult for the researcher to neither claim the validity nor generalise the findings to other situations therefore limiting contribution to theory development. However, this was addressed by triangulation. Additionally, as the interviews began to repeat the same aspects related to the research questions, they seemed to reach the saturation point. Therefore, it can be agreed that number of interviews was sufficient for the reliable findings. The researcher further considers the findings as valuable qualitative insights obtained through a systematic research process (Jensen & Sorensen, 2012). According to Miles and Huberman (1994), generalisation is theory-connected, thus analytic. The analytic generalisation was deemed appropriate in this study and it was guaranteed by two measures taken. Firstly, the related literature to the topic was explored before conducting fieldwork. Secondly, a theoretical framework was established to direct the research development. Therefore the researcher ensured that the conclusions of the study were linked to the literature and the theoretical framework of the study.

Moreover, credibility is established when the respondents make sense of the findings and acknowledge the research findings as their own (Streubert-Speziale and Carpenter, 2003). To ensure credibility, the researcher made sure that the participants selected were strictly the ones undertaking the IR roles. This was made explicit from the beginning of the study. In addition, the researcher scrutinised IR practitioners' meanings by probing central issues particularly in areas where responses and clarity were narrow. This led to prolonged interviews. Before publishing the study, interpretations and conclusions were discussed with the participants. This was also possible due to a cordial relationship established between the researcher and the participants. The researcher further revealed the study to other academics with the knowledge of the IR field for constructive criticism and validation.



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## **APPENDICES**

## APPENDIX A: Letter to IR Practitioners and consent form



01 December 2015.

### RE: LETTER OF INTRODUCTION FOR MTECH RESEARCH.

This letter serves to confirm that Mr Brighton Matsika is a Master of Technology student in Public Relations Management in the Media Department at the Cape Peninsula University of Technology. His research investigates strategic communication practices employed by investor relations practitioners to enable organisations to achieve fair value in South Africa. We therefore seek permission and assistance from your company to assist him to gather data (through interviews and secondary data) to resolve his research problem and build knowledge in this emerging field. He is particularly interested in engaging with investor relations practitioners, CFOs and any other employees whose scope of work is related to the aforementioned.

This research will adhere to strict ethical standards regarding voluntary participation, anonymity, confidentiality among others as guided by the University's ethical code. Interviews are anticipated to take between 35 to 45 minutes of your time. The interviews will be recorded only for academic purposes and all recordings and transcripts of conversations will be treated with confidentiality and disposed of at the conclusion of the study. If permission is granted, the researcher will send through a copy of the research proposal for your perusal and a formal consent letter to be signed as part of the University's research administration process. Do not hesitate to contact me for more information if needs be.

Yours Faithfully,

Dr Blessing Makwambeni (Supervisor and Research Co-ordinator).  
Media Department, Public Relations Management Program.  
Faculty of Informatics and Design, Cape Peninsula University of Technology.  
BARC Building, 80 Roeland Street.  
[makwambenib@cput.ac.za](mailto:makwambenib@cput.ac.za)  
Cell: 0718637132/Tel: 021 4691174

## Informed Consent Form

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I, the undersigned, confirm that (please tick box as appropriate):

1.	I have read and understood the information about the project, as provided in the Information Sheet dated _____.	<input type="checkbox"/>
2.	I voluntarily agree to participate in the research project.	<input type="checkbox"/>
3.	I understand I can withdraw at any time without giving reasons and that I will not be penalised for withdrawing nor will I be questioned on why I have withdrawn.	<input type="checkbox"/>
4.	The procedures regarding confidentiality have been clearly explained (e.g. use of names, pseudonyms, anonymisation of data, etc.) to me.	<input type="checkbox"/>
5.	If applicable, separate terms of consent for interviews, audio, video or other forms of data collection have been explained and provided to me.	<input type="checkbox"/>
6.	The use of the data in research, publications, sharing and archiving has been explained to me.	<input type="checkbox"/>
7.	I understand that other researchers will have access to this data only if they agree to preserve the confidentiality of the data and if they agree to the terms I have specified in this form.	<input type="checkbox"/>
8.	Select only <b>one</b> of the following: <ul style="list-style-type: none"> <li>• I would like my name used and understand what I have said or written as part of this study will be used in reports, publications and other research outputs so that anything I have contributed to this project can be recognised.</li> <li>• I do not want my name used in this project.</li> </ul>	<input type="checkbox"/>
		<input type="checkbox"/>
9.	I, along with the Researcher, agree to sign and date this informed consent form.	<input type="checkbox"/>

### Participant:

\_\_\_\_\_  
Name of Participant

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

### Researcher:

\_\_\_\_\_  
Name of Researcher

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## APPENDIX B: Letter from proofreader



### SC Research and Editing

22 Yarmouth Road, Muizenberg, Cape Town 7945

10 November 2017

To Whom It May Concern:

This letter serves to indicate that the MTech thesis authored by Brighton Matsika, at the Cape Peninsula University of Technology, has been copyedited, and the references corrected, according to the University's preferred Harvard style guide.

All final revisions and changes to the manuscript are the responsibility of the author.

Sincerely,

A handwritten signature in cursive script that reads "Sherran Clarence".

Sherran Clarence (PhD)  
Copyeditor

## **APPENDIX C: Interview questions**

Before we start how do you feel about this interview?

Semi Structured Interview Guiding questions.

1. As an Investor relations professional, what are your key roles and functions in your organization?
2. What do you consider to be the key skills and knowledge to function as an IR professional in your organisation?
3. How central are investor's to your organisation and your overall corporate strategy? In way are investor stakeholders beneficial to you? What is the nature of your relationship between with investor stakeholders? What do they want?
4. Given the global economic turmoil and investor relations scandals that keep shaking corporates, how do you go about building and maintaining positive and long term relationships with your investor stakeholders? Please elaborate.
5. What role does two-way communication plays in your investor relations activities? Please elaborate. What influence does it have on your relationship development and your organisation?
6. What do you communicate to your investor stakeholders? Please elaborate. There is an assumption that non-financial indicators or the intangibles are critical to investor strategic investment deliberations when choosing a company invest into. How important is this information to your investor stakeholders?
7. Why do you communicate such information to your investor stakeholders, do you think they understand it and does it sustain the relationship you have with them? Please explain.
8. How do you communicate, in other words, which channels of communication do use to engage with your investor stakeholders, how transparent and open are you to your investor stakeholders when engaging with them? How does your investors provide feedback to you?
9. How often do you spend time communicating with your investor stakeholders?

10. How do you handle your interest and that of your investor stakeholders? Please elaborate. Which interest of your investor relations stakeholders have you incorporated in your decision making?

11. Is there any material that you can give me to use to go through perhaps annuals reports, news releases, policies?

Thank you for your participation.