Toward Symmetry: An Assessment of Stockholder Communication Practices in South Africa

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Abstract

Investor Relations (IR) has gained prominence globally and is now considered to be a major contributor to corporate value. For companies to thrive in the global environment, they need to build and maintain mutually beneficial relationships with their primary stakeholder, the stockholder. Consequently, scholars have argued that for IR to maximize its benefit to companies, the profession needs to shift from one-way asymmetrical communication to two-way symmetrical communication with stockholders. Although scholars have recommended this shift, there is a paucity of studies that have explored whether two-way symmetrical communication has been embraced in IR practice. Using the two-way symmetrical model of communication as its framework, and a qualitative methodology consisting of in-depth interviews, documents analysis, and qualitative content analysis, this paper assessed how Investor Relations professionals in South Africa use communication to maintain relationships with stockholders. The findings of the study show that most IR professionals in South Africa are using what we term a bridged approach, consisting of one-way and two-way symmetrical communication, to maintain relationships with stockholders. Evidence gleaned from the study further indicates that the nature of communication between IR practitioners and stockholders has broadened beyond financial issues to include engagement on non-financial issues. These findings do not only show the existence of a paradigm shift in IR practice in South Africa, they also suggest the need by IR as a field to maintain constant dialogue with Public Relations theory.

Keywords

stakeholder, one-way communication, investor relations, stockholder, two-way symmetrical communication, public relations, journalism, mass communication, communication, social sciences

Introduction

Investor Relations (IR) has become a key area of focus in academic and professional debates; it is now regarded as one of the most important contributors to corporate value (Argenti, 2007; Laskin, 2017; Neukirchen et al., 2022). As companies across the globe increasingly compete for capital to enable them to grow and develop, IR is proving to be essential for attracting and maintaining investors, as well as achieving and maintaining fair pricing of the company’s publicly traded stock in the long term (Tonello, 2006). Companies are no longer simply interested in attracting new investors; they are equally concerned about engaging meaningfully and successfully with existing ones. Failure to develop and nurture successful relationships with investors can potentially create significant downward pressure on a company’s stock. This can severely limit management’s ability to complete major strategic and financial transactions (Chandler, 2014; Neukirchen et al., 2022).

The aftermath of corporate scandals such as Enron, Tyco, Global Crossings, Williams, and, more recently, the uncertainty and instability in the world’s financial markets post-9/11 have made IR even more relevant. It has become untenable for organizations to remain inscrutable. It is now imperative for stockholders to closely scrutinize companies in which they invest (Bechan, 2011; Laskin, 2017). Notably, unlike in the past, investors, particularly stockholders, no longer make investment decisions based on financial results alone. They are now equally interested in non-financial information, such as how organizations conduct themselves in the communities in which they operate (Bechan, 2011). The uncertain global context and shifting investor interests, needs, and expectations have situtated two-way symmetrical communication and relationship-building with stockholders at the heart of IR practice (Bechan, 2011; Laskin,

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Consequently, a number of scholars contend that for IR to fully maximize its benefit to organizations and stockholders, it needs to shift from one-way communication of financial information to two-way symmetrical communication, characterized by both financial and non-financial information (Hockerts & Moir, 2004; Kelly et al., 2010; Laskin, 2011). Two-way symmetrical communication enhances the organization’s reputation and relationship with stockholders, leading to increased value of the stock.

Barnes et al. (2022) conceptualize one-way communication as a linear and unbalanced form of communication where the organization disseminates information to stakeholders without creating an opportunity for dialogue. Within the field of communication and Public Relations, one-way communication is associated with persuasion and its use as a basis for engaging with stakeholders is now considered to be unethical. Two-way communication, on the other hand, is viewed as a dialogical process that allows organizations and their stakeholders to communicate on equal terms (Hunt & Grunig, 1994; Laskin, 2017). Dialogue in two-way communication is underpinned by listening and empathy. It is geared toward learning and adapting the organization’s behavior to the outcomes of the communication process. Organizations that make use of two-way symmetrical communication to address concerns and issues of strategic importance are better placed to maintain mutually beneficial relationships with stakeholders, gain legitimacy and trust, and achieve good corporate reputation (Barnes et al., 2022; Steyn, 2002).

Despite the growing acknowledgement among scholars that IR practitioners need to mainstream relationship-building with stockholders using two-way symmetrical communication, there is scant research that has been done outside of the United States (US) to assess how IR practitioners communicate with stockholders (Laskin, 2017). More so, results from existing research remain inconclusive on whether IR practice has made the necessary shift to two-way symmetrical communication. Over and above this gap in IR research, scholars have also noted a paucity of research that examines IR practice from a communication and Public Relations (PR) perspective. This is despite the fact that these fields provide a wide array of theories and concepts that can be used to examine and conceptualize relationships between organizations and their stockholders (Laskin, 2017; Petersen & Martin, 1996).

It is against this background that this paper explores the following aspects of IR in the developing country context of South Africa (SA): First, premised on the two-way symmetrical model in PR, the paper assesses how IR practitioners in South Africa use communication to maintain relationships with their primary stakeholder, stockholders. It is of particular interest to understand whether IR communication has shifted from one-way communication to two-way symmetrical communication. Second, the paper seeks to understand whether IR practitioners’ engagement with stockholders has also shifted from the early paradigm characterized by the exclusive dissemination of financial information, to a more nuanced paradigm where practitioners communicate with stockholders on both financial and non-financial issues. South Africa was purposely and conveniently chosen as a case study for several reasons. First, it is one of the biggest and most sophisticated economies in Africa and the Global South where IR is becoming increasingly practiced. Second, the researchers are based in South Africa and have easy access to IR practitioners in the country having developed links through the Public Relations Institute of South Africa. Third, the country is an interesting case based on two key attributes that we assumed could shed interesting insights on how IR practitioners communicate and build relationships with stakeholders: South Africa is one of the leading countries globally in terms of its reporting standards. It has developed a reputation for protecting shareholder interests. Furthermore, South African companies are guided by the King Code of Governance that advocates for a stakeholder approach which demands accountability to shareholders.

To achieve its objectives, the study employed a qualitative methodology consisting of semi-structured interviews, document analysis and qualitative content analysis. A total of 10 semi-structured interviews were conducted with IR practitioners and consultants working with companies listed on the Johannesburg Stock Exchange (JSE). The study purposively selected IR practitioners with at least 3 years experience in the IR field. A further 10 semi-structured interviews were undertaken with shareholders of the companies served by the IR practitioners and consultancies who were interviewed in the study for corroboration purposes. The data collected through in-depth interviews were further triangulated with data from document analysis and qualitative content analysis. Document analysis was used to collect and analyze documents such as corporate annual reports, bulletins, IR profiles, IR policies, stock exchange news services (SENS), integrated reports, and sustainability reports spanning a period of 3 years. Qualitative content analysis was used to gather and analyze visual texts such as videos and images posted by IR practitioners on company websites over a period of 3 years. A qualitative methodology allowed the researchers to gain access to first-hand primary data on how IR practitioners construct and experience the reality of their communication practice in South Africa (Lincoln & Guba, 1985).

The findings of the study show that IR practitioners in South Africa are using both one-way and two-way symmetrical communication to build and maintain relationships with investor stockholders. Unlike in the early paradigm of IR, where practitioners predominantly disseminated financial information to stockholders, the study findings show that both financial and non-financial issues characterize IR communication in South Africa. The findings of the study contribute to emerging literature on IR on several fronts. First, they show that two-way symmetrical communication is not just an ideal but can be fully integrated into IR practice as argued in previous literature (see Laskin, 2010, 2017).
Second, the findings of the study contributes to existing literature on IR by providing a Global South perspective on IR communication that has been largely absent in mainstream IR research. This is achieved by showing that IR practitioners in South Africa have embraced two-way symmetrical communication like their counterparts in the Global North. Third, the study strengthens IR literature by showing some of the key factors, such as financial regulations, governance and ethical requirements, shareholder empowerment and activism, competition, and the information revolution that are driving change in IR communication in countries such as South Africa.

Review of Literature
The Criticality of Governance, Transparency, and Disclosure in Global Financial Markets

The onset of democratic rule in South Africa in 1994 compelled financial markets to transition from a state of segmentation consistent with the isolationist status to one that is more integrated, global, and transparent (Brooks et al., 1997). The shift from the apartheid informed protectionist and conservative investment climate to world financial markets necessitated the adoption of governance practices that were characterized by transparency and disclosure of information (see Abdallah & Ismail, 2017). A survey of extant literature on financial economics shows that good governance that is underpinned by transparency and disclosure of information has a positive impact on shareholder value, the company’s performance as well as stock price (see Abdallah & Ismail, 2017). Notably, shareholder rights and interests are now considered to be key facets of good governance that enhance both the company and shareholder value (Nakabayashi, 2019). Gompers et al. observed that companies that align their interests to those of their shareholders and have stronger shareholders’ rights reflect higher firm value, profits, sales growth, and lower capital expenditures compared to those with weaker shareholder rights.

A survey of extant literature shows that there is a growing awareness of the criticality of good governance and improved disclosure of information, particularly to shareholders and investors, in the financial markets (Abdallah & Ismail, 2017). Access to modern capital markets is now largely facilitated by disclosure of information that often exceeds the mandated legal requirements. According to Banerjee and Eckard (2001), companies can no longer afford to be insular. They are now compelled to provide a wide variety of information to investors and the market due to the prevailing competition to attract capital. Consequently, for companies to attract capital in this competitive and integrated global market, they have to communicate strategically and effectively with shareholders and the broader market (Abdallah & Ismail, 2017; Chapman et al., 2019). Investor Relations practitioners and corporate communication practitioners have a duty to share critical information about the company. The information needed by the financial markets includes the latest annual report; number of shareholders; management report; financial performance summary; summary of operations; corporate governance policies; management profiles; board member profiles; revenue breakdown by geography and disclosure of accounting policy among others (Abdallah & Ismail, 2017; Chapman et al., 2019).

With the advent of democracy in 1994, South African financial markets had to enhance their competitiveness and ensure viability in an integrated global capital market by entrenching transparency and information disclosure practices. Guney et al. (2017) contend that improving the quality of the informational environment renders a market more attractive to international investors and also increases its volume levels. Studies have shown that lack of information within the financial markets leads to information asymmetry that discourages and promotes hedging (Guney et al., 2017). In a study of eight frontier markets in Africa between January 2002 and July 2015, Guney et al. (2017) observe the prevalence of investor herding which they attribute to low transparency levels that reduce the quality of their informational environment leading investors to resort to herding as a means of inferring information by tracking their peers’ trades. Although there are few studies that engage with hedging in frontier states, the above mentioned study clearly shows that information asymmetry in African financial markets encourages investors to adopt strategies where they mimic and free-ride on their peers information. To become more competitive and attractive in the global financial market, frontier markets in Africa, which are characterized by reduced transparency and quality of information, need to increase information symmetry in line with global standards (Guney et al., 2017; Nakabayashi, 2019).

The evolution of investor relations. The genesis of IR is usually associated with the post-World War II era (the 1950s–1960s), when America’s economic boom resulted in surplus capital among ordinary citizens (Allen, 2002). As a result, companies expanded their businesses in order to meet the growing needs of consumers and then had to compete for capital. It is against this background that IR professionals emerged, as the management of various companies began to look for individual communication professionals with interpersonal skills to help them attract capital (Laskin, 2010, 2017). Over the past six decades, IR has undergone three significant shifts which Laskin (2010) identifies as the communication era (1945–1970), the financial era (1970–2000), and an emergent synergy era (post-2000). The following review discusses the different roles and functions of IR in each era; the nature of information communicated during each era, and the underpinning framework of communication used to maintain relationships with stockholders.
The early paradigm of IR. Laskin (2010, 2017) regards the earliest paradigm of IR as the communication era. In this paradigm, the role of IR professionals, who were predominantly communication professionals, was to disseminate financial information through the mass media (Berge & Christensen, 2012). IR professionals were also responsible for developing investor activities meant to increase firms’ visibility. These activities included handing out free gifts with samples of the company’s products, conducting annual general meetings and disseminating financial data to investor stakeholders. The dominant model of communication underpinning engagement with investors during this era was one-way.

IR in this paradigm has been criticized for several reasons: First, these IR professionals disseminated half-truths as well as deceptive and manipulative information to stakeholders (Laskin, 2017; Morrill, 1995). Second, communication with shareholders was premised on the press agentry and public information models, characterized by the one-way flow of information from the organization to stakeholders through mass media channels (Berge & Christensen, 2012). Thus, no effort was directed toward engaging in two-way dialogic communication and maintaining mutually beneficial relationships with shareholders. Third, IR in this paradigm has been criticized for lacking strategic and managerial focus. IR practice ignored investors’ needs and expectations, resulting in the unfair prioritization of financial and accounting information (Berge & Christensen, 2012).

The second paradigm of IR. The second paradigm of IR represents a shift from a practice dominated by communication and PR professionals to one occupied by finance-oriented practitioners. Scholars attribute this shift to the emergence of investors who began to demand detailed financial information about the company. PR and communication professionals were viewed as limited, due to their lack of financial expertise (Lipponen, 2013). They had also lost credibility as a result of communicating falsehoods and half-baked information. Berge and Christensen (2012) argue that the shift from press agents to finance professionals in IR is also attributable to the emergence of educated professional financial investors who were resentful and unresponsive to manipulative and deceptive information churned out through press agency. The emergent investor also began to request information on aspects like corporate strategy, sales, and research development which was beyond the ambit of the PR professional (Laskin, 2017).

Notably, IR in this paradigm fundamentally shifted from communicating information meant to defend and explain management actions to that aimed at increasing the company’s valuation. The era was characterized by communication of positive financial information and a deliberate and systematic deflection of negative information considered detrimental to existing relationships with investors (Laskin, 2010). The second paradigm of IR also began to harness feedback, not necessarily to maintain relationships with stakeholders, but to generate persuasive messages aimed at increasing share price (Berge & Christensen, 2012). The lack of transparency and genuine dialogue that characterized this paradigm masked rampant unethical business and financial practices, resulting in overvaluations, financial scandals and ultimately the collapse of large companies like Enron. Consequently, the unethical practices in this era diminished investors’ levels of trust toward listed companies (Bechan, 2008; Laskin, 2017). It can, therefore, be argued that although this paradigm reflects the movement toward two-way communication, the communication was overwhelmingly asymmetrical.

The emergent paradigm of IR. The third paradigm of IR is argued to have emerged post-2000 (Berge & Christensen, 2012). IR practice in this paradigm is characterized by the synergistic use of communication and financial skills to build confidence, trust, and long-term relationships with shareholders (Laskin, 2011). The entrenchment of transparency and emphasis on relationships with investors in this paradigm is aimed at averting uncertainty and maximizing fair corporate and stock price valuation. Unlike the preceding paradigms of IR, the third paradigm emphasizes engagement and accurate communication of strategic organizational information with investor stakeholders (Vlittis & Charitou, 2012). Furthermore, IR professionals in this paradigm seek to harness two-way symmetrical communication in order to understand as well as maintain mutually beneficial relationships with shareholders and other investor stakeholders (Laskin, 2009, 2017). Unlike in the earlier paradigms of IR, where communication between IR professionals and shareholders was dominated by purely financial information on company performance, the focus of engagement in this emergent paradigm expands to include non-financial aspects such as corporate social responsibility; energy consumption; recycling programs; carbon emissions reductions; waste management, carbon emissions; human resources; health, safety, and well-being of employees; employee diversity; and labor turnover (Hockerts & Moir, 2004).

The criticality of relationships and two-way symmetrical communication to IR. Scholarly work on IR post-2000 extols the need by IR professionals to use two-way symmetrical communication to maintain relationships with shareholders. These are the primary stakeholder groups that provide the base capital for the growth and development of companies (see Bechan, 2011; Chandler, 2014). Although IR is a diverse field consisting of other disciplines, scholars concur that communication and PR should occupy a central place in the profession (Ki & Hon, 2006; Laskin, 2017; National Investor Relations Institute [NIRI], 2004). This view is echoed by Laskin (2011), who posits that IR professionals should no longer be confined to reporting financials, but should rather focus more on building and maintaining relationships with shareholders, using two-way symmetrical communication. It
is this growing realization of the criticality of relationships to IR which informs the view that the field is a subset of PR and communication (Argenti et al., 2005).

The emergent paradigm is where non-financial indicators such as corporates interface with the environment, ethics, and governance. These are used by shareholders to measure a company’s performance and have ushered in a new era of IR where the job of IR professionals is not limited to providing financial data, but includes facilitation of dialogue and management of relationships with shareholders (Kelly et al., 2010). Cognisant of the evolving needs and expectations of shareholders, contemporary IR practice ought to be premised on dialogue and relationships. These allow for thoroughgoing engagements on facts, numbers, and narratives that communicate comprehensive corporate stories to shareholders (Laskin, 2014, 2017). With the notable rise in shareholder activism and their attendant empowerment through new information technologies, it has become imperative for IR professionals to harness two-way symmetrical communication. This will assist them in maintaining mutually beneficial relationships with stakeholders (Laskin, 2014).

The current competitive global capital markets, recent financial crises, and corporate scandals have also made it imperative for companies to use two-way symmetrical communication. It assists them in building investor confidence and gaining credibility in ways that leverage fair corporate valuation (Argenti, 2009; Laskin, 2017). Two-way symmetrical communication enables corporates and shareholders to listen to each other. Dialogue brings about improved corporate performance and a better understanding of company performance by shareholders. It further allows differing perspectives and constituencies to engage openly with a view to reaching a mutual understanding, which has a considerable effect on the company’s stock price performance (Nielsen & Bukh, 2011). Thus, effective information exchange between a company and its shareholders results in greater confidence in the company, leading to competitive advantage (Laskin, 2017).

While several scholars contend that two-way symmetrical communication is critical to managing relationships with stakeholders and should lie at the heart of IR practice, there is sparse academic research outside of the US that has explored whether current IR communication practice has evolved from one-way financial communication to two-way symmetrical communication with investors, as suggested in contemporary scholarship (Kelly et al., 2010; Laskin, 2009). Furthermore, although scholars have stated the need for IR research and practice to articulate PR theories and models to strengthen relational and communication aspects of IR practice and research (Kelly et al., 2010; Laskin, 2017), there is a paucity of studies, outside the US, that has examined IR practice from a PR perspective. This runs contrary to Laskin’s (2009, 2017) position that the two-way symmetrical communication model in PR is a normative model that should be used to manage relationships between organizations and their investor stakeholders. The need to examine and possibly re-think the relational and communication dimensions of IR is even more critical in a developing country context such as South Africa. Here finance professionals have largely been preferred in IR, compared to their counterparts with a public relations and/or communication background (see Schoonraad et al., 2005).

Conceptual Framework

Grunig’s two-way symmetrical model describes the typical ways in which excellent PR is practiced (Barnes et al., 2022; Kelly et al., 2010). The two-way symmetrical communication model is arguably the most influential framework used in PR to prescribe how organizations should manage relations with their stakeholders (Laskin, 2011). It has been used by scholars and practitioners as a normative model for conceptualizing, evaluating, and fostering excellent communication between organizations and their stakeholders (Bechan, 2011; Laskin, 2011; Meintjes, 2012; Steyn, 2007). The model is further viewed as the most ethical approach to managing organizations’ relationships with stakeholders, as it incorporates the interests of the organization and its stakeholders into the organization’s strategy, through the sustained and systematic use of research, listening, and dialogue (Dozier & Broom, 1995; J. E. Grunig & White, 1992).

The two-way symmetrical model is premised on the notion that information needs to flow freely between subsystems in order to maintain a state of equilibrium. The equilibrium is sustained through an ongoing process of cooperation and mutual adjustment between the disparate elements of the system (Laskin, 2017; Meintjes, 2012). Consequently, the sustenance of the equilibrium is viewed as dependent on the input of all stakeholders who are valued equally and are committed to eliminating the adverse consequences of the organization’s actions. Two-way symmetrical communication is, therefore, a give-or-take process, founded on values of mutual respect and mutual understanding between the organization and its stakeholders. Unlike other PR models which promote linear and communicator-centric communication, the two-way symmetrical model gives voice to stakeholders.

The model represents a significant departure from the press agentry and public information models which view communication as linear. The two-way symmetrical model conceptualizes communication as a two-way process which allows organizations and their stakeholders to dialogue on equal terms (Hunt & Grunig, 1994). Dialogue is viewed as requiring interpersonal skills of listening and empathy to address issues of strategic importance. Dialogue within the context of the two-way symmetrical model is therefore not narrowly aimed at persuasion, but geared toward learning and adapting the organizational behavior to the outcomes of the communication process. It is argued that organizations that make use of two-way symmetrical communication to
address concerns and issues of strategic importance, are better placed to maintain mutually beneficial relationships with stakeholders, gain legitimacy and trust, and achieve good corporate reputation (Steyn, 2002). J. E. Grunig and White (1992), contend that organizations that embrace the two-way symmetrical model and practice excellent PR use bargaining, negotiation and conflict resolution strategies; these bring about symbiotic changes in the ideas, attitudes, and behaviors of both the organization and its strategic stakeholders. Thus, research, listening, and dialogue are critical in building relationships and resolving conflict with stakeholders (Barnes et al., 2022; L. A. Grunig et al., 2002). In essence, symmetry in the context of two-way symmetrical communication means that PR and IR professionals are no longer beholden to their organizations, but become advocates of the interests of both their organization and its stakeholders (Barnes et al., 2022; L. A. Grunig et al., 2002). 

Consequently, PR and, in this case, IR, should be used to help reconcile the organization’s goals with the expectations of strategic constituencies such as stakeholders. This is achieved by engaging stakeholders in shaping the organization’s goals and strategic decisions as part of the dominant coalition (J. E. Grunig, 1992).

Method

The study made use of a qualitative methodology to achieve the following: First, to assess IR practitioners’ use of communication to maintain relationships with stockholders in South Africa and, second, to understand whether IR practitioners’ engagement with stockholders on both financial and non-financial issues. An interpretivism-informed methodology enabled the researchers to experience IR practice through an interactive relationship with selected participants in their quotidian space, as recommended by Silverman (2009). Furthermore, an interpretive approach allowed the researchers to gain access to first-hand primary data on how the participants construct and experience the reality of IR practice in South Africa (Lincoln & Guba, 1985; Makwambeni & Salawu, 2018).

The study was initially conducted between October and December 2018 with follow up interviews taking place between March and April 2019. Three qualitative data collection methods were used and triangulated in the study. A total of 10 semi-structured in-depth interviews were conducted with IR practitioners and consultants with extensive knowledge of IR practice in South Africa. A further 10 semi-structured interviews were conducted with shareholders in order to corroborate the data collected from IR practitioners and consultants who participated in the study. We purposively selected practitioners with at least 3 years experience in IR practice. The data collected through in-depth interviews were triangulated with data from document analysis. The documents collected and analyzed through document analysis included corporate annual reports, bulletins, IR profiles, job descriptions, IR policies, stock exchange news services (SENS), integrated reports, and sustainability reports. Most of the documents were downloaded from the participants’ corporate websites. The data gleaned through in-depth interviews and document analysis were triangulated with data gathered through qualitative content analysis. Qualitative content analysis was used in the study, both as a method of data collection and an analytic strategy, as advised by Robson (2002) and Makwambeni and Adebayo (2021). Qualitative content analysis was used to gather and analyze visual texts such as videos and images posted on corporates’ digital forums. The data analyzed through document analysis and qualitative content analysis covered a period of 3 years: 2016 to 2018. This period was meant to coincide with the years of experience of the IR practitioners who participated in the study.

The sample of IR practitioners and investor stakeholders who participated in the study was chosen using purposive and snowball sampling. Initially, six IR professionals from companies listed on the Johannesburg Stock Exchange (JSE) with IR departments were identified, using their company websites. One IR professional was purposely selected from companies in the following sectors: mining, agriculture, retail, insurance, accounting, and the media. Particular attention was directed toward achieving diversity across the business sectors employing IR practitioners in South Africa. In addition to the IR professionals selected using purposive sampling, a further four IR professionals were identified using snowball and convenience sampling. These professionals consisted of consultants who provide IR services to a wide range of publicly listed companies in South Africa. Snowballing and convenience sampling were further used to identify 10 investors for in-depth interviews from each of the participating IR professionals.

The data analysis process entailed finding, selecting, appraising, and synthesizing a wide corpus of data collected from in-depth interviews, documents, and visual texts. First, qualitative content analysis was used as an approach to analyze and explain data transcribed from all digital recordings of the interview transcripts, selected documents, and online discussion forums. The qualitative content analysis provided the researchers with a systematic approach of creating sets of statements and concepts that made the subjective meaning of data collected (Carey, 2009). The researchers further read and interpreted the content in the texts before developing themes and coding them as categories, as recommended by Denscombe (2007) and Makwambeni and Adebayo (2021). Descriptive qualitative paragraphs about the identified categories, supported by quotes, were developed in line with the study objectives. The emergent themes were related to the literature review and the conceptual framework of the study.
Findings and Discussion

The results of the study show that most IR practitioners in South Africa who participated in the study use both one-way communication and two-way symmetrical communication to maintain relationships with stockholders. An analysis of the communication between IR professionals and stockholders shows that, unlike in the early paradigm of IR, where financials dominated stockholder communication, both financial and non-financial issues have become key subjects of communication. These findings indicate the bridging of two previously disparate paradigms of IR in South Africa. This shift in IR practice is largely attributable to factors such as financial regulations, governance and ethical requirements, shareholder empowerment and activism, competition, as well as the information revolution (see Dordevic et al., 2012; Kelly et al., 2010).

Context and the Changing Role of IR in South Africa

The results of the study clearly show that both one-way and two-way symmetrical communication, across the business sectors studied, have become entrenched in IR practice in South Africa. Based on the research findings, the shift toward a bridged paradigm, consisting of both one-way communication and two-way symmetrical communication with stakeholders has been driven by a number of statutory and non-statutory requirements that companies cannot ignore. IR practitioners interviewed in the study identified the King Report on corporate governance, the Johannesburg Stock Exchange (JSE)-SRI Index, the Global Reporting Initiative Index (GRI), International Financial Reporting Standards (IFRS), the South African Consumer Protection Act, and the Sarbanes-Oxley Act, as the primary regulatory and governance mechanisms that guide the aforementioned mechanisms of one investor below:

Evidence emerging from the study shows that the rise of empowered and activist stockholders has made it untenable for IR professionals to simply rely on the one-way communication model. Stockholders now have increased agency and are interested in developing mutually transformative relationships, underpinned by two-way symmetrical communication with companies (Laskin, 2009, 2011). The growing demand for dialogue by investors is captured in the sentiments of one investor below:

We want access to exclusive face time with IR practitioners and management to gain insight into the firm’s strategy and prospects. They should be able to answer our questions on a wide range of issues, not just financial performance.

As argued by Penning (2011) the internet has made information more accessible, thereby allowing stockholders to keep abreast with important information and developments that influence their perceptions of the companies in which they invest. Consequently, IR professionals are now compelled to engage with stockholders beyond financial disclosures. The active shareholder now seeks nuanced information about the organization which helps them to construct a more holistic sense of the corporate. Failure to develop a meaningful relationship with them using two-way symmetrical communication creates information asymmetry, which adversely impacts on the valuation of the company as well as its stock liquidity (Karolyi et al., 2020; Vlittis & Charitou, 2012).

In light of the above changes, IR professionals in South Africa can no longer afford to set the agenda for stockholders singlehandedly. Rather, the new context encourages a mutually dependent co-creation process for relationship development and maintenance. As stated by one IR professional below, symbiotic and symmetrical relationships with stockholders have become critical for long-term investment decisions, as well as overall corporate reputation:

... investors are sharing information and expertise on a number of emerging topics, including the environment and regulatory changes. ... we are considerably being open and receptive to each other’s views and analysis. ... it is translating to be an effective engagement that bears dividends for our organisation.

It is therefore arguable that the context in which IR is being practiced in South Africa and globally promotes a more nuanced role of communication in IR. This new role, which encourages relationship management through dialogue, is consonant with current literature. This literature contends that IR practice should not be confined to providing financial data to stakeholders, but should be broadened to promoting dialogue, building as well as nurturing relationships with stockholders, using two-way symmetrical communication (Kelly et al., 2010; King Report on Governance for South Africa, 2009). The emerging needs of investors are enumerated by one investor:
In this new role, IR professionals are envisaged to assume an advocacy role between the organization and its stockholders. It is no longer untenable for them to function as partial propagandists who disseminate financial information which only serves the interests of the organization (Laskin, 2017).

**Two-Way Symmetrical Communication Strategies Employed in IR Practice in South Africa**

The findings of the study show that most IR professionals in South Africa are no longer using only one-way communication to maintain relationships with stakeholders. They have embraced a number of two-way communication strategies in order to maintain these relationships. The two-way communication channels being used to maintain relationships with stockholders include investor meetings, roadshows, investor conferences and roundtable meetings, email, and websites. These communication channels are being consciously utilized to nurture relationships with stockholders through robust engagement on both financial and non-financial issues.

**Investor Meetings**

Investor meetings constitute one of the main communication pathways through which IR practitioners are using to maintain dialogue with stockholders in South Africa. Interviews with IR professionals and investor stakeholders show that one-on-one meetings provide both parties with an opportunity to engage in robust conversations geared toward achieving mutual understanding and trust, as recommended by Edelman (2014). The data collected in the study show that one-on-one meetings are used to discuss issues such as corporate governance; board seats; executives’ compensation; takeover bids; sluggish economic growth; as well as low returns on investments, among others. These one-on-one meetings are a departure from the linear one-way communication model that underpinned early IR practice. As evidenced in the study, one-on-one meetings with stockholders in South Africa are characterized by two-way symmetrical communication where the goal is to search for clarity and realize win-win solutions (Meintjes, 2012). The criticality of two-way symmetrical communication with stockholders is captured by an IR professional below:

> A one-on-one meeting is a strategy of building stronger and more meaningful investor relationships through providing greater detail of corporate activities in robust conversations. We often use such a meeting as a review session where we speak with our investors on how we are managing their expectations.

As evidenced in the above quotation, meetings are an important two-way symmetrical communication strategy used by IR professionals in South Africa to nurture and sustain relationships with stockholders, as well as to glean their interests and concerns. Investor meetings are a key two-way symmetrical communication avenue that is being used in IR to listen to stockholders, with a view to addressing issues of strategic importance. Meetings are an essential tool for cultivating satisfactory relationships and bringing about shared understandings between an organizations and their stakeholders (Ki & Hon, 2006). The use of meetings to learn about shareholders’ concerns and adapting organizational behavior to the outcomes of the communication process by IR professionals, indicated in the quotations above, enables organizations to maintain mutually beneficial relationships with their stakeholders and is in line with the core tenets of the two-way symmetrical model of communication (Barnes et al., 2022; Steyn, 2002).

**Roadshows**

Roadshows also emerged as one of the main communication strategies used by IR practitioners in South Africa to engage with stockholders. Evidence gleaned from the study shows that roadshows play a dual role. While on one hand they are used to disseminate information that has material influence
on investments to stockholders, they have also become a feedback mechanism for gathering investors’ views. They enable companies to understand shareholders’ positions toward the company, as well as to gauge their interests, expectations, and aspirations. This role of communication in IR is articulated by one IR professional below:

*Roadshows with investors are an excellent strategy to communicate a corporate story to a group of investors and sell the company as [a] good investment; and to discuss the future prospects of the organisation; such strategies have proven to be useful in obtaining feedback that fuels up our decision-making processes.*

The above quotation shows that IR professionals in South Africa are no longer just using roadshows as a one-way communication platform to persuade stockholders, as was the case in the early paradigm of IR. Rather, roadshows have been appropriated into a nuanced communication strategy where information is continuously exchanged between investors and IR practitioners, with a view to shaping decision-making in companies. The two-way exchange between the company and its investor shareholders enables stockholders to build trust, understanding, and confidence in the organization, which cascades into a greater competitive advantage (Laskin, 2017; Strauß, 2018). As argued by Argenti (2009), competitive global capital markets make it imperative for IR professionals to use two-way symmetrical communication to foster investor confidence in ways that result in fair corporate valuation.

**Investor Conferences and Roundtables**

The study’s findings revealed that most IR professionals in South Africa also use investor conferences and roundtables as an avenue to maintain relationships with stockholders. Investor conferences and roundtables are unique in so far as they allow for direct engagement to take place between company management and stockholders. Management and stockholders use this platform to engage on issues such as corporate performance; operating results; the impact of performance on investor value; business strategy; growth activities; changes in corporate leadership; governance; challenges and risks faced by the organization, among others. Arguably, investor conferences and roundtables are a marked departure from early IR practice that was linear. This evidence emerging from the study shows that conferences and roundtables provide an opportunity for two-way symmetrical communication to take place between management and stockholders. This dialogue enables shareholders and other investor shareholders to scrutinize companies on both financial and non-financial aspects, in order to make an accurate valuation of corporate value (Allen, 2002).

Consonant with contemporary IR practice in the United States, the findings of this study show that IR in South Africa is evolving from the early paradigm, whose communication was narrowly conceptualized, as a process of reporting financial information to investors with the intent to increase the firm’s visibility (Berge & Christensen, 2012). Thus, although financial reporting is still a feature of IR practice in South Africa, the overarching communication practice with shareholders is being re-moored toward one characterized by both one-way and two-way symmetrical communication. Unlike in the early paradigm of IR where communication with shareholders was largely done through the mass media, novel communication strategies discussed above provide companies and their stockholders with opportunities to foster dialogue with stockholders, as recommended by Hunt and Grunig (1992). As argued in the Excellency theory of PR, two-way symmetrical communication, underpinned by listening and dialogue, is critical in building relationships and resolving conflict with stockholders (J. E. Grunig, 1992). Consequently, the IR professional in South Africa is becoming a critical conduit that articulates the needs and interests of both organizations and shareholders, as envisaged in the two-way symmetrical communication model.

**Emails and Websites**

The internet has made information more accessible and, often, free to stakeholders (Penning, 2011). Consequently, IR professionals are harnessing the internet in order to build and maintain relationships with stockholders (Dordević et al., 2012). The data collected in the study shows that IR professionals in South Africa use personalized emails to communicate with stockholders on a wide variety of issues that include financial performance, general announcements and corporate activities considered to be of interest to stockholders. On the flip side, stockholders also use email to make enquiries and seek feedback and clarity from companies on both financial and non-financial issues. Arguably, email has become an important feedback mechanism used to facilitate both one-way and two-way symmetrical communication between companies and stockholders. Email allows for timely communication within capital markets, an environment where sluggishness can cost relationships (Laskin, 2017). Thus, the use of emails for timely communication with stakeholders earns organizations a reputation for honesty and transparency, which is critical for the sustenance of long-term relationships (J. E. Grunig & White, 1992; Nuseir & Qasim, 2021). The usefulness of emails and the internet in maintaining a mutually beneficial relationship with investor stakeholders is emphasized by one investor below:

*The internet, and, more specifically, email, has made my life and decision-making much easier. I can easily make enquiries to the IR practitioner on any issue and get feedback and clarity very quickly. This engagement can be on any issue of concern to me.*

The study’s findings show that websites have become a key element of IR practice in South Africa. Dordević et al. (2012) contend that websites and the internet have full interactive
of IR purposes. However, a content analysis of the IR websites of the selected organizations in this study shows that websites are currently being used more as an information portal to assist investors to make decisions, rather than as interactive relationship-building tools. Thus websites are being used primarily to disclose real-time and customized information to stockholders. The IR websites analyzed in the study contain both financial and non-financial information such as annual and quarterly reports, risk factors, presentations, conference call transcripts, media releases, sustainability, as well as information on corporate governance and ethics. The websites further disseminate real-time information on financial performance in ways that allow stockholders to compare the company’s performance with that of its competitors. Besides being a hub of information, IR websites in South Africa also provide investors with email alerts, Really Simple Syndication (RSS) feeds, webcasts, and podcasts that keep them abreast with company developments. The study’s findings show that although websites offer the interactive potential that allows IR professionals to maintain a dialogue with stockholders (Dordevic et al., 2012; Nuseir & Qasim, 2021), IR professionals in South Africa have not yet fully exploited this potential to build and maintain relationships with stockholders.

One-Way Communication and the Bridging of Paradigms in IR Practice

Although the study’s findings show that two-way symmetrical communication has increasingly become embedded in IR practice in most organizations in South Africa, one-way communication remains a key element of the emergent paradigm. However, unlike in the early paradigm of IR where one-way communication was primarily driven by the need to manipulate stockholders to purchase or hold on to the organization’s shares, the use of one-way communication alongside two-way symmetrical communication is largely driven by factors that include the need to maintain visibility in the capital market; and the imperative to meet regulatory and governance standards. In the course of the study, IR professionals identified the King Report on corporate governance, the Johannesburg Stock Exchange (JSE)-SRI Index, the Global Reporting Initiative Index (GRI), International Financial Reporting Standards (IFRS), the South Africa Consumer Protection Act, and the Sarbanes-Oxley Act as the main regulatory and governance mechanisms that compel them to make regular and periodic disclosures to investors.

Consequently, this paper contends that although one-way communication remains part of IR practice in most organizations in South Africa (see Table 1 below), its articulation with two-way communication practice reflects a departure from the early paradigm of IR (see Berge & Christensen, 2012; Hockerts & Moir, 2004; Nuseir & Qasim, 2021). Thus, one-way communication is being used alongside two-way symmetrical communication as part of a nuanced paradigm aimed at meeting stockholders’ needs, as well as regulatory and governance requirements. Table 1 below summarizes the one-way communication channels that are being used by IR professionals who participated in this study to engage with stockholders (see table in the Table 1 section).

| Communication channel | Nature of information disseminated |
|-----------------------|-----------------------------------|
| Financial reports     | Financial standing, profit margins, interest, depreciation, accounting policies, consolidation principles adopted, property revaluation policies, and off-balance-sheet items. |
| Sustainability reports| Information relating to the economic, social, and environmental aspects, principles of corporate governance, and disclosures on corporate sustainable relations. |
| Integrated reports    | Annual financial reports, operations reports, risk and risk mitigation reports, senior management reports, sustainability reports, ecological footprint and corporate social investment reports, remunerations reports, projections, compliance frameworks, auditors reports, board of directors composition, and senior management team reports. |
| Corporate magazines   | Corporate celebrations, community initiatives, sponsorships, and information about workers. |
| Press releases        | Developments taking place in the organization, mostly quarterly earnings showing share price performance, conference call dates, management and operational changes, engagements by management, social responsibility initiatives, product launches, currency performance, and estimated targets of production levels. |

One-Way Communication Practice in South Africa: Continuities and Discontinuities

The data shown in Table 1 show some of the one-way communication channels, gleaned from the study, that are being used by IR practitioners to maintain relationships with stockholders. However, it is notable that, unlike in the early paradigm of IR, where one-way communication with stockholders was largely geared toward manipulating stockholders into purchasing stock, current one-way communication practice among IR professionals appears to be more nuanced and driven by a number of factors. These include the need to attract

Table 1. A Summary of Some of the One-Way Communication Channels Used by IR Professionals in South Africa to Engage With Stockholders.
publicity and gain visibility in the capital markets; the quest to satisfy growing and shifting shareholder needs; and efforts to comply with regulatory and governance obligations.

The study’s findings show that some IR professionals in South Africa use one-way communication as a tool for image building and gaining visibility in the capital markets. This use of one-way communication is consistent with the early paradigm of IR where the desire to persuade investors to buy or keep stock underpinned communication practice (Berge & Christensen, 2012). As evidenced in Table 1, IR professionals who participated in this study are also using one-way communication channels in order to make regular and periodic disclosures to stockholders. These disclosures help stockholders to make accurate forecasts about the company’s performance. Unlike in the early paradigm of IR, where one-way communication was used to disseminate deceptively and manipulate information (Laskin, 2010; Morrill, 1995), IR professionals in South Africa communicate accurate and balanced information with stockholders. Vlittis and Charitou (2012) posit that accurate communication of strategic organizational information with investors is critical in relationship-building and maintenance. Content analysis of information disseminated to stockholders by IR professionals in the study consisted of both positive and negative news about corporate performance. This trend constitutes a significant departure from the early IR paradigm where one-way communication was used to disseminate partial and distorted information, which compromised companies’ relationships with stockholders (Bushee et al., 2003; Nuseir & Qasim, 2021).

Notably, there are significant departures from the early paradigm of IR on the nature of the information that is disseminated to stockholders in South Africa. Unlike the early paradigm of IR, where dissemination of financial information to investors was the main focus of IR professionals (Berge & Christensen, 2012; Laskin, 2017; Nuseir & Qasim, 2021), the study’s findings (see Table 1) show a notable shift toward the communication of both financial and non-financial information. IR professionals are now disseminating non-financial information that focuses on issues that include technology and governance; corporate social responsibility; energy consumption; recycling programs; carbon emissions reductions; waste management, carbon emissions; human resources; health, safety, and well-being of employees; employee diversity; employee training and labor turnover. Arguably, this evidence shows that although one-way communication is still prevalent in IR practice in South Africa, it is no longer just used for persuasion purposes alone, but is articulated to a more nuanced communication approach that responds to the needs and demands of stakeholders (Nuseir & Qasim, 2021). As argued by Bechan (2011), IR practitioners are no longer the only determinants of the information which is shared, but are now forced to provide information that is relevant and useful to investors in order to sustain good relationships. This shift in the content of information communicated to stockholders is captured by one investor below:

They now share with us information that they never used to share with us before. In the past, it was just about financial performance. Things have changed. We now get sustainability reports, information on gender equity, corporate social responsibility and other things that never used to matter such as energy consumption and carbon emissions. These issues are important to me. If I do not get this information I demand it.

Conclusion and Implications

The presented analysis shows that IR professionals who participated in this study are using what we term a bridged approach to build and maintain relationships with stockholders. We use the term, bridged approach to refer to the practice of using both one-way and two-way communication, to build and maintain relationships with stockholders. While one-way communication is being mainly used to increase companies’ visibility in the market and to make regular and periodic disclosures to stockholders, two-way symmetrical communication is being harnessed to build and maintain mutually beneficial relationships with stockholders. These findings reveal the bridging of two previously separate paradigms of communication, the one-way communication paradigm that defines the early paradigm of IR and the two-way symmetrical communication approach that is associated with an emergent synergy era of IR. Furthermore, the results gleaned from the study show that IR professionals’ and stockholders’ communication are no longer confined to financial issues. Rather, the focus of engagement has broadened to include non-financial issues that include corporate social responsibility initiatives; energy consumption; recycling programs; carbon emissions; employee diversity and employee safety and health, among others.

As argued in the study, IR practitioners’ use of one-way and two-way symmetrical communication to engage with stakeholders in South Africa is attributable to a range of local and global factors. These factors include statutory and governance standards; the advent of the information revolution; and the emergence of activist and aggressive stockholders whose interests and needs can no longer be ignored by corporations. The above-mentioned factors have, among others, compelled most IR professionals in South Africa to move to a bridged communication paradigm, consisting of both two-way symmetrical communication and one-way communication, to maintain relationships with stockholders. However, as noted in this study, although IR practitioners in South Africa are using a bridged approach to maintain relationships with stockholders, they are yet to exploit the full interactive possibilities of the internet and new media. These findings have several implications for IR practice and scholarship:

First, although most IR professionals in South Africa are using both one-way and two-way symmetrical communication to build and maintain relationships with stockholders,
very little is known in terms of whether this form of engagement is strategic and has benefitted from contemporary PR theory. This paper contends that, for IR professionals to build more beneficial and sustainable relationships with stockholders, more needs to be done in terms of articulating current practice to contemporary PR theory and practice. IR professionals’ use of communication to build and maintain relationships with stockholders can be enhanced by articulating it to the reflective paradigm of PR. Here, strategic two–way communication with stockholders is fundamentally underpinned by listening, boundary spanning, environmental scanning, and counseling management, among other core functions.

Second, the study’s findings show that the IR function needs to be fundamentally reconceptualized if it is to be more beneficial to both organizations and stockholders. The IR professional’s role needs to be viewed less like that of advancing the interests of the organization and more as an advocacy role, where they become a critical link between the organization, the environment, and investor stakeholders. A more nuanced and strategic role will allow IR professionals to build trust and relationships with stakeholders, while simultaneously using intelligence to shape organizational policy and strategy.

Third, future quantitative studies may want to examine whether there is any co-relation between the different communication strategies that have been embraced by Investor Relations practitioners to build and nurture relations with stockholders in South Africa and stock prices.

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