

**EXPLORING THE INVESTOR RELATIONS WEBSITE:  
THE IMPACT OF INTERNET REPORTING ON  
INSTITUTIONS**

**by**

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## **ABSTRACT**

This thesis employed a case study approach to explore the rules and routines that have evolved within the Investor Relations (IR) functions of a large Canadian public company (ABC) from the inception of their IR website in 1997 to 2010. Utilizing weblog analysis, institutional theory (specifically, the Burns and Scapens (2000) institutional framework), and a detailed case study analysis of the interviews undertaken, the findings of this study illustrate that rules and routines of operation within an IR web team are likely to be dynamic and will evolve at a quick pace if the business is actively seeking to employ best practice in its IR website strategy. The results also show how both internal and various external influences are likely to play key roles in altering the rules and routines of IR websites operation. Within the case study presented, five distinct stages of institutionalization were recognized. The analysis framework used provided an effective tool to analyze the internal aspects of these stages. However, it was also enlarged to incorporate specific external influences to show how they play a parallel part in affecting activity in this domain specifically.

The findings further show that there is minimal normative isomorphism occurring in this domain. It is proposed that the lack of formalized education in the IR website management and operation area may be playing a key role in constraining the further development of this. Further, the thesis concludes by highlighting the critical need for senior management 'buy-in', identification and development of a suitable lead for this activity within the company, and the right context in which they can be allowed freedom to innovate and explore best practices applicable to the online IR function, where-ever they may be found. These features must then be balanced with the overall strategic placement of the IR website as a best practice driver, or follower, to ensure a

successful, strategically aligned operation in this domain. While these issues individually have been found to be important in other rapidly innovating business domains, this thesis illustrates and explores their need for the first time, in the IR field in the context of a recognized leader in its field.

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## LIST OF ACRONYMS

CEO	Chief Executive Officer
CICA	Canadian Institute of Chartered Accountants
CS	Creative Services Third Party Provider
CSA	Canadian Securities Administrators
FASB	Financial Accounting Standards Board
HTML	Hyper Text Markup Language
IASC	International Accounting Standards Committee
IFR	Internet Financial Reporting
IP	Internet Protocol
IR	Investor Relations
IRS	Investor Relations Society
LD	Legal Department
NIE	New Institutional Economics
NIRI	National Investor Research Institute
NIS	New Institutional Sociology
NYSE	New York Stock Exchange
OIE	Old Institutional Economics
OSC	Ontario Securities Commission
PDF	Portable Document Format
PLC	Publicly Listed Company
PR	Public Relations Department
RSS	Really Simple Syndication
SEC	Securities Exchange Commission
SEDAR	System for Electronic Document Analysis and Retrieval System
TSE	Toronto Stock Exchange (changed officially to TSX in 2000)
TSX	Toronto Stock Exchange
WHS	Webhosting Company – Third Party Provider
WSLA	Web Server Log Analysis
WSLF	Web Server Log Files
WWW	World Wide Web
XBRL	Extensible Business Reporting Language
XML	Extensible Markup Language

## 1. INTRODUCTION

Arguably, the introduction of the Internet has had a substantial impact on how corporations<sup>1</sup> manage their financial information. According to recent statistical information, approximately 74% of the population in North America and 49% of the population in Europe is using the Internet<sup>2</sup>.

Corporations have been using Internet Financial Reporting (IFR) as a means of communicating with both current and prospective users since the late 1990s (Lymer, 1997). Since the early survey of usage studies in the 1990s, corporations have been continually increasing their IFR sites in terms of both content and the use of technology; however, how that has impacted the routines of members of their investor relations (IR) department is unclear. Technologies range from simple examples of downloadable files such as portable document format (PDF) files, to more recent technologies such as social media (Facebook and Twitter). The traditional forms (for example, paper annual reports) and the new forms mentioned above, all contribute to corporate disclosures. Any deliberate release of financial information, voluntary or non-voluntary, is argued to be financial disclosure (Gibbins et al., 1990). As a result, all of this financial information becomes part of a corporation's financial disclosure portfolio.

Institutional studies suggest that corporations adopt new technologies to either improve performance or gain legitimacy (DiMaggio and Powell, 1983). The evolution of the Internet clearly suggests that it is becoming a much more important part of a corporation; yet little is

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<sup>1</sup> Corporations take on many forms although in general all definitions state that they are legally separate entities. For the purposes of this thesis, corporations are profit oriented private or public companies.

<sup>2</sup> Statistics from Internet World Stats, Usage and Population Statistics  
<http://www.Internetworldstats.com/stats.htm> accessed on May 23, 2009

known about how corporations and their IR web teams manage this area, what factors influence changes and how routines and norms have been created, utilized, and altered over time.

### **1.1 Identifying the Problem**

This thesis was motivated by the idea that the Internet is a major innovation that has had an important and profound effect on society and on corporations and their IR department. It has become clear through previous research that corporations have embraced the use of the Internet as a tool to communicate with a multitude of different types of users (Lymer, 1997; Ashbaugh et al., 1999; Lymer, 1999; Trites, 1999; Allam, 2005). Several other studies throughout the world have examined the increasing usage of the Internet by corporations to post financial information<sup>3</sup> (Breenan and Kelly, 2000; Fisher et al., 2004; Smith and Peppard, 2005; Khan et al., 2006; Pervan, 2006; Dutta and Bose, 2007b; Mohamed et al., 2009). Far less clear is how corporations have institutionalized this new medium; including what routines and norms have developed within their IR department as a result of it. In addition, no previous research has looked at the usage of the Internet by corporations from a number of different viewpoints. This investigation provides a more holistic approach to corporate Internet IR use including an examination of the regulations and IR websites, an investigation into the external usage of the information, and the internal institutionalization of IR websites.

This study is not aiming to develop new theories in IFR, IR departments or institutional studies; but rather to use the literature that has developed on institutional theory (Meyer and

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<sup>3</sup> There are a number of different replicated studies. This list is an example of those studies.

Rowan, 1977; DiMaggio and Powell, 1983; Zucker, 1988; Scapens, 1994; Barley and Tolbert, 1997; Burns and Scapens, 2000; Dillard et al., 2004) for example to better understand how investor relations websites have evolved and how the IR department has been impacted. By examining IFR from several different viewpoints, the key motivation of this study is to explore the evolution of the corporate use of the Internet to disseminate financial information to stakeholders. The focus of interest here is to investigate and describe how the Internet is used by both external and internal stakeholders and more importantly the factors that influence a corporation's IFR within its IR department. In doing so, this study will utilize the literature readings in IFR, voluntary disclosure and institutional theory.

The increasing use of the Internet has meant that most public companies have an investor relations site that stores financial related information. The Toronto Stock Exchange in Canada (TSX) has encouraged the use of the Internet for a number of years when it first created and posted guidelines for companies using IFR (TSX, 2003). It suggests that the Internet is one medium to communicate with stakeholders but that it was not a replacement for traditional printed material. The Securities and Exchange Commission (SEC) has more recently produced a document that is asking listed companies to produce interactive data (SEC, 2009b). This document has implications for Canadian companies, as many are dual listed and as a result watch the SEC proceedings carefully.

## **1.2 Objectives**

This thesis is divided into four stages with each subsequent stage building on the previous one. It is important to draw attention to the fact that there are two key areas being examined

during this thesis. The earlier stages detailed below are completed in order to investigate IFR in general. This examination is necessary to establish the foundation for the second area that is being investigated. The second area looks in detail at the IR department of a Canadian Public Company. More specifically, it investigates the employees (actors) that have key responsibilities for maintaining and updating the corporation's IR website.

The first research stage serves to better understand IFR and examines the regulations surrounding the use of the Internet when corporations wish to use the technology to upload financial and non-financial information. Regulations exist for public companies to follow when they release information such as annual and quarterly reports, material news releases and other corporate information but little work had been done, until now, to critically examine regulations specific to electronic filing and corporate IR websites. This stage shows that corporations began using the Internet with little to no regulations guiding them. The examination of regulations proved to be an interesting insight into the early adoption of corporations and the 'catch-up' regulators played once the Internet became a common tool for corporations.

The second stage charts the use of the Internet by Canadian corporations as it relates to IR websites from 2002 to 2008 in three year increments. The introductory paragraph above has highlighted the fact that much research has been done since 1997 to establish that the use of the Internet to release financial related information has increased to the point that almost all public companies use it in the majority of developed countries. What is not as evident from previous research is the evolution of the use the Internet by these corporations. In other words, this stage serves to investigate how companies have made changes to their websites



over time (in this case three year intervals). This examination shows that most large companies have moved towards a common state whereby investor relations websites now look very similar in terms of content and structure.

The third stage in this thesis was to take the information learned above and examine the use of IR websites by external stakeholders. This was done by obtaining the weblogs of one of the companies from stage one above and reviewing their weblogs in greater detail. Specifically this stage utilized the literature on voluntary disclosures (as presented in Chapter four) and looked at the usage of mandated disclosures (for example, annual reports and quarterly reports in both hypertext markup language (HTML) and PDF) versus voluntary disclosures (for example, general corporate information, or any other financial information that is not required). The weblogs were obtained for a period covering January 2006 to September 2008, thus a longitudinal analysis could be examined.

This third stage serves two important purposes. It supports the investigation undertaken in stage two by showing that there has been an increase in access by external stakeholders in terms of numbers of hits to the corporate website. It also examines this growth in terms of the changing mix of voluntary versus non-voluntary disclosures. Second, the information obtained from this analysis is used as the starting point in discussions with members of the corporation's IR web team during the case study stage (stage four).

The fourth stage in this thesis was to investigate in more detail how organizations, specifically their IR department, have been impacted by the use of the Internet by focusing specifically on the employees that work on IFR. Using the literature on both old and new

institutional theory (as described in Chapter three), the thesis employed a single case study approach and interviewed key staff and external service providers of the company whose weblogs were analyzed previously (see stage two above). The case study explores why a Corporation would use an IR website and how the IR department has evolved since most corporations began using websites in 1997. In examining why a corporation uses an IR website, the case study also investigates why they continue to work on enhancements to their website. In addition, how an IR website is developed and maintained is a very important part of this thesis. Specifically, one of the objectives of the case study was to examine the routines and processes that have developed from 1997 to 2010 and how internal norms (the way the corporation's IR web team does things) have changed over this same time period.

External influences were also investigated during the case study; including the corporation's reasons for posting voluntary information when they do not have to. In addition, a further objective of the case study was to find out if external stakeholders and competitors influenced how the organization changed its website over this timeframe; or alternatively, the extent to which the organization itself was the leader in making changes.

In summary, the objectives of this thesis are to: (1) Critically examine the regulations and guidance that exist over IFR in Canada and the United States; (2) Examine the websites of Canadian Corporations from 2002-2008 and observe patterns and changes over time; (3) Examine the weblogs of a Canadian company from 2006 to 2008 in order to explore general usage patterns of users; and (4) Interview the actors that are responsible for the IR website and explore how routines have developed within this function and why corporations use IR

websites (i.e. Why post certain types of information? What constrained these decisions in practice? What influences affected these decisions?). This exploratory study will provide a unique perspective of IR websites.

This study is relevant because as IR websites grow in complexity and in the amount of information placed on them, a greater understanding of how processes and routines have changed and developed will be of interest to managers who are determining roles and to executive officers who will be concerned with resources and budgets. In addition, a strong professional link does not currently exist for those working on IR websites. Information learned here may assist in understanding what their roles are and, as this profession evolves, what normative influences will exist.

### **1.3 Thesis Structure**

The central argument of this thesis is that investor relations departments have been impacted by the evolution of IFR. The thesis will show that as IFR has increased, the roles of actors within an IR department have changed. In the absence of IFR professionals, IR actors have had to manage the extra channel that IFR has created. As IFR and IR websites have evolved, traditional routines (ways things were actually done) have evolved into new routines as actors have reacted to the new technologies.

*Chapter two* examines the nature of research focusing on the subjective-objective dimension discussed by (Burrell and Morgan, 1979). The four assumptions of ontology, epistemology, human nature, and methodology are explored. The chapter concludes with the assumptions

that guide this thesis. This aspect is further discussed in Chapter six where the research methods specifically used in this thesis are developed.

*Chapter three* reviews the literature that has developed on institutional theory. It begins by defining organizations versus institutions. It then reviews developments of old and new institutional theory and discusses how norms, attitudes, rules, and routines can be institutionalized. The chapter concludes by investigating a framework that uses components of institutional theory and how it can be applied in this study to help better understand why companies use the Internet, how IFR is managed by IR departments of large companies, and what factors influence the information that they post to their IR website.

*Chapter four* reviews the literature on disclosure of financial information focusing on both voluntary and non-voluntary information. Reasons why companies voluntarily disclose financial and non-financial information are reviewed and tied back to institutional theory. Specifically, companies tend to disclose voluntary financial information on their website in order to be more transparent (or to potentially appear transparent) to the external stakeholders. In other words, companies wanting to entrench themselves in a particular way will enhance their disclosures. This need to appear legitimate is a key concept discussed in the institutional theory literature.

The literature reviewed in chapters three and four are utilized during the case study to shed light on the reasons why corporations tend to expend so much time and energy on their IR websites and how routines have evolved within this IR function.

*Chapter five* reviews the literature surrounding IFR and is used to support the investigation of regulations and website usage in chapters seven and eight. This chapter examines the research completed on the determinants of IFR and content analysis of corporate websites. The information in this chapter is used in subsequent chapters for comparisons when changes over time are examined.

*Chapter six* describes the use of the case method as the research method used to address the research objectives for stages two, three, and four. It reviews the use of weblogs as a means of gauging the usage of IFR by external stakeholders and describes how institutional theory can be used to better understand why corporations use the Internet to post financial and non-financial information on their websites. Based on case study readings (eg. Yin, 2003; Hancock and Algozzine, 2006), this chapter develops the support for the use of a single case study to obtain answers to the third stage of this thesis: a better understanding of the norms, routines, and external influences that a corporate IR department (and their IR web team) is subjected to.

*Chapter seven* investigates the evolution of financial regulations over corporate Internet reporting in Canada and the United States. The aim of this chapter is to provide an overview of what these regulatory agencies were saying about IFR; specifically regulations they may have in place versus guidance that may exist. This chapter seeks to provide a better understanding of the external environment surrounding companies in Canada and helps to determine what, if any, external regulatory pressures are being exerted on these companies.

*Chapter eight* examines the use of IFR in Canada and is based on the IFR literature readings from Chapter five. Much of the previous research on IFR has been cross-sectional studies. This chapter examines, on a longitudinal basis, the changes that have taken place on the IFR sites of major Canadian corporations over a time horizon from 2002 to 2008, using three-year time intervals. The goal of the chapter was to show the evolution of IFR in Canada by corporations to assist in better understanding how IFR has shaped and been shaped by the routines and rules of investor relations' departments.

*Chapter nine* has two major sections. First, the chapter describes the corporation used in the case study based on the methodology described in chapter six. For confidentiality reasons, the corporation is not specifically identified and has been arbitrarily named ABC Company (ABC). A general history of the corporation being studied is discussed while maintaining confidentiality. Given that Canada is the geographical location of the researcher, a large Canadian company was chosen for this case study, making it a more feasible location (in terms of time, travel and resources).

In the final section of the chapter, the weblogs of ABC from January 1, 2006 to September 30, 2008 are examined using the weblog analysis described in chapter six. The literature review on institutional theory suggests that organizations will react based on external influences in order to seek to gain legitimacy. The analysis of the weblogs will investigate the usage of the Internet by interested third parties including the use of voluntary disclosures that were discussed in chapter four.

*Chapter ten* provides details of the results of the interviews conducted on the company's premises. The interviews were conducted with members of the investor relations team and public relations team. Interviews were also conducted with members of third party suppliers that perform website hosting and backend systems for the corporation and its IFR. The interviews were conducted with the objective of investigating and describing both internal and external factors that influence the IFR of the corporation's IR web team.

*Chapter eleven* summarizes the findings from the website analysis and case study by tying all of the research stages together (stages 1 through 4). While generalizations cannot be made given this thesis is a single case study of ABC, the chapter attempts to provide insights into how a specific corporation has been impacted by the use of IFR and how its IR department has evolved. Key contributions from this thesis are highlighted along with limitations and areas of future research.

#### **1.4 Conclusion**

This chapter began by discussing the use of IFR by corporations. The objective of this thesis is to examine through several different perspectives, the evolution of an IR website within a large Canadian company. This examination will use institutional theory to explore how routines and rules have developed with the IR web function and why corporations use IR websites. The next chapter explores the nature of accounting research and how accounting research can be beneficial in understanding the usage of accounting information.

## **2. THE NATURE OF RESEARCH**

### **2.1 Introduction**

This chapter aims to describe the nature of research and its contributions to the understanding of the usage of accounting information. Books and articles on accounting research may apply different perspectives but most agree that accounting research and researchers draw on other disciplines (Smith, 2003). The purpose of this chapter is to reflect on these perspectives and to explore how different disciplines, specifically organizational studies, impact how accounting researchers see things.

Research itself is a journey of discovery. In research we interpret what we find, read, and observe and communicate those findings in a way that contributes to the existing body of knowledge (Ryan et al., 2002). Accounting research covers a diverse area including (but not limited to) financial accounting, managerial accounting, and auditing. The theories used for accounting research come from numerous areas outside of accounting including: economics, finance, and organizational behaviour. An understanding of research and accounting research and the key ontological and epistemological perspectives driving this thesis will provide a foundation for the chapters that follow.

### **2.2 Research**

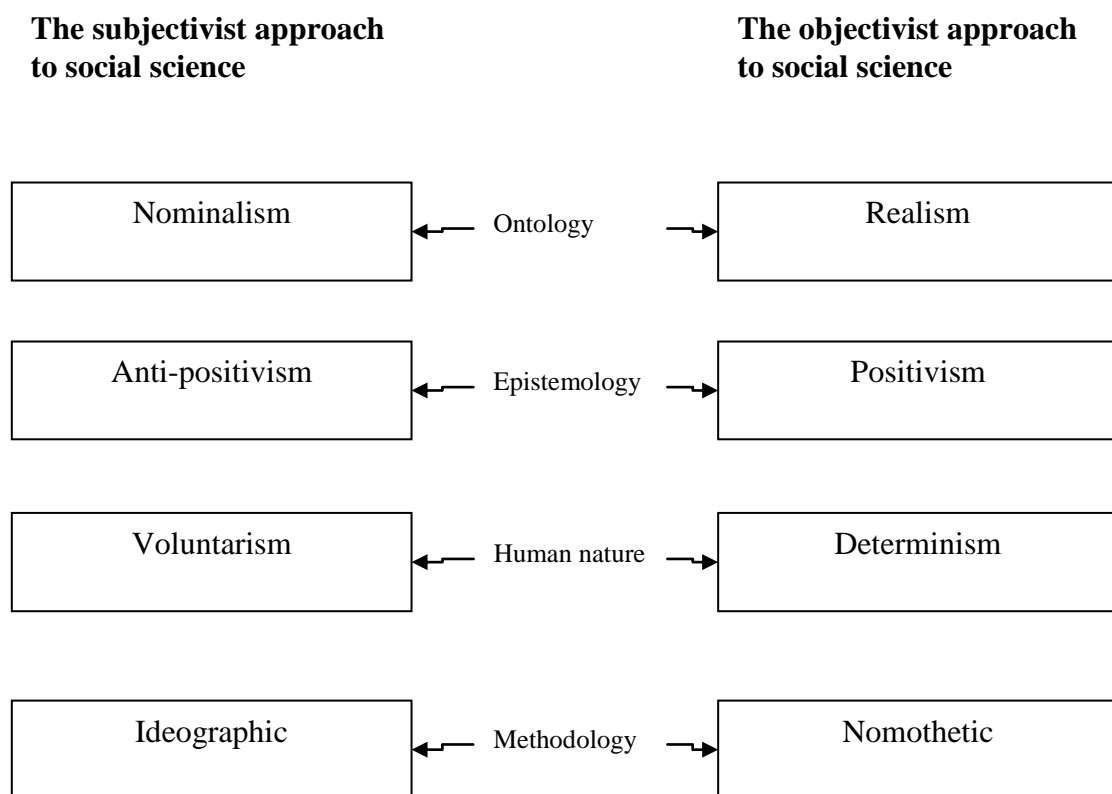
Research can take on many different forms including the discovery of knowledge, otherwise defined as basic research. Other forms of research include applied research (which tends to look at a specific problem and make recommendations for improvements) and action research (which is often a form of research where we learn by doing something, analyzing how it works, and then improving on it) (Berry and Otley, 2004).



Burrell and Morgan (1979) discussed the assumptions and paradigms that allow us to “...distinguish between different approaches to the study of organizations.” (pg. xii). While their discussion is not directly attributable to accounting research, it establishes a framework that can be used as a basis to examine the nature of research in more detail.

In addressing the assumptions about the nature of social science research, Burrell and Morgan (1979) developed the subjective-objective dimension, which is shown in Figure 2.1 and discussed below along with the views of others.

**Figure 2.1: The Subjective-Objective Dimension**



Burrell and Morgan (1979, pg. 3)

### 2.2.1 Ontology

One of the main starting points for research is a look at what research is about and what researchers bring to the process. Ontology looks at how we see things. It helps to explain how we see things and how we believe things to be real (Mason, 2002; Ryan et al., 2002). An ontological assumption asks the question: What is the nature of reality? (Hussey and Hussey, 1997).

In their discussion of ontological assumptions, Ryan et al. examine six assumptions developed by Morgan and Smircich (1980) as reproduced in Table 2.1.

**Table 2.1: Six Ontological Assumptions**

1 Reality as a concrete structure (naïve realism)
2 Reality as a concrete process (transcendental realism)
3 Reality as a contextual field of information (contextual relativism)
4 Reality as a symbolic discourse (transcendental idealism)
5 Reality as a social construction (social constructionism [socially mediated idealism])
6 Reality as a projection of human imagination (idealism)

(Ryan et. al, 2002 pg. 36)

These six assumptions range from a researcher taking a highly scientific approach (Reality as a concrete structure) to the most subjective approach (Reality as a projection of human imagination). The first three of these assumptions stay within the mainstream of accounting research, while the last three move away from the objective approach and more towards a subjective approach to research.

Based on Figure 2.1, at one end of the spectrum, researchers that reside at the realism end of the dimension believe that “the social world external to individual cognition is a real world

made up of hard, tangible and relatively immutable structures.” (Burrell and Morgan, 1979, pg. 4). The realist believes that there is an independence between the social world and the individual (Burrell and Morgan, 1979). This corresponds to parts 1 and 2 from Table 2.1 above. At the other end of the dimension is the nominalist who will not admit to “any ‘real’ structure to the world” (Burrell and Morgan, 1979, pg. 4). This assumption corresponds to the bottom (part 6) of Table 2.1.

### **2.2.2 Epistemology**

Epistemological perspectives result in us thinking about what ‘we regard as knowledge or evidence of things in the social world’ (Mason, 2002, pg. 16). Epistemology, then, is about the acquisition of knowledge that we believe (Ryan et al., 2002).

Burrell and Morgan (1979) divide epistemology along their dimension in two ways: positivism and anti-positivism. The objectivist approach, with its ontology established as realism, takes an epistemological approach that knowledge can be acquired. This positivist view believes hypotheses can be verified or falsified (Burrell and Morgan, 1979). The anti-positivist takes a more personal approach and believes that “the social world can be understood only by first acquiring knowledge of the subject under investigation.” (Hopper and Powell, 1985, pg. 431).

### **2.2.3 Human Nature**

In moving down the two dimensions, human nature can be either determinism under the objective approach or voluntarism under the subjective approach. Again, the differences between the two are consistent with those above and are based on the dimension in which

they reside. On the side of determinism, the assumption is that human nature is controlled by the environment they are in while voluntarism believes people are “...potentially autonomous and free-willed, and capable of creating their own environment.” (Hopper and Powell, 1985, pg. 431).

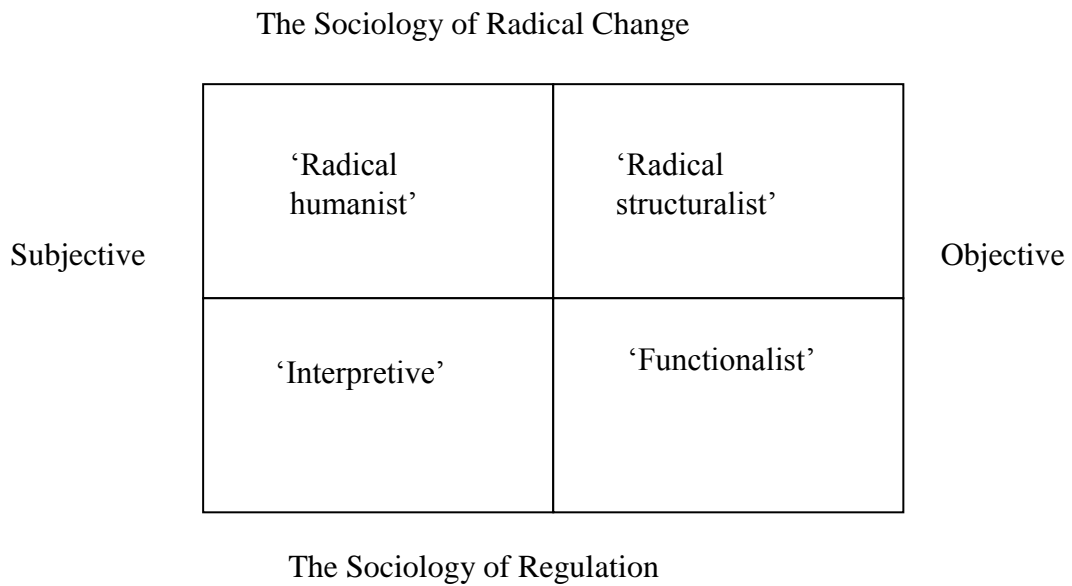
#### **2.2.4 Methodology**

The last part of the dimension in Figure 2.1 is methodology. Methodology describes the ways in which we can try and gain an understanding “...of the world better.” (Trochim and Donnelly, 2007, pg. 18). Essentially, the first three assumptions will impact the methodology. If the assumptions rest on the objective side of the dimension then methods such as statistics and surveys will be used. On the other hand, if the ontology, epistemology and human nature assumptions are on the subjective side, then methods that allow the researcher to gain “...insight into an individual’s inner world are emphasized.” (Hopper and Powell, 1985, pg. 431). While the nomothetic approach stresses the testing of hypotheses, the ideographic approach stresses that you can only understand by obtaining in depth knowledge (Burrell and Morgan, 1979).

#### **2.3 Four Paradigms**

Based on the above discussion on the subjective-objective dimension, Burrell and Morgan developed “the four paradigms for the analysis of social theory” (Hopper and Powell, 1985). This has been reproduced in Figure 2.2.

**Figure 2.2 Four Paradigms for the Analysis of Social Theory**



Burrell and Morgan (1979, pg. 22)

As Figure 2.2 shows, there are four distinct paradigms although each one does share with the other paradigms that touch it. Each paradigm represents a view of the world and can be used to pinpoint our own personal view. Although it is possible to move from one paradigm to another over time, as Burrell and Morgan (1979) state, they are “mutually exclusive” (pg. 25). In other words, it is not possible to operate within more than one paradigm at any one time.

Two of these paradigms require a brief discussion given the research undertaken in this thesis. The functionalist paradigm rests on the objective assumption from Figure 2.1, while the interpretive paradigm rests on the subjective assumption. They both sit within the sociology of regulation, which is concerned with society and stability while radical change

focuses on power (Hopper and Powell, 1985). It is within these two paradigms that this researcher is most likely to reside (albeit not at the same time).

## **2.4 Conclusions**

This chapter explored the nature of research and how other disciplines such as economics and organizational studies can assist accounting researchers in seeking answers to research questions. The Burrell and Morgan (1979) sociological framework was used to structure a discussion of two divergent viewpoints, namely the subjectivist and objectivist approaches. The approach taken is dependent upon the personal views of the researcher and the research being conducted.

This thesis seeks to shed light on the cultures, norms and external influences that motivate organizations to utilize, monitor, and change their IR website. It draws on theories developed in organizational studies and the objective is to study how norms and routines have developed and become institutionalized within a Canadian company. In doing so, the researcher is drawn towards gaining an understanding of the personal views of the actors within this company.

Based upon the reflections of research examined in this chapter, an interpretive approach within the subjective assumption will be adopted and the research methods used will be based upon this assumption.

The next chapter examines institutional theory and how it can be used to explore how routines and rules have become established within the IR website function of an investor

relations department. The various viewpoints on institutional theory and case studies that have been done utilizing institutional theory will be explored.

### 3. INSTITUTIONAL THEORY

#### 3.1 Introduction

Organizations have been the subject of studies using various theories that seek to illuminate their various behaviours and actions. Organizations are made up of individuals that work together to achieve organizational goals.

“Formal organizations are generally understood to be systems of coordinated and controlled activities that arise when work is embedded in complex networks of technical relations and boundary-spanning exchanges.” (Meyer and Rowan, 1977, pg. 340)

It is often the nuances or the ‘tug and pull’ of organizational requirements, and the actual activities performed by members of the organization that are subject to ongoing research. Theories that researchers have employed to understand organizations include legitimacy (For example: Suchman, 1995; Deegan et al., 2002) and structuration theory (Giddens, 1984) and other theories within organizational studies such as bounded rationality and contingency theory (Xiao et al., 1996). Indeed, researchers from a number of disciplines including sociology, organizational behavior, economics, history, political science, and accounting have used various forms of organizational theories to look more critically at why organizations do what they do, how they are shaped, and how they are impacted by those inside and those outside the organization (For example: Selznick, 1949; Meyer, 1979; Barley, 1986; Burns and Baldvinsdottir, 2005; Ribeiro and Scapens, 2006).

Legitimacy theory argues that firms will engage in activities that are socially acceptable even though they may not necessarily be the most efficient or maximize performance (Ashforth and Gibbs, 1990). Legitimacy theory has been used within accounting research to look at voluntary disclosures such as social and environmental disclosures, suggesting that



firms disclose information in order to appear legitimate to external users (Deegan et al., 2002).

It can be argued that IR departments engaged in IFR do so for legitimacy reasons. For example, it may be socially expected that all corporations will have an IR website; therefore, firms will have one in order to maintain legitimacy. However, an IR department and an IR website are subject to more than just legitimacy issues and legitimacy theory on its own does not provide an adequate scope to investigate these issues.

Contingency theory argues that companies will assess their environment and that decisions will be based on what is happening (Burns and Stalker, 1961; Lawrence and Lorsch, 1967). “Contingency theory contends that what constitutes effective management is situational, depending upon the unique characteristics of each circumstance.” (Elsayed and Hoque, 2010, pg. 19). Contingency theory can be used to attempt to determine why there is variation in management accounting systems between companies (Otley, 1980) and that, ultimately, what is effective in certain situations is not necessarily effective in other situations.

Contingency research has been used extensively in research on management control systems and budgeting practices (For example: Hartmann and Moers, 1999; King et al., 2010) to examine how factors such as structure, strategy, and environment effect the budgeting practices (King et al., 2010, pg. 40).

In their research on a large British company, Telco, Marginson (1999) utilized contingency theory in an exploratory study that investigated the "...processes of control which operate within the organization" (Marginson, 1999, pg. 203). In using contingency theory, they state that "Broadly speaking, contingency theory is premised on the argument that a control system needs to be matched to the circumstances in which it is required to be operate, i.e. situations influence what the appropriate mode of control should be." (Marginson, 1999, pg. 207)

There are several reasons why contingency theory is not the best theory for the research undertaken in this thesis. While contingency theory is a valid theory that can be used to look at certain aspects of IR websites such as why corporations have websites and may also be used to examine contingent factors such as environmental conditions and strategies (Lawrence and Lorsch, 1967), it ignores the legitimacy factors. In addition, critiques have argued that contingency theory does not effectively allow researchers to explore the evolution of the processes in place.

"Although the processual nature of organizations is emphasized, much of the research cited has tended to use questionnaires to take snapshots of temporary structural manifestations followed by detailed statistical analysis, rather than observing the processes first hand over time." (Hopper and Powell, 1985, pg. 440)

While it can be argued that situational pressures such as globalization would have an impact on IR website disclosure practices, and that contingency theory could be used as one theory to examine those pressures, it ignores the internal influences that occur and the routines that develop within an IR department and its website.

This thesis is seeking to investigate the rules, routines, and habits that have evolved since the Internet began being utilized by corporations within their investor relations department. As a result, institutional theory is better suited for this thesis and will be discussed in further detail in this chapter.

Chapter 1 discussed the overall approach to this thesis and described how an IR website would be explored from a number of different angles including external influences (such as regulations) to internal influences and the rules and routines that have been established over time.

How does the environment (both internal and external) affect the IFR decisions of an IR department? This chapter will argue that institutional theory can be used to explain some of the complex issues of IFR within an IR department by examining the norms, processes, and socially created realities that impact it (Powell and DiMaggio, 1991) and the internal influences that shape it (Burns and Scapens, 2000; Scapens, 2006). Neither legitimacy theory nor contingency theory adequately captures all of these factors; however, institutional theory does include both internal and external influences, legitimacy issues, and the institutionalization of rules and routines over time. For these reasons, this chapter examines institutional theory and how it can be used to explore IR websites and the actors that are engaged in managing, developing, and maintaining them.

This chapter is divided into three main questions beginning with: What is the history of institutional theory and how has it been used in studying organizations? An understanding of the history of institutional theory will establish the foundation for the balance of this

thesis. There is a turning point that will be discussed in this section where old institutionalism meets new institutionalism. What has been found for both the old and the new is that there are a wide range of viewpoints for the theory and that although it has a long history, it has been critiqued and reviewed a number of times throughout the years (e.g. Selznick, 1996). In an introduction to key pieces of work on new institutionalism, the authors noted that the differences between old and new were not often discussed (Powell and DiMaggio, 1991) but that many fields have used institutional theory in researching organizations. Notwithstanding the ongoing debates and differences amongst various research fields, it continues to be a strong theory that is used to seek to explain many aspects of organizations' behaviours and the actions of employees or actors within an organization.

The first section addresses the question above by investigating the different aspects of institutional theory, how it has been used in case studies across a variety of organizations and for a variety of issues. As was stated earlier, institutional theory is broken into two main areas namely old (or old institutionalism) and new institutionalism (or neoinstitutionalism). Research using institutional theory range from examining the structures of the organization down to the cultures and norms that develops within the organization; from habits, and routines, to how organizations tend to become isomorphic with each other - meaning that they begin to become similar to each other as they are subject to external influences (Selznick, 1957; DiMaggio and Powell, 1983; Giddens, 1984; Powell and DiMaggio, 1991; Kondra and Hinings, 1998). Both old and new institutionalism have been used by researchers in areas such as economics, political science, and sociology; with each particular discipline looking at institutionalism through a different lens (Powell and DiMaggio, 1991).

Institutional theory has a rich history in organizational studies. Prior to examining two key institutional studies, the various definitions of an institution will be explored and the differences between institutions and organizations discussed.

Given that institutional theory is such a broad area, the second question addressed in this chapter is: How has institutional theory been applied within the business discipline? This next section will investigate in more depth the linkages between institutional theory and business, both new and old institutional theory. It will explore how management accounting researchers have used institutional theory to explain how employees are affected and affect the organizations that they work for.

The third question addressed in this chapter is: How can institutional theory assist in explaining why companies post information to their website? This becomes a pivotal part of this thesis as the discussion moves from the general state of institutional theory to the area of business, (specifically management accounting) to how it can actually be used to explain how IFR has evolved. Management accounting has been argued to be comprised of two areas: (1) an area where various accounting techniques are used, and (2) an area where accountants are involved in making strategic business decisions (Simon, 2007). This thesis argues that IFR rests within each of these areas as accounting techniques are utilized and accountants may be involved in the strategic directions that IFR take.

Based on the literature review from questions one and two, the different areas of institutional theory are narrowed down further and are focused on their potential for usage within IFR and IR websites. This understanding of institutional theory will be an important

part of this study in looking at why organizations post the information that they post and how the processes have evolved over time.

### **3.2 Institutions and Institutional Theory**

While the definitions of institutions can vary across disciplines and from old institutionalism to new institutionalism, establishing the definition of the institution is important to the researcher so that the linkages can be made between what activities the actors are performing and the institution (Barley and Tolbert, 1997). This next section takes a closer look at some of the definitions that others have used and then examines old and new institutionalisms.

The definition of an institution can come from a variety of sources. In the *Encyclopaedia of the Social Sciences* (1932), Walton Hamilton describes an institution as follows:

INSTITUTION is a verbal symbol which for want of a better word describes a cluster of social usages. It connotes a way of thought or action of some prevalence and permanence, which is embedded in the habits or a group or the customs of a people. In ordinary speech it is another word for procedure, convention or arrangement; in the language of books it is the singular of which the mores or the folkways are the plural. (Hamilton 1932, pg. 84)

Institutional theory is rooted in several academic domains. While there are divergent views on the theory, the main starting point is always the institution itself. The meaning of an institution provides a starting point for this thesis. “One problem encountered at this point is the conceptualization of an institution. Through at its core, the conceptualizations are

similar, the malleability of an institution can vary with the grain of analysis” (Dillard et. al, 2004, pg. 512).

In looking at this, a number of different definitions of institutions were examined. The research shows that the definitions of an institution are as broad as the area of institutional theory. Institution and organization are not interchangeable terms. Scott (2001) developed an overall concept of institutions as follows:

- Institutions are social structures that have attained a high degree of resilience.
- Institutions are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life.
- Institutions are transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artifacts.
- Institutions operate at multiple levels of jurisdiction, from the world system to localized interpersonal relationships.
- Institutions by definition connote stability but are subject to change processes, both incremental and discontinuous.

Scott (2001, pg. 48)

In examining another perspective, Hughes (1936) discusses the study of institutions as follows:

The persistence of an effective want, and of an institution, is subject to a great number of contingent factors. The study of institutions is as much a matter of discovering these contingencies as of discovering their roots in human nature. The contingencies arise out of the inevitable relations of social phenomena with other social phenomena and with phenomena that are not social at all. (Hughes, 1936, pg. 181)

Organizations are groups of individuals that are together to accomplish something (make a profit, for example). What can be seen initially from these definitions is that the term institution is not synonymous with the term organization; but more specifically, about how

social structures guide and influence human action within the organization. However, institutions themselves can change over time as the human action occurs.

Researchers have defined institutions in a number of ways. Barley and Tolbert define an institution as “*shared rules and typifications that identify categories of social actors and their appropriate activities or relationships.*” (Barley and Tolbert, 1997, pg 96, emphasis in original). Burns and Scapens use the definition above and define institutions as “the shared taken-for-granted assumptions which identify categories of human actors and their appropriate activities and relationships.” (Burns and Scapens, 2000, pg 8). Once again, it can be shown, therefore, that it is not the people that are the institution but the “shared taken-for-granted assumptions” (Burns and Scapens, 2000, pg.8) that occur, even as people (actors) leave and others enter. However, these people or ‘actors’, over time, can have an impact on how the activities within an organization are shaped and therefore an impact on the institutionalized ways that things should be done.

Where does the definition of institution fit within the business realm? As an example, in their work within the area of management accounting, Burns and Scapens notes that “institutions can be regarded as imposing form and social coherence upon human activity, through the production and reproduction of *settled habits of thought and action.*” (Burns and Scapens, 2000, p6) (emphasis in the original).

An example that Burns and Scapens (2000) use to highlight this point is the creation of a new budget procedure. Following their example, and in keeping with the area of IFR, an example would be a new reporting requirement that is imposed by the IR department; perhaps the inclusion of a CEO’s report posted to the IR website just after the release of



quarterly reports. There would be a set of rules to be followed in ensuring that the information is posted correctly, timely, and to the proper site location. However, these rules as they are laid out may get modified either consciously or unconsciously as the actors within the IR department carry them out. Consciously, alterations to the rules may be made in order to deal with technology issues imposed by those posting the information. Unconsciously, actors may not understand the rules in place and as a result, mistakes in the timing of the post may occur. As each quarter passes and the CEO report gets posted, the rules will be followed again and again - sometimes by the same person or by new persons that may be hired. This creates the production and reproduction discussed above and as Burns and Scapens (2000) state: "In this way, rules are established and, through their implementation, routines will emerge." (Burns and Scapens, 2000, pg. 6)

In this next section, institutional theory is explained in more detail as a practical theory to provide a basis for justifying its use in addressing the research objectives set out in this thesis.

### **3.2.1 Review of Institutional Theory**

The previous section discussed the definition of an institution. Researchers have shown that institutions are influenced by the environment around them and are shaped and shape those that interact with them. These influences and interactions can be examined and explored as part of a research exercise using institutional theory to highlight and frame these elements in a suitable way in which to examine them in detail (Meyer and Rowan, 1977; Meyer, 1979).

Institutional theory seeks to investigate how norms, routines, rules, attitudes, and structures become engrained within an organization (Scott, 2005, pg 460). While Scott's article

focuses specifically on management and organizational sociology's use of this theory, his opening statement reflects the overall theme of institutional theory. He states:

“Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behaviour.” (Scott, 2005 pg 460)

Institutional theory has a long history in areas such as economics, sociology, and political science (Scott, 2005, pg 460). Early work on institutional theory goes back to Philip Selznick who, in 1948, wrote about organizations as formal structures (Selznick, 1948). He discussed how organizations' formal systems can deviate and that 'unwritten laws' become established and 'institutionalized' (pg. 27). Selznick went on to say that organizations were established for a specific purpose and that they are shaped by their social environment and over time, became institutions (Scott, 2001).

In his book on institutions, Scott continues by stating that institutions will continue to play an important role in shaping how individual organizations run and that these institutions can, and will, influence others (Scott, 2001, pg. 50). In looking at institutions, Scott discusses the concept of the three pillars: Regulative, normative, and cognitive. Researchers tend to rest on one or more of these pillars, Scott's description of these pillars have been reproduced in Table 3.1.

**Table 3.1: Three Pillars of Institutions**

	Pillar		
	Regulative	Normative	Cultural-Cognitive
Basis of compliance	Expedience	Social obligation	Taken-for-grantedness shared understanding
Basis of order	Regulative rules	Binding expectations	Constitutive schema
Mechanisms	Coercive	Normative	Mimetic
Logic	Instrumentality	Appropriateness	Orthodoxy
Indicators	Rules Laws Sanctions	Certification Accreditation	Common beliefs Shared logics of action
Basis of legitimacy	Legally sanctioned	Morally governed	Comprehensible Recognizable Culturally supported

Scott (2001, p52)

The regulative pillar of an institution establishes the rules and provides for the enforcement and monitoring of those rules. In addition, sanctions can be placed when rules are not followed. The process followed with this pillar can be formal policies in place or informal mechanisms where individuals are treated differently if rules are not followed. According to Scott, economists favour this particular pillar of thought where fear and coercion are used to enforce the rules.

The second pillar has been used quite extensively by sociologists, in part, as a result of their research on organizations such as volunteer groups and religious groups where there is a stronger linkage with the actors in terms of values (Scott, 2001). Institutions on this pillar are seen to be based on values and norms where values are a desired state and norms determine ‘how things should be done’ (Scott, 2001, pg.55).

As Scott discusses (Scott, 2001), the cultural-cognitive pillar is often used by institutionalists in anthropology and sociologists. This pillar suggests that humans are impacted by a number of factors in the environment and that these responses, in turn have an impact on institutions. Scott states that “The hyphenated label cognitive-cultural recognizes that internal interpretive processes are shaped by external cultural frameworks.” (pg.57). In addition, “...routines are followed because they are taken for granted as “the way we do these things.”” (pg.57)

Scott’s discussion of the three pillars suggests that there are a number of different perspectives on institutions and institutionalization and that each provides directions for further research. For example, the regulative pillar is useful when looking at government restrictions or regulations while the impacts that professions have can be examined by using the normative pillar. The pillars do not connect or combine to form a theory but rather “It is intended to better enable us to compare and contrast the diverse conceptions of institutional theory advanced, as well as to identify the varying levels at which these arguments are being pursued.” (Scott, 2005, pg 465)

In investigating an IR department and the processes and routines that exist with their IFR, this thesis is seeking to examine how routines have been put in place and how they have changed and become institutionalized within the IR department. As a result, this study rests on the cultural-cognitive pillar.

The next section explores the differences between old and new institutionalism.

### **3.2.2 Old and New Institutionalism**

The pillars discussed by Scott (2005) have been formed in part due to the divergent viewpoints of researchers as some take a regulatory perspective to their research while others take a normative view. While early institutional theorists examined institutions from a local or micro prospective, more recent institutional theorists have begun to look at the entire environment surrounding institutions taking a more macro perspective (Zucker and Darby, 2005). These separate viewpoints came to the forefront when in 1977, two researchers produced papers (Meyer and Rowan, 1977) that created a change in the way institutional theory was thought of (Powell and DiMaggio, 1991). It was at this point in time that two viewpoints on institutional theory were created: old institutionalism and new or neoinstitutionalism.

Neoinstitutionalism stems from old institutionalism and both share similarities in that they look to show that what is formalized within an institution is not necessarily what transpires in reality (Powell and DiMaggio, 1991).

In their essay, Powell and DiMaggio (Powell and DiMaggio, 1991) comment on the new and the old and state:

They identify different sources of constraint, with the older emphasizing the vesting of interests within organizations as a result of political tradeoffs and alliances, and the new stressing the relationship between stability and legitimacy and the power of common understandings that are seldom explicitly articulated (Powell and DiMaggio, 1991, pg.12).

Powell and DiMaggio go on in their introduction by stating and summarizing the key differences between the old and the new. Their summary is reproduced below in Table 3.2.

**Table 3.2: The Old and the New Institutionalism**

	<b>Old Institutionalism</b>	<b>New Institutionalism</b>
Conflicts of interest	Central	Peripheral
Source of inertia	Vested interests	Legitimacy imperative
Structural emphasis	Informal structure	Symbolic role of formal structure
Organization embedded in	Local community	Field, sector, or society
Nature of embeddedness	Co-optation	Constitutive
Locus of institutionalization	Organization	Field or society
Organizational dynamics	Change	Persistence
Basis of critique of utilitarianism	Theory of interest aggregation	Theory of action
Evidence for critique of utilitarianism	Unanticipated consequences	Unreflective activity
Key forms of cognition	Values, norms, attitudes	Classifications, routines, scripts, schema
Social psychology	Socialization theory	Attribution theory
Cognitive basis or order	Commitment	Habit, practical action
Goals	Displaced	Ambiguous
Agenda	Policy relevance	Disciplinary

(Powell and DiMaggio, 1991, pg.13)

A discussion of the old and new institutionalism follows:

### **3.2.3 Old Institutionalism**

Philip Selznick has been one of the major researchers in the area of old institutionalism. In his essay, *Foundations of the Theory of Organization*, he suggests that “In large organizations, deviations from the formal system tend to become institutionalized, so that “unwritten laws” and informal associations are established.” (Selznick, 1948, pg. 36). According to Selznick formal structures ultimately are subjected to human behaviours that adjust the structures. Organizations can be viewed in two different ways. Firstly, they can be seen as an economy where scarce resources and efficiency and effectiveness are key factors

for survival. Secondly, they are an “adaptive social structure” (pg.26). The formal systems are influenced by the actors, individually and as a whole, and are broken down and changed.

In another critical piece of work in the area of old institutionalism, Selznick writes that the study of an institution is more than just a look at history. A researcher is seeking to investigate the social environment around them and the impact it has on them as an institution (Selznick, 1957). In (Scott, 1987), Selznick’s approach “emphasized the importance of history – the ‘natural history’ of the evolution of a live form that is adaptively changing over time, and he stressed a holistic and contextual approach.” (pg.494).

What are the key differences between old and new institutionalism? New institutionalism looks at legitimacy as a key factor for organizations. They find that in order to be successful, they must appear legitimate to the external environment resulting in developing practices to meet this legitimacy concern (Selznick, 1996). Old institutionalism stresses the political aspect, resulting in organizations being impacted more by the vested interests of parties rather than a sense of legitimacy (Powell and DiMaggio, 1991). For example, from Table 3.2, conflicts of interest are a central theme under old institutionalism while conflict is not a critical factor in new institutionalism. Some early examples of research using old institutionalism as a framework of analysis include Selznick’s examination of the Tennessee Valley Authority (TVA) and a study of a federal and state bureau (Selznick, 1949; Blau, 1955 as cited in Scott, 2001, pg. 22). The TVA was created in the 1930s to assist in economic development in the area. Selznick’s study in 1949 looked at the TVA organization and the people within it and found that individuals may operate within an organization separate from the formal structures of that organization.

### **3.2.4 New Institutionalism**

Throughout our history of the development of institutional theory, to date, there have been numerous studies done that look at what organizations are and why organizations do what they do, (for example: Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Zucker, 1988; Barley and Tolbert, 1997; Scott, 2001). The focus of one of the studies above was a discussion about why firms in similar industries seem to look the same (closely resemble each other). This study, taking an external perspective, relied on neoinstitutionalism to investigate (DiMaggio and Powell, 1983).

In their research, Meyers and Rowan state that “Institutional rules function as myths which organizations incorporate, gaining legitimacy, resources, stability, and enhancing survival prospects.” (Meyers and Rowan, 1977, pg.340). They discuss how formal structures from organizational charts to offices exist but that the actual activity that takes place within the organization differs from those formalities, referring to this as ‘loose coupling’ (Meyer and Rowan, 1977) (pg.43) . So rules and procedures that dictate how activities should be done are produced, but the actual day-to-day operations may be done very differently.

In their study of organizations and neoinstitutional theory, DiMaggio and Powell discuss the fact that those that adopt new technologies often do so to improve their performance, while others adopt a similar plan in order to gain legitimacy (DiMaggio and Powell, 1983). They continue by stating that an organization’s perceived need for legitimacy often causes them to continue even when it may not be efficient to do so. In their work on organizations, Meyer and Rowan also suggest that they do things in order to gain and maintain legitimacy (Meyer and Rowan, 1977). This often comes at the expense of efficiency. They also



suggest that organizations use external assessment criteria when forming structure. Awards and endorsements (such as Internet reporting awards for investor websites) are used as a means of designing how things are done; again potentially at the risk of a lack of efficiency.

How does this concept relate to the study of IFR websites? Historically, companies have produced paper reports and financial information has been provided to outside stakeholders via newspapers, hardcopies of reports, and other more traditional forms of communication. The innovation of the Internet has created a new way of communicating with stakeholders. This mode of communication requires continuous change (for example incorporating the use of Facebook and Twitter) and companies may believe that they need to continue to push the limits of technology in order to ‘maintain legitimacy’ in the eyes of their stakeholders.

#### **3.2.4.1 Isomorphism**

Neoinstitutional theorists use the word isomorphism to describe the situation that happens when different organizations move towards a similar state. In other words, organizations facing similar conditions will move towards a point where they begin to resemble each other (DiMaggio and Powell, 1983). The social environment shapes the organization, resulting in congruence (Carruthers, 1995). Forms of isomorphism can be further broken down into two different types: competitive and institutional isomorphism.

#### **3.2.4.2 Competitive Isomorphism**

Competitive isomorphism is concerned with things like market competition. According to Tuttle and Dillard (2007, pg. 390), competitive isomorphism looks at how ‘buyers and sellers compete for scarce resources’. In the beginning, the main motivation is one of

economic survival but over time, social survival comes into play and organizations must continue in order to legitimize what they are doing. Then there is a natural progression towards the next stage; institutional isomorphism.

### **3.2.4.3 Institutional Isomorphism**

Institutional isomorphism is concerned with the fact that all organizations are aware of what other organizations are doing (DiMaggio and Powell, 1983). “Organizations compete not just for resources and customers, but for political power and institutional legitimacy; for social as well as economic fitness.” (DiMaggio and Powell, 1983, pg 150). It is something that is a natural next step after competitive isomorphism (Tuttle and Dillard, 2007).

Market forces may no longer dominate, dissipating with the level of competition. For those who are already in the fore, their modes of behavior (processes and procedures) become routine, facilitating stability. As these routine behaviors decouple from competitive measures, they are more likely to become ceremonial and political influences. For those who are not in the fore, forces within the organizational field create pressure to adopt behaviors similar to those of ‘successful’ entities. (Tuttle and Dillard 2007, pg. 390)

Within institutional isomorphism, there are three distinct areas according to DiMaggio and Powell: coercive, mimetic and normative (DiMaggio and Powell, 1983). These isomorphic forces are explained below and have been the subject of extensive research since the article was first published. Research into American Journals in 1999 revealed that there were 26 separate journal papers on one or more of the three (Mizruchi and Fein, 1999).

Normative isomorphism refers to professions and how they tend to create organizations that resemble each other as members of those professions are trained in a similar fashion. For example, students who attend the same university for four years, in the same program, will tend to graduate with similar thought processes and beliefs that they will carry to the

workforce. If enough of these students are hired by the same company, they will tend to influence the company's culture and structure. Professional designations are another example that tends to lead towards normative isomorphism because they also create a group of individuals with similar thought processes. A study on accounting research concluded that normative isomorphism was occurring (Tuttle and Dillard, 2007). These normative pressures included "generally accepted rankings of field members, acknowledged centers of competence, generally accepted research norms and values, entrance requirements, and socialization mechanisms." (Tuttle and Dillard, 2007, pg. 393)

Coercive isomorphism looks at how regulatory and other external forces cause organizations to act in such ways as to ultimately resemble each other. According to Tuttle and Dillard (2007), coercive isomorphism occurs when external powers such as customers, stakeholders and government creates conformance demands. In some cases this power influence can be formalized (through rules and regulations) or it may be more informal (i.e. through guidelines that are not enforced but greatly encouraged). For example, in the study of four State governments in the United States, pressures to implement generally accepted accounting principles were coercive as they found that the dependence on the Federal government for resources enabled the government to dictate how the States should proceed (Carpenter and Feroz, 2001).

Mimetic isomorphism looks at how organizations make themselves look like other organizations by adopting similar approaches. This might be due to a changeover of staff resulting in new staff bringing their past structures to the organizations or it may be a result of organizations copying other organizations' innovative processes to "enhance legitimacy"

(DiMaggio and Powell, 1983). For example, organizations may create benchmarks for superior IFR websites and then use those benchmarks to modify their own sites. Within the academic area, schools who are looking to alter their promotion and tenure criteria would most likely look at other schools who have successful processes in place and produce similar guidelines (Tuttle and Dillard, 2007).

Normative isomorphism may play a certain role in IFR development as more education and more definitive roles are created and defined within an organization. However, while all three factors are present, more important to the study of IFR and IFR departments is the coercive and mimetic forces that exist and how they influence the actors and organizations. This does not preclude this from becoming an important factor in the future if professional bodies begin to create more formalized accreditation programs for investor relations departments (and more specifically IFR functions).

Meyer & Rowan and DiMaggio & Powell state that neoinstitutional theory does look at how the organization can influence others. For example, an organization (or organizations) can create innovations that society and others will find to be the 'norm' (Meyer and Rowan, 1977; DiMaggio, 1988). This creates pressures for other organizations to follow. This particular concept may be closely related to the use of the Internet to disseminate financial information and the wave of companies that moved towards this medium from 1998-99 to the present.

### **3.3 Limitations of Institutional Theory**

Institutional theory, in both forms is not without its critics. Having originally been used in public sector and not-for-profit organizations, some theorists have said that the theory does not really provide a complete picture of what goes on inside an organization or why organizations react to the environment around them. Powell noted three areas where institutional theory did not perform well (Powell, 1991): (1) Work in the area tends to put too much emphasis on for-profit and not-for-profit differences; (2) A failure in understanding why organizations do not move towards a more optimal system over time; and (3) A failure to look more deeply at change within an organization. Notwithstanding this critique, institutional theory continues to be used and adapted to assist in better understanding organizations.

Through discussions with individuals that have been involved with the organization's IR website for a period of time, the case study in this thesis will examine the rules and routines that have developed and been institutionalized over time within one company. While not focusing deeply on the organization as a whole, the study does examine the changes that have taken place within the IR department (and specifically the website component) over an extended period of time.

In their discussion of old and new institutionalism, Hirsch and Lounsbury suggest that it is important to look at how each can offer their unique perspective on organizations and that using more than one perspective may provide better insight into organizations' actions and structures (Hirsch and Lounsbury, 1997). By choosing to use just one, a one-sided view of what forces and pressures shape organizations is at risk of happening. Selznick (1996) also

reflected this statement, suggesting a much greater picture of an organization can be gained by looking at both the old and the new aspects of institutional theory.

### **3.4 Institutional theory and Accounting**

Institutional theory research has been used to explain why organizations do what they do and has been employed in a large number of different institutions and institutional settings to improve the general understanding of organizational behaviour. For example, in trying to understand management accounting practices more specifically Scapens says:

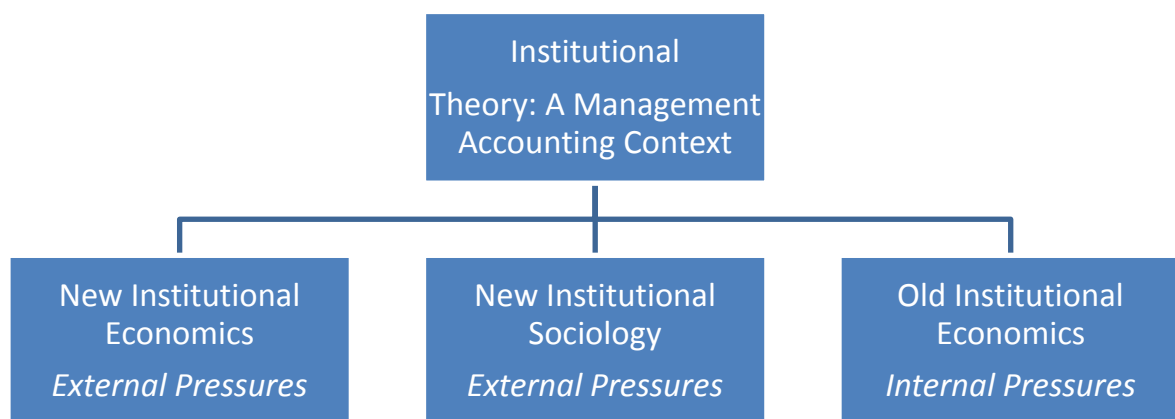
Clearly, there are broad economic, social and organisational trends that effect the way in which companies and their individual practices emerge. But in addition, there will also be unique factors, relating to the specific organisation, which shape its management accounting practices. To understand these practices, we need to study the interplay of the broad systematic trends and the unique idiosyncratic factors – i.e. the mish-mash of inter-related influences. Here, institutional theory can help us understand management accounting practices (Scapens, 2006, pg.10).

The evolution of the Internet and its use by corporations for transmitting information has ultimately resulted in change to organizational practices. In this study, I argue that institutional theory can be adopted as a means of trying to understand the rules and routines that have developed and changed with the development of IFR, just as they are applicable to other practices such as management accounting.

The previous sections investigated institutional theory and its two critical viewpoints more generally as part of the wider domain of organizational theory. The next sections of this chapter begin to focus more narrowly on research with institutional theory from an accounting context (using management accounting as a specific example in which prior work using institutional theory is well established).

In the accounting field, research has tended to focus on three key areas (Burns and Scapens, 2000) within institutional theory. For the purposes of this research, and depicted here in Figure 3.1, it is helpful to visually show how institutional theory can be broken down into these sub units.

**Figure 3.1: Institutional Theory**



(Adapted from Scapens, 2006, pg 11)

This figure depicts the various ways in which institutional theory can be used to investigate organizations on a number of levels and there is a blending of both old and new institutional theory from both an economics and a sociology viewpoint.

According to Scapens, research using institutional theory can be broken down into three areas, each with a slightly different focus. These three areas of institutional theory, namely New Institutional Economics (NIE), Old Institutional Economics (OIE) and New Institutional Sociology (NIS), can be used to look deeper into management accounting practices and organizations (Scapens, 2006). These sub areas were initially formally discussed in the Powell and DiMaggio essay (Powell and DiMaggio, 1991) and blend both

old institutionalism and neoinstitutionalism. Scapens uses the work of Meyer and Rowan (1977) in the area of public sector organizations, to describe NIS. It was this work that describes the concept of isomorphism discussed previously.

### **3.4.1 New Institutional Economics**

In his study of management accounting practices, Scapens states that NIE is ‘concerned with structures used to govern economic transactions’ (Scapens, 2006, p11). NIE takes a more traditional approach to the study of management accounting. It is generally similar to neo-classical economic theory and not necessarily good at ‘analyzing processes of change’ as it is based on transaction costs rather than processes.

### **3.4.2 New Institutional Sociology**

NIS is ‘concerned with institutions in the organizational environment that shape organizational structures and systems’ (Scapens 2006, pg. 11). Scapens writes that NIS explores why organizations act in similar ways and investigates how different pressures and processes shape organizations. It seeks to find out the effects that social, economic, and political forces have on the organization. Therefore, NIS takes an external perspective, seeking to explain how these external forces shape the path that an organization takes. For example, an NIS approach would examine whether the existence of investor relations’ websites lead other organizations to do the same.

In their discussion of new institutionalism, Powell and DiMaggio highlights key areas such as legitimacy, routines, habits, practical actions, and persistence (Powell and DiMaggio, 1991). Thus new institutionalism is more concerned with structure. In essence, this new



institutionalism suggests that what we say we do in an organization may not necessarily be what we do.

In his discussion on NIS, Scapens (2006, pg. 13) cites several examples of management accounting studies that incorporated the use of NIS (Covaleski et al., 1993; Collier, 2001; Modell, 2001). These studies examined topics from budgets to practices in management accounting.

### **3.4.3 Old Institutional Economics**

OIE is 'concerned with institutions that shape the actions and thoughts of individual human agents' (Scapens, 2006, pg. 11). According to Scapens, OIE seeks to explain behaviour. Generally, OIE focuses on intra-organizational activities. Scapens states that this theory is most applicable in research that looks at the way that organizational changes have taken place. As was discussed earlier when both old and new institutional theories were examined, OIE is an area that looks at values, norms, and attitudes with a structural emphasis on informal structures (Powell and DiMaggio, 1991).

Three key areas within OIE can be helpful in understanding management change and would be potentially helpful in understanding changes as a result of IFR (Burns and Scapens, 2000). Researchers can look at: (1) Formal versus informal change, (2) Revolutionary versus evolutionary change, and (3) Regressive versus progressive change. When looking at formal versus informal change, we are seeking to determine if change has resulted from conscious decisions and actions (formal) or from actions that are more subconscious (informal). Both are important in understanding rules and routines. In revolutionary versus

evolutionary change, we are looking at a sudden change (revolutionary) versus the more subtle changes that take place with rules and routines. Regressive versus progressive change seeks to observe if an organization's structure results in resistance to institutional change based on power structures (regressive), or if the structure allows for innovations such as technology to alter how an organization operates (progressive).

These three areas can be used to look more deeply at how IFR has impacted organizations and its actors. For example, in the absence of more formal rules specific to IR websites (given that it is a new area within corporate departments relative to other areas such as accounting or purchasing), are those actors working with an IR website establishing routines in an unconscious fashion or are there formal rules entrenched? The perceptions about how management has embraced the technology can be examined in determining if there has been regressive or progressive change.

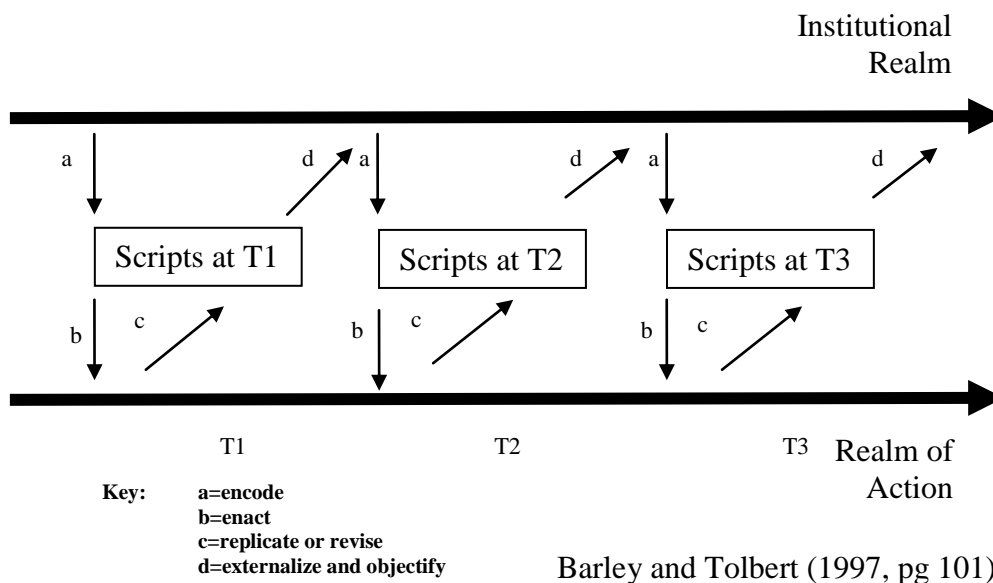
Having detailed how institutional theory can usefully be applied in accounting research and, more specifically IFR research, in the next section I will explore research frameworks others have used to facilitate this work.

### **3.5 Frameworks for Studying Change**

Based on the literature review, there are several institutional theory based frameworks that others have used to study change. Giddens (1984) developed a framework based on structuration. Another framework was developed by Barley and Tolbert (1997), having adapted it from Giddens views on structures and actions as found in (Giddens, 1984). In their model, Barley and Tolbert also had two realms: institution and action. In their

framework (See Figure 3.2) they used vertical arrows to show how the institutions placed constraints on action, and diagonal arrows to show how actions could alter or change the institution (Barley and Tolbert, 1997). The key difference between Giddens (1984) and Barley and Tolbert (1997) is that the Barley and Tolbert (1997) framework recognizes change over time - as shown by the diachronic arrows (arrow c).

**Figure 3.2: A Sequential Model of Institutionalization**



Scripts are “*observable, recurrent activities and patterns of interaction characteristic of a particular setting.*” (Barley and Tolbert, 1997, pg.98, emphasis in the original). Scripts are the activities done by the actors at the level of analysis examined by the researcher. Barley and Tolbert’s framework begins by showing how institutions code rules and expectations (arrow a), that is, what should be done. Arrow b shows how the actors enact the script whether consciously or unconsciously. Although in most cases actors do so on an unconscious level (the way that things are), it is on the conscious level that actors can most likely modify institutions. Arrow c shows the “degree to which behaviours revise or replicate the scripts that informed the action” (Barley and Tolbert, 1997, pg 102). A

specific intent to modify the scripts is what will generally result in institutional change. “Changes in technology, cross-cultural contacts, economic downturns, and similar events increase the odds that actors will realize that they can (or must) modify an institution” (Barley and Tolbert, 1997, pg 102). The final arrow (arrow d) objectifies and externalizes the script. The arrow (d) then “...entails the objectification and externalization of the patterned behaviours and interactions produced during the period in question.” (Barley and Tolbert, 1997, pg. 102). Finally, the scripts show T1, T2, etc. representing that the process is a longitudinal one, and that it is over time that these changes occur.

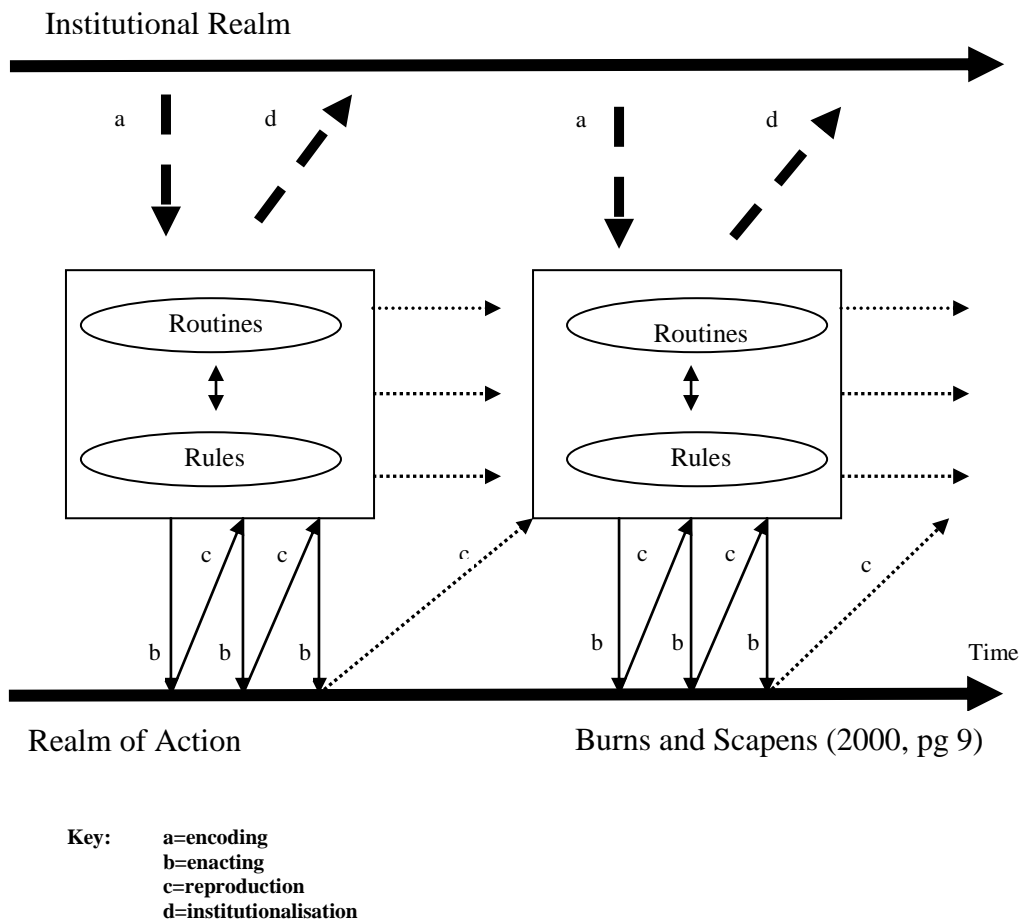
Barley’s research study on two radiology departments and a new CT scanner, provide an example of what a script is (Barley, 1986). In his case study, Barley observed how a technologist asked the radiologist about a course of action and how the radiologist provided the direction even though the technologist had obviously done the procedure before. In this case the observation showed the power the radiologist had as an expert in the area.

Another framework was developed and adapted from the one above. It was developed as a way to specifically look at changes within the management accounting area. In investigating management accounting practices, Burns and Scapens suggests the following:

The starting point for our institutional framework is the recognition that management accounting practices can both shape and be shaped by the institutions which govern organizational activity. (Burns and Scapens, 2000, pg5)

Burns and Scapens developed a framework, based on the concepts of institutional theory, which enables us to look at management accounting practices. This framework is reproduced in Figure 3.3.

**Figure 3.3: The Process of Institutionalization [Burns and Scapens (2000) Framework]**



In developing their framework, Burns and Scapens note that it was not developed primarily for empirical and hypothesis testing and that it is best used for more interpretive work such as cases looking at management accounting and change processes (Burns and Scapens, 2000). This framework is primarily based on OIE providing the ability to take a micro look at an organization by observing the internal processes in place. Before explaining the framework in more detail, it is helpful to examine Scapens' views on habits, routines, and rules.

Habits, routines and rules assist in defining and changing institutions through time. Scapens suggests that habits are more personal in nature while routines and rules tend to be more group oriented (Burns and Scapens, 2000). Rules tend to be the way that “things should be done”. Scapens (1994) states that rules are required in order to have ‘coherence’ within the group. Often alternatives are discussed and examined and rules are made in order to alleviate the need to re-examine these alternatives each time. Scapens continues by stating that rules, over time, become something that is implied or understood, thus becoming routines. In summary, Scapens defines rules as things that ‘should be done’ and routines as things that ‘are actually done’. Rules tend to be changed only at certain time intervals, whereas routines tend to result in continuous change (Burns and Scapens, 2000).

Over time, rules that become routines will be modified by the group. For example, in terms of the Internet, a rule may have been made to place an annual report on the website as a single PDF file. Over time, groups within the organization find that breaking this file up into smaller components may allow for faster downloads. This modification may result in new rules being introduced.

The framework in Figure 3.3 proposes that rules and routines are sent down to actors (those employed by the organization) who act on those established rules and routines (arrow b) and reproduce them (arrow c). At points along both arrow b and arrow c, there may be some conscious decision made to resist these routines and rules. As they are reproduced, those conscious and unconscious decisions will result in changes to the rules and routines which ultimately are institutionalized, shown by arrow d. Eventually, this becomes how things are done. The movement of the rules and routines happens as a result of changes over time but

they are still influenced by the previous rules and routines as noted by the dotted line (arrow c).

The next section provides a discussion of the proposed application of the Burns and Scapens framework to IFR.

### **3.6 The Application of Institutional Theory to IFR**

The Burns and Scapens (2000) framework looks at processes of change and how routines (or what is actually done) can become what is done, whether in a formal or informal manner (taken for granted). This Burns and Scapens (2000) framework, while closely related to Barley and Tolbert (1997), I argue here, works well in an investor relations department as this department is typically largely responsible for an IR website. As a new part of some organizations (new relative to other organizational areas), this framework allows for the investigation into what processes are taking place with respect to IR websites and if there have been formal or informal changes.

In their work, Burns and Scapens use the example of the addition of a new senior management team. This team will need specific information to track the organization's activities (Burns and Scapens, 2000). Consequently, new rules will develop and bring about new routines. And over time, these may become universally accepted and unquestioned, resulting in institutionalization. Other cases have been written using the framework as a basis for understanding the processes of change (Soijn et al., 2002; Burns and Baldvinsdottir, 2005; Coad and Cullen, 2006; Guerreiro et al., 2006; Ribeiro and Scapens, 2006). The Internet use for financial information became an innovative technology for companies that

resulted in the addition of new roles and new departments in a manner similar to the example proposed by Burns and Scapens and the internal processes may be investigated by using the framework developed by Burns and Scapens.

In addition to the above Scapens framework that looks at how internal routines have developed, it is the concept of NIS that also has some interesting ties to the area of IFR. By looking at external influences, it seeks to discover why companies tend to be the same. In other words, why did all companies move towards the use of the Internet to disseminate financial information? Why do companies disclose voluntary information when they do not have to? What is driving them to put the information on the web site? What rules and routines were put in place and how have employees within the investor relations department acted on and shaped these?

The framework developed by Burns and Scapens for looking at management accounting changes using OIE can therefore, again I argue, be applied to better understand the rules and routines that have been created, used, and changed by investor relations' departments as the use of IFR has evolved. In order to provide a complete picture, the concepts of new institutionalism and its emphasis on external influences cannot be ignored and an examination of both the internal (micro) and external (macro) influences will provide a picture of how an IR department institutionalizes its processes (Ribeiro and Scapens, 2006).

As stated in section 3.3, there are limitations to the use of institutional theory. It is not proposed to test the theory when looking at IFR, but rather to apply it (on the basis it has had reasonable prior exposure to various domains) to gain a better understanding of the



practices that are in place; that is, why and how they have developed to the extent the use of institutional theory allows.

### **3.7 Conclusion**

It is argued that a broad exploratory approach to investigating IFR would include an investigation into how rules and routines have shaped and been shaped and ultimately institutionalized. This chapter looked at institutional theory and discussed the varied types of institutional theory that exist in the literature. Institutional theorists use both old and new institutionalism from a variety of different disciplines, such as political science and sociology, in understanding how organizations become institutionalized. While there are many viewpoints on the old and the new, it has been shown in this chapter that both can be used to explain the internal and external forces on organizations.

The next part of the chapter focused more narrowly on existing frameworks that can be used to explain IFR. It is argued in this research that the Scapen's framework could be used to explain IFR within an organization, and could incorporate both internal and external influences.

This chapter proposes that, based on the research, the investor relations department can be defined as an organizational subunit and that aspects of institutional theory can assist in better understanding why they post information (both voluntary and involuntary) to their Internet websites, and what rules and routines may have been institutionalized within the IR department.

Based on the literature, both old and new institutional theory can help us better understand why companies act the way they do in providing financial information over the Internet. Given that this is not a regulatory requirement, other factors, either mimetic or normative, must play a part. Institutional theory can therefore be used to assist in understanding internally why organizations have created, maintained and altered their websites the way that they have, and externally what forces are placing pressures on them. This is done in Chapter 9 of the study where a case study is used. Chapter 6 will outline the methods used in this thesis.

The next chapter reviews the literature on voluntary and non-voluntary disclosure and how institutional theory, and the research on disclosure, can be used together to investigate more deeply website usage by corporations.

## **4. DISCLOSURE OF FINANCIAL INFORMATION**

### **Review of the Literature on Voluntary and Non-Voluntary Financial Disclosure**

#### **4.1 Introduction**

In Chapter three, the Burns and Scapens (2000) framework was investigated as a framework that can be used to explain how IFR has evolved within a corporation. Chapter three also concluded that both internal and external influences were important in our understanding of how IR websites have evolved over time. A corporation's disclosure policy includes information required by regulatory authorities and information that is disclosed at the discretion of the corporation. Chapter seven will investigate the specific IFR disclosures that have evolved over a period of six years. It is, however, important to gain an understanding of the different types of disclosures a company can/may make and to review the literature that suggests reasons behind a company's decision to make the disclosures. Although it is not the focus of this thesis to look only at the voluntary disclosures of a firm, this understanding will help during the case study when exploring why corporations may post particular information to the website.

Beyond the overview of the objectives of financial reporting, this chapter continues with one central theme – summarizing what is known about voluntary and non-voluntary disclosures made by public companies. In addressing this theme, this chapter answers two main questions. The first question asks: What does the prior literature say about voluntary and non-voluntary disclosures and why are some corporations more likely to voluntarily disclose more information than others do? To summarize, research studies on voluntary disclosures have shown that larger firms tend to be more sensitive to the public than smaller firms (due to extra issues such as political costs) (Watts and Zimmerman, 1978) and firms

disclose more information in order to reduce information asymmetry and to reduce the cost of capital (Verrecchia, 1983; Botosan, 1997; Healy and Palepu, 2001). While mostly empirical in nature, and where this study is qualitative in essence, examining these studies will assist in drawing out key questions for the case interviews and will frame the information gathering process that will be used to gain insights into the organization's views on IFR. In addition, this section within the chapter serves as a prelude to chapter five. In chapter five, the examination of general disclosure practice is extended specifically to IFR disclosures and to how research on general corporate disclosures can enhance our understanding of IFR disclosures activity.

The last part of this section examines the filing guide from the TSX (TSX, 2006b) and lists the disclosure requirements for publicly listed companies in Canada. The single case study undertaken in Chapter nine examines a Canadian public company that is impacted by the disclosure rules of the TSX. A listing of voluntary disclosure items is also presented in this part of the section. This list, compiled from work completed in Chapter eight, will complement the TSX list and present a complete package of possible items a corporation could disclose.

The second question this chapter asks is: What commonalities exist between institutional theory and the literature on voluntary and non-voluntary disclosures? This thesis is using an institutional framework and a single case study to gain a better understanding of why organizations use the Internet to disseminate financial information. Since IFR includes both voluntary and non-voluntary financial information, the second question is used to tie together the research on voluntary disclosure to the institutional theory literature (as

reviewed in Chapter three). Through the research of Gibbens, et al. (1990), it is found that firms' disclosure policies are influenced by both the internal norms and rules in place and by external forces that demand information.

## 4.2 Objectives of Financial Reporting

How and what corporations should disclose to their stakeholders has been a topic of discussion and debate for years. Well before the invention of the Internet, researchers have investigated corporate reports for issues such as readability, responsibility, and transparency. In 1964, an article was written that looked at the objectives of corporate accounting reports (Rappaport, 1964). Rappaport discussed issues surrounding corporate reporting including who corporations are responsible to and what role external accountants should take in the reporting function. He discussed the fact that there were no clear objectives for financial reporting and that there was no grounding for them. He addressed the fact that even in 1964 there was discussion as to what responsibility corporations have to the public in terms of reporting and he suggested the following [Rappaport 1964, Pg.952]:

1. Determine to whom published corporate accounting reports *should be* directed.
2. Determine what types of information *should be* communicated to the selected audience.
3. Determine what part of such information *should be* examined by independent public accountants as part of their attest function. [italics in the original]

Based on his discussions of social values, he suggested these four basic objectives [Rappaport 1964, pg. 958]:

1. Management of corporations have a reporting responsibility to those impacted by their decisions [investors, employees, consumers, suppliers, local communities and the public at large],

2. Any group with legitimate interest in the corporation should be provided with information to make their judgments,
3. Groups responsible for allocating resources within our economy should be given information to promote efficient allocation, and
4. Information that enables us to sustain our basic values by calling attention or discouraging 'undesirable behaviour'.

Rappaport goes on to say that given the societal views, corporations should have a duty to report to investors, employees, consumers, suppliers, local communities and the public at large.

### **4.3 Voluntary versus Non-Voluntary Information**

In their article on corporate financial disclosures, Gibbins et. al. (1990, pg. 122) define financial disclosures as "...any deliberate release of financial information, whether numerical or qualitative, required or voluntary, or via formal or informal channels."

In effect, anything that is not required to be disclosed by corporations but is disclosed by them is essentially voluntary disclosure. In their work on financial disclosure strategies on stock prices, Healy and Palepu (1993) suggest that voluntary disclosures "include articulation of the company's long-term strategy, specification of non-financial leading indicators useful in judging the effectiveness of the strategy implementation, and discussion of the relation between the leading indicators and future profits." (Healy and Palepu, 1993, pg. 5). In summary, voluntary disclosures could be anything from narratives (e.g. letters from the President), to stock price histories, to secondary quantitative information that supports the main financial information such as the annual report. More detail on examples of voluntary disclosures is found in Section 4.4.

Who mandates these disclosures? Required disclosures for Canada are specifically discussed in Section 4.4. In general minimum required disclosures are determined by the stock exchange and the securities commission where the company is listed.

Why do corporations disclose voluntary information in the first place? The literature suggests several reasons for this. In their research, Healy and Palepu (1993) begin by suggesting that financial reporting can provide useful information in most situations except under these three circumstances: managers have more information than users, managers motivations may be different than stakeholders, and audit and accounting rules are not perfect (pg.2). As a result of this imperfect balance in information, they suggest that managers will either disclose more financial information than the minimum they are required to by law/regulation or to change their accounting policies (pg.4). These disclosures include voluntary disclosures which firms believe will increase their credibility (Verrecchia, 1990).

In their analysis of disclosures, Lang and Lundholm (1996) conclude that more disclosures will lead to a decrease in information asymmetry and an increase in analyst following; both are benefits for organizations as they obtain greater coverage. They state that there is an increase in the number of analysts following a corporation if there is more information disclosed. Other research suggests a similar result; when compared to other firms, those that disclose more useful information, will have more analysts follow them (e.g. Fishman and Hagerty, 1989). Further research also suggests that analysts tend to look closer at good news that is disclosed by organizations than to bad news. As a result, firms tend to ensure that bad news is accurate (by spending more time scrutinizing the news), but less time ensuring the

accuracy of good news (Langberg and Sivaramakrishnan, 2008). Based on the research, companies perceive that disclosures exceeding the required minimum are warranted when “the benefits outweigh the costs.” (Marston and Shrikes, 1991, pg. 196)

There are both benefits and costs associated with voluntary disclosures. Table 4.1, taken from a report produced by the Financial Accounting Standards Board, highlights the potential costs and benefits (FASB, 2001).

**Table 4.1: Costs and Benefits of Voluntary Disclosures**

<b>Benefits</b>	<b>Costs</b>
<ul style="list-style-type: none"> <li>• Lower average cost of capital</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive disadvantage from their informative disclosure</li> </ul>
<ul style="list-style-type: none"> <li>• Enhanced credibility and improved investor relations</li> </ul>	<ul style="list-style-type: none"> <li>• Bargaining disadvantage from their disclosure to suppliers, customers, and employees</li> </ul>
<ul style="list-style-type: none"> <li>• Access to more liquid markets with narrower price changes between transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Litigation from meritless suits attributable to informative disclosure</li> </ul>
<ul style="list-style-type: none"> <li>• Likelihood that investors will make better investment decisions (as users of other companies’ financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>• The general economy bears the cost of developing, presenting, understanding, and analyzing informative disclosure</li> </ul>
<ul style="list-style-type: none"> <li>• Lesser danger of litigation alleging inadequate informative disclosure and better defenses when such suits are brought</li> </ul>	<ul style="list-style-type: none"> <li>• The general economy bears the cost of the drag on growth from meritless suits attributable to informative disclosure</li> </ul>
<ul style="list-style-type: none"> <li>• More effective allocation of capital</li> </ul>	
<ul style="list-style-type: none"> <li>• The investment effect of a lower cost of capital</li> </ul>	
<ul style="list-style-type: none"> <li>• More liquid capital markets</li> </ul>	

FASB (2001, pg. 18)

This would again suggest that more information lowers the cost of capital and produces many other potential benefits to the disclosing entity. Entities that have increased disclosures would be viewed as a less risky investment if users believe that all the information has been presented. However, overall, there are competitive costs associated with too much disclosure and the firms will attempt to balance both. Healy and Palepu



(1993) agree with this tradeoff by stating that managers will be faced with a decision about how much information is enough information. Managers must decide to provide enough information so that the markets can value their stock effectively while ensuring that they don't divulge too much information and lose market share within their industry. Ultimately, providing information today to enhance current market prices may divulge too much information to competitors, and impact future values. This can become a major cost to the firm (Verrecchia, 1990).

In their report on corporate disclosures, Gibbins, et al. (1990) attempt to address, through interviews with multiple corporations, who makes decisions on corporate disclosure. Their research, based on interviews with 20 corporations, suggests that a firm's disclosure policies are a function of the norms and routines embedded within an organization, as well as the external influences around them. They define financial disclosures as any deliberate release of information including news releases, speeches, debt or equity announcements, and financial statements. They define a disclosure process as the "...activities and procedures, the individuals or groups involved, the alternatives considered, the timing and sequence of events, and the threads and connections among people and events." (Gibbins et al., 1990, pg. 126). They continue by stating that there is often a set routine to the output, called "pigeonholes" (pg.129) that are in place where information is automatically generated and placed.

According to Gibbins, et. al (1990) companies' disclosures are often based on ritualistic behaviour; where patterns are established and repeated based upon internal processes and not solely driven by external pressures. In addition, they state that a firm's disclosure

practices are also based upon opportunistic behaviours where managers behave a certain way because they believe there are opportunities to do so. Externally, firms are impacted by such things as legislation and regulations, previous arrangements to share information with other organizations, and industry set “norms for disclosure’ (Gibbins, et. al., 1990, pg.131). Overall, their research would suggest that an organization’s disclosure practices are influenced both internally by the norms and routines established (and by the individuals such as CEO’s and others of influence within the organization), and externally by the advantages a firm expects to get (in terms of increased investors, and access to more liquid capital markets). These external influences are in keeping with other researchers’ views of corporate disclosure practices (For example: Verrecchia, 1983).

The motivation of managers to disclosure information creates, in turn, users of that information who question whether everything has been disclosed (Verrecchia, 1983). He concludes that managers will weigh how much information to provide without jeopardizing the “price of the risky asset” (Verrecchia, 1983, pg. 192). Traders will receive the information and will evaluate it based on how much they believe the managers may be withholding information. A state of equilibrium is obtained when “...a manager’s motivation to withhold information is consistent with traders’ conjecture as to how to interpret that action.” (Verrecchia, 1983, pg. 192)

In summary, the literature on voluntary disclosures suggests that companies release this information in order to legitimize themselves as positive investments in the eyes of traders, investors and others. This should, in turn, lower their cost of capital. At the same time,

companies must balance how much information is too much information resulting in a loss of their competitive position in the marketplace.

#### **4.4 Disclosures in Canada**

In Canada, the primary regulatory markets are the Toronto Stock Exchange (TSX) and the Canadian Securities Administrators (CSA). Companies listed on the TSX must file with the System for Electronic Document Analysis and Retrieval System (SEDAR). SEDAR is a public website that holds all required documents of publicly listed companies in Canada. Publishing required CSA and TSX documents on the SEDAR website, within the proper timeframe, is enough to meet filing requirements<sup>4,5</sup>.

As a starting point for determining the range of non-voluntary disclosures Canadian companies may be making, the TSX filing guide was examined for a listing of required documents. Documents are divided between periodic filings (which include on-going documents such as quarterly and annual reports) and filings based on specific events that may occur. Table 4.2 and Table 4.3 are adapted from the 2006 TSX Filing guide and represent the on-going periodic and event driven filings respectively (TSX, 2006b). It shows what is required to be filed, who is required to receive it, and in what form.

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<sup>4</sup> See the Toronto Stock Exchange Filing Guide, Q4 2006 at [www.tsx.com/en/pdf/TSXFilingGuide.pdf](http://www.tsx.com/en/pdf/TSXFilingGuide.pdf)

<sup>5</sup> A further discussion of the TSX and the CSA with respect to regulations is in Chapter 5

**Table 4.2: Periodic Filings**

<b>What</b>	<b>To Whom (How Filed)</b>
Quarterly financial statements and interim MD&A	TSX Compliance and Disclosure (SEDAR) Securities Commissions (SEDAR) Securityholders (Mail or electronic delivery)
Annual financial statements and MD&A	TSX Compliance and Disclosure (SEDAR) Securities Commissions (SEDAR) Securityholders (Mail or electronic delivery)
Annual report	TSX Compliance & Disclosure (Mail or electronic delivery) Securityholders (SEDAR or Mail)
Annual Information Form (AIF)	Securities Commissions (SEDAR) Securityholders (Upon request)
CEO and CFO Certification	Securities Commissions (SEDAR) Securityholders (Upon request)
Mailing of Notice of securityholder meetings and management proxy solicitation information circular	TSX Listed Issuer Services (SEDAR or Fax) Securities Commissions (SEDAR) Securityholders (Mail or electronic delivery)
Notice of record date and meeting date	Securities Commissions (SEDAR) TSX Datalinx (SEDAR or Fax) CDS (Via transfer agent or Fax)
Voting results	Securities Commissions (SEDAR)
Dividend or distribution declaration (cash and stock)	TSX Listed Issuer Services (TSX SecureFile) RS Market Surveillance (Via telephone or fax) News Service
Change in outstanding and reserved securities	TSX Listed Issuer Services (TSX SecureFile)
Corporate governance disclosure	Securityholders (in issuer's information circular)
Security based compensation arrangement disclosure	Securityholders (In issuer's information circular) TSX Listed Issuer Services (In issuer's information circular)

From TSX Filing Guide, A Toronto Stock Exchange Guide, Q4 2006

In addition to the periodic filings, certain key events impacting a corporation are required to be filed. Table 4.3 lists the event driven filings.

**Table 4.3: Event Driven Filings**

<b>What</b>	<b>To Whom (How Filed)</b>
Material information (News Release)	RS Market Surveillance (Telephone or Fax) News Service
Material change report	Securities Commission (SEDAR)
Material changes to non-exempt issuers (junior issuers)	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing)
Business acquisition report	Securities Commissions (SEDAR)
Insider Reports	Securities Commissions (SEDI)
Rights offering	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing) Securities Commissions (SEDAR)
Additional Listing	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing) Securities Commissions (Mail)
Security based compensation	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Listing)
Grant of options	TSX Listed Issuer Services (TSX SecureFile)
Exercise of options	TSX Listed Issuer Services (TSX SecureFile)
Normal course issuer bid <ul style="list-style-type: none"> <li>• Notice</li> <li>• File section 189.1.3 report</li> <li>• News release</li> <li>• Monthly report of purchases</li> <li>• Issuer insider report</li> </ul>	<ul style="list-style-type: none"> <li>• TSX Listed Issuer Services (SecureFile)</li> <li>• L' Autorite (SEDAR)</li> <li>• Securityholders (Disclosure in next mailing)</li> <li>• TSX Listed Issuer Services (SecureFile)</li> <li>• Securities Commissions (SEDI)</li> </ul>
Redemption of listed securities	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing) Securities Commissions (SEDAR) Securityholders (Mail)
Stock consolidation	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing) Securityholders (Mail) TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing)
Stock split	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing) TSX Listed Issuer Services (Telephone or fax) (Dividend Administrator)
Charter amendments including name change	TSX Listed Issuer Services (TSX SecureFile)
Supplemental listing	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing) Securities Commissions (SEDAR)
Capital reorganization	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing) Securities Commissions (SEDAR) Securityholders (Mail)
Change to security certificate	TSX Listed Issuer Services (Courier copy to TSX)
Request for extension for filing financial statements or holding annual meeting	TSX Compliance & Disclosure (TSX SecureFile) Securities Commissions (Fax)
Change of transfer agent/registrar	TSX Listed Issuer Services (TSX SecureFile)
Creation of restricted securities	TSX Listed Issuer Services (TSX SecureFile or TSX Alternate Filing)
Documents affecting rights of securityholders and other material contracts	Securities Commissions (SEDAR, or paper format in certain instances)
Other Changes	TSX (TSX SecureFile)

From TSX Filing Guide, A Toronto Stock Exchange Guide, Q4 2006

As can be seen from the Filing Guide, there are several required filings. In addition to these required filings, companies also disclose information on a voluntary basis. As was discussed earlier, voluntary disclosures are any information provided to those outside the company that is above the minimum required disclosures (e.g. those in Table 4.2 and 4.3). Information that was obtained from work done in Chapter eight was compiled in order to present examples of voluntary disclosures. Based on work done by this researcher on corporate websites, financial statement readings, and readings on non-voluntary disclosures, Table 4.4 summarizes types of voluntary disclosures.

**Table 4.4 Examples of Voluntary Disclosures**

<p>News Releases</p> <ul style="list-style-type: none"> <li>▪ General announcements</li> <li>▪ Social disclosures</li> <li>▪ Award announcements (e.g. reporting awards)</li> </ul>	<p>Financial Related (not required disclosure)</p> <ul style="list-style-type: none"> <li>▪ Latest stock prices</li> <li>▪ Industry statistics or data</li> <li>▪ Analyst coverage</li> <li>▪ Financial information in Excel or other formatting</li> <li>▪ XBRL documents</li> </ul>
<p>Webcasts</p> <ul style="list-style-type: none"> <li>▪ Audio only webcasts</li> <li>▪ Audio with PowerPoint</li> <li>▪ Video webcasts</li> </ul>	<p>Communication</p> <ul style="list-style-type: none"> <li>▪ Ability to sign-up for automatic notification of news items</li> <li>▪ Ability to email investor relations</li> <li>▪ Really Simple Syndication (RSS) Feeds</li> <li>▪ Twitter/Facebook and other Social Media (discussed fully in Chapter 5)</li> </ul>
<p>Third Party Links</p> <ul style="list-style-type: none"> <li>▪ To SEDAR</li> <li>▪ To EDGAR</li> <li>▪ To Newswires where other news releases are located</li> <li>▪ To Analyst websites</li> </ul>	<p>Other</p> <ul style="list-style-type: none"> <li>▪ Contributions to Society (scholarships, local community awareness)</li> <li>▪ Environmental Disclosures (how they are maintaining environmental standards)</li> <li>▪ Why invest pages? (explaining why they are a good company)</li> <li>▪ History pages</li> </ul>

Table 4.4 shows that there are a number of disclosure items that corporations will provide in either traditional (print) form or electronic form that are not mandated or required. Each time this information is released, managers are choosing to do so because they perceive that the benefits of releasing it exceed the cost of doing so. In addition, managers of this

information may be disclosing it because other companies are doing so. This mimetic influence was discussed in Chapter 3 as a reason why isomorphism occurs.

This section discussed the required financial disclosures in Canada and created a list of examples of voluntary disclosures. The next section discusses how institutional theory can be used to examine how regulatory influences impact the IR website and its actors.

#### **4.5 Summary**

The literature on corporate disclosures suggests that corporations disclose information to lower the cost of capital, to affect stock prices and/or to reduce information asymmetry (e.g. FASB, 2001). The institutional theory framework suggested by Burns and Scapens (2000) helps in explaining how rules and routines become institutionalized and, in fact, how they can change or evolve over time. New institutionalism, with its emphasis on external influences, will assist in examining if regulatory requirements and guidelines to disclose information have any impact on the decisions made by members of the IR department. While the combination of the two (voluntary disclosure literature and institutional theory) provides a story of how the IR department has seen the IR website evolve and cannot be ignored, a key focus in this thesis will be on the legitimacy and coercive factors as they impact the IR department and its web team.

This chapter has examined the literature surrounding corporate disclosures and has highlighted the required disclosures for companies listed on the TSX. Previous research has completed empirical studies in the area of voluntary disclosures and Gibbins, et al. (1990) employed the use of grounded theory and interviews to investigate, on a deeper level, the

reasons behind financial disclosures. By using a combination of knowledge of corporate disclosure practices and an institutional framework, this thesis suggests that more information can be obtained around the issue of IFR and why corporations post what they do on the Internet. Do pigeonholes (as suggested by the Gibbin et al.'s research) exist for IFR or are corporations disclosing information on the website in a random and unorganized fashion? The disclosure processes discussed above can be better explored by examining the routines that have been established and altered with IFR.

The next chapter continues this discussion on corporate disclosures by exploring, in depth, the literature on IFR, including literature on investor relations as it relates to IFR.



## **5. A REVIEW OF INTERNET FINANCIAL REPORTING LITERATURE**

### **5.1 Introduction**

This chapter examines the research to date on IFR and extends the discussion from Chapter Four where literature on voluntary disclosures was introduced. This chapter will investigate the linkages between IFR and literature on voluntary disclosures.

Throughout the world, Internet use is increasing amongst companies. It is becoming an increasingly important medium in communicating with investors and other potential users of financial information. This chapter is an extension of prior studies in areas such as voluntary disclosure; it also illustrates that IFR has now become an area of research in its own right. This chapter will also show that much of the research is ‘snapshot’ research where web information has been taken at a point in time rather than adopting a longitudinal perspective. A longitudinal perspective has largely therefore been presented to date through comparative analysis of multiple studies. This study will partly address this absence of the literature.

The first part of this chapter asks the question: What is IFR and how has the literature evolved with respect to IFR? In this section, the thesis will build upon the research in Chapter four that states that corporations disclose information (particularly when voluntary) in an attempt to decrease information asymmetry and reduce the cost of capital.

What will be shown in this chapter is that IFR research has historically been largely descriptive in nature, has examined the use of the Internet to disseminate investor relations’ information, and explored the issues with this posting. The purpose of this thesis is not to

look at how annual reporting itself has changed (i.e. from traditional to on-line); but the ways in which corporations use the Internet to distribute a variety of information and how those ways have evolved, and become institutionalized over time. The purpose of this chapter is to investigate the prior research to date on the ways in which corporations use the Internet to distribute the information.

The second section discusses research that has been undertaken on investor relations' departments. It concludes that there is only limited academic research to date on investor relations as it relates to corporate websites.

The final part of this chapter briefly investigates the use of Extensible Business Reporting Language and Social Media. These newer Internet technologies that corporations are increasingly using to provide more information to stakeholders, have the ability to influence how an IR website is utilized by companies and are discussed in section 5.3.

Extensible Business Reporting Language (XBRL) has the ability to tag information and make it more comparable and useful for users<sup>6</sup>. Exchanges such as the TSX and the New York Stock Exchange (NYSE) are encouraging companies to use this technology.

Social media includes recently popular social networking applications such as Facebook and Twitter. These are used to market products, promote companies and get and give feedback by both corporations and consumers. This new wave of social media has implications for IFR as corporations look at new ways of communicating with stakeholders.

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<sup>6</sup> As discussed at <http://www.xbrl.org/WhatIsXBRL/> accessed on November 5, 2010

## **5.2 Internet Financial Reporting Literature**

The development of the Internet as a tool by corporations to distribute financial information caused researchers to quickly address the implications for educators and stakeholders alike (Amernic, 1998). In this early look at IFR, Amernic raised the point that some believed the Internet would not result in substantive changes in reporting. However, he suggested that it might result in changes so dramatic as to alter how we look at financial reporting. In his article, Amernic laid out some key reasons for this change. These are summarized in Table 5.1 below:

**Table 5.1: Summary of Amernic’s Implications of Internet Financial Reporting**

<b>Internet Financial Reporting Characteristic</b>	<b>Implication</b>
1. Almost real-time	Users demands for information increases. How will managers react? Will they become more risk-averse or attempt to manage information?
2. Existing audience for financial reporting information is broadened and deepened as barriers to obtain information is lowered	May result in more market volatility as there is little time to react to information.
3. A new audience is created as others besides shareholders can access information	Demands for information such as environmental costs and liabilities; externalities; perhaps opportunity costs; more disaggregated disclosures; more detailed MD&A increases
4. Pressure to push back the boundary separating inside and outside information	Creating a database of information
5. Volume of financial reporting and related information can be increased significantly	
6. Hypertext webpages	May give the users the illusion of more control over the information they consume (they can choose what links to follow) but the links are designed by management and management’s consultants, with some intent and strategy in mind, even if at first unarticulated.
7. Financial reporting information becomes almost commodity-like; it’s just a part of a website which includes a variety of commercial information and corporate advertising	The distinction between financial reporting and other forms of corporate communications (such as self-promotion and advertising) becomes blurred.
8. Alive with graphics, movement and multimedia, different metaphors become important to comprehending financial reporting on the web	People in power can define their metaphors and since metaphors have the power to define reality, this concept has important implications for financial reporting via the Internet
9. Strategic approach to website financial reporting: how does website financial reporting fit in with overall corporate strategy and corporate communications strategy?	Website corporate financial reporting has the potential to become an important part of an institution
10. The increasing ability of websites and their financial reporting to create an identity	The website may, almost virtually, become the company to the user. Perhaps this is the most comprehensive, and inclusive, implication for financial reporting

(Amernic, 1998, Pg.109)

Amernic’s comments, even as early as in 1998<sup>7</sup>, suggest some key points about IFR. IFR is a communication channel that can be established, updated, and maintained by corporations (therefore corporations control what is on it). However, because of the amount of information posted on the IR site, it empowers users as they have choice in what areas they visit. As will be shown below in the discussion on social media, this interactive nature (i.e.

<sup>7</sup> To illustrate how early this was, web browsers had only started to accessible in a user friendly format in 1993 with the release of Mosaic. See <http://www.ncsa.illinois.edu/Projects/mosaic.html> accessed on November 1, 2010

the use of Facebook) continues to increase today. In addition, he suggests that corporations have a strategy involved with IFR

IFR studies began in 1996 and 1997, mirroring the early period of corporate recognition that the Internet could be used as a medium to transmit information to their stakeholders (Allam and Lymer, 2003). Many of the studies documented how corporations were posting information and were geographically specific (focusing on one country or a comparison of countries). Table 5.2 provides a summary of key pieces of research on IFR to date.

**Table: 5.2 Summary of Internet Financial Reporting Related Research**

<b>Year</b>	<b>Author</b>	<b>Article</b>	<b>Summary</b>
1996	Louwers, Pasewark and Typo	The Internet: Changing the Way Corporations Tell Their Story	Discuss dissemination of annual and quarterly reports on the Internet and how this may change the way decision makers use this information
1996	Petravick and Gillet	Financial Reporting on the World Wide Web	An examination of the websites of the Fortune 150 companies showing that 53% were engaged in IFR
1997	Flynn and Gowthorpe	Volunteering Financial Data on the World Wide Web: A Study of Financial Reporting from a Stakeholder Perspective	An examination of voluntary financial information on the Internet.
1997	Gray and Debreceny	Corporate Reporting on the Internet: Opportunities and Challenges	An overview of the Internet reporting opportunities
1997	Lymer	The Use of the Internet for Corporate Reporting – A Discussion of the Issues and Survey of Current Usage in the UK	Top 50 Companies in the UK were analyzed with 69% engaged in IFR
1997	Lymer and Tallberg	Corporate Reporting and the Internet – A survey and Commentary on the Use of the WWW in Corporate Reporting in the UK and Finland	72 Listed Finnish Companies were examined with 69% engaged in IFR
1998	Marston and Leow	Financial Reporting on the Internet by Leading UK Companies	FTSE 100 companies were examined with 45% engaged in IFR
1999	Ashbaugh, Johnstone and Warfield	Corporate Reporting on the Internet	Examined 290 websites of firms for IFR in the US and surveyed them about what they felt the costs and benefits of a site were. 87% had websites and 70% were using IFR.

<b>Year</b>	<b>Author</b>	<b>Article</b>	<b>Summary</b>
1998	Deller, Stubenrath and Weber	Investor Relations and the Internet: Background, Potential application and Evidence from the USA, UK and Germany	A sample of companies from the US, UK and Germany showed that the US employed greater use of IFR practices.
1999	Gowthorpe	Corporate Reporting on the Internet: Developing Opportunities for Research	Discussion on research to date and areas for further research
1999	Hedlin	The Internet as a Vehicle for Investor Relations: The Swedish Case	212 Companies from Sweden were examined in 1998 with 83% having financial information on their websites
1999	Pirchegger and Wagenhofer	Financial Information of the Internet: A Survey of the Homepages of Austrian Companies	32 Austrian and 30 German websites examined in 1997 and 1998 for website content.
1999	IASC	Business Reporting on the Internet	Extensive study that looked at the top 30 companies in 22 countries.
1999	Lymer	Internet and the future of reporting in Europe	Provides discussion of literature to date on IFR and electronic corporate reporting including potential issues.
1999	Trites	The Impact of Technology on Financial and Business Reporting	As part of a Canadian Institute of Chartered Accountants (CICA) research study that looked at 370 companies' websites listed on the TSX, NYSE and NASDAQ. 71% of companies had company websites.
1999	Williams and Pei	Corporate Social Disclosures by Listed Companies on Their Web Sites: An International Comparison	Examines corporate social disclosures on web sites in Australia, Singapore, Malaysia and Hong Kong.
2000	FASB	Electronic Distribution of Business Reporting Information	250 Companies across five countries (Australia, Canada, Hong Kong, United Kingdom and the United States). The study looked at financial attributes on the web.
2000	Baker and Wallage	The Future of Financial Reporting in Europe: Its Role in Corporate Governance	A discussion of the possibility of financial information being posted to the Internet in its non-traditional form in order to allow users to organize it as they wish. The paper argues that financial statements will still have to exist.
2000	Breenan and Kelly	Use of the Internet by Irish Companies for Investor Relations Purposes	At examination of the websites of Irish PLC's from two viewpoints: The company website and third party sites.
2000	Ettredge and Simon	Would Switching to Timely Reviews Delay Quarterly and Annual Earnings Releases?	At look at 203 companies' websites showing that more subjective information was shown when there were more individual shareholders.
2000	Ettredge, Richardson and Scholz	The Presentation of financial Information at Corporate Web Sites	Examined web site disclosures of 17 industries specifically addressing disclosure risk issues.
2001	Ettredge, Richardson and Scholz	A Web Site Design Model for Financial Information	Specific Features of online reporting

<b>Year</b>	<b>Author</b>	<b>Article</b>	<b>Summary</b>
2001	Hodge	Hyperlinking Unaudited Information to Audited Financial Statements: Effects on Investor Judgments	Auditing and Hyperlinking
2001	Beattie and Pratt	Business Reporting: Harnessing the Power of the Internet for Users	A Study that looked at the users attitudes of web based reporting
2002	Debreceeny, Gray and Rahman	The Determinants of Internet Financial Reporting	Examined 660 companies in 22 countries for websites and content.
2003	Marston	Financial Reporting on the Internet by leading Japanese Companies	An examination of the top 99 Japanese companies in 1998
2003	Lymer and Debreceeny	The Auditor and Corporate Reporting on the Internet: Challenges and Institutional Responses	Role of auditor in online corporate reporting
2003	Allam and Lymer	Development in Internet Financial Reporting: Review and Analysis across Five Developed Countries	An examination of websites of Australia, Canada, Hong Kong, United Kingdom and the United States looking for how information as presented.
2003	Joshi and Al-Modhahki	Financial Reporting on the Internet: Empirical evidence from Bahrain and Kuwait	An examination of 75 companies in Kuwait and Bahrain.
2003	Oyelere, Laswad and Fisher	Determinants of Internet Financial Reporting by New Zealand Companies	Examines New Zealand companies for determinants of adoption of IFR
2003	Beattie and Pratt	Issues Concerning Web-based Business Reporting: An Analysis of the Views of Interested Parties	Over 500 users, preparers and auditors were sent questionnaires to elicit views on what they would like to see.
2003	Geerings, Bollen and Hassink	Investor Relations on the Internet. A Survey of the Euronext Zone	The websites of 50 companies in each of Belgium, France and the Netherlands were examined for investor relations information
2003	Poon and Li	Internet Financial Reporting	Discusses the issue of IFR and auditors and management. Distinguishes between institutional and retail investors and focuses on Hong Kong.
2003	Dull, Graham and Baldwin	Web-based Financial Statements: Hypertext Links to Footnotes and their Effects on Decisions	An examination of hypertext links with large and small companies.
2004	Gowthorpe	Asymmetrical dialogue? Corporate financial reporting via the Internet	Research study that examined the use of the Internet in communicating corporate information. Key senior officers were interviewed.
2004	Lodhia, Allam and Lymer	Corporate Reporting on the Internet in Australia: An exploratory study	A study of corporate reporting on the Internet of Australian companies concluding that they were not yet using the full technology available
2004	Marston and Polei	Corporate Reporting on the Internet by Leading German Companies	Examined websites of German companies in 2000 and 2003 identifying changes between the two years.

<b>Year</b>	<b>Author</b>	<b>Article</b>	<b>Summary</b>
2004	Hodge and Pronk	The Use of Online Quarterly and Annual Report Information: Who Uses What and When?	A case study where visitors to Royal Philips Electronics website were asked why they were there and who they were via a pop up screen.
2004	Trabelsi, Labelle and Laurin	The Management of Financial Disclosure on Corporate Websites: A Conceptual Model	A look at firms with the conclusion that opportunistic firms are more likely to engage in IFR.
2004	Xiao, Yang and Chow	The Determinants and Characteristics of Voluntary Internet-Based Disclosures by Listed Chinese Companies	300 Chinese companies were examined for their voluntary use of the Internet to post financial information.
2005	Allam	Measuring the Use of Online Corporate Annual Reports through the Analysis of Web Server Logs	An examination of web usage in five countries: Australia, Canada, Hong Kong, United Kingdom and the United States.
2005	Hamid	Malaysian Companies' use of the Internet for Investor Relations	100 companies from the Kuala Lumpur Stock Exchange were chosen for examination with 70 firms providing investor relations material.
2005	Khadaroo	Business Reporting on the Internet in Malaysia and Singapore: A Comparative Study	A look at the web reporting practices of Malaysia and Singapore with evidence that Singapore's practices are advanced in relation to Malaysia.
2005	Smith and Peppard	Internet Financial Reporting Benchmarking Irish PLCs against Best Practice	43 Irish PLC's with websites were examined for best practices.
2005	Trabelsi	L'information financière incrementale publiée sur les sites Web des Sociétés Canadiennes	A random sample of Canadian companies were chosen and information posted on their websites were compared to information on SEDAR. The thesis was studying how disclosure practices were impacted by the Internet
2006	Celik, Ecer and Karabacak	Impact of Firm Specific Characteristics on the Web Based Business Reporting: Evidence from the Companies Listed in Turkey	Study that looked at the development of a new reporting index to measure IFR
2006	Héroux	Gestion de contenu et analyse des sites Internet: Perspectives des parties prenantes et de la contingence	This Canadian study surveyed website managers and used stakeholder and contingency research to determine how web site content is influenced
2006	Khan, Muzaffar and Mahmood	The Use of the Internet for Corporate Reporting: A Discussion of the Issues and Surveys of Current Usage in Bangladesh	Top 60 companies from Chittagong Stock Exchange examined from 2004 – 2005. 40% had websites.
2006	Spanos	Corporate Reporting on the Internet in a European Emerging Capital Market: The Greek Case	Examined 136 companies on Athens Exchange showing that they used more traditional reporting practices.
2006	Baldwin, Brown and Trinkle	XBRL: An Impacts Framework and Research Challenge	Investigates impact XBRL will have on users, regulators, accountants and processes.



Year	Author	Article	Summary
2007	Dutta and Bose	Web-based Corporate Reporting in Bangladesh: An Exploratory Study	268 companies from Bangladesh examined with 38.81% having websites.
2007	Dutta and Bose	Corporate Social and Environment Reporting on Corporate Websites: A Study of Listed Companies of Bangladesh	104 companies on Bangladesh stock exchange from May 2007 to August 2007. Authors examined corporate social and environmental information.
2007	Khan	Internet Financial Reporting: Disclosure about Companies on Websites	177 companies were looked at from a number of stock exchanges and examined them for websites and financial information.
2008	Boritz and No	The SEC's XBRL Voluntary Program on EDGAR: A Case for Quality Assurance	Examines XBRL filings and discusses quality issues surrounding the tagging of information
2008	Bollen, Hassink, de Lange and Buijl	Best Practices in Managing Investor Relations Websites: Directions for Future Research	Case study of six investor relations websites using semi-structured interviews to examine website best practices.
2009	Mohamed, Oyelere and Al-Busaidi	A Survey of Internet Financial Reporting in Oman	The websites of 142 companies listed on the Muscat Securities Market in Oman were examined. 84 had websites and 31 were involved with IFR
2009	Cormier, Ledoux and Magnan	The use of Web sites as a Disclosure Platform for Corporate Performance	189 Canadian companies from the TSX were analyzed for performance disclosures that companies voluntarily place on their websites.
2009	Héroux and Fortin	Exploring IT Governance and Strategic Control of Web Site Content: A Field Study	Study looks at governance and strategy over websites from an IT perspective
2010	Almilia	Determining Factors of Internet Financial Reporting in Indonesia	Measured quality of public firms listed on the Jakarta stock exchange and found great variability in reporting across the firms.

Several early studies from this period documented the use of corporate websites to disseminate financial information. In his thesis, Allam divides these studies between foundational studies and follow-up studies that used many of the previous studies as benchmarks (Allam, 2005). Early exploratory studies included: (Petra vick and Gillett, 1996; Flynn and Gowthorpe, 1997; Lymer and Tallberg, 1997; Petra vick and Gillett, 1998). These studies show a rapidly increasing number of corporations using websites to provide investors with annual reports and other financial and non-financial information. For example, in one study completed in January 1998, it was noted that very few companies had

any sort of webcasting on their IR sites (Deller et al., 1999). The Allam study completed in 2002 (data collected in 2001) found that 84% of companies were using webcasting events (Allam, 2005).

There have been several studies that have surveyed the use of the Internet for corporate websites and their related financial information. The International Accounting Standards Committee (IASC) looked at IFR of the top 30 companies in 22 countries, totaling 660 companies (IASC, 1999). Other studies around the same time also captured information that companies were placing on the Internet (Brennan and Hourigan, 1998; Marston and Leow, 1998; Deller et al., 1999; Lymer et al., 1999; FASB, 2000). These studies have all looked, primarily, at European or US companies and found that, over time, Internet use by corporations was rapidly increasing. For example, one study segmented the use of the Internet by corporations into three stages: (1) a web presence, (2) the use of the website to post financial information, and (3) harnessing the technology of the Internet to provide unique features for the users (Hedlin, 1999). Another early study examined the corporate websites of Austrian companies at two different timeframes, establishing an increase in IR web presence (Pirchegger and Wagenhofer, 1999)

More recently, there have been a number of other studies that have used these earlier findings as benchmarks. These studies have looked at different geographical areas as well as updating developments in the UK and USA. These studies include: Irish companies (Breenan and Kelly, 2000; Smith and Peppard, 2005); Hong Kong studies (Poon et al., 2003); Japan (Marston, 2003); Malaysia and Singapore (Khadaroo, 2005); and Bangladesh (Khan et al., 2006; Dutta and Bose, 2007b) to name a few. The results of these papers show

a similar story in all instances. Developing countries have lagged behind more developed countries in terms of IFR; but, all countries are beginning to catch up with the situation in developed countries where most large companies were using IFR for at least some financial information on their websites.

These more recent studies have also shown that the volume of information is increasing on investor relations websites. In addition to traditional financial reporting of annual reports, IFR users can now find a variety of other information such as webcasts, interim financial information, and news releases (Allam & Lymer, 2003). Also, as will be shown in Chapter 7, the volume of information being posted and remaining on an IFR website continues to increase as annual financial statements and news releases continue to be archived (Rowbottom et al., 2005).

As it is a cost effective way of providing information that may otherwise have been difficult to justify, Internet technologies now allow corporations to disclose much more information than simply required documents imposed by regulators. Voluntary disclosure and non-voluntary disclosures have been researched both for traditional reporting and for IFR. As was stated in Chapter Four, non-voluntary disclosure relates to required information such as annual financial statements. Whereas voluntary disclosures include news releases and other information, going well beyond the minimum required by listing rules or legal obligations (Lang and Lundholm, 1993). Several studies have looked at the use of corporate web sites to disclose both voluntary and non-voluntary information including: (Ashbaugh et al., 1999; Deller et al., 1999; Ettredge et al., 2002; Cormier et al., 2009). These studies demonstrate that factors such as firm size and success all contribute to the level of voluntary disclosure

that corporations place on their websites. For example, Ashbaugh and Johnstone (1999) found that firm size was the main factor contributing to the corporations' decisions to post SEC required filings on their website.

A Canadian study took the model created by Gibbins et al. (1990) on ritualistic and opportunistic firms and applied the model to IFR (Trabelsi et al., 2004). A ritualistic firm is more likely to be repetitive in what it does. "When behaving ritualistically, the firm exhibits a largely passive, even rote, adherence to perceived disclosure norms and does so using routinized, bureaucratized procedures" (Gibbins et al., 1990, pg. 130). A firm that is opportunistic means that "...the opportunistic dimension of a firm's disclosure position is the propensity to seek firm specific advantage in the disclosure of financial information" (Gibbins et al., 1990, pg. 130). This study (Trabelsi et al., 2004) suggests that firms that are ritualistic will be least likely to provide enhancements on their corporate websites and, instead, would rely on regulatory reports. Opportunistic firms however are more likely to take fuller advantage of the capabilities of the Internet. The study concludes that although there are similarities between traditional based reporting and IFR, some differences do exist. One fundamental question posed in this study is "Why are some companies prepared to invest more than others in the management of financial disclosure on corporate websites?" (Trabelsi et al, 2004, pg. 253).

In another study, website use for investor related information has been shown to be driven more by the specific users' needs rather than being guided by any principles or rules that try and cover overall fair disclosure principles (Ettredge and Simon, 2000). In looking at 203 companies' websites, they found that the number of analysts following the information

increased with the amount of objective information provided by the website; whereas, a greater number of individual shareholders generally resulted in more subjective information. While most corporations post standard financial information such as financial statements and annual reports, the range of other information can be substantial. For example, an analysis of 189 public companies listed on the TSX, (Cormier et al., 2009) concluded the following:

1. Firms that disclosed items regarding innovation, development, and growth tended to discuss customer value and have a well maintained website.
  2. Firms that disclosed intellectual and human capital had more social responsibility disclosures.
  3. There was a close link between financial and corporate governance disclosure.
- (Cormier et al., 2009, pg. 1)

As the range of information available on-line increases, there becomes a greater chance that users of IFR will be unable to distinguish between what information has been posted directly by the corporation versus information posted by completely separate third party sources such as unrelated newscasts. This hyperlinking of financial information has been shown to cause confusion with users of IFR, resulting in different decisions being made by those acting on this information (Hodge, 2001). The inability for users to distinguish between audited corporate information and third party information not audited by the corporation's auditor ultimately creates an expectation gap<sup>8</sup>. Arguably, this confusion would decrease if there were regulations in place to mandate that corporations must place warnings prior to linking to a third party site.

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<sup>8</sup> The Expectation Gap is the gap between what auditors actually do when providing an opinion on financial information and what a user believes has been done.

Other studies have also applied IFR research to other areas by addressing the audit issues and standards surrounding IFR (e.g. Lymer and Debreceeny, 2003). Their research indicated that the auditing standards bodies recognize the need for guidance in the area of IFR and that this guidance has lagged the level of use by corporations.

As the Internet becomes a regular method for disclosing financial information, other studies have focused on specific areas such as environmental disclosures and governance disclosures. For example, one study looked at the corporate websites of 104 companies in Bangladesh and found that they were not yet reporting corporate social and environmental activities at the same level that other multinational companies were (Dutta and Bose, 2007a).

Using technology to examine IR websites has also been done through the use of Weblog Server Log Analysis and a case study. One researcher concluded that analyzing the number of times that users accessed different areas of the IR website could assist corporations in designing their site more effectively (Allam, 2005). Another study used a case approach and had a survey box appear on the website as users entered the IR portion of the website (Hodge and Pronk, 2004). The survey box questioned the user's identity (i.e. if they were employees, shareholders, analysts, and/or students) and their intended usage of the annual or quarterly report. The study found that visitors to the site were, most often, looking for general information, and that the most common users were employees.

This section examined the IFR literature to date and illustrated that there have been a number of studies that have investigated IFR determinants and IFR content. The next

section looks more specifically at studies involving Canada that have been undertaken within an IFR context.

### **5.3 Canada and Internet Financial Reporting**

Several studies have included companies from Canada and serve as a benchmark for any future data obtained from Canada. In 1999, for example, the major study commissioned by the IASC included companies from Canada along with 21 other countries (IASB, 1999).

Two other previous studies serve as a key to this thesis of investigating the growth of IFR by Canadian companies. The year 1999 produced the first survey in Canada that examined what Canadian companies were disseminating on the Internet (Trites, 1999). This study looked at North American companies listed on the Toronto Stock Exchange, the New York Stock Exchange, and the NASDAQ. From the 10,000 listed companies, a random sample of 370 companies was chosen, and this sample included 49 companies listed on the Toronto Stock Exchange. The study looked for the existence of websites and undertook a content analysis exploring other attributes such as summary financial information versus full financial statements, auditor's report, and news releases. The study found that, at that time, a significant number of companies were using websites (71%) and that 63% of the TSX listed Canadian companies were using websites to disseminate financial information.

In 2001, another study was completed that looked at 250 companies across five different countries<sup>9</sup> including Canada (FASB, 2000; Allam and Lymer, 2003). This was also a content analysis study and it looked at the detailed attributes that exist on websites such as

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<sup>9</sup> The countries included in the study were Australia, Canada, Hong Kong, United Kingdom and the United States

basic financial statements, search engines and webcasting techniques. The study concluded that most large companies had websites and that they are posting at least some financial statement information on those sites. In fact, the study found that 95% of the companies had some form of downloadable annual report and that all Canadian companies in the sample (50 in total) had annual reports that could be downloaded.

This section took a brief look at how some studies have used Canada in examining IFR content. The next section examines the investor relations research literature and, more specifically, how it relates to IFR.

#### **5.4 Investor Relations Research**

Investor relations can be considered to form part of a broader corporate function called public relations (or more specifically in corporate terms, business communications). In a 1988 task force report, the Public Relations Society of America listed investor relations as one of seven functions within public relations. The other functions included in this grouping were: media, internal/external, consumer, community, government and fundraising (Laskin, 2009). This positioning of investor relations research was evident to this researcher during the examination of the literature, as most were found in public relations journals rather than accounting journals.

In the United Kingdom, IRS defines investor relations as “the communication of information and insight between a company and the investment community.”<sup>10</sup> In the United States NIRI defines investor relations as “a strategic management responsibility that

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<sup>10</sup> [www.ir-soc.org.uk](http://www.ir-soc.org.uk) accessed on June 3, 2010



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.”<sup>11</sup>

Even though investor relations have been deemed a subset of public relations, the lack of key scholarly activity in the area was noted in several papers. One paper states “Investor relations practice has grown in importance and received increased attention in corporate America. Yet it commands little attention in public relations scholarship, even though the discipline claims investor relations as one of its specializations, or subfunctions.” (Kelly et al., 2010, p.g. 183). Another paper raised the issue of a lack of research on investor relations, stating that “Investor relations has been one of the least researched areas of corporate communications.” (Laskin, 2009, pg 209).

There has been some recent work on the web's impact on public relations; providing evidence that scholarly research is slowly emerging as the use of Internet technologies has become more widespread. For example, one study concluded that the web is becoming an important communication tool for corporations (Hill and White, 2000). In their study, Hill and White (2000) interviewed 13 individuals who were involved with public relations, and the web, within their respective companies. As the study was a broad public relations study, none of the participants had direct involvement in investor relations activities. Overall, they suggested that the web was one responsibility in addition to other daily responsibilities. Hill and White's (2000) study concluded that more research was needed in order to understand

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<sup>11</sup> [www.niri.org](http://www.niri.org) accessed on June 3, 2010

how the web was impacting the organization and the users of the information posted on the Internet.

In another example of recent research, questionnaires were sent to managers in UK firms in order to investigate investor relations meetings (Marston, 2008). In this study, the conclusion was that one-to-one meetings were an important communication tool for corporations. The study however, did not specifically address IR websites and its impact on an IR department.

A series of case studies of six Internet investor relations departments was published in 2008 and concluded that there was disparity between high quality and low quality websites in terms of organizational structure (Bollen et al., 2008). The case investigated seven elements: Style, Staff, Systems, Strategy, Structure, Skills, and Shared Values. Bollen et al. (2008) conducted semi-structured interviews of four companies listed as high quality and two companies listed as low quality. Quality was based on an award list that was created in 2004 for an annual reporting award presented in the Netherlands. The study found that high quality companies had a developed strategy for their investor relations website while low quality companies did not. The study also found that high quality companies had created a dedicated Internet team to manage the investor relations website while low quality companies had no assigned personnel. Shared values were much stronger in high quality organizations with meetings and frequent internal communication being used to ensure everyone understood the importance of the Internet for IR functions. The study concluded that further research was needed in understanding the roles of the Internet component of the IR function.

Another study suggested that the Internet was stage four in the evolution of corporate reporting (Crowther, 2000). According to Crowther (2000), stage one was pre 1940, stage two was 1940-75, stage three was 1975-1995, and stage four was post 1995. Each stage represents a change in corporate communication: ranging from stage two that recognized the external environment was important, to stage three where the external environment became most important. Crowther (2000) suggests that in stage four corporations are focusing on electronic communication, but that it is controlled communication. Corporations give the illusion to users that they have the ability to choose what they want but that corporations still control the initial content. Companies are essentially competing with each other for more innovative and impressive reports and websites. He also stated that this stage represented a period where the power could shift from the company to the public given the availability of the data and the ability to demand more as groups.

Corporate scandals that took place in the early 2000s, such as Enron, ultimately led to increased scrutiny of corporations and an increased need by corporations to rebuild trust through increased disclosure (Laskin, 2009). Laskin (2009) goes on to say that:

“As a result, this is the time for communication scholars to add their contribution to the relatively new field of investor relations. The initial step of such research should be understanding and describing the investor relation function in corporations.” (Laskin, 2009, pg. 215)

Beyond the minimal scholarly activity on investor relations departments, research has not addressed, in any depth, how the Internet and corporate IR websites have impacted investor relations. In Laskin’s (2009) study of investor relations, 63 companies responded to a survey and the results showed that investor relations groups operated with one or two employees. In

addition, results showed that 30% of the respondents suggested that media communication (which included websites) was an activity they were heavily involved with and another 30% said they were rarely involved with it. This is despite the fact that all companies were Fortune 500 companies with investor relations websites already in place.

While there continues to be gaps in the academic literature, two professional bodies in the IR field have provided various practical guides devoted to assisting corporations in building and improving investor relations functions, and investor relations websites. Both the IRS in the United Kingdom and NIRI in the United States have dedicated portions of their website set aside for Internet IR issues. A current examination of the sites revealed that newer Internet IR issues, such as social networking, were being discussed.

Other bodies and groups recognize the importance of corporate reporting and electronic disclosures. For example, the CICA in Canada presents awards every year for corporate reporting with an award being given for excellence in electronic disclosure (CICA, 2010b). The IRS in the UK recognizes reporting best practices and includes as one of their categories an award for Best Practices for corporate websites<sup>12</sup>.

In summary, according to the academic literature, research gaps exist in examining investor relations in general. Further gaps exist in our understanding of how the Internet and corporate websites have impacted investor relations; even though evidence suggests, through corporate reporting awards, that there is an increasing emphasis being placed on IFR and IR websites.

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<sup>12</sup> <http://www.ir-soc.org.uk/index.asp?pageid=88> accessed on June 27, 2010

The final section of this chapter briefly discusses some of the newer technologies to have an impact on IFR.

### **5.5 Social Media and Other New Reporting Related Technologies**

The Internet has established a new way for corporations to provide information to external stakeholders. Part of the problem with PDF documents on websites is the difficulty in finding specific information. For example, when stakeholders want to locate something specific, such as a revenue number, the PDF files cannot be broken down into components. This was especially true when IFR first emerged and PDF files were typically one file for the entire annual report. In an attempt to make it easier to search, standardization is required within an IFR site (Debreceeny and Gray, 2001). Extensible Markup Language (XML) tagging is one way of organizing the financial information and XBRL is a method of tagging financial information in a consistent format. XBRL moves beyond the HTML and PDF files and is more suited to a computerized environment by providing structure (Cohen, 2004). XBRL has been adopted by the SEC and some companies (namely those with a market capitalization of greater than \$5 million US) will be required to file using XBRL effective June 2009<sup>13</sup>. Other filers below a market capitalization of \$5 million will follow in 2010. As of 2009, the Canadian Securities Administration (CSA) has not mandated the use of XBRL but does have a voluntary program. The voluntary program was introduced in 2007. Those who voluntarily adopt XBRL are asked to first submit the interim and annual financial statements in PDF format as is currently required by Canadian securities legislation<sup>14</sup>. They are encouraged to submit their XBRL documents at the same time but

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<sup>13</sup> For more information on the SEC's requirement to follow XBRL, see <http://www.xbrl.us/Pages/default.aspx> accessed on May 1, 2010

<sup>14</sup> Information regarding Canada's voluntary XBRL program was obtained from [http://www.securities-administrators.ca/industry\\_resources.aspx?id=69](http://www.securities-administrators.ca/industry_resources.aspx?id=69) accessed on May 1, 2010.

can submit them at any time after the PDF submission. Companies may discontinue voluntarily submitting XBRL documents at any time. Once they are submitted, they are checked by the Canadian Securities Administration to ensure that they are XBRL compatible and then they are posted onto SEDAR. Visitors to the SEDAR website are able to search by document type and one document type is noted as “Financial Statements – XBRL”<sup>15</sup>. A search of this document type from 2007 until May 2010 revealed that there were six different companies that had posted XBRL financial statements, with two of those companies posting XBRL financial statements since its inception in 2007. This would suggest that most companies in Canada are not yet embracing XBRL as a medium to transmit financial information to users.

The concept of social media is new, and the research on social media is sparse, but companies are predicted to spend approximately \$1.4 billion on social media related activities (Marken, 2009). Social media blends technology and interaction. “Social media is all about people. It’s where people share opinions, insights, experiences, and perspectives with others” (Marken 2009, p.10). It is a highly interactive platform where companies can provide information about themselves and gain information about their customers and their stakeholders. The social media tools range from blogs, to Facebook, to Twitter, and YouTube. Twitter allows companies to provide short, but key, messages to consumers and stakeholders through texting or “tweets”. Social media allows consumers to interact with the information around them and is enabling companies to push information to consumers, listen to the feedback given in return, and obtain data through trails that are left by visitors (Smith, 2009). Social media applications have the ability to allow corporations to become

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<sup>15</sup> [www.sedar.com](http://www.sedar.com) accessed on May 3, 2010.

globally involved with external groups (from consumers to stakeholders) in an interactive fashion never seen before. While social media has been predominantly used in marketing initiatives, it is worth recalling that the Internet was once used primarily for advertising and promotion by corporations; that is, before they began to realize the power that it had and began using it for financial reporting.

## **5.6 Conclusion**

This chapter has examined the research on IFR and has shown how it is part of a corporation's communication strategy. Like voluntary disclosure, the research shows that IFR is used by corporations to reduce information asymmetry and lower their cost of capital. Historically, researchers have focused on specific and individual segments of IFR. For example, local research on IFR attributes or research on social disclosures posted on IR websites. Other research has focused on using technology such as web server log analysis or surveys at the IR web entry point on IR websites.

Next this Chapter examined the investor relations research and established that research on investor relations, and IR websites specifically, is in its infancy. More research on IR websites will shed light on how it has developed and evolved over time.

Finally, the chapter discussed new technologies such as XBRL and social media. These more interactive technologies, specifically social media, may not meet the above objectives since it allows the external party more control over the information versus more traditional forms.

Based on the review of the literature and Table 5.2, the research on IFR can be summarized into five major areas as follows:

- (1) Locally centered studies examining the existence of corporate IR sites and the types of information posted to the site.
- (2) Widespread comparative studies that look at two or more countries for IR website use.
- (3) User focused studies examining potential risks of users perceiving information the wrong way or being misled in some form (i.e. through hyperlinking).
- (4) Non-financial focused studies that examine the websites for evidence of information not specific to financial statements (i.e. governance or environment and social disclosures).
- (5) Technology based studies where researchers examine the use of IFR by examining the weblogs of the IR website.

Based on the examination of the relevant literature, most studies on IFR focus on what is found on the corporation's website by describing the attributes and characteristics on the sites (e.g. balance sheets, income statements, news releases). Or they use the literature on voluntary disclosures as a means of investigating IFR. There exists, therefore, a gap in the literature to investigate the viewpoints of the actors working with an IR website and to see how this medium of communication has evolved over time. This gap includes the areas within institutional theory specifically: legitimacy and coercive factors that may be impacting organizations.

The next chapter develops the research methodology for the balance of this thesis, including support for a single case study approach and details on how interviews were structured with ABC.



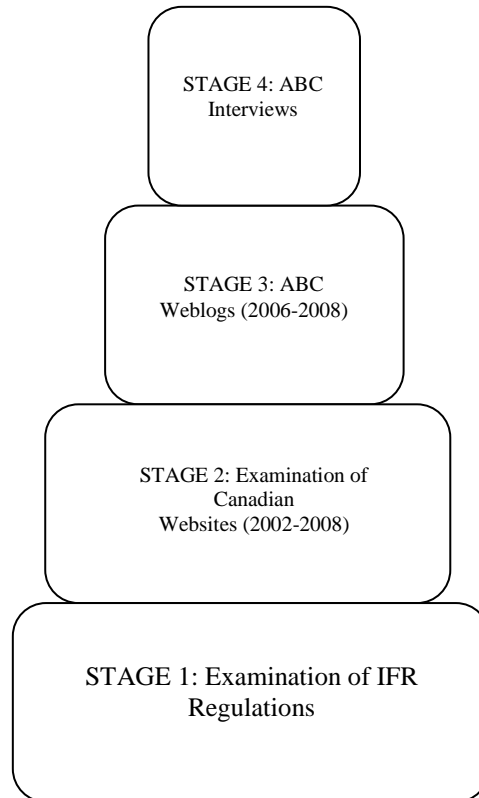
## **6. RESEARCH METHODOLOGY AND THE USE OF CASE STUDIES**

### **6.1 Introduction**

The focus of the previous chapters has been to establish the background and a framework to examine how the rules, habits, and routines have evolved and been institutionalized within an IR department over time (Burns and Scapens, 2000). Previous chapters have also established that voluntary disclosure literature suggests corporations disclose non-required information to reduce information asymmetry and lower the cost of capital. The primary objective of this chapter is to take the literature from the previous chapters and discuss the methods used to gather and analyze the data for the research. Ultimately, the data collected will be analyzed to investigate how the IR department employees monitor, control, and plan how their information is posted and presented on the Internet. This data can be utilized to gain a deeper understanding of why and how organizations, specifically the IR department that works with the IR website, use the Internet to disseminate both voluntary and non-voluntary financial information.

This study employs the use of qualitative research by using the case study method. Weblogs of one Canadian company are used to analyze the patterns of Internet users and to gain a better understanding of the types of information that users are seeking. This examination provides information which is then utilized during the interviews with relevant actors working on the IR website of this Canadian corporation. This study crosses over several literature areas including accounting, computer science, institutional theory, and voluntary disclosure research. Given that the thesis incorporated four separate studies, it has been graphically illustrated in Figure 6.1 and has been noted as four stages.

**Figure 6.1: Illustration of Internet Financial Reporting and Investor Relation Examination**



The chapter begins with a discussion regarding the use of a single case study to investigate IFR within an organization; and how it shapes the routines and rules within an IR department. The use of a single case study method and the limitations of being able to make generalizations with it will be discussed. Previous case studies within the area of institutional theory will be examined to show the applicability of the approach to this research. It will be argued that the use of a single case study here is appropriate as it allows for an in depth examination of a large corporation and that it ties back to the investigation completed prior to the case study itself. This is accomplished by beginning with a broad focus on IFR, and then slowly narrowing the focus down to a single Canadian Company.

After the case study approach has been argued, the chapter then continues with a detailed discussion about the four stages involved in the data collection, along with an analysis for all areas investigated in Figure 6.1. Following this will be a discussion of how the particular corporation was selected for the case study. An in depth discussion of each of the various stages is important as each one builds on the other and was necessary for the selection of the corporation in the case study.

As was noted, this research study had several different stages that were completed. The first stage looked at an understanding of the regulations surrounding IFR. The results of this examination can be found in Chapter Seven. This research was required to better understand what Canadian companies are required to deal with in terms of IFR. Also, as was discussed in chapter Three and Four, organizations will perform certain activities as a result of regulatory influences. While primarily descriptive, the discussion will show that this data supports the main theme of the entire research: how IFR has evolved and how norms, routines, and rules have developed. This examination of the regulatory environment was important to determine what, if any, regulations were exerting pressures on organizations to use IFR and, in addition, how they used IFR.

The second stage involved gaining an understanding of the Canadian Internet environment in terms of the usage of the Internet to disseminate financial information. In this stage, Canadian companies were selected and their websites analyzed on three separate occasions in 2002, 2005, and 2008. The second stage was also a critical part of the wider study as the information collected in this stage was used in picking a suitable Canadian Corporation for more detailed analysis. This second stage provided a better understanding of the evolution

of the Internet for corporate investor relation websites. This investigation, found in Chapter Eight, observes how organizations altered their websites over a period of time from 2002 to 2008. It also provides information about which companies are actively engaged in IFR (examined by how their websites had changed). In this thesis, active companies are defined as those companies that have shown progressive change on their IR websites from 2002 to 2008. This may be through the expanded use of PDF and HTML documents, or from the use of other interactive technologies. Active companies were highlighted as potential companies for the case study since they were more apt to view IFR as an essential part of their communication toolkit, and thus likely to be towards the leading edge of use of this technology (as was ideally required for this research).

Through the examination of previous work on IFR, this chapter will outline how the case study was chosen. Upon completion of this discussion, it will be shown that the Canadian Corporation called “ABC Corporation” (ABC from here forward) was large enough, with a robust website suitable for an in depth analysis. It was decided that the Company participating would remain confidential in this study. The reasons for this decision, and the implications, are discussed in Chapter 9 and 10 where the structure of the interviews is detailed.

Stage three entailed an investigation of the weblogs of ABC. This section of the chapter will discuss how the weblogs of the corporation were obtained and analyzed using a method called Web Server Log Analysis (WSLA). The research on institutional theory suggests that companies perform certain activities in order to gain legitimacy (DiMaggio and Powell, 1983). As was discussed in Chapter Three, one of the factors that cause companies to use

IFR is the perception that external stakeholders expect to see and use IFR. While it is not the objective of this thesis to explore the expectations of stakeholders, it is possible to look at the external usage of a company's IFR by examining their weblogs over a period of time (in this case monthly from January 2006 to September 2008). As was stated in other studies (e.g. Allam, 2005; Rowbottom et al., 2005), there are problems using weblogs since it is difficult to ascertain why an individual went to a certain page or in fact who that individual was. However, an analysis of the weblogs, especially monthly, and over an extended period of time, will be able to examine if stakeholders are using the website and if they are using it at specific peak times. This provides support to the use of a case study in order to investigate the norms that have developed internally as a result of IFR.

The final section of the chapter describes stage four and the interview process. Members of ABC and their third party service providers were interviewed onsite by the researcher on an individual basis. Each interview used a semi-structured approach in order to explore, in depth, the perceptions that each had on how IFR had impacted their habits and routines (or as Burns and Scapens (2000) pointed out, how their routines were having an impact on the development of rules). Section 6.7 discusses in detail the interview process.

## **6.2 The Use of a Case Study**

This section describes the approach used to address the research objectives. Previous chapters have examined the frameworks used in management accounting research and institutional theory and looked at IFR disclosures. This section discusses how case studies can be used to explore the internal and external influences impacting IR's use of corporate websites to house financial information.

Similar to a case study of a UK Manufacturing division (Burns and Baldvinsdottir, 2005), the objective of this thesis is not to try and test institutional theory within IFR, but rather, to “adopt it as a sensitising mechanism that assists interpretation of our case study” (Burns and Baldvinsdottir, 2005 pg. 727). In applying an institutional theory framework, several approaches could be employed including surveys, questionnaires, and case studies. There are several examples of cases that have adopted an institutional theory perspective (For example: Bealing et al., 1996; Vaivio, 1999; Soin et al., 2002; Burns and Baldvinsdottir, 2005). One of the main research objectives was to study the rules and routines that have evolved within an organization as they deal with IFR. Scapens states that:

“Rules, routines and institutions are not proposed as empirical variables to be measured in some objective way. Rather, they are analytical concepts which may not be capable of empirical observation *per se*.” (Burns and Scapens, 2000, pg.13)

This particular quote supports the notion that a qualitative approach provides the opportunity for a deeper investigation into the nature of, and presence of, rules and routines that have developed within organizations as IFR has evolved. As a result, this thesis takes an interpretive approach, as discussed in Chapter 2, in addressing the research objectives and creates a unique perspective of IFR.

There will be two primary methods of data collection in this research study: Single Case Study (using interviews and documentation) and weblog data files. These data collection methods will be discussed later in the chapter; but a critical part of this study is the use of a single case study.

There are several different approaches that can be taken in order to answer a research question or problem. Table 6.1 summarizes different research strategies that are available.

**Table 6.1: Different Research Strategies**

<b>Strategy</b>	<b>Form of Research Question</b>	<b>Requires Control of Behavioral Events?</b>	<b>Focuses on Contemporary Events?</b>
Experiment	How, why?	Yes	Yes
Survey	Who, what, where, how many, how much?	No	Yes
Archival analysis	Who, what, where, how many, how much?	No	Yes/No
History	How, why?	No	No
Case Study	How, why?	No	Yes

Yin (2003, pg.5)

Questions that ask ‘how’ things happened or ‘why’ they happen are often exploratory in nature and case studies can assist in answering those questions (Yin, 2003, pg.5). Often case studies are completed by looking at “individuals, events, or groups” (Hancock and Algozzine, 2006, pg.11).

Evidence from case studies comes primarily from six difference sources. Yin (2003, pg 85)

lists these sources as:

1. Documents
2. Archival records
3. Interviews
4. Direct observation
5. Participant observation
6. Physical artifacts

The sources used will vary depending on the case study. For example, Hancock and Algozzine (2006, pg.51) subdivide documents into the Internet, private and public records, physical evidence and instruments ultimately created by the user.

The key to a case study, based on case study readings, is that it provides the opportunity for the researcher to take a more holistic approach by looking at the research questions, and the case participant(s), from multiple angles. Case studies have been used to describe events, situations, programs, and activities (Hancock and Algozzine, 2006, pg. 20). Case studies are an example of qualitative research and tend not to use random samples like quantitative studies do (Miles and Huberman, 1994, pg. 27). “With small numbers of cases, random sampling can deal you a decidedly biased hand.” (Miles and Huberman, 1994, pg. 27).

In designing and carrying out a case study, researchers have the option of a single case study or multiple case studies. Both options have disadvantages associated with them, and both need to be justified by the researcher (Yin, 2003). One of the dangers with a single case study is the risk that the result will be as originally anticipated (Yin, 2003, pg. 42); nevertheless, critical cases and revelatory cases (as discussed below) are generally all single cases studies (Yin, 2003, pg.47). Multiple case studies can provide a stronger picture as comparisons can be made but they also require “...extensive resources and time beyond the means of a single student or independent research investigator.” (Yin, 2003, pg.47).

Critics of case studies argue that a key limitation to these studies, is the ability to take the findings and make generalized comments about the research as a whole (Gilbert, 2001). Other scholars dispute this claim by suggesting that single case studies are valid (Flyvberg, 2006). In his article on the misunderstandings of case studies, Flyvberg (2006, pg. 228) states:

“One can often generalize on the basis of a single case, and the case may be central to scientific development via generalisation as supplement of alternative to other methods. But formal generalisation is overvalued as a source of scientific development, whereas ‘the force of example’ is underestimated.”



Single case studies have been used in the past to both explore and explain situations using an institutional framework perspective (for example: Burns, 2000; Soim et al., 2002; Burns and Baldvinsdottir, 2005). While arguments suggest that single case studies result in problems with generalizations, Yin (2003, pg. 45), suggest several conditions where single case studies may be useful:

1. When the case represents a 'critical test of existing theory'
2. 'Rare or unique circumstances'
3. A case which is representative of other similar cases
4. A case that revelatory in nature. A situation that has previously not been or been able to be investigated
5. A case that is longitudinal in nature

Above are some of the reasons that justify a single case study; in addition, they represent a key starting point. This study employs a single case study that can be justified on two of the above grounds: this case study examines a company that has made an effort to be leaders in IFR, and investigates an area within IR that has seen very limited research. The Company is perceived to be a leader based on a number of different factors. The key employees working within the IR department take an active role in IFR by attending conferences and symposiums around North America. In addition, the Company was won several reporting awards over the past several years for superior reporting (including Internet reporting). Therefore, it can be said that this study is revelatory in nature. Lastly, this study looks at the weblog usage over a period of three years. As such, the case can be said to also be longitudinal in nature.

Many examples of prior literature exist to support the use of single case studies within an accounting context. For example, one study investigated non-financial measures within an

organizational context using Lever Industries (Vaivio, 1999). In another study the Scapens framework that was discussed in the earlier chapters, was utilized to study the implementation of activity based costing within a manufacturing plant (Soin et al., 2002). In both investigations, the use of a case study is justified because of it being exploratory.

“The descriptive element enabled exploration of the dynamics of the control systems being studied in the context of organizational change and provided an opportunity to probe the complexity of the social activity within the organization” (Soin, Seal et al., 2002, pg. 252)

The SEC was the focus of a single case study, using institutional theory, to investigate how their legitimacy was established (Bealing et al., 1996). The main concern of this paper was how the SEC could legitimize its actions. Other single case studies in management accounting and institutional theory include: a business unit in a Portuguese company (Ribeiro and Scapens, 2006), the strategic management accounting practices of a company (Ma and Tayles, 2009), and; the impact of a new management control system in a joint venture (Cruz et al., 2009). Single case studies have also been used to investigate the internet stakeholder dialogue with Shell Company (Unerman and Bennett, 2004).

Based on the examples above, using a single case study to review an IR department and its use of the Internet to disseminate financial information can be justified on the grounds that the case study approach will allow an exploration into the processes that have shaped how the IR department operates the IR website.

At the beginning of this chapter, Figure 6.1 visually depicted the various stages that were undertaken with this research. The following sections take Figure 6.1 and review, in detail,

how each stage was conducted. The section culminates with the case study of ABC, a Canadian public company.

### **6.3 Stage 1: Internet Financial Regulations**

In order to fully analyze the information posted on the corporate websites, an investigation of Internet Financial Regulations was completed. The goal was to investigate the requirements put forth by regulators to determine how much, or how little, information was required on corporate websites. This is a logical first step in the research study as it provides a base for determining any minimum required information. Any voluntary information posted to the websites potentially leads to increased complexity for the user, and may politically affect the company's competitive advantage in its markets. Therefore, it is reasonable to question why an organization would make this additional information available. This research argues that, with the use of Institutional Theory and by examining the reasons for the posting, the voluntary nature of the IFR information can be investigated further.

In Chapter Seven, the regulations of Canada and the United States were investigated for guidance on the use of the Internet to disseminate corporate financial information (whether voluntary or non-voluntary). Canada was chosen, given that the case study focus would be a Canadian company, and the United States was also chosen because many Canadian companies are dual listed on both the New York Stock Exchange and the Toronto Stock Exchange. As a result, regulations in the United States may potentially impact Canadian companies. The two countries were compared in terms of which first started discussing the Internet and which first introduced regulations or guidelines surrounding its use by

corporations. The time period covered included the first identified posted information on regulations dating back from 1995 to 2010. The results provided an understanding of the evolution of regulatory guidance and regulations over the use of the Internet to disseminate financial information to the public.

This comparison of Canadian regulatory guidance to that of the United States sets the stage for a more in depth look at Canadian corporations and their use of the Internet for IFR. Thus, completion of Stage 1 provided some key information for Stage 2.

#### **6.4 Stage 2: Canadian Corporation Internet Usage**

The next part of the research study analyzes the usage of the Internet by Canadian Public Corporations. Several other studies, as discussed in Chapter 5, have looked at the usage of the Internet for the dissemination of financial information. This particular part of the study was important to this research as it focused on Canadian corporations rather than on a global view as was the case in many of the previous studies. This study also allowed for the identification of Canadian companies that made extensive use of the Internet to disseminate IR related information. This area also focused on the types of information that were circulated on Canadian Corporate websites and, more specifically, the formats in which that information was posted (i.e. PDF, HTML, or other). Also included were comparisons to previous studies. This was critical to the main research question of this thesis as it assisted in identifying those corporations that met specific criteria.

The previous study on WSLFs by Allam (2005), found that little information could be obtained from a company's website if they used only a single PDF document to disseminate

their annual reports and documents. It is not possible to determine if a company has linked to the financial statements or to other areas within the annual report. With HTML coding or segmented PDF files, stakeholders have more options regarding what sections or areas they wish to visit. This is discussed more fully in Chapter Eight where a survey of the websites of Canadian companies is described.

### **6.5 Company Selection**

One of the goals of examining the websites of Canadian Companies was to identify companies that had developed extensive IR content on their web pages and to approach them and determine if they would be willing to participate in a more detailed investigation of their IFR activities.

Canadian companies that were investigated for Internet use in Chapter 8 were selected based on the amount, and format, of material posted to their corporate website. For example, companies that only posted full annual reports in PDF format were eliminated for selection, while those with HTML formatting or segmented PDF format were highlighted. These particular companies offered enough information and complexity to take the study to the next stage. As was the case in previous studies, obtaining company WSLFs proved to be a difficult and time consuming process (e.g. Allam, 2005). Companies had to meet certain criteria to be suitable candidates for this study and, as a result finding a suitable company posed the following problems:

1. They needed to have a website that utilized multiple formats (HTML, PDF), or some segmentation, in order to provide choice to the stakeholders. In other words, in order

to get any meaningful data on which areas interested stakeholders the most, there had to be financial details (Balance sheets, income statements, notes to financial statements) separately linked. This reduced the number of companies available for the study.

2. Some companies were hesitant to provide the information for confidentiality reasons; either because they did not want their results published, or they were concerned with the use of the weblogs and the confidentiality of the Internet users (due to the possibility of gathering information on IP addresses).
3. Some companies found it difficult to provide the information due to time constraints or current conditions within the company, including mergers and financial distress.
4. While some companies were willing to provide their weblogs, they were unable to commit to a series of interviews – a necessary component - of this study for understanding the rules and routines that had been implemented (or not) within an IR department.

Since the company to be analyzed in depth needed to have a sufficiently complex website that would provide enough data to survey users, the exploratory study of the investor relations websites of Canadian public companies was used to highlight companies with segmented information and a rich Internet IR website. Based on the factors listed above, it became clear very quickly that the ability to obtain a company, based on random selection, would not be possible. As a result, companies that met the segmented criteria were contacted on a judgmental (priority preferred) basis until a company agreed to participate. Companies contacted were large Canadian public companies in the following industry sectors: Oil and Gas, Telecommunications, Mining and Forestry, and Financial Services.

After several phone calls, two companies originally agreed to participate; one company in the Mining and Forestry industry and one in the Financial Services Industry.

Weblogs were obtained from the Financial Services Company and contact with IR staff was made. After the partial analysis of the weblogs, a series of phone conversations took place between the IR staff and the researcher where basic questions on control over weblog data, reasons for the usage of an IR website, and issues with an IR website were discussed. Due to external issues<sup>16</sup>, the Financial Services Company was ultimately unable to move forward with formal interviews but the lessons learned about weblog data and types of questions to be addressed were valuable when the second company agreed to assist.

The other company that is now referred to as ABC Company (ABC) did agree to participate fully in the study. It was after this corporation agreed to work with the researcher that stage 3 began; that being the detailed examination of their weblogs.

### **6.6 Stage 3: Investigation of Web Server Log Files**

In his thesis study of the weblogs of corporations in the UK, Allam (2005) employed the use of WSLA. Allam used WSLA to investigate the number of hits to a particular corporate website and the types of information that users were seeking. The particular part of this research study makes use of Allam's method but has a number of key differences. While the Allam study looked at the ability to use WSLA to study the usage of online reports for 2001, this study goes further by looking at the usage of the information over a continuous period from January 2006 to September 2008. This is just one part of the study undertaken in this

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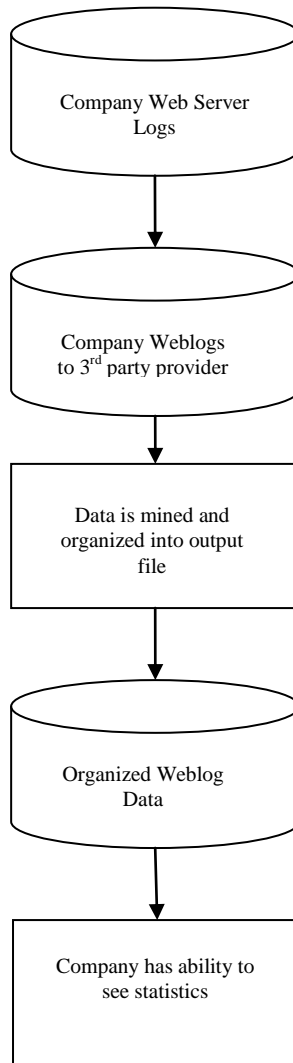
<sup>16</sup> The banking system in Canada relies on only five major banks. Further information is not provided here in order to maintain anonymity

research analysis (as shown in Figure 6.1); in addition, it builds upon the work done on regulations and Canadian websites in general. Also, this study is a detailed focus on one company in order to provide data from a number of different areas (regulatory, weblogs and interviews).

The Allam study obtained the WSLF's of several UK companies and used its own data mining facilities to mine the data into weblogs that could be queried (Allam, 2005). During the initial contact with Canadian companies, it was determined that all the companies contacted used third party data mining companies to extract and filter their weblogs. When contact was made with ABC, it was revealed that they also use a third party provider for their IR website. In order to understand the process, Figure 6.2 shows how the weblogs are captured and processed by ABC's third party provider. A further explanation follows the Figure.



**Figure 6.2: Overview of Third Party Web provider**



All servers related to IR functions are owned and operated by the third party company. Weblog data is captured by the servers of the third party provider and the data is taken, organized, and then compiled into a report that can be viewed by members of ABC's IR department. If there are any errors in the processing of the logs, or if any data is not captured in the processing, the program aborts and the employees of the third party provider have to manually go in and determine what is wrong and correct it. If more than one day is being captured, the day with problems would show zero data, thus signifying that there was a problem. The problem is fixed and the data is rerun. Once the information is captured into

a usable format, it is then sent to ABC so they can view the results. According to conversations with the third party provider, the data provided to ABC is not in a format that can be queried; therefore, ABC must go through the report and take out what they deem to be important.

In the Allam study, a self-developed data mining program was used to filter the raw weblogs. In this study, raw weblogs for three years (from January 2006 to September 2008) were obtained from the Canadian Corporation's third party provider. These weblogs were provided to the researcher on a disk and were extracted on a monthly basis. Queries by the company, and third party staff, were eliminated from the extraction so that only external hits to the company website were included. In addition, IP addresses were masked by the ABC Company's third party supplier so that no confidential information regarding users would be viewed by the researcher. Without IP addresses, it is not possible to reveal anything about geography or the nature of interests of the users. In this case; however, IP addresses were not an integral part of this study, so making them anonymous was not an issue.

These weblogs were then analyzed using a commercial weblog analyzer called Weblog Expert<sup>17</sup>. Weblog Expert is a low cost commercial software program purchased by the researcher that extracts raw weblogs and organizes the information into output formats such as PDF and Excel. The researcher had control over what elements were extracted from the logs.

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<sup>17</sup> The Weblog Expert program can be found at [www.weblogexpert.com](http://www.weblogexpert.com)

One of the limitations of using third party commercial data mining software is the inability to control the way the raw web log data is compiled and organized in the searchable database. The use of third party software meant that issues, such as accuracy and completeness, needed to be addressed in order to ensure that the data could be used in the analysis. In order to ensure that Weblog Expert was organizing information consistently with information organized by the third party provider, the researcher was granted access to a server site where the information for ABC was stored. The information from the third party and the information produced by Weblog Expert were compared by looking at random days in 2008. As was discussed in Allam (2005), no two weblog analyzers will produce the same results; and this was the case when the results from WebLog Expert were compared with results from the software used by the Company's third party service provider. Differences, however, tend to be minor. For example, the definition of a visitor can be different between analyzers. Despite the differences, each analyzer is consistent; therefore using one for all the data will provide consistent results.

Chapter 9 discusses the process of capturing the weblog information in more detail along and some of the limitations of using Weblog analyzers. In addition, the chapter also discusses the findings from the period studied.

#### **6.7 Stage 4: Case Study**

After the appropriate unit of analysis was defined, the next stage of the study interviewed key members from ABC. According to (Yin, 2003) the unit of analysis may be an individual, or many individuals, or:

“...the ‘case’ also can be some event or entity that is less well defined than a single individual. Case studies have been done about decisions, programs, the implementation process, and organizational change.” (Yin, 2003, pg. 23)

For this case study, the research questions focused on the individuals working with the IR website of a corporation, and how they perceived the evolution of rules, routines and processes had evolved within their department.

The individuals to be included in the case study would be those employees (or actors) of ABC that were directly involved with the IR website. In addition to ABC, there were two key third party providers that provided support for ABC’s IR content. The first one was the information technology (IT) company (WHS) that housed the servers and provided web support in terms of design and back end IT functions. The second company provides IR writing and creative assistance (CS). These two companies were included in the unit of analysis because they had a direct impact on the development, routine maintenance, and redevelopment of ABC’s IR website. Their support to ABC is discussed in detail in Chapters 9 and 10. This notion that the IR Web team is made up of internal IR members of ABC and external parties (CS and WHS) results in the unit of analysis being defined, not by any particular legal entity, but instead, by the actors that impact the IR website.

When designing the interviews, three forms of interviews were considered: structured, semi-structured and unstructured. Structured interviews provide little opportunity to investigate issues deeper as they arise during the course of an interview while unstructured interviews do not make use of any preconceived planning. The interview method utilized in this case study was the use of semi-structured interviews. Semi-structured interviews make use of set questions but allow for flexibility to dig deeper into some issues and explore ones that arise

during the course of the interview (Kvale, 1996). Semi-structured interviews allow individuals to respond in a more open fashion (Hancock and Algozzine, 2006).

The initial case with the financial services company provided, as a starting point, an opportunity to determine the types of questions that should be utilized. Although each case is unique, this initial case provided opportunities to fine tune interview questions and the overall approach to the case study. The end result was the development of the base questions that were posed to ABC, WHS and CS (See Appendix I).

The number of individuals to be interviewed was based on the number of individuals directly involved with the IR department and the Internet site. Conversations with senior staff at ABC resulted in the creation of an interview list. The interview list included members of ABC and members of their third party providers. Ultimately six individuals were interviewed. Each interview took between 50 minutes to 1.5 hours and the interviews were recorded using a digital recorder. Follow-up questions were posed to all of the individuals using a combination of e-mail and phone calls for areas that were unclear after the interviews were transcribed. Table 6.2 summarizes the interviews and follow-up conversations that took place. The number of emails refers to a primary question asked for follow-up and may have resulted in several threaded e-mail messages in order to obtain the required information. Table 6.2 also details the code each interviewee was assigned for subsequent analysis to maintain confidentiality. Given the limited number of individuals available for interviewing, the researcher consciously ensured that documentation provided during the interviews was followed-up with other interviewees. This ensured that the documentation was, indeed, used by the actors.

**Table 6.2: Interview List**

<b>Interviewee</b>	<b>Number of Onsite Interviews</b>	<b>Number of Phone Calls</b>	<b>Number of Emails</b>
ABC <sub>1</sub>	1	4	3
ABC <sub>2</sub>	1	2	1
CS <sub>1</sub>	1	1	1
CS <sub>2</sub>	1		1
WHS <sub>1</sub>	1		2
WHS <sub>2</sub>	1	1	1

The interviews and questions were designed to investigate the change processes that have taken place within ABC as a result of IFR using the institutional framework, as laid out in chapter 3 (Burns and Scapens, 2000). The questions explored why ABC believes IFR is an important communication tool, why ABC continues to enhance their IR site, how processes have evolved over time, and what they believe to be the future of IFR. See Appendix 1 for the list of questions.

The interviews were transcribed immediately after each took place. Transcribing, for case studies, include manual transcribing and the use of software capable of assisting the researcher in extracting themes from the transcripts. For this research, each interview was manually transcribed by the researcher into a Word processor and the accumulated data from each interview, ranged from seven to eleven pages in length. A computerized program such as NVivo<sup>18</sup> that can analyze interviews was not used due to cost and training constraints, but the small interview list made it possible to analyze manually. Themes were extracted from the interviews. These themes ranged from key points in time that were

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<sup>18</sup> An example is NVivo: [http://www.qsrinternational.com/products\\_nvivo.aspx](http://www.qsrinternational.com/products_nvivo.aspx)

discussed in a similar fashion across the interviews, to the phrase “social media” being used by all interviewees.

The decision was made to maintain the confidentiality of the company. This decision was based on the argument that the individuals being interviewed may, with confidentiality, be more willing to provide open and honest answers to the interviewee. Informed consent was obtained from each of the interviewees; including consent to record the interview. In addition, it was explained to them that, although the company details would remain confidential, the relatively small size of interviewees may make it possible for participants to guess who may have made certain comments.

## **6.8 Conclusion**

This chapter establishes the methods that were followed in completing the research for this thesis. The chapter began by establishing a basis for the research and the supporting chapters that follow. Two methods will be used in this thesis: the case study approach and the use of weblog analysis.

The first method was the use of a single case study to explore how IFR has evolved within an organization. The chapter established support for single case studies by drawing on several examples in the management accounting area. A number of different techniques were used during the case study including interviews and documentation. The particular company used in the case study was chosen based on an analysis of the changes that took place on the websites of 50 of Canada’s largest corporations. This created a small number of

ideal companies (those with highly active IR websites). The final company was chosen after several companies were contacted.

The second method employed in this thesis was the use of weblog analysis to explore how the organization's IR website had evolved from 2006 to 2008, and how it was accessed by external parties. This stage produced details of general trends in the development of IFR in Canada over this window of time. It also directly aided the preparatory work for stage 3, in that, it was critical to the process of selecting suitable case candidates.

Key members of both ABC Company and its third party service providers were identified through discussions with one of the IR managers. Semi-structured interviews were conducted on the site of the company, and its third party providers, on a confidential basis.

The interviews were transcribed in full so that key themes and discussions, across all interviewees, could be examined. Of particular interest to the study were how the IR and IFR function had evolved over time within the company, and how the third party providers supported the company

The next four chapters document the research done in this study and begin with an investigation, in Chapter 7, of the regulations that existed to guide corporations as they began to use the Internet to transmit financial information. Chapter 8 examines the websites of Canadian Corporations in order to ascertain the level of detail being posted to corporate websites, and to evaluate companies that could be researched further as part of a case study.



Chapter 9 and 10 contains the details of ABC including their weblogs and the analysis of the interviews.

## **7. FINANCIAL REGULATIONS OVER CORPORATE INTERNET REPORTING<sup>19</sup>**

### **7.1 Introduction**

The Internet is widely used as a vehicle for corporations to communicate with various stakeholders. When IFR was in its infancy, regulatory agencies explicitly stated that they encouraged the evolution of new technologies but that these technologies did not replace traditional ways of providing information to users (e.g. TSX, 2003). Although there has been recent movement towards providing specific guidance to corporations on Internet reporting, the comment from the TSX above suggests that rules and regulations governing paper-based reporting can be used to guide web based reporting. This chapter presents a review of the existing regulations of Canada and the United States and shows that this viewpoint has been historically supported by regulators. This chapter is also used in chapter nine as the case study explores how internal managers and creators are influenced by the regulatory agencies.

The use of IFR in disclosing voluntary and non-voluntary information is increasing; therefore making critical, an understanding of the regulations in place. This chapter will address; (1) the regulations or guidance that exists in Canada and the United States with respect to corporate dissemination of financial information and how they compare between the two countries; and (2) how Internet regulations and guidance were incorporated into manuals in the various two countries and the impact each country may have had on the other.

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<sup>19</sup> Originally published in the Fourteenth Annual Research Workshop on Artificial Intelligence and Emerging Technologies in Accounting, Auditing and Tax; San Francisco, CA, USA, August 6, 2005 as part of a larger study.

The first objective of this chapter is to examine how the regulations over IFR emerged from the beginning of the use of the Internet by corporations. This is accomplished by examining the documentation from Canada and the United States from the inception of the use of the Internet for corporate reporting<sup>20</sup> (the 1990s) to 2010. Chapter five examined various academic studies that have looked at corporations' usage of websites for reporting purposes (e.g. Petravick and Gillett, 1996; Lymer and Tallberg, 1997; Ashbaugh et al., 1999; Deller et al., 1999; Hedlin, 1999; Trites, 1999; Allam, 2005). These studies specifically identified and analyzed the content of corporate websites focusing on the types of information posted on those sites. The aim of this chapter is not to replicate the studies of corporate websites, but rather, to add to that knowledge by documenting how Canada and the United States responded to that proliferation of information on corporate websites that these studies explore.

The second objective of this chapter is to compare the regulations of Canada to those of the United States, and in doing so, illustrates key lessons for possible future regulatory changes in the area.

The results of the examination of the relevant documents show that, although the two countries are relatively similar in many of the main issues of IFR regulation, there are some important differences in how they manage this. Canada has a mixture of regulations and guidance; whereas, the United States have dealt with the issue of IFR using mostly regulations. Furthermore, the two countries appear to be reluctant to recognize IFR as a

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<sup>20</sup> The Internet has been in existence substantially longer than this, dating back to the 1960's. According to Internet history websites, it became popular publicly around 1993. See for example [http://www.siliconvalleyhistorical.org/home/the\\_emergence\\_of\\_the\\_internet](http://www.siliconvalleyhistorical.org/home/the_emergence_of_the_internet) accessed on June 21, 2010

separate medium of information and prefer to state that the rules applying to paper-based reporting should be applied to IFR (TSX, 2003).

The next section in this chapter (7.2) presents a brief look at the Internet as a source for information. What is generally well known is that the growth of the Internet continues to increase in all countries, and that users are embracing it for an ever increasing number of activities (this is shown in Figure 7.1). As such, it would be reasonable to expect that IFR will form part of those activities.

The next section (7.3) examines the various regulatory authorities that exist in Canada and the United States and how the related regulatory documents (rules, discussion papers, or guidance) were found. The section discusses the fact that a 'reasonable person' approach was taken to find the documentation. In other words, how would an everyday investor go about finding out if IFR regulations existed? Although the focus of this thesis is on a Canadian public corporation, this approach was used in order to determine just how apparent any regulations or guidance were to users, and, therefore to corporations. The fourth section describes the regulatory environment of each of the two countries; providing a foundation for the actual discussion that follows regarding their documents. The fifth section briefly addresses how technology has become an integral part of some countries' communication requirements.

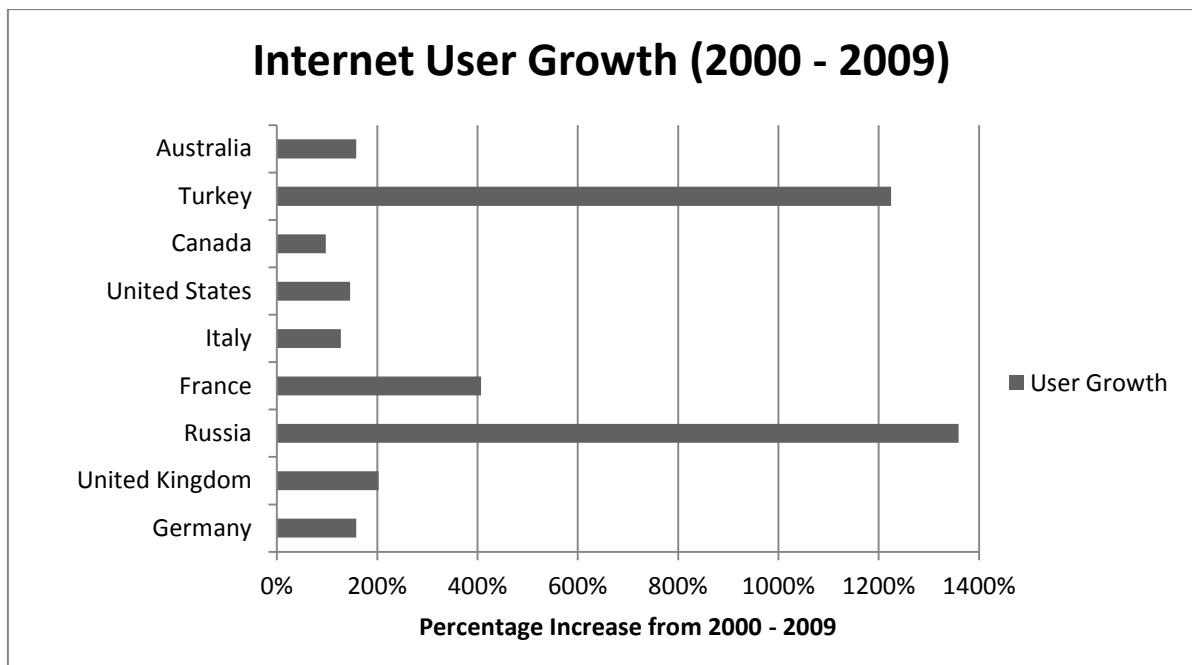
The next section discusses the documents found for both Canada and the United States from 1995 to 2010.

The summary section provides a comparative look into how the initial issues were dealt with by Canada and the United States, and discusses how this research will be used in following chapters.

## 7.2 The Internet and Corporate Websites

The Internet is a source for a wide range of information for individuals across the world. In a 2003 Ipsos-Reid Poll of general Internet use, Internet growth increased by 7% over 2002 with most growth occurring in countries such as Germany, Japan, South Korea, and countries within the United Kingdom<sup>21</sup>. The poll showed that seven out of ten adults in Canada and the United States access the Internet at least once in a 30 day period. Figure 7.1 shows the increase in the use of the Internet from 2000 to 2009.

**Figure 7.1: Internet User Growth<sup>22</sup>**



<sup>21</sup> Ipsos-Reid Poll from The Face of the Web – an annual poll of Internet Usage; December 2003. The poll looks at general Internet access and is not specific to financial reporting, but does show that the number of adults accessing the Internet is increasing throughout the world.

<sup>22</sup> From [www.Internetworldstats.com/stats14.htm](http://www.Internetworldstats.com/stats14.htm) accessed on May 22, 2010

This is important because it has documented that there are an increasing number of people accessing the Internet<sup>23</sup>. It makes it likely that this usage will result in an increased demand for corporations to provide web-based financial information.

This chapter makes a distinction between the Corporate Website and the Corporate Electronic Communications. According to Merriam-Webster Online, a website is “a group of World Wide Web pages usually containing hyperlinks to each other and made available online by an individual, company, educational institution, government, or organization.”<sup>24</sup> Therefore, a corporate website can be thought of as that which encompasses the financial statements and other information specific to the corporation. Merriam-Webster Online goes on to define the Internet as “an electronic communications network that connects computer networks and organizational computer facilities around the world”<sup>25</sup>. Electronic communication is also called computer mediated communication and is defined as “Communication that takes place through, or is facilitated by, computers. Examples include Usenet and e-mail, but CMC also covers real-time chat tools”<sup>26</sup>. Therefore, this research uses the term Corporate Electronic Communications to include, not only the web based information situated on the specific corporate IR website, but other forms of electronic communication as well (such as electronic newspapers).

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<sup>23</sup> Little work has been done on the investor/user perception and actual use of corporate websites. A telephone survey was done in 1999 by the Angus Reid Group in Canada. Based on a sample of 1,501 adults, the survey showed that 58% of those surveyed had Internet access. In addition it showed that when it came to investments and corporations most individuals (75%) in 1999 were using the Internet for research purposes only. See [http://www.osc.gov.on.ca/About/NewsReleases/1999/nr\\_19990425\\_poll-shows-lowuse.jsp](http://www.osc.gov.on.ca/About/NewsReleases/1999/nr_19990425_poll-shows-lowuse.jsp) accessed on February 20, 2002.

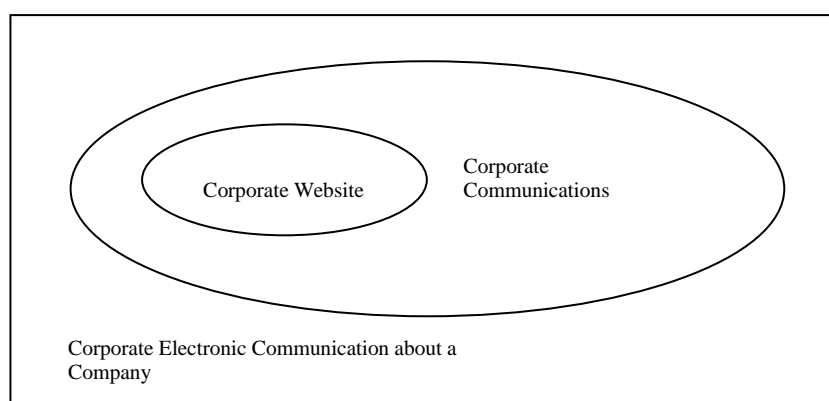
<sup>24</sup> Based on Merriam-Webster Online at <http://www.m-w.com>

<sup>25</sup> Based on Merriam-Webster Online at <http://www.m-w.com/>

<sup>26</sup> <http://dictionary.reference.com/browse/Computer+Mediated+Communication> accessed on May 20, 2010

As depicted in Figure 7.2, the corporate website is one part of the overall Corporate Electronic Communications information available to stakeholders. This includes all the other areas that a stakeholder could use to make investment decisions relating to the company; such as company run chat rooms, news groups, and e-mail received from corporations as a result of signing up for news alerts. The corporate website is more specific in that it relates to information currently made available to users by the corporation on its IR website. This information would include annual financial statements, proxy forms, stock quotes, webcasts, and corporate e-mail accounts (e.g. Hedlin, 1999; Trites, 1999; Allam, 2005). This distinction is important if, in the future, regulations are revised and applied to specific areas of websites or become more all-encompassing.

**Figure 7.2 Electronic Communications Environment of a Company**



### **7.3 Regulatory Overview**

There are a number of organizations that assist in the development of regulations for Corporations and have produced some form of communication with respect to IFR. In 1999, the International Accounting Standards Committee (IASC) published a study that recommended that corporate reporting placed on the Internet required regulation and

specific accounting standards to be created to address its unique characteristics (as compared with paper-based reporting) (IASB, 1999).

In 2001, the Financial Accounting Standards Board in the United States (FASB) prepared a research report that discussed disclosure requirements for on-line reporting (FASB, 2000) and discussed the use of the Internet as a means of transmitting information to perspective users. It addressed issues surrounding the timeliness of information being posted to the Internet as well as the completeness of the information.

In addition, there are a number of organizations outside of regulatory agencies that have commented on the use of IFR. These include organizations such as the National Investor Relations Institute (NIRI)<sup>27</sup> in the United States and the Investor Relations Society (IRS)<sup>28</sup> in Europe. These organizations provide information to corporations about topics that range from IR best practices to social media; however, they do not create specific regulatory requirements enforced upon corporations by their respective regulatory agencies. Therefore, the remainder of this chapter specifically focuses on the official reporting authorities' documentation and on its review of the state of IFR to 2010 for Canada and the United States.

Although several countries could have been chosen for research, Canada and the United States were chosen based on their geographical closeness to the researcher and the impact they would have on the case study of a Canadian corporation. Canadian regulations will have a direct impact on the company, and many large Canadian companies are dual listed on

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<sup>27</sup> For more information on NIRI, see <http://www.niri.org>

<sup>28</sup> For more information on IRS, see <http://www.ir-soc.org.uk/>



the Canadian and American exchanges. In addition, examining how the United States have dealt with IFR allows for comparison.

In obtaining any documents relating to IFR, the starting point for each country was researching the Internet sites of the Commission or regulatory agency responsible for the rule setting in each domain. Completeness of information was a concern since the Internet sites were not always clearly organized according to category (i.e. Internet financial dissemination, disclosure policies, etc.) The timeline in Table 7.1 was used to try and ensure all documents were captured and any references made in one document were followed to the next document (or previous one). As a further check for completeness, the TSX and the SEC were contacted, through e-mail, and asked to confirm that there were no key documents missing from the review set. The TSX responded by providing a link to documents.

**Table 7.1: Internet Related Documents According to Date (1995 to 2010)**

Oct-95	<b>United States</b> SEC asks for comments on Electronic delivery <a href="http://www.sec.gov/rules/proposed/33-7233.txt">www.sec.gov/rules/proposed/33-7233.txt</a>
May-96	<b>United States</b> Final Rules 33-7289 - Use of Electronic Media for Delivery Purposes
Jun-97	<b>Canada</b> Canada CSA requests comments on electronic communications via notice 11-401 and noted that they have been reviewing the October 1995 document produced by the SEC <a href="http://www.osc.gov.on.ca/en/15573.htm">www.osc.gov.on.ca/en/15573.htm</a> accessed on January 20, 2005 <b>United States</b> SEC produces a report to congress on issues surrounding technology and its impact on corporations <a href="http://www.sec.gov/news/studies/techrp97.htm">www.sec.gov/news/studies/techrp97.htm</a> accessed on January 20, 2005
Jun-98	<b>United States</b> NIRI does some research & publishes some reporting guidance similar to TSX. NOT incorporated into SEC rules
Mar-99	<b>Canada</b> TSE Produces Electronic Communications Guidelines
Jan-00	<b>Canada</b> National Policy 11-201 effective: Delivery of Documents by Electronic Means (Announced December 17, 1999) Proposed December 18, 1998 - note that this is a guideline <b>Canada</b> National Policy 47-201 effective: Trading in securities using the Internet and other Electronic Means - looks at issues such as jurisdiction.
Apr-00	<b>United States</b> Use of Electronic Media: Provided on the use of websites to all companies. Release no. 33-7856 (SEC, 2000b) <a href="http://www.sec.gov/rules/interp/34-42728.htm">http://www.sec.gov/rules/interp/34-42728.htm</a>

Jun-00	<b>United States</b> E-Signature Act (Note: Effective October 2000) <i>Electronic Disclosure Regulations (James Brodsky)</i> <a href="http://www.sec.gov/rules/interp/signact.htm">http://www.sec.gov/rules/interp/signact.htm</a> accessed on March 10, 2005
Jul-00	<b>United States</b> BRRP Project done during 2000. Looked at US Websites and Web information. <i>Steering Committee Report Series FASB</i>
Oct-00	<b>United States</b> Effective date of Regulation FD, Rule 10b5-1, Rule 10b5-2. Note: Adopted August 10/2000 <a href="http://www.sec.gov/rules/final/33-7881.htm">www.sec.gov/rules/final/33-7881.htm</a>
Dec-01	<b>United States</b> SEC produces special study revisiting Reg FD. Looks at tech issues - they want proper website notices and websites/webcasts/e-mail alerts to satisfy Reg FD. Suggest Corps should be encouraged to post AND archive webcasts <a href="http://www.sec.gov/news/studies/regfdstudy.htm">www.sec.gov/news/studies/regfdstudy.htm</a> . accessed on March 10, 2005
Jul-02	<b>Canada</b> Companies don't have to mandatorily send Financial Statements - National Policy 51-201 put in place dealing with Selective and Timely Disclosure. National Policy Stmt 40 to be rescinded
Aug-02	<b>Canada</b> OSC reports some inaccurate/outdated information on websites (incorrect 52 week high stock quotes) <a href="http://www.osc.gov.on.ca">www.osc.gov.on.ca</a> accessed on March 10, 2005
Sep-02	<b>United States</b> NASDAQ: Material news must first be given to NASDAQ stock watch. May be transmitted to the Internet ONLY after first being received by a major news service. <i>Nasdaq Regulatory Requirements</i> <a href="http://www.nasdaq.com">www.nasdaq.com</a> accessed on February 20, 2005
Nov-02	<b>United States</b> NASDAQ: Rules changed to harmonize with SEC's Reg FD <i>Nasdaq Bulletin -</i> <a href="http://www.nasdaq.com">www.nasdaq.com</a> accessed on February 20, 2005
Dec-02	<b>United States</b> SEC Final Rule: New information required on 10K-form: Company's website; If certain info available free of charge or why it is not; Will a copy be provided on request <a href="http://www.sec.gov/rules/final/33-8128.htm">www.sec.gov/rules/final/33-8128.htm</a>
Feb-03	<b>Canada</b> National Policy 11-201 amended to include definition of electronic signature and issues surrounding proxies.
Nov-03	<b>United States</b> SEC approves rule changes that require a listed company's website to include corporate governance documents, ethics and code of conduct
2004	<b>United States</b> SEC proposed adopting amendments that would allow companies to use XBRL beginning with 2004 year ends. Released September 27, 2004. <i>Release No. 33-8496</i> accessed on May 1, 2010
2005	<b>Canada</b> TSX Manual Sec. 423.10 wording is slightly altered to remove the word 'new' that was previously in front of media when the Internet was discussed, suggesting that there is formal recognition that Internet is no longer novel technology on March 15, 2005 <b>United States</b> SEC adopts amendments and allows companies to use XBRL with EDGAR with an effective date of March 15, 2005 <a href="http://www.sec.gov/rules/final/33-8529.htm">http://www.sec.gov/rules/final/33-8529.htm</a> accessed on May 1, 2010
2006	<b>United States</b> SEC approves changes to the NYSE Company Manual that eliminates the requirement of foreign private investors to physically deliver annual reports allowing companies to post them on their website. The change states that companies must state on their website that individuals can receive a hard copy if they request it. Domestic filers also fall under this new rule but must still produce a hard copy annually to their shareholders via the SEC's proxy rule. Other changes require companies to have websites <a href="http://www.sec.gov/rules/sro/nyse/2006/34-54344.pdf">http://www.sec.gov/rules/sro/nyse/2006/34-54344.pdf</a> accessed on May 1, 2010 <b>United States</b> SEC Chairman identifies the need to look beyond static document and to embrace interactive data as a way of enhancing disclosure <a href="http://www.sec.gov/news/testimony/ts050306cc.htm">www.sec.gov/news/testimony/ts050306cc.htm</a> accessed on May 17, 2010

2007	<p><b>Canada</b> OSC produces a forward looking statement for 2007/2008 Addressed the need to watch what the SEC was doing regarding the establishment of a mandatory XBRL filing program in 2009. Announced that a voluntary XBRL filing program would begin in Canada May, 2007 (OSC, June 2007).</p> <p><b>United States</b> SEC establishes the Office of Interactive Disclosure (OID) to focus on XBRL issues <a href="http://www.sec.com">www.sec.com</a> accessed on May 1, 2010</p>
2008	<p><b>Canada</b> TSX Issuer Update Newsletter comments on the use of social media suggesting that investor relations departments are fearful of using it in case it gets out of control or due to regulatory concerns <a href="http://www.tmx.com/en/listings/newsletter/article_2.html">www.tmx.com/en/listings/newsletter/article_2.html</a> (accessed on May 6, 2010)</p> <p><b>United States</b> SEC notice-and-access policy instituted effective January 1, 2009 for companies soliciting proxies. Proxy material to be posted to the website and then can be delivered traditionally or by a notice only with access on the Internet. <a href="http://www.sec.gov">www.sec.gov</a> accessed on May 1, 2010</p>
2009	<p><b>United States</b> SEC produces document dated January 1, 2009: Toward Greater Transparency that discusses moving from static documents to interactive data providing users with flexibility in the information while reducing duplication (SEC, 2009b)</p> <p><b>Canada</b> OSC produces a forward looking statement for 2010/2011 – discussed ways they would improve what they do by “Making greater use of e-delivery of specific reporting documents, including enhanced web access to information” (OSC, December 11, 2009 pg. 10317)</p> <p><b>United States</b> On April 13, 2009 SEC mandates the use of XBRL by companies using a phased in period from 2009 to 2011 <a href="http://www.sec.gov/rules/final/2009/33-9002fr.pdf">http://www.sec.gov/rules/final/2009/33-9002fr.pdf</a> accessed on May 1, 2010</p> <p><b>United States</b> SEC approves rule change effective December 7, 2009 for the NASDAQ that impacts how companies should communicate material information. Companies must give NASDAQ Market Watch 10 minutes notice prior to releasing information. <a href="http://www.sec.gov">www.sec.gov</a> accessed on May 6, 2010</p> <p><b>United States</b> SEC approves rule change effective January 1, 2010 for the NYSE that impact website posting requirements (NYSE, 2009) . Companies’ websites will have to be accessible from the United States and list in English the documents that are required to be posted</p>
2010	<p><b>Canada</b> OSC amendment to NI 54-101 that would allow materials related to proxies that are not special to be posted on a website other than SEDAR and sending a notice to those who may need it. Called a notice-and-access process. Out for comment until August 2010.</p>

#### 7.4 Regulatory Environment in Canada and the United States

Both Canada and the United States have key differences with respect to their regulatory environment for financial reporting. An overview of each environment provides the foundation for understanding the regulations developed and enforced for IFR. Therefore, before reviewing the details of current regulations relating to IFR, it is necessary to review the general regulatory environment that exists in each country to provide the context in which each regulation is designed to exist.

## Canada

Canada's regulatory system is collectively 10 provincial and 3 territorial securities commissions. The group is called the Canadian Securities Administrators (CSA). The goal of the CSA is to bring consistency to the rules and regulations across Canada.<sup>29</sup> The CSA does not actually set regulations, but attempts to make sure that they are applied as consistently as possible. One of its key goals is to educate investors and other users about the regulatory environment in Canada. Ultimately, however, it is the provinces and territories themselves that create the rules and regulations within their own jurisdictions.

Canada has several exchanges including the TSX Venture Exchange, Toronto Stock Exchange (TSX), and the Montreal Stock Exchange. Canada's security market is dominated primarily by the TSX. While the Montreal Stock Exchange focuses on the Canadian Derivative Market<sup>30</sup>, and the TSX Venture focuses on smaller companies in growth stages<sup>31</sup>, the TSX, based on domestic equity market capitalization, is one of the largest exchanges in the world. According to the World Federation of Exchanges, a trade association for 52 publicly regulated exchanges throughout the world, the TSX ranked ninth in domestic equity market capitalizations for 2008 (WFE, 2008). The TSX is the largest exchange in Canada and the leader in producing exchange regulations. The TSX is located in the Province of Ontario and, therefore, follows the rules and regulations of the Ontario Securities Commission (OSC). The Province of Ontario is the largest Province in Canada with significant trade with the United States. As of 2008, 79.8% of all exports from Ontario were to the United States and 58.6% of imports were from the United States<sup>32</sup>. As a result,

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<sup>29</sup> Information obtained from the CSA website at [www.csa-acvm.ca](http://www.csa-acvm.ca) in June 2002

<sup>30</sup> See [http://www.m-x.ca/profil\\_bref\\_en.php](http://www.m-x.ca/profil_bref_en.php) accessed on May 12, 2010

<sup>31</sup> See [http://www.tmx.com/en/about\\_tsx/](http://www.tmx.com/en/about_tsx/) accessed on May 12, 2010

<sup>32</sup> See <http://www.fin.gov.on.ca/en/economy/ecupdates/factsheet.html> accessed on September 5, 2010

the OSC provides a valid point of research for finding information on the Canadian regulatory environment.

The key source, for companies who are registered on the TSX, is the TSX Filing Guide (manual). This manual includes the requirements necessary to maintain a listing on the TSX, and includes the regulations imposed by the OSC. Included in the manual is a requirement to release information on a timely basis to the public (TSX, January 2005). The information is to be released through the outlets listed in Table 7.2.

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**Table 7.2: Listing of traditional forms of disseminating financial information in Canada from the Toronto Stock Exchange Listing Manual (TSX, 2005; TSX, 2009)<sup>33</sup>**

<b>Paid Distribution News Services</b>	<b>Financial News Services</b>	<b>Other Prominent Canadian Publications Providing National News Coverage</b>
BCE Emergis Inc. (2005)	Dow Jones (Toronto)	The Globe and Mail
Canada NewsWire (2005)	Dow Jones (Montreal)	The National Post
InfoLink (2005)	Reuters (Toronto)	The Toronto Star
CCN Newswire (2005)	Reuters (Montreal)	The Vancouver Sun
CNW Group (2009)	Bloomberg News	The Montreal Gazette
Marketwire, Incorporated (2009)	BRIDGE News (Removed in 2009)	La Presse
GlobeNewswire (2009)	Canadian Press (Toronto)	Les Affaires
Filing Services Canada (2009)	Canadian Press (Montreal)	Calgary Herald
Business Wire (2009)		Edmonton Journal
		Northern Miner
		The Halifax Chronicle Herald
		The Winnipeg Free Press
		The Leader-Post (Regina)
		The London Free Press

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## **United States**

The United States (US) began regulating its financial markets in 1933, following the development of the Securities Act of 1933.<sup>34</sup> The primary regulator of the financial markets

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<sup>33</sup> Changes from 2005 to 2009 are noted in brackets

<sup>34</sup> A detailed history of the SEC can be obtained from the SEC website at [www.sec.gov/about/whatwedo.shtml](http://www.sec.gov/about/whatwedo.shtml) accessed on June, 15, 2008

in the United States is the Securities Exchange Commission (SEC). The Securities and Exchange Commission (SEC) was formed in 1934 as a result of the Securities Exchange Act of 1934. The SEC's mandate is to discuss, amend, create, and enforce laws surrounding market regulation. The Securities and Exchange Act of 1934 provided the SEC with the power to oversee self-regulatory organizations such as the stock exchanges in the US.

The US has a number of major and minor stock exchanges. The most important exchanges in the US are the New York Stock Exchange (NYSE) and the NASDAQ. These two exchanges can have important impacts on the balance of the world markets and therefore, both were chosen for further research.

From a traditional view of information dissemination, the NYSE Listed Company Manual is similar to the TSX manual. Paragraph 202.05 of the NYSE manual states that corporations should ensure timely release of material news (NYSE, 1999). It suggests that corporations should release information quickly and dispel any rumours that may occur.

Paragraph 202.6 of the manual suggests that the information should be released to the press as soon as possible. It recommends that the fastest means possible should be used and, in a similar fashion to Canada, it recommends specific outlets for the transmission. These outlets are highlighted in Table 7.3.

**Table 7.3: Listing of traditional forms of disseminating financial information in the United States from the New York Stock Exchange Listing Manual**

<b>Fastest Means Possible</b>	<b>Encouraged to Provide to</b>
Dow Jones & Company Inc. Reuters Economic Services Bloomberg Business News	Associated Press United Press International The newspaper in the city where the company has its headquarters

### 7.5 Regulatory Electronic Data Depositories

Regulators in many countries now require companies to submit mandatory filings electronically, increasing the reliance on technology. In Canada, the Canadian Securities Administration (CSA) maintains the Systems for Electronic Document Analysis and Retrieval (SEDAR) web site<sup>35</sup> that hosts, for easy access by the public, the financial information for Canadian Public Companies. The United States has the EDGAR<sup>36</sup> system that operates in much the same fashion. The worldwide movement towards XBRL is an ongoing one with some countries requiring its use, while others making it voluntary. For example, China was the first company to require the use of XBRL in 2004<sup>37</sup> and the use of XBRL will be mandatory in the United States using a phased in period from 2009 to 2011<sup>38</sup>. Countries that are still making XBRL voluntary include Canada<sup>39</sup>.

<sup>35</sup> [www.sedar.com](http://www.sedar.com) accessed on July 15, 2008

<sup>36</sup> [www.edgar.com](http://www.edgar.com) accessed on July 15, 2008

<sup>37</sup> <http://www.xbrl-cn.org/en/index.shtml> accessed on May 1, 2010

<sup>38</sup> <http://xbrl.us/Learn/Pages/USGAAPandSEC.aspx> accessed on May 1, 2010

<sup>39</sup> <http://www.xbrl.ca/index.php/voluntary-filing-programs> accessed on May 1, 2010

## **7.6 Internet Financial Regulations and Guidance 1995 to 2010**

Little information or regulatory research was undertaken by either academics or regulatory agencies regarding IFR prior to 1999, with some notable exceptions that will be discussed in the following sections.

Regulations over IFR varied between Canada and the United States. In Canada, information has been placed directly in the reporting manual; whereas, in the United States, regulations have been documented through final rules and often segregated, sometimes making it difficult to find them.

Canada was relatively silent until 1999 when it released a substantial document that remains in force to the present with only minor changes since its inception (TSX, 2003). Unlike Canada, the United States produced a document quickly and was the first to publicly announce guidance on Internet disclosures in October 1995 when it asked for comments on electronic delivery and in May 1996 produced rules surrounding the use of electronic media for delivery purposes. This document recognized the importance and the magnitude of the Internet as a means of disseminating information to investors (SEC, 1996).

It was in 1999 that most of the activity regarding IFR regulation and the issues surrounding it took place, based on the information gathered in Table 7.1; and therefore, it is this timeframe that becomes the important point of reference. The year 1999 may be an important turning point for IFR as Internet use, in general, began to increase substantially in developed countries<sup>40</sup>. Canada produced a substantial document in 1999. In March of 1999,

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<sup>40</sup> A date supported by the fact that many statistics firms such as Ipsos-Reid began tracking in 1999



the TSX (then the Toronto Stock Exchange (TSE)) published a document entitled *Electronic Communication Disclosure Guidelines*. This twelve page document was used to guide companies, listed on the TSE, in using the Internet and disclosing information. In 2001, it was incorporated into the TSE manual as Section 423 (TSX, 2003; TSX, January 2005). Interestingly, the document is separated into topics that the TSX considers rules it will enforce and those considered guidelines. The guidelines provide a structure to Canadian companies when using IFR. Table 7.4 summarizes the rules or regulations versus the guidelines, as disclosed in Section 423 of the TSX manual. Appendix II reproduces the complete Electronic Disclosure Guidelines from the TSX Manual. A discussion follows:

**Table 7.4: Summary of Toronto Stock Exchange Section 423 Regulations versus Guidance**

<b>Regulation (Rule)</b>	<b>Guideline (Recommendation)</b>
<b>Sec. 423.10 – Traditional versus Electronic:</b> Companies must continue to use ‘traditional means of dissemination’	<b>Sec. 423.1- Websites:</b> Recommends that listed companies maintain a website
<b>Sec. 423.11 - Electronic Communications:</b> Electronic communication must not be misleading	Sec. 423.12 – Policies: Companies should make sure they have established written policies on electronic communication  Electronic communication should be monitored by one or two individuals within the company
<b>Sec. 423.11 - Errors:</b> Corporations must correct any errors	<b>Sec. 423.12 – Content of website:</b> Companies should post all timely disclosure document to their website  A company should post its own information or have links to other sites that post the company information such as news wires and SEDAR (e.g. “annual report; annual and interim financial statements; annual information form; news releases; material change reports; declaration of dividends; redemption notices; management proxy circulars; and any other communications to shareholders”)  A company should post its news releases as soon as possible following dissemination  A company should post public information provided to analysts on their website  A company should provide an email link to investor relations and who would respond  A company should consider an email distribution list where users could sign-up to receive notices when the website is update

<b>Regulation (Rule)</b>	<b>Guideline (Recommendation)</b>
<p><b>Sec. 423.11 - News Releases:</b> Corporations must include the complete news release (not just portions)</p> <p>Corporations must include all news releases; both good and bad releases</p> <p>Corporations must not post news releases on their websites until they have been released to the appropriate news wires service</p>	<p><b>Sec. 423.12 – Employee Communication:</b> Employees should be informed that their email addresses are corporate addresses and that they should be used appropriately</p> <p>There should be policies regarding how a corporate email address should be used.</p> <p>Employees should not participate in chat rooms or newsgroups</p>
<p><b>Sec. 423.11 – Insider information:</b> Corporations must not use the Internet to tip information</p>	<p><b>Sec. 423.12 – Third Parties:</b> Third party information should not be posted on a company website (e.g. analyst reports)</p> <p>Third party links should have a disclaimer before a user leaves the corporate site and enters the third party site.</p> <p>Promotional information should be separated from corporation information.</p>
<p><b>Sec. 423.11 – Distribution of Securities:</b> Corporations must ensure they are in compliance with proper securities regulators.</p>	<p><b>Sec. 423.12 – Removal of Information:</b> Information should be current and archiving of information is suggested</p> <p>Companies should consider dating each page of a document</p> <p>Companies should establish a policy for retention with different documents have different retention periods</p>
	<p><b>Section 423.12 – Rumours:</b> Company not required to monitor chat rooms (live electronic discussion forum) or newsgroups (electronic bulletin board) for rumours</p> <p>If a company becomes aware of a rumour via a chat rooms or newsgroup it should not respond on the forum but post a news release</p>
	<p><b>Section 423.12 – Legal Disclaimers:</b> Should consult with legal advisors regarding the posting of information</p>

TSX Manual (2003, 2005, 2009, Section 423)

Section 423 recognizes that the Internet is an important medium to disseminate information to the public stating, “For financial markets, the Internet may be the greatest leap forward in providing information and analysis since the advent of electronic communications.” (TSX, 2003, 2005, 2009, Section 423.9)

Section 423.9 states, "The challenge of regulating electronic media is to ensure that regulatory concerns are addressed without impeding innovation." The Canadian markets have realized the importance of the Internet and electronic forum as a means of providing

information to investors while, at the same time, realizing the importance of implementing guidance and rules surrounding the use of the IFR. This is to ensure that it is used appropriately within the overall context of the corporate reporting framework in operation in Canada.

Sec. 423.10 states, "Web sites, electronic mail (e-mail) and other channels available on the Internet are new media of communications available to listed issuers<sup>41</sup> for corporate disclosures." The Subsection treats the Internet as an extension of traditional forms of communication and therefore, under normal circumstances, they would be subject to the rules of the Exchange and securities commissions.

The Electronic Communication Guidelines document (that was incorporated in full into the TSX Manual in 2001) recommends in Section 423.10, that corporations should create and maintain a corporate web site. This particular section suggests that this provides an effective way of providing information to the users. The section explains that securities' filings such as annual reports, financial statements, AIF's, and prospectuses are placed on the SEDAR site and are accessible to the public. In addition, newswire services provide information on public companies and the Exchange provides summary information. The ability to bring voluntary and non-voluntary information together on a Company website provides an efficient mechanism for communicating with investors. The Exchange (Section 423.10) recognizes that a corporation may wish to provide more information to users than the filings required by SEDAR (other voluntary disclosures).

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<sup>41</sup> The original document in 1999 used the word companies instead of issuers

The section on disclosure of information precludes a corporation from disseminating information to the users via the Internet alone (Section 423.11). It states that traditional methods such as paper-based reporting and traditional releases to the media, as discussed in a previous section, must be maintained (Section 423.11). This suggests a move towards new technology but, when first written in 1999, recognized that not all users would have access to the Internet. However, a potential concern of such a position is that it does not address a situation where an electronic user obtains information via the Internet, for example voluntary disclosures, that a traditional user would not have easy access to.

Rules applying to traditional information continue to apply to the Internet. These rules are found in the TSE Company manual<sup>42</sup>. They are the same as National Policy No. 40 produced by the Canadian Securities Commission. National Policies in Canada are the same as SEC regulations in the United States and represent final rules to be followed by Canadian Companies listed on the TSX.

Several areas within the section are specifically important as they attempt to prohibit the manipulation of a corporate website. They include:

- The communications cannot be misleading. According to the guideline, information is misleading if "...it is incomplete, incorrect or omits a fact so as to make another statement misleading". In other words, the company is responsible for the accuracy of its web site and has a duty to update and correct the information. This has implications should a company decide to outsource the maintenance of its web site (Section 423.11).
- The guideline prohibits a company from disclosing positive information while not placing negative information on its web site. It does not state that a company must post these notices in the same manner (Section 423.11)

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<sup>42</sup> For example, see the TSX Manual dated January 2005 and 2009

Section 423.10 specifically states that the Internet cannot be the initial point for news releases. Releases must continue to be sent first to the Exchange and then via traditional routes.

The section of the manual, that discusses disclosure, makes an important comment regarding materials posted to the web site related to a securities issue. It does not conclude on what a company should do but rather warns companies to seek legal guidance regarding the posting of such material. It recognizes that information posted to the web can be accessed by anyone, in any location. It warns companies that this may give the appearance that the securities are being offered in another jurisdiction (i.e. the US or UK) and, therefore, subject to their securities regulations and registration procedures.

The Exchange also incorporates further guidance into the manual with respect to the use of websites. The following summarizes these guidelines (TSX, January 2005):

- The Exchange recognizes that all corporations will differ and that their web sites will be tailored to their needs (Section 423.12).
- The Exchange suggests that corporations develop a manual that covers electronic communication, similar to other manuals or codes of conduct within the corporation. It should include procedures on how the site should be used, maintained and who should be responsible for it (Section 423.12).
- The Exchange suggests that all information required under the timely disclosure requirements should be included on the web site as other investor information that it "deems appropriate."<sup>43</sup> Arguably, this suggests that there could be some considerable flexibility in what corporations can post to their site. This could lead to comparability problems when companies in the same industry provide different information on their web sites. The guideline suggests that all material information be disclosed and defines material as: annual report; annual and interim financial statements; the Annual Information Form; news releases; material change reports; declarations of dividends; redemption notices; management proxy circulars; and any other communications to shareholders.

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<sup>43</sup> See TSX Manual 423.12 2(a)

- The Exchange states that companies may either post their information directly onto their web site, or link to other sources containing this information such as SEDAR (Section 423.12)
- The Exchange recommends that the information be posted as soon as possible after traditional release - but does not define the time period (Section 423.12)
- The Exchange suggests that other information that is non-material and given to groups such as analysts, should be posted to the web site so that all users have access to it (Section 423.12).
- The Exchange encourages the use of online analyst conferences and also suggests providing contact information in case users required more information (Section 423.12).

In addition to information that the Exchange encourages corporations to post to the Internet, it also suggests caution in posting other information as follows (Section 423.12-3):

- It cautions corporations on e-mail and chat rooms, and recommends ensuring that policies are in place to ensure that information is not transmitted inappropriately.
- Cautions corporations in using third party information, and suggests that there be a clear distinction between promotional material and investor information.
- The guidelines suggest setting policies for retention of information.
- In addition, it suggests that corporations take precautions when dealing with Internet rumours.
- Section 423.13 talks about maintaining security over the web site to ensure that the integrity of the information is maintained by creating security protocols over monitoring and up-to-date security systems.

In 2003, the Electronic Communications Disclosure Guidelines were changed to include a section on presenting information in a consistent manner (TSX, 2003). Section 423.11-(c) states that “Investor relations information that is disclosed electronically should be presented in the same manner online as it is offline.” It continues by stating that large documents (such as annual reports) can be divided into smaller portions, but that the entire report should remain available on the website for complete download. This was in response to the number of companies that were dividing their annual reports due to its size.

In April of 2000, the United States SEC released a document, entitled the Use of Electronic Media, that provided guidance to companies using electronic media (SEC, 2000c) and

clarified issues surrounding the type of document to be posted. The objective of the document was to cover three areas surrounding electronic media: (1) An update of previous guidance surrounding electronic media from 1995, (2) a discussion of liability issues surrounding the use of websites, and (3) a discussion of legal issues regarding offerings done online (SEC, 2000a, pg. 1). A summary of the document is found in Table 7.5.

**Table 7.5: Summary of Securities Exchange Commission Release on Electronic Media**

Issue	General Discussion
Telephone Consent (pg. 5)	SEC requires informed consent in order to deliver electronically. It was determined that the telephone could be informed consent as long as a record was kept of the conversation
Use of PDF Files (pg. 6)	In their 1995 release, SEC stated that the way in which the electronic information was delivered should not pose difficulties for users to open it. It states in this release that PDF files can be used as an alternative to html files as long as the user is provided access to the PDF reader software.
Envelope Theory (pg. 7)	The SEC document discussed the concept of the envelope theory whereby documents in close proximity to each other on a website could be considered delivered together. They clarified that documents would be considered together only if they were hyperlinked to each other.
Hyperlinks	<p>The document states that if an issuer embeds a link within its documents, it is deemed that they are endorsing that link and they are responsible for it. The document also states that the lack of disclaimers may be deemed to be an endorsement. For example, not providing a pop-up warning that a user is being sent to a third party site.</p> <p>In addition, it states that if an issuer controls the hyperlinks by activating for news or information it wants users to see versus removing them when they don't want them to see the information, this would suggest that they are adopting the information during the period the link is activated.</p>

(SEC, 2000a)

The document finishes by requesting comments on different issues including implied consent, electronic-only offerings, storage of information on the web (archiving of data), and Internet discussion forums (SEC, 2000).

In October of 2000, the United States implemented Regulation Financial Disclosure (RegFD)<sup>44</sup> which requires a company to issue information publicly and simultaneously

<sup>44</sup> [www.sec.gov/rules/final/33-7881.htm](http://www.sec.gov/rules/final/33-7881.htm) accessed on February 11, 2005

through various mediums including press releases and the Internet (SEC, 2000d; Lymer and Allam, 2002).

In July 2002, Canada produced a further policy document that reinforced the fact that posting information on the corporate website did not relieve an entity's responsibilities to provide traditional print financial statements. Notwithstanding the previous comment, the policy also encouraged the use of the corporate website as means of quickly providing information to investors (OSC, 2002).

The NASDAQ regulatory requirements document in 2002 simply stated that the posting of information over the Internet is "...appropriate as long as it is not made available over the Internet before the same information is transmitted to, and received by, a major newswire service." (NASDAQ, 2002)

In Canada, the proposed amendments to National Instrument 54-101 effectively allows companies to provide access to proxy related documents on their website, rather than mail them. Section 8, Part 5, section 5.1 (7) states:

"Subsection 2.7.1(5) of the Instrument is intended to allow beneficial owners to access the posted proxy-related materials in a user-friendly manner. For example, requiring the beneficial owner to navigate through several web pages to access the proxy-related materials would not be user-friendly. Providing the beneficial owner with the specific URL where the documents are posted would be more user-friendly. We encourage reporting issuers and their service providers to develop best practices in this regard."

The United States became much more active after 2003 and produced a number of documents surrounding IFR. In 2004, they announced the beginning of a voluntary XBRL



reporting program. In 2006, the United States made some substantial changes to the NYSE Company Manual by requiring companies listed on the exchange to have a website.

In 2009, the SEC produced a key document that examined the importance of transparency in corporate disclosure. The document states that investors are not basing their decisions simply on disclosure documents, but on other sources of information (SEC, 2009b). This is bringing about substantial changes within the United States regulatory system, including changes to their EDGAR system.

“However, because EDGAR is essentially a document-based disclosure system containing information that is searchable but not interactive, it is no longer leading edge technology.” (SEC, 2009, pg. 4)

The document goes further by proposing to have a system where certain information is repeated within several documents (for example annual reports and other documents), and that a new system that is interactive is necessary in order to improve transparency. The documents key proposals are highlighted in Table 7.6.

**Table 7.6: Securities Exchange Commission Disclosure Initiatives**

Information and Data should be stored in an interactive format	The SEC suggests tagging information and disclosing and storing electronically. This would reduce redundancies
The Commission should consider establishing a data warehouse, with a principles-based framework for managing data	This would provide greater control over the review, enforcement, inspection and risk management activities
The Commission should consider providing for multiple submission methods for disclosure	This would allow companies to integrate their own software with the Commission software or to continue to upload to EDGAR or to the Commission portal
The Commission should consider providing for multiple dissemination methods for disclosures	This would allow investors to access filings or raw data directly from the commission or to go directly into third-party modules

(SEC, 2009, pg.5-6)

This document recognizes the move towards electronic information and is a strong departure from earlier documentation. It suggests that the tagging of data (as is done with

XBRL) would create an interactive “data pot” of information that would be more useful to investors, compared to the static forms that have been used in general corporate reporting to date. It does not suggest that mandatory filings (i.e. annual reports) should be discontinued; however, the interactive nature of information is continually stressed:

“The system should be centered on a data warehouse designed to load, store, analyze, extract, and disseminate disclosure information in an interactive data format.” (SEC, 2009, pg.15)

Clearly, this fundamental shift in how regulatory agencies see the dissemination of financial related information will have an impact on how corporations deal with the information. The implementation of these disclosure initiatives is less clear.

## **7.7 Conclusion**

The objective of this chapter was to review the rules and guidance that exist for IFR in order to have a greater understanding of the external environment impacting Canadian IR departments and their websites. The chapter began with a general overview of the Internet and technology. The next part of the chapter investigated the evolution of Internet regulations beginning with the regulatory agencies in Canada and the United States from 1995 to 2010.

The research shows that, although the two countries are addressing the issue of the Internet, the regulations and guidance are not entirely consistent across them. Researching specific Internet regulations, and their incremental development over time, proved to be a difficult task. Although both countries encourage the use of the Internet in transmitting information, they do not specify the rules governing the use of the Internet; allowing Corporations

substantial freedom when creating their website. Regulations or guidance specific to the Internet is not always placed within the regulations manual; but rather, it sometimes sits outside of the manual as guidance principles. Even when located within the reporting manuals (e.g. in Canada's case), IFR issues tend to be a mix of regulations and less stringent guidelines, making these documents potentially confusing to both corporations and the investors.

What was determined from the research, in the early years, was that there were many comments on Internet web basics (from hyperlinking to date posting of information). Table 7.7 was created, based on the documents researched in this chapter, and separates some of the initial issues and how Canada and the United States both focused on them as corporate Internet use for investor relations began to increase.

**Table 7.7: Summary of Initial Internet Issues by Country**

Issue	Canada	United States
Rules over the Internet are the same as rules of traditional reporting	✓	✓
Websites are explicitly encouraged	✓	X
Information must first go to the news wires before being posted to the Internet	✓	✓
<ul style="list-style-type: none"> <li>Information should be posted to the website as soon as possible afterwards</li> </ul>	✓	X
Company has the responsibility to ensure website is accurate and not misleading	✓	X
Quality of the site should be the same if multiple languages are used	X	X
Websites should be kept up to date	X	X
<ul style="list-style-type: none"> <li>Every webpage should be dated</li> </ul>	✓	X
<ul style="list-style-type: none"> <li>Website should be organized so individuals can find information</li> </ul>	X	X
<ul style="list-style-type: none"> <li>The software used should be accessible to the users (PDF versus HTML)</li> </ul>	X	✓
<ul style="list-style-type: none"> <li>Addresses historical information</li> </ul>	✓	X
Errors discovered should be corrected as soon as possible	✓	X
<ul style="list-style-type: none"> <li>Information entered to correct the error should be made and old text should be underlined</li> </ul>	X	X

Any references to documents should be specific if it is a whole or a part document with reference to the whole document if applicable	X	X
There should be clear indications of the source of the information (audited, third party, company)	X	X
<ul style="list-style-type: none"> <li>Hyperlinking to third party sites discouraged or discussion of being responsible for them</li> </ul>	✓	✓
Information should be disclosed equally (positive and negative information given equal weighting)	✓	X
E-Mail should be offered as a communication tool	✓	X
Guidance on dealing with Chat rooms	✓	X
Addresses placing or linking analyst briefings on company websites	✓	X
There should be someone responsible for managing the website	✓	X
Legal advisors should be consulted	✓	X

✓ The Country addressed the issue  
X The Country did not address the issue

Table 7.7 shows that both countries agreed that traditional rules applied to the Internet. In addition, both countries agreed that information had to be sent to traditional news sources first, before being placed on a Corporation’s website. Beyond these two points, there was disparity between the countries in how they addressed the initial presence of the Internet.

The investigation into the early years of the Internet also showed that there was a plateau that took place in 2003, and a shift that went from asking the question ‘can a website be used to dissemination financial information’ to ‘what technology can be used to enhance the transmission of data’. This movement from initial discussions to the embracing of the use of technologies is still ongoing within the countries. For example, the United States has moved to mandatory XBRL reporting while Canada remains voluntary.

Subsequent to the initial activity, the examination revealed that the United States has been much more active than Canada in moving from the initial discussions to an aggressive approach on the use of technology. The electronic disclosure guidelines originally created in

Canada in 1999 are almost identical to the ones that are currently in the 2009 TSX Manual, and XBRL is still at a voluntary stage.

As the world continues to increase its Internet usage and the emerging technologies that offer at least the potential of greater utility from IFR (such as XBRL and social media) become more prevalent, the need for very clear regulations and guidance, arguably, becomes important. Recent trends in Canadian and US guidance suggests this is, indeed, occurring. The impact that this has on Canadian companies is, as of yet, unclear. Although this guidance is increasing, there continues to be considerable judgment and latitude in how corporations may establish and maintain their website.

The next chapter moves from the regulatory level to the corporate level and examines the websites of 50 Canadian Companies over a period of three years.

## **8. INTERNET FINANCIAL REPORTING IN CANADA**

### **8.1 Introduction**

In Chapter 7, the evolution of the regulations over IFR was discussed. The next stage, in the development of this thesis, is to move beyond the regulations and look at what Canadian companies have been posting on their investor relations' websites. In Chapter one, the objectives of the thesis were discussed with an overall objective of exploring the IR website of a Canadian corporation from a number of different angles. Chapter six identified the various stages of the research, beginning from an overview of the regulatory frameworks in place and ending with a case study of a Canadian public company. This chapter represents stage two in the thesis; an analysis of the use of the Internet by Canadian companies for IFR from 2002 to 2008.

This chapter partly replicates other previous studies (e.g. Lymer and Tallberg, 1997; Marston and Leow, 1998; Hedlin, 1999; Trites, 1999; Allam, 2005) in that it observes the websites of a number of companies and tracks key attributes within the investor relations area (i.e. a content analysis). It however, adds new information in a number of key areas. Previous studies have looked at the same companies, but over a much shorter time span, often a single point in time (e.g. IASC, 1999; Trites, 1999; Allam, 2005). Two previous studies did examine the websites of companies over a two year period. One study looked at 32 Austrian and 30 German websites in 1997 and 1998 (Pirchegger and Wagenhofer, 1999), while a second one examined German companies' websites in 2000 and 2003 (Marston and Polei, 2004). However, this collection of data will compare the websites of the same companies for three nonconsecutive years at three year intervals from 2002 until 2008 (i.e.

2002, 2005 and 2008); allowing for a much more comprehensive investigation into longitudinal changes than in these prior studies. This study utilizes the detailed financial and annual report attributes created by Allam (2005), and extends these attributes to include those that are specific to Canada. These specific attributes were created based on the examination of Canadian IFR guidelines and regulations (as discussed in Chapter 7). In doing so, the study is also investigating the extent to which Canadian companies are actually employing the guidelines from the TSX reporting manual (TSX, 2003, 2005). This represents the first time such a comprehensive review of Canadian companies has been undertaken in this way.

There are three primary objectives of this chapter. Objective one is to compare the Canadian IFR data collected to previous studies of IFR as discussed in Chapter 5. The second objective is to analyze how the IFR websites of Canadian companies have evolved over time by looking at the same websites over a period of time, in this case nonconsecutive years in 2002, 2005, and 2008. In doing this, trends within Canadian companies can be analyzed to determine if, and how, companies have changed their websites over time. The third objective is to observe the extent to which Canadian companies are using the guidelines and recommendations provided by the CSA and the TSX. This objective was accomplished by extracting the attributes from the TSX Electronic Communications Disclosure section (TSX, 2003).

The first section of this chapter outlines the methodology used in order to obtain the data for this analysis by building on the initial discussion in Chapter 6, and with more explicit information on the methodology used.

The second section of the chapter briefly discusses the timeline of the data collection; comparing the timeline to two previous studies that had also examined the websites of Canadian companies.

The third section in this chapter details what search methods were used for websites and the website characteristics that were collected. Earlier studies encountered difficulties finding company websites as search engines and corporation websites were not as prevalent. This study had no difficulties finding the websites of the companies being tracked, given the increasing use of the Internet by corporations.

In examining the specific attributes of the corporations' investor relations websites, it was determined that in order to increase the comparability of the study, the starting points for the attributes collected would be similar to other studies (e.g. Allam, 2005) and then extended to incorporate the attributes deemed important by the TSX based on research done in Chapter 7.

The final section analyzes the results of the data collected, discusses the results of the findings, and emphasizes how these findings were used to choose a Canadian company that would be investigated further using the single case study approach (presented in Chapter 9).

## **8.2 Sample Design and Selection**

Previous studies have examined a sample of companies in Europe (Lymer, 1997; Hedlin, 1999; Pirchegger and Wagenhofer, 1999), United States (e.g. Ashbaugh et al., 1999; FASB, 2000), United States and Canada (e.g. Trites, 1999), and a wider geographical sample (e.g.



IASC, 1999; FASB, 2000; Allam, 2005). These studies, along with several others, were discussed in detail in Chapter Five and have been summarized in Table 5.2.

This examination looks strictly at the evolution of Canadian company corporate IR websites. As noted in Chapter Five, other studies were done involving Canadian companies and those studies took different approaches. Two studies dealt with website content; one using a random sample of companies (Trites, 1999), and the other using a sample of large companies (Allam, 2005). The Trites study (1999) looked at the prevalence of a website, the existence of annual reports (including both full and summarized data), general information, press releases, key ratios, and auditor's reports. The Allam study (2005) looked at very detailed financial information attributes including the breakdown of the financial statements into their components such as balance sheets, income statements, and notes to the financial statements.

There are two other Canadian studies that examined corporate websites. In one study, the focus was to examine the disclosure strategies of Canadian firms by comparing the websites to SEDAR filings using Gibbens et. al's (1990) work on opportunistic versus ritualistic firms (Trabelsi, 2005). The second study employed contingency theory and questionnaires to examine how website managers were managing their content (Héroux, 2006).

The objective of this study was to look at the evolution of Canadian companies over three nonconsecutive years, focusing on general attributes surveyed in the past and new attributes that were extracted based on the research in Chapter 7 on Internet financial regulations and guidance. The Allam (2005) study was more comprehensive than other studies that

examined Canadian websites. Therefore, this study replicated the approach taken by Allam in his 2005 thesis by choosing companies based on Market Capitalization and using his attributes as a starting point. Taking this approach meant similar data from another study could be used for comparison. In addition, choosing companies with large market capitalizations increased the chance that companies with highly developed websites would exist (given their available resources enabling them to engage in IFR, relative to smaller companies). Since a primary objective of this thesis is a case study of a Canadian company and its IR website, this approach seemed reasonable in order to seek out Canadian companies with highly developed websites. Section 8.4 will discuss the research approach taken in more detail.

The initial study done by Allam (2005) utilized the *InvestIQ* website (also called the Dow Jones Portfolio Builder) and chose companies according to their market capitalization in descending order. This study created a listing of 50 Canadian companies that were also chosen from the *InvestIQ.com* Portfolio Builder as of October 2002.

The *InvestIQ.com* Portfolio Builder website is not the only location to find Canadian companies according to their market capitalization. In order to ensure that the companies chosen were indeed companies with large market capitalizations, the list was compared to the *Globe and Mail* listing of largest employers for 2001<sup>45</sup>. This site ranks the top 100 companies according to market capitalization, based on their 2001 year ends. Of the 50 companies chosen, there were six potential differences (i.e. where the company listed on the Dow Jones site was not listed in the top 50 of the Globe Investor site). This was due to the

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<sup>45</sup> This is an annual report produced by the Globe and Mail, a Canadian newspaper and is available at [www.globeinvestor.com](http://www.globeinvestor.com)

timing of the information that was gathered. Based on the comparison above, the selection of companies from the Dow Jones site was deemed appropriate.

The sample size of 50 companies to be used in this study was based on a number of factors. The study completed by Trites used a random sample of companies listed on the Toronto Stock Exchange, New York Stock Exchange, and NASDAQ. This random sample of 370 companies resulted in 49 companies listed on the TSX. Allam (2005) also chose 50 Canadian companies as part of its multi-country comparison. This chapter was seeking to track the evolution of Canadian investor relations' websites and a large sample was not required. As a result (and consistent with previous studies), the top 50 companies by market capitalization were selected from the Dow Jones portfolio builder as of October 6, 2002. The final list of companies chosen can be found in Table 8.1 with a comparison between all three years. A more in depth discussion of the table follows it.

**Table 8.1: Sample Companies Chosen October 2002**

Company (Based on October 6, 2002)	URL	Actual Website Examined In 2002	Actual Website Examined In 2005	Actual Website Examined In 2008
Royal Bank of Canada	<a href="http://www.royalbank.com">www.royalbank.com</a>	✓	✓	✓
BCE Inc.	<a href="http://www.bce.ca">www.bce.ca</a>	✓	✓	✓
Thomson Corp.	<a href="http://www.thomson.com">www.thomson.com</a>	✓	✓	✓
Royal Bank of Canada	<a href="http://www.royalbank.com">www.royalbank.com</a>	Website same as Royal Bank of Canada Above. See Discussion below.	Same Comment as previous year	Same comment as previous year
EnCana Corp.	<a href="http://www.encana.com">www.encana.com</a>	✓	✓	✓
Bank of Nova Scotia	<a href="http://www.scotiabank.ca">www.scotiabank.ca</a>	✓	✓	✓
Imperial Oil Ltd.	<a href="http://www.imperialoil.ca">www.imperialoil.ca</a>	✓	✓	✓
Bank of Montreal	<a href="http://www.bmo.com">www.bmo.com</a>	✓	✓	✓
Toronto Dominion Bank	<a href="http://www.td.com">www.td.com</a>	✓	✓	✓
Loblaw Cos. Ltd	<a href="http://www.loblaw.com">www.loblaw.com</a>	✓	✓	✓
Manulife Financial Corp.	<a href="http://www.manulife.com">www.manulife.com</a>	✓	✓	✓

Company (Based on October 6, 2002)	URL	Actual Website Examined In 2002	Actual Website Examined In 2005	Actual Website Examined In 2008
Sun Life Financial Services of Canada	<a href="http://www.sunlife.com">www.sunlife.com</a>	✓	✓	✓
Shell Canada Ltd.	<a href="http://www.shell.ca">www.shell.ca</a>	✓	✓	Purchased by Royal Dutch PLC in late 2005. Website no longer active
Canadian Imperial Bank of Commerce	<a href="http://www.cibc.com">www.cibc.com</a>	✓	✓	✓
George Weston Ltd.	<a href="http://www.weston.ca">www.weston.ca</a>	✓	✓	✓
Barrick Gold Corp.	<a href="http://www.barrick.com">www.barrick.com</a>	✓	✓	✓
Great-West Lifeco. Inc.	<a href="http://www.gwl.ca">www.gwl.ca</a>	✓	✓	✓
Alcan Inc.	<a href="http://www.alcan.com">www.alcan.com</a>	✓	✓	✓
Petro-Canada Var. Voting	<a href="http://www.petro-canada.ca">www.petro-canada.ca</a>	✓	✓	✓
Power Financial Corp.	<a href="http://www.powerfinancial.com">www.powerfinancial.com</a>	✓	✓	✓
Canadian National Railway Co.	<a href="http://www.cn.ca">www.cn.ca</a>	✓	✓	✓
Suncor Energy Inc.	<a href="http://www.suncor.com">www.suncor.com</a>	✓	✓	✓
TransCanada Pipelines Ltd.	<a href="http://www.transcanada.com">www.transcanada.com</a>	✓	✓	✓
Brascan Corp. CI A	<a href="http://www.brascancorp.com">www.brascancorp.com</a>	✓	✓	✓
Talisman Energy Inc.	<a href="http://www.talisman-energy.com">www.talisman-energy.com</a>	✓	✓	✓
Enbridge Inc.	<a href="http://www.enbridge.com">www.enbridge.com</a>	✓	✓	✓
Magna International Inc. CI A	<a href="http://www.magnaint.com">www.magnaint.com</a>	✓	✓	✓
Husky Energy Inc.	<a href="http://www.huskyenergy.ca">www.huskyenergy.ca</a>	✓	✓	✓
Power Corp. of Canada	<a href="http://www.powercorp.com">www.powercorp.com</a>	✓	✓	✓
DuPont Canada Inc. CI A	<a href="http://www.dupont.ca">www.dupont.ca</a>	✓	✓	✓
Canadian Natural Resources Ltd.	<a href="http://www.cnrl.com">www.cnrl.com</a>	✓	✓	✓
Investors Group	<a href="http://www.investorsgroup.com">www.investorsgroup.com</a>	✓	✓	✓
Biovail Corp.	<a href="http://www.biovail.com">www.biovail.com</a>	✓	✓	✓
National Bank of Canada	<a href="http://www.bnc.ca">www.bnc.ca</a>	✓	✓	✓
Potash Corp. of Saskatchewan Inc.	<a href="http://www.potashcorp.com">www.potashcorp.com</a>	✓	✓	✓
Canada Life Financial Corp.	<a href="http://www.canadalife.com">www.canadalife.com</a>	✓	Purchased by Great West in July 2003	Website no longer exists since purchased in 2003
Brookfield Properties Corp.	<a href="http://www.brookfieldproperties.com">www.brookfieldproperties.com</a>	✓	✓	✓
Shoppers Drug Mart Corp.	<a href="http://www.shoppersdrugmart.ca">www.shoppersdrugmart.ca</a>	✓	✓	✓
Inco Ltd.	<a href="http://www.inco.com">www.inco.com</a>	✓	✓	Purchased by Vale Corp and website no longer exists for comparable information
Goldcorp Inc.	<a href="http://www.goldcorp.com">www.goldcorp.com</a>	✓	✓	✓

Company (Based on October 6, 2002)	URL	Actual Website Examined In 2002	Actual Website Examined In 2005	Actual Website Examined In 2008
Placer Dome Inc.	<a href="http://www.placerdome.com">www.placerdome.com</a>	✓	✓	On Feb 2006, Placer Dome merged with Barrick Gold and they now have the same website
Canadian Pacific Railway Ltd.	<a href="http://www.cpr.ca">www.cpr.ca</a>	✓	✓	✓
Abitibi-Consolidated Ind.	<a href="http://www.abicon.com">www.abicon.com</a>	✓	✓	Merged with Bowater, no site available at time of examination
Nexen Inc.	<a href="http://www.nexeninc.com">www.nexeninc.com</a>	✓	✓	✓
Bombardier Inc.	<a href="http://www.bombardier.com">www.bombardier.com</a>	✓	✓	✓
Aliant Inc.	<a href="http://www.aliant.ca">www.aliant.ca</a>	✓	✓	✓
Celestica Inc.	<a href="http://www.celestica.com">www.celestica.com</a>	✓	✓	✓
Noranda Inc.	<a href="http://www.noranda.com">www.noranda.com</a>	✓	✓	Merged with Falconbridge (Xstrata); site no longer exists
Domtar Inc.	<a href="http://www.domtar.com">www.domtar.com</a>	✓	✓	✓
Transalta Corp.	<a href="http://www.transalta.com">www.transalta.com</a>	✓	✓	✓
<b>TOTAL EXAMINED</b>		49	48	43

Of the 50 companies chosen from the Portfolio site, one company, the Royal Bank of Canada (RBC) was picked up by the site twice. This was noted while obtaining website information for the 50 companies and reduced the starting sample to 49. No explanation could be determined for why RBC was picked up twice by Portfolio Builder; also, an email to the site administrator received no response. The sample was tested against another site, as discussed earlier in the chapter, so the researcher was confident that the Portfolio Builder website generated a satisfactory sample of Canadian Companies with high market capitalizations.

The same sample was used in 2005 and 2008, with each company website being revisited (details of how websites were found is in Section 8.4). As Table 8.1 shows, the website of

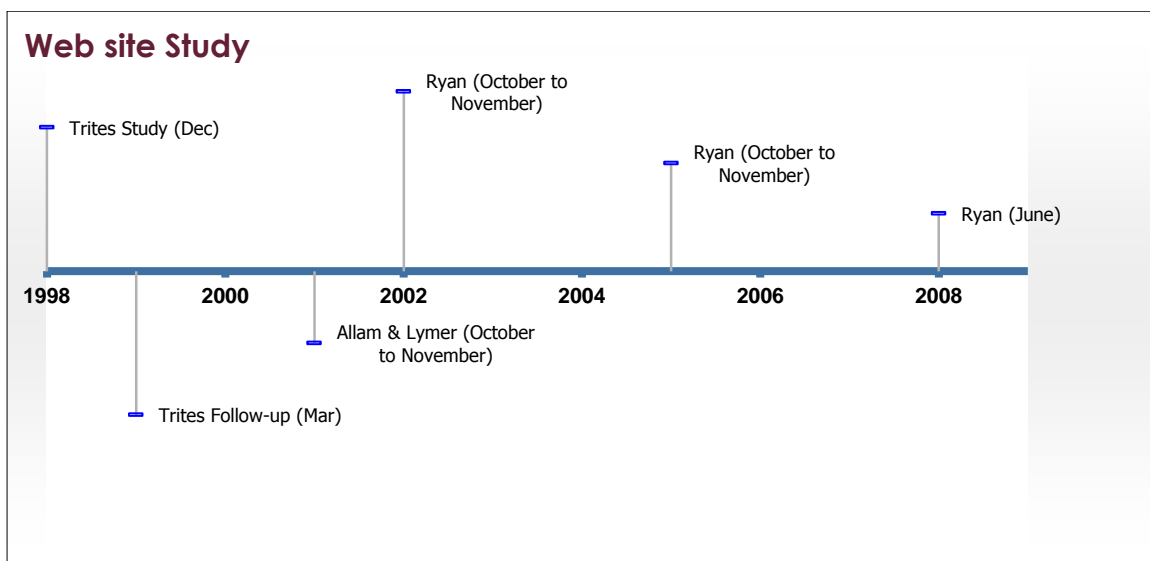
one company could not be examined in 2005 as it was purchased by another company and a separate website for them no longer existed. This reduced the number of companies examined in 2005 to 48. In 2008, the starting sample was 48 (the 2005 sample); however, there were several mergers and acquisitions that took place between 2005 and 2008 that reduced the sample size down to 43. Table 8.1 provides details of the companies that could not be examined as a result of the mergers and acquisitions. For comparability purposes, only the 43 websites that remained as of 2008 were used in data calculations that follow.

In 2005, prior to the start of the website examination, the *InvestIQ.com* website was visited again and the list of companies retrieved. Of the 49 companies in the starting sample from 2002, 40 of them remained in the top 50 and 6 remained in the top 100; suggesting that the large companies chosen in 2002 continued to show large market capitalizations. An analysis of capitalization ratings in 2008 using *InvestIQ* showed that, of the original 48 companies from 2005, 38 were still in the top 50 and three more ranked in the top 81. This accounts for 41 of the 43 sites visited in 2008, and are listed in Table 8.1. Two companies had dropped out of the top 100. Although some companies had moved out of the top 50, the comparison of the same companies from year to year was considered to be more important than ensuring a consistent top 50. Based on the re-examination of market capitalizations in 2005 and 2008, the sample of the companies chosen still provided a list of companies with sufficiently large market capitalizations (and therefore resources) to reasonably expect that they would be engaged in more highly developed IFR relative to smaller companies.

### 8.3 Timeline of the Study and Corporation Websites

The time period for previous studies, varied from December and March (Trites, 1999) to October (Allam and Lymer, 2003; Allam, 2005). The data collected in this chapter used October and June for data collection. Figure 8.1 visually shows the capture of information for the three studies.

**Figure 8.1: Timeline of Web Studies**



The first two website examinations took place in October of 2002 and 2005, using a similar timeframe as the previous two studies (Trites, 1999; Allam, 2005) as they were completed in or around the last quarter of the year. Trites (1999) collected some follow-up data in March of the following year. The Trites study noted that the differences between December and March were small (Trites, 1999, pg 9). The third examination completed in this chapter was done in June 2008. As Trites determined in 1998 and 1999, the differences throughout the year were not significant; and since companies regularly post annual and interim information based on their own year ends, the June timing will not adversely impact any of

the results. In addition, since Canadian companies have year-end dates that vary, there is no consistent month where the release of information will be standard amongst all of them. Finally, while the objective of the research was to observe how company websites were evolving on a longitudinal basis, it was not critical to use the exact same points in time.

Several time intervals could have been chosen; for example, one year increments instead of three year increments. Observing the websites on three occasions, in three year increments, provided an opportunity to investigate changes to the websites over a longer period of time. Unlike the Trites study in 1998 and 1999, where there were several companies without websites, all companies examined during the three years had websites; with the exception of those companies that were purchased or merged and no longer formed part of the final sample of 43. The Trites study was a random sample and, therefore, would have picked small companies that, at the time, would not have had the resources to implement an IR website. The 2005 study by Allam found that all of their Canadian companies had websites. Based on this prior study, and the fact that this study used large companies as its sample, it is expected that all companies will have websites.

#### **8.4 Websites and Data Collection**

As an initial starting point, this chapter looked at the same attributes as those looked at in the Allam study (2005); the more comprehensive of the two prior studies. The attributes used in the Allam study (2005) are found in Table 8.2. Based on the research in Chapter 7, where the IFR regulations and guidance in Canada were analyzed, additional attributes were examined. These are found in Table 8.3. The objective in investigating these attributes, in addition to those looked at in prior studies, was to determine to what extent Canadian



companies are following the guidelines posted in the TSX reporting manual. For example, the TSX Company Manual Section 423 recommends that companies post mandatory filings (such as Annual Information Returns) to their websites, and further suggest that a link be provided to SEDAR.

In addition to the guidelines, Table 8.3 adds attributes that specifically look at voluntary information posted to company websites. For example, companies were already using webcasting techniques at the time of the Allam (2005) study, but this review includes details of the extent to which they have evolved this voluntary technology since then.

In 2008, XBRL was added to the list of attributes to be examined when visiting the company websites. Chapter 5 highlighted the fact that only four companies are currently (as of 2010) involved with the voluntary XBRL program in Canada. Although very few companies have embraced XBRL in Canada, the site visits in 2008 looked for any evidence of XBRL (from actual use to discussion about why a company is not using XBRL).

Another attribute of interest was how Corporations were managing the information on their site. The TSX Manual suggests that companies should establish a retention policy for their documents that have been posted to their websites (TSX, 2003, Section 423.12). It also suggests that archiving of information would be of interest to users who may wish to look at previous years. As a result, the 2008 portion of the study specifically documented how far back the financial information was stored on each company's website by observing the date of the oldest annual report.

**Table 8.2: General and Financial Website Attributes From Allam (2005)**

<b>General Attributes</b>
Site Map Exists
Search Box on Home Page
Web Casting Events
News Summaries Exist
Direct Link to Annual Report on Home Page (i.e. not from Investor Relations page)
Link to home page from Annual Report
E-mail Address to Investor Relations
E-Mail Alerts
Techniques to let users know they are inside annual report
Download (of annual report)
Format (HTML, PDF or Mix)
<b>Financial Attributes</b>
Chairman's Message
Corporate Information
Board of Directors & Officers
Customer Profile
Employee Profile
Corporate Citizenship
Financial Highlight Summary
Auditor's Report
Management Report or MD&A
Balance Sheet
Income Statement
Cash Flow Statement
Statement of Shareholders' Equity
Notes to Financial Statements
Segment Report
Financial Ratios
Vision Statement
Quarterly Statements
Other Financial Comments
<b>Other Attributes</b>
Latest Stock Price
Share Price Performance
Industry Statistics or Data

**Table 8.3: Additional Website Attributes**

<b>Other Attributes</b>
Investor Relation Page
Search Box on Investor Relations Page
News Summaries Physically within Web site
Links to News Summaries (to outside of site)
Historical Information (2008 only)
<b>Evidence of Mandatory Disclosures</b>
Annual Information Form
Material Change Reports
Declaration of Dividends
Redemption Notices
Management Proxy Circulars
Corporate Governance Disclosures
<b>Evidence of Key Items From TSX Electronic Communication Disclosure</b>
Analyst Coverage
Indication that the website has been updated (i.e. last updated on)
Date the web site was last updated on
Warnings that investors are leaving company web site
Company posted information regarding a new share offering
A policy exists on the web site regarding their disclosure policies, practices and responsibilities
Is there an indication that site is maintained Internally or externally
Corporation posts a WebTrust or similar symbol
Direct link to SEDAR if it is used (i.e straight to company information or to SEDAR homepage only)
Legal Disclaimers
<b>Technology Attributes</b>
Software Utilized for Webcasting
Registration Requirements for Webcasting
E-Mail Alerts for Webcasting Events
Evidence of use of XBRL (2008 only)

From these attributes, an information sheet was created and used for each company in the sample. A copy of the original information sheet is included in Appendix III, and a similar approach to data collection was utilized by Allam in 2005.

In 2002, assistants were used to collect the data from the websites. Websites can differ greatly between two companies and, as was the case with Allam (2005), judgment is involved when visiting the sites, as there is no set routine. Two senior university students, and the researcher, divided the companies and examined the websites. This was done at set times when all members could work together and any issues or questions could be addressed

immediately. In order to ensure consistency, three websites were chosen at random from the list and all members went through the sites together. After the 2002 data was collected, the researcher spot checked three sites that were examined by each of the assistants to ensure that consistency and accuracy was maintained. The researcher collected the data in 2005 and 2008.

Each sheet was marked with the company name and the date the site was visited. Any interesting items of information that were observed on the sites were added to each company's sheet when it was noticed. For example, it was observed with one company that they had begun to use podcasts. This was not on the list but was noted on the sheet.

As in previous studies, this study needed to search for the websites of the companies chosen. Previous studies used Internet search engines to locate company web sites (Allam, 2005). Some earlier studies such as the IASC found it much more difficult to find the corporate websites and had to resort to other methods in order to locate the Internet addresses (IASC, 1999). The study completed in this chapter utilized the detailed information found within the *Globe and Mail* listing as this listing provided websites for all companies. By using the work done by the *Globe and Mail*, all corporate websites were found with relative ease.

Once the data from the manual sheets was collected, it was entered into an Excel spreadsheet for each of the three years. The researcher looked for trends not only within the year, but also for each company over the three years examined. For example, how many companies used warnings or disclaimers while entering or leaving the site and how did each company's site change over the three years examined. All manual datasheets were stored

and revisited to ensure that important information added was incorporated into the results section.

## **8.5 Results**

In terms of general findings, as was expected, all companies in the final sample of 43 had IR websites when visited. In general, websites varied greatly in terms of organization, content, and accessibility. For example, it was noted that when examining some websites, it was difficult to find information such as company policies and corporate governance. There was not a consistent approach to website structure found across any of the sample periods. While not tracked statistically, it was observed that some companies chose to place key current documents, such as annual reports or quarterly reports, as a primary link on their IR webpage (i.e. once on the IR web page, you could link directly to the current year's annual report). Others required the user to click through several web pages in order to retrieve the data; thus taking more time and effort by the user. This is not surprising, given it was not specifically addressed by Canadian guidelines that were discussed in Chapter 7.

One observation from the analysis of the websites was that there were some broken links within the IR site and these were most frequently noted within the webcasting section. For example, in 2002 there were five broken links (two from the same company) that the researcher encountered and three were webcasting related (two of these were found by a student assistant). Since not every link in every company's IR website was checked by the researcher, there could conceivably have been more than five. In 2005, there were three links noted as broken and one was noted in 2008. In another instance, it was observed that the link went to the wrong location. For example, in one 2002 annual report there was the

ability to link directly to specific sections and when the researcher clicked on the link to go to the auditor's report, they were sent instead to the notes of the financial statements. This could be attributed to the more interactive nature of the IR website; particularly, the webcasting section. Or it could be attributed to the fact that the maintenance of this section of the IR site is not as timely as it perhaps should be.

Table 8.4 summarizes some key findings from this study, for the three years investigated, based on the attributes used by Allam in his study (Allam, 2005). Table 8.5 summarizes the key findings of the other attributes identified as a result of the Chapter 7 study on financial regulations, specifically identifying attributes relevant to Canadian Corporations. Table 8.6 shows how the study compares to the two previous studies (Allam, 2005; Trites, 1999) and Table 8.7 provides a longitudinal analysis of the five studies. An explanation of these tables follows.

**Table 8.4: Summary of Results of General Website Attributes**

	2002		2005		2008	
	n=43	%	n=43	%	n=43	%
<b>General Attributes</b>						
Site Map Exists	35	81%	39	91%	38	88%
Search Box on Home Page	32	74%	38	88%	38	88%
Web Casting Events	37	86%	38	88%	43	100%
News Summaries Exist	43	100%	43	100%	43	100%
Direct Link to Annual Report on Home Page (i.e. not from Investor Relations page)	11	26%	20	47%	18	42%
E-mail Address to Investor Relations	30	70%	33	77%	38	88%
E-mail Alerts	21	49%	28	65%	25	58%
Download (of annual report)	43	100%	43	100%	41	95%
Format (HTML, PDF or Mix)						
PDF	32	74%	28	65%	27	63%
HTML	2	5%	1	2%	0	0%
HTML and PDF	6	14%	9	21%	9	21%
Mix (HTML, PDF, Excel, Word)	3	7%	5	12%	5	12%
None	0	0%	0	0%	2	5%
<b>Financial Attributes</b>						
Auditor's Report						
Signed Typed	10	23%	3	7%	9	21%
None	0	0%	0	0%	2	5%
Signed (Scanned Signature)	25	58%	35	81%	28	65%
Unsigned	8	19%	5	12%	4	9%
<b>Other Attributes</b>						
Latest Stock Price	37	86%	40	93%	39	91%
Share Price Performance	34	79%	34	79%	19	44%
Industry Statistics or Data	5	12%	5	12%	8	19%

**Table 8.5: Summary of Results – Additional Attributes**

Other Attributes	2002		2005		2008	
	n=43		n=43		n=43	
Search Box on Investor Relations Page	26	60%	37	86%	37	86%
Links to News Summaries (to outside of site - to 3rd party no warning)	11	26%	9	21%	8	19%
<b>Evidence of Mandatory Disclosures</b>						
Annual Information Form	21	49%	25	58%	30	70%
Material Change Reports	0	0%	1	2%	6	14%
Declaration of Dividends	23	53%	35	81%	23	53%
Redemption Notices	6	14%	4	9%	4	9%
Management Proxy Circulars	26	60%	32	74%	30	70%
Corporate Governance Disclosures	24	56%	38	88%	39	91%
<b>Evidence of Key Items From TSX Electronic Communication Disclosure</b>						
Analyst Coverage	12	28%	31	72%	25	58%
Indication that the website has been updated (i.e. last updated on)	11	26%	9	21%	8	19%
Warnings that investors are leaving company web site	7	16%	7	16%	13	30%
A policy exists on the web site regarding their disclosure policies, practices and responsibilities	14	33%	18	42%	43	100%
Direct link to SEDAR if it is used (i.e straight to company information)	16	37%	16	37%	19	44%
Link to SEDAR Homepage	8	19%	14	33%	11	26%
No SEDAR Link on Company Website	19	44%	13	30%	13	30%
Legal Disclaimers	0	0%	43	100%	41	95%
<b>Technology Attributes</b>						
Evidence of use of XBRL (2008 only)					0	0%



**Table 8.6: Comparison of Studies**

	Trites 1998 %		Allam 2001 %		Ryan 2002 %		Ryan 2005 %		Ryan 2008 %	
Number of Companies	49		50		43		43		43	
Website Existed	31	63%	50	100%	43	100%	43	100%	43	100%
Full Financial Reports	17	35%	50	100%	43	100%	43	100%	41	95%
Format										
PDF			29	58%	32	74%	28	65%	27	63%
HTML			0	0%	2	5%	1	2%	0	0%
HTML and PDF		Not Examined in this study	14	28%	6	14%	9	21%	9	21%
Mix			7	14%	3	7%	5	12%	5	12%
None			0	0%	0	0%	0	0%	2	5%
E-Mail Alerts			25	50%	21	49%	28	65%	25	58%
Webcasting			42	84%	37	86%	38	88%	43	100%
Auditor's Report										
Signed Typed			0	0%	10	23%	3	7%	9	21%
None			0	0%	0	0%	0	0%	2	5%
Signed Scanned Image			28	56%	25	58%	35	81%	28	65%
Unsigned			22	44%	8	19%	5	12%	4	9%

**Table 8.7: Year Over Year Changes**

	Difference	Trites- Allam (1998-2001)	Difference	Allam - Ryan (2001-2002)	Difference	Ryan - Ryan (2002-2005)	Difference	Ryan-Ryan (2005-2008)
Number of Companies	1	2%	-7	-14%	0	0%	0	0%
Website Existed	19	61%	-7	-14%	0	0%	0	0%
Full Financial Reports	33	194%	-7	-14%	0	0%	0	0%
PDF			3	10%	-4	-13%	-1	N/M
HTML			2	N/M	-1	-50%	-1	-4%
HTML and PDF			-8	-57%	3	50%	0	0%
Mix			-4	-57%	2	67%	0	0%
None			0	N/M	0	N/M	2	40%
E-Mail Alerts			-4	N/M	7	33%	-3	N/M
Webcasting			-5	N/M	1	3%	5	18%
<b>Auditor's Report</b>								
Signed Typed			10	N/M	-7	-70%	6	N/M
None			0	N/M	0	N/M	2	67%
Signed Digital			-3	-11%	10	40%	-7	N/M
Unsigned			-14	-64%	-3	-38%	-1	-3%

N/M – Not Meaningful

The following discussion highlights some of the key areas noted during the examination of the websites and follows the order of the tables on the previous pages.

### 8.5.1 Webcasts

Webcasts, or webcasting, is a means of communicating information to individuals who cannot be physically present. Common webcasting includes audio, video, or both. In its basic form, it is the broadcasting of information over the Internet. According to a recent article by Thomson Reuters, webcasting provides some key benefits to companies. Table 8.8 summarizes these benefits (NIRI, 2010)

**Table 8.8: Investor Relations Webcasts and Websites**

Increase Transparency	To stakeholders and to comply with the latest regulations
Communicate a Consistent Message	This ensures that key stakeholders receive the same, accurate and up-to-date information about the company
Manage Budgets and Resources	An IR website helps to meet investors' information needs and reducing the time spent by the IR department in answering enquiries

(NIRI, Thomson Reuters, January 2010<sup>46</sup>)

Webcasting is an example of voluntary information. As was discussed in Chapter 4, companies engage in voluntary reporting in order to reduce agency issues, reduce information asymmetry, and lower the cost of capital. Webcasting may assist in accomplishing this as it is interactive and allows the user to feel as if they are a part of the proceedings. Given the prevalence of webcasting, it may now be expected that companies will have investor relations websites, and in order to remain legitimate in the eyes of their

<sup>46</sup> Accessed from NIRI website [www.niri.org](http://www.niri.org) on February 15, 2010

stakeholders, companies may feel compelled to have them and therefore mimic what others are doing, or lead the way and have others follow.

Based on the previous study by Allam (2005), webcasting by Canadian companies continues to increase. In June 2008, 100% of companies used some form of webcasting compared with 88% in 2005, and 86% in 2002. This result is not surprising given the ease of which this technology can be posted to websites.

Most companies are now allowing interested parties to sign-up for live webcasts before they happen, while all companies archive previous webcasts. The advance sign-up may, perhaps, allow the companies to organize their key conference webcasts better since they know how many people may be joining it (i.e. ensuring adequate bandwidth is available to handle the demand). This advance registration may also be about marketing as companies are able to collect information during this sign-up period. The length of time that the webcasts were archived varied between companies. One financial organization kept webcasts back to 2005, while an energy company stated on their website that webcasts were kept for 90 days after which there would be limited availability.

In 2008, all but one company required the user to register prior to viewing the webcast. The most common form of webcasting was a combination of audio and slides. When the webcasting part of the site was visited, only one company was employing the use of a podcast for its quarterly information.

Specifically noted in 2008, was that companies were using third parties to host their webcasts. When a user clicks on the webcast, you are sent to a third party. In some cases, users were warned that they were leaving the company site; but in other cases, no warning appeared.

Similar to the signing of audit reports, there is variability in how companies manage webcasting, and there are shortcomings in dealing with third party links. This may be due to the managers of the IR department and how comfortable they are using the technology; or, it may be a result of the members of the internal or external information technology team that set-up and run the events.

### **8.5.2 News Summaries**

All companies examined provided news summaries on their websites; this is another form of voluntary information that companies choose to post to their website. The ability to link to third party newswires such as *CCNMatthews*<sup>47</sup> in Canada, makes it relatively easy to provide this service to web visitors. This particular area was very interesting in 2002 when data collection began. As the news summaries were viewed, it became apparent that, in some cases, the website still looked like the company website (i.e. with the borders and logos) but that you had actually gone to a third party site. The only way you were aware of this change was by closely examining the URL address that was posted on the screen as it was completely different from the company URL address. As a result the original attributes to be collected were modified to track those companies that sent users to a third party. Table 8.5 shows that 26% of the companies did so in 2002, and 19% continued to do so in 2008.

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<sup>47</sup> CCNMatthews is a news distribution service with offices in Canada and the UK. As of 2010 it is now called Marketwire.

This reinforces the earlier discussion that there continues to be some inconsistencies in how third party links are used by companies. Perhaps, as was stated earlier, this is due more to a lack of policies and procedures in place to ensure that all exit points within the IR website have disclaimer warnings attached. It may also show that an entry warning may provide more meaningful disclaimer information to a user, than relying on exit warnings each time a user leaves the website.

### **8.5.3 Direct Link to Annual Report on Homepage**

The number of clicks to get to the annual report may have an impact on the users who visit the website. Luna et. al suggested that website structure is culturally important, and that a flat structure with links on the main page may be important for certain visitors to the site (Luna et al., 2002). As a result, this study looked to see if there was a direct link to the annual report from the homepage, thereby reducing the number of clicks to the minimum. In 2002, 26% of the companies had a direct link on the homepage. By 2005, this had increased to 47% and suggests that companies, interested perhaps, in a global presence, were becoming increasingly cognizant of the importance of direct links to financial information. In 2008, when the websites were analyzed again, this number fell to 42% and suggested, perhaps, that companies were beginning to compartmentalize financial information within their investor relations pages; thus, reducing the need to direct links deeper into IFR materials from company home pages. This may also be an intentional design, as companies may want users to go to their IR homepage where the value of the company and key shareholder information can be highlighted prior to a user linking to the annual report.

#### **8.5.4 Auditor's Report**

The Allam study completed in 2005, noted that 44% of the Canadian audit reports were unsigned (Allam, 2005). In this study, unsigned did not mean that the signature area where the auditor signs was blank; but rather, instead of a digitally scanned image of the audit signature, the audit firm name was typed through the signature line. The IASC survey of Canadian companies, from 1999, found that 56.7% of Canadian companies produced audit reports on their websites (IASC, 1999).

When the data was collected for this study, four categories were created based on the Allam study. An audit report was designated as (1) Signed Typed if the name of the audit firm is typed through the signature line (this was typically accomplished by typing "Signed" CA Firm directly in the signature line), (2) Signed Scanned Image, if the actual signature in the signature line was scanned, (3) Unsigned, if the signature area was blank, or (4) None, if an audit report didn't exist. The data collected in this study found that 23% of the audit reports were Signed Typed in 2002, 7% in 2005, and 21% in 2008. It also found that 58% of the audit reports had scanned signature images in 2002, 81% in 2005 and 65% in 2008. It found that, in 2002, there were 8 companies (or 19% of the sample) that did not have a scanned image or type-signed auditor's report. Of these 8 companies, six simply reported who the auditors were, and two had an audit report with no auditor identified. All audit reports were either scanned or type-signed in 2005; with the exception of four, which had nothing through the signature line (the area where a signature would normally go was left completely blank). In 2008, four auditor's reports were unsigned for the same reason as in 2005. Upon further examination, it was noted that two of the companies from 2008 were the same as 2005, and that there were a range of different auditors (i.e. it was not the same audit

firm). Additionally, two companies posted neither audit reports nor annual reports. One of these companies went through restructuring post 2005, and now files using US GAAP with the SEC. There was no annual report on the website, but there was a 10k. The second company with no audit report in 2008, did have regulatory filings for 2008 accessible on their website via links to SEDAR and EDGAR, but only quarterly financial statements were posted on their website. Annual financial statements for 2007 and 2008 did not exist; but, there was archived financial information that included annual reports (other than 2007 and 2008) dating back to 1999. Interestingly, the researcher revisited this particular company in 2010 to find that all annual financial statements and audit reports exist on the company website, including the periods that were previously missing.

This particular attribute was one of the most inconsistent from year to year, and from company to company. Some companies provided a Typed “Signed” signature through the signature line one year, and then a scanned signature image the next time the data was looked at. The implications surrounding this are not exactly clear. Allam (2005) noted that perhaps this is due to the fact that companies believe this is a copy of an official report and, therefore, it is not required to have an auditor’s signature to be valid. Historically in Canada, audit reports are manually signed by the Partner using the name of the firm. HB Section 5400 of the Canadian Institute of Chartered Accountants’ Handbook (CICA) currently states, “The name of the auditor may be provided in the form of a manual or printed signature” (CICA, 2010a, S.5400.36). As of December, 2010 CAS 700 of the CICA Handbook will come into effect (CICA, 2010a):

“The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the



auditor's signature, in certain jurisdictions, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority in that jurisdiction.” (CICA Handbook, 2010a, CAS700, A37)

This would suggest that the auditor should be signing the audit report, and that we should expect to see digitally signed audit reports on the corporations' websites.

The researcher contacted a teaching/standards member of one of the large International Canadian Chartered Accounting firms (who wished to remain anonymous). He stated that firms do sign their audit reports manually and electronically; furthermore, it is a part of the internal risk management policy of each firm and not a standards issue. He said that, as part of their quality assurance manuals, they address how they will sign the audit reports. He summarized by saying that if firms are comfortable around the controls for storing and using electronic signatures, that it appears to be acceptable. This statement does not address the lack of signatures in audit reports.

The researcher then searched the SEDAR website for its filing manual to determine if it could provide information regarding how audit reports should be signed in order to be filed with SEDAR (CSA, 2006). According to the SEDAR filing manual,

“The National Instrument provides that a signature to or within any electronic filing must be presented in typed form rather than manual form. Filers may include electronic facsimile signatures in any electronic filing, provided the name of the signatory is also presented in typed form in accordance with the National Instrument.” (SEDAR Filing Manual, CSA, 2006, pg. 56)

This would suggest that typed signatures are to be used instead of electronic signatures. In 2008, there were 28 electronic signatures that would be acceptable according to the SEDAR

filing manual, as long as the name of the accounting firm was typed below the signature. A reexamination of a sample of those 28 electronic signatures revealed that none typed the name of the auditor below the electronic signature.

Based on the above, there are some inconsistencies that exist with the signing of audit reports. Basically, the fact is, no clear standard exists.

### **8.5.5 Other Filing Information**

The TSX manual suggests that other required financial information should also be posted to the company website in order to provide users of that site with a complete set of information (TSX, 2003, 423.12). This information includes the Annual Information Form, Material Change Reports, interim financial statements, news releases, declaration of dividends, redemption notices, and any other communications. Table 8.5 shows that there has been a general increase in the posting of these filings; although, certain areas show decreases (for example, dividend declarations) from 2005 to 2008.

This particular attribute is difficult to check, for a number of reasons. All of these forms are examples of mandatory disclosure documents and, therefore, will be posted on SEDAR. Some companies may choose to selectively place some of them on their websites and have a hyperlink to the SEDAR website for the balance. Some companies may not post information, such as Declaration of Dividend forms, if none has been declared in the year. However, the fact that there is inconsistency of application of mandated disclosures through this voluntary distribution mechanism, arguably adds to potential confusion for users and, perhaps, clearer guidance in this area is warranted.

### **8.5.6 Warnings**

The TSX reporting manual suggests that companies post a warning if they have third party links (TSX, 2009, Sec.423.12). This notice would warn visitors to their site that they are leaving the company site and going to another third party site. Previous studies have suggested that users of the web information can become confused if they hyperlink to third party sites (Trites, 1999; Hodge, 2001). One of the objectives of this chapter was to observe if warnings were being posted when users left the company website, and if these were being maintained over time as sites were developed and become increasingly complex.

In 2002, only 7 companies (or 16%) provided any sort of warning when clicking on a third party link. This statistic remained the same in 2005, but did increase in 2008, rising to 30%. Some interesting observations were noted when collecting the data in 2008. Four of the companies in 2008 posted some form of upfront warning prior to entering the investor relation website. One company posted a general warning that recommended that the user should read the legal notices on the website. The user was not required to accept or reject entry to the site before being able to proceed.

Three of the companies allowed all visitors to their main site, but when you clicked on the investor link, a disclaimer page was shown. The disclaimer page stated that the site was for informal purposes only, and for the user to proceed, they were required to read and accept the legal disclaimer. If they did not wish to proceed, they had the option to hit decline and the user would be returned to the main homepage. In order to use the site, the disclaimer additionally stated that the user would have to ensure the cookie feature was enabled on their web browser, as a small amount of data would be sent to it to enable access for a

period of time. The period of time was 30 days for 2 companies, and one week for the third company. After the time had elapsed, the user would have to accept the terms of the site again in order to reenter. A follow-up examination of the sites, in 2010, revealed that the disclaimer was still in existence for all three companies and that the 30 day limit for one company had been reduced to 1 day.

While every company's legal disclaimer is different, in general they included warnings that the site was to be used for informational purposes only and that the company was not responsible for third party links if they existed on their website.

Other companies did not have warnings posted at the entry point to the IR website, but did have warnings posted when a link resulted in a user leaving the company website. The most common warning occurred when a user wished to visit either SEDAR or EDGAR to view the regulatory filings. When a user clicked on the link, a warning box popped up stating that they were leaving the company site and that the company disclaimed all responsibility from that point forward.

In general, third party warnings were inconsistent across companies and within a company website. While a company may post a warning if leaving to go to SEDAR, it neglected to post a warning when stock information was requested and the user was sent to a third party stock website; or as was stated earlier, to a third party webcasting portal. This may be occurring due to the dynamic nature of portions of the website (i.e. many portions of the websites are constantly being updated), making it difficult to maintain control over where information is being linked to. This may specifically be the case if the programming is

completed by information technology professionals who are not necessarily aware of what links need warnings. It may also be occurring because companies have not necessarily put formal processes in place regarding adequate warnings upon exiting the IR website.

### **8.5.7 Company Policy and Responsibilities**

A Company policy and responsibility statement focuses on what a company will disclose, its policy on timely disclosure, and disclosure practices. It aids investors in understanding how the corporate website will be operated. This attribute has not been directly observed in the past and, in 2002, only 33% of the companies had such a link. In 2005, 42% of companies posted this company policy and, in 2008 all companies had some form of company policy. In Chapter 7, Table 7.4, it was noted that TSX Guideline 423.12 suggested that companies should have established policies with respect to disclosure. The examination suggests that this was not a guideline that companies adopted (at least not publicly). The sharp increase in 2008 may be due to an increased awareness by companies to disclose their policies. Or perhaps, it is due to events such as Sarbanes-Oxley and enhanced requirements for disclosure, forward looking cautionary notes, and overall disclaimers.

### **8.5.8 SEDAR**

SEDAR is the Canadian depository for public company annual financial statements and other regulatory information. The Toronto Stock Exchange (TSX) manual includes timely reporting guidelines (TSX, 2003; TSX, 2005; TSX, 2006a). These guidelines suggest that, should a company choose to link its web site to the SEDAR filings, it should do so directly in order to make it easy for the user to navigate to the company's information. This attribute was deemed to be important in the Canadian content, given the widespread use of the

SEDAR system, so it was added to the list of attributes and the website was examined for the link. In addition, it was noted if the link was direct to the company page, or to the SEDAR main page, as the two links vary in accessibility. The main SEDAR site requires several clicks in order to get to a company's financial information. For example, you must first choose your language (English or French), then how you want to search for the company (alphabetically or via search features such as name or industry code). If you set your search parameters too wide, you end up with pages of companies and different reports; thus, resulting in a potentially time consuming process. A direct link has clear advantages for the user in terms of time and ease of use.

Of the companies looked at in the survey, 56% (or 24 companies) provided a link to SEDAR in some form (whether directly to the company page or to the SEDAR homepage) in 2002, versus 70% (or 30 companies) in 2005. In 2008, the percentage remained stable at 70%, but there was a slight increase in those that provided a direct link to their SEDAR homepage.

This shows that, to some degree, Canadian companies are following the recommendations put forward by the TSX. The increase in the number of links directly to their company specific SEDAR homepage may be a function of overall website development, or it may signal that companies are doing it in order to mimic other companies.

### **8.5.9 Archiving of Information**

In 2008, one of the key observations made had nothing to do with the types of information being posted, but the quantity of information posted. Archived information dates as far back

as 1997 in some companies and, all but one company, contained archived information for annual reports, quarterly reports, news releases, and some regulatory filings. Webcasts tended to be archived for a shorter period of time; possibility due to current nature of the communication, or due to file size issues. This would suggest, that companies believe, that users value the ability to look at past information. Figure 8.2 shows the companies viewed in 2008 and how far back information was archived.

**Figure 8.2: 2008 Company Website Archived Financial Information**

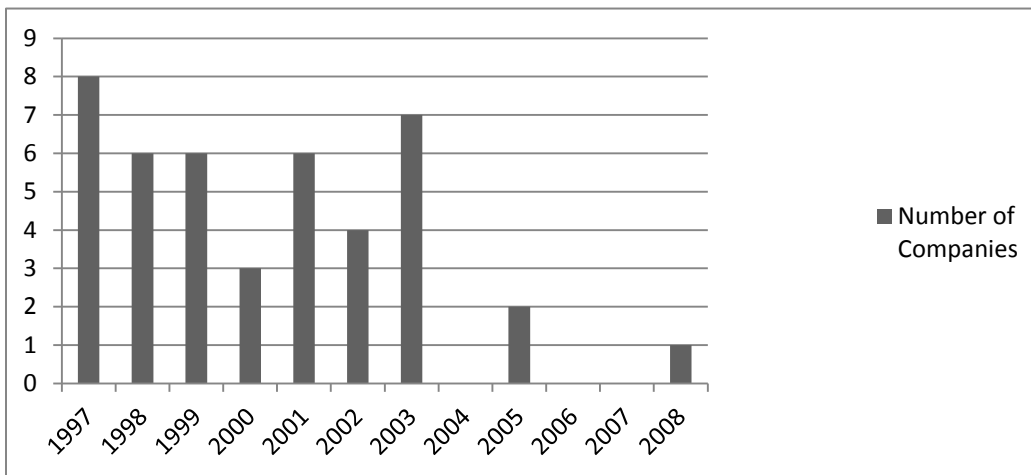


Figure 8.2 shows, that many companies are archiving financial information as far back as the initial creation of their company websites.

The TSX guidelines do not suggest a minimum period of time to retain previous year's reports; suggesting that companies should address the issue of historical information and that a retention policy should be established (TSX, 2003, Section 423.12). With the exception of one company that was noted earlier in the chapter, company websites did not

identify any retention policies to the user. This company informed the user that their webcasts would be available for 90 days, but beyond that, their availability may be limited.

Although beyond the scope of this study, the continuing increase of information retained on corporate websites raises the question of information overload. Information overload was mentioned briefly in the Trites study (Trites, 1999, pg. 15). In 2003, there was a cross disciplinary paper that concluded that the adding of information in order for a user to make a decision is useful to a point (Eppler and Mengis, 2004). Beyond this point, any further information provides no additional benefit and may actually result in confusion. It may be that users find their way to a corporate website, only to find themselves unable to find the information they want or need in amongst the rest of the data.

## **8.6 Conclusions**

This chapter charted the changes to IFR in Canadian Companies in three year intervals (2002, 2005, and 2008) and compared this with two previous studies held in 1998 and 2001. The chapter began by providing an overview of some of the key studies used for comparative purposes. The in depth literature review is found in Chapter Five and was not repeated here. The second section detailed how the companies were chosen, the attributes examined, and how the websites were found. The general conclusion is that, unlike earlier studies, finding the websites of corporations' investor relations activities is now a relatively easy task.

The overall findings show that the supply side of financial information grew substantially, over a short period of time, since the first studies in 1999. Companies have continued to



upload annual financial reports, and quarterly reports, adding to the information already there. Financial reporting requirements have also resulted in companies increasing their non-financial disclosures, such as governance policies.

Table 8.7 highlights some longitudinal changes between the five studies and shows that, overall, Canadian company websites have remained fairly consistent with the types of content that have been posted; although, the presentation of that content is changing. More and more companies are providing full downloads of annual reports, partial downloads, and multiple formats (PDF or HTML). The same information can now be found in multiple areas of the IR website; resulting in duplication of information and a ‘piled on’ approach about the websites, making them cumbersome and confusing at times.

While the findings show that IFR has reached a plateau in recent years, with very few key additions of actual new pieces of information (with the exceptions noted above), the trend is a move towards a more interactive website. In 2008, all companies had webcasting of some sort and almost every company requested users to sign-up. This allowed the company to gather information about who is using their site. Further research in the case study will look at finding out if companies use this information or not.

In 2008, social media and IR websites were non-existent. Very recent trends are showing that corporations are beginning to use this new form of media. How this type of communication tool will be accepted by stakeholders remains to be seen. However, this more recent trend will be explored further in the case developed in Chapters 9 and 10.

In the next chapter, the IR website of a Canadian Company is explored, in more depth, and a single case study is performed to investigate why and how corporations use websites and new media to communicate with their stakeholders. While the company is confidential, Chapters 9 and 10 will focus on how their website compares to the data that was obtained in this chapter.

## **9. COMPANY CASE STUDY: ABC CORPORATION INVESTOR RELATIONS AND WEBLOG ANALYSIS**

### **9.1. Introduction**

Chapters 9 and 10 examine a Canadian Company's investor relations department, and its use of the IR website, from a number of different perspectives. This examination draws upon the literature reviewed in Chapter three, four, and five (institutional theory with its rules and routines; literature on Internet financial reporting, and literature on voluntary reporting). These chapters also build upon the previous two chapters; since information gathered during those stages of research was utilized to find and contact a company to work with, and to inform the process of developing the case study itself.

Based on the information gathered from ABC, this chapter uses weblogs for a period of three years (2006 to 2008), to establish a pattern of usage of the Internet from external users interested in financial information. It will show that Internet usage, by external parties, has increased over this period of time. The period of time studied was chosen, primarily, on two key factors. First, the time period allowed for some overlap with the examination of website content from Chapter 8; as it includes the content analysis that was completed in 2008. Secondly, the data had to be obtained from the company's third party IT provider, at a cost to ABC, and this period of time was acceptable to ABC in terms of cost.

As will be outlined in this chapter, WSLA has its limitations but its purpose is suited to this study; in that, its use makes it possible to get a rounded picture of how external stakeholders are using a company's website over time. This WSLA examination is stage three of the

thesis, and examines how the Internet is being used by individuals who are seeking IR information. This establishes the foundation for stage four; which is the exploration of how an IR department has handled the Internet to harness its power as a communication tool. It provides data about what information is being used, and this analysis can then be followed up with ABC.

This chapter is divided into three sections. The first section provides a background of the company chosen as the case study for this thesis. The section will begin with an overview of how the company was chosen, and then, it will highlight the general history of ABC Corporation (ABC)<sup>48</sup>. This description is followed by an examination of its present day status, and its organizational structure, as it relates to the investor relations department. Also, how the department interacts with other key internal and external units, including a description of the actors that were interviewed. Next, the section presents a timeline of key points in its IR website history, including a description of how their website has changed throughout the timeline.

The second section discusses the use of WSLA and its applicability in this case study. Previous research has argued that it can be used to gain insight into how external stakeholders use the IR section of a corporate website (Allam, 2005; Rowbottom et al., 2005). This section will examine access statistics, popular downloads, and compare some of the findings to the prior studies. The purpose of WSLA, in this thesis, is to explore how Internet usage is changing over time. It seeks to explore questions including, Does a change in activity place pressure on companies to expand the resources that are allocated to IR

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<sup>48</sup> The Company name has been disguised for confidentiality purposes

websites? Do companies feel that it is an important part of their communication toolkit, a novel application, or a necessary evil? The analysis of the Web server logs will be the starting point for this analysis, and the interviews presented in Chapter 10 will enrich the analysis.

The third section explores the voluntary disclosures that ABC places on their IR website. Using the literature from Chapter four, and information obtained from the analysis of Canadian websites in Chapter 8, ABC's website is examined for various types of voluntary disclosures. This section has been placed as the final section because, previous sections support the notion that voluntary information is a key function in ABC's IR website.

The next section provides details of ABC Company including its history, organizational structure, and key external third parties.

## **9.2 ABC Company**

Chapter 6 discussed the research approach for this thesis and this Chapter represents Stage 3: an analysis of ABC's weblogs. Details of the approach used to select ABC are found in section 6.5 of Chapter 6.

ABC is a Canadian public company with an established history and is listed on both the TSX and the NYSE. The company, although large, operates with a very lean organizational structure with few employees in their investor relations department. To determine how common this was with other Canadian corporations, an examination of IR contacts listed on the IR websites of a sample of Canadian corporations was done. Using the list of Canadian

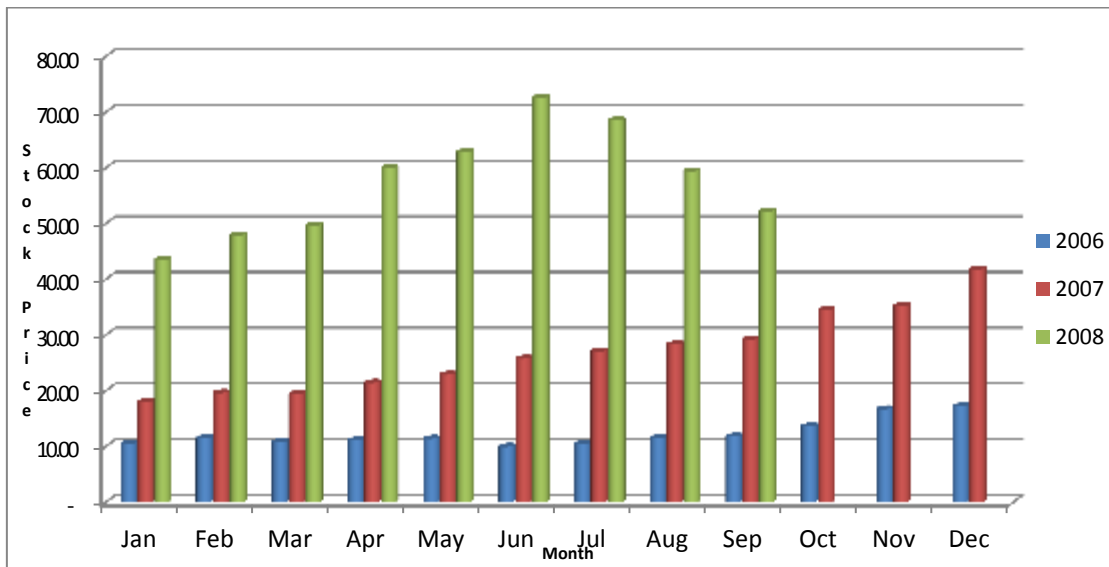
companies from Table 8.1, 10 company websites were revisited at random; specifically to examine the investor relations contact information for evidence of who was being promoted as IR contacts. Of the 10 companies, 6 listed the names of the contact individuals while 4 companies used a general e-mail address only. Of the 6 companies that listed investor relations contact information, 5 companies listed 2 contacts while the last company listed 1 contact. This examination suggests that ABC's investor relations department is similar in structure (at least in terms of external contacts) to other large Canadian companies as there were two members working in IR prior to the interviews. A third person was hired subsequent to the interviews.

ABC's shares are widely held by both Canadian and United States stakeholders and, more recently, ABC has had an increase in stakeholders from around the world. Figure 9.1 shows the monthly average stock price for ABC from January 2006 to September 2008. Data for the weblogs was initially received from ABC for the period January 2006 to September 2008. Costs prohibited the ability to obtain the final three months of 2008; therefore, stock prices were not noted for this time period<sup>49</sup>.

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<sup>49</sup> As was stated earlier in the chapter, the 33 months of data resulted from a number of factors including cost to provide copies of the weblogs and sufficient overlap with the website content analysis completed in Chapter 8.

**Figure 9.1: Monthly Average Stock Price**



Note that in order to maintain confidentiality, the stock prices for ABC have been disguised while maintaining a relative position from year to year<sup>50</sup>. Also, note that stock information has not been included in order to be consistent with the weblog data that was obtained from ABC. The last three years has seen ABC's shares rise considerably which, would anecdotally suggest an increase in the number of users looking for information. Later in the chapter, as part of the detailed case analysis, the usage of the IR portion of ABC's website is tracked and compared to the stock price.

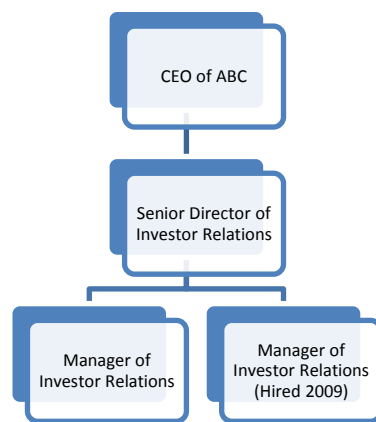
### 9.2.1 ABC's Organizational Structure and Key IR Service Providers

ABC operates with a very simple reporting structure, as is shown in Figure 9.2. There is a direct reporting relationship from the CEO to the IR team. While other departments within ABC will have an impact on how the IR department functions (shown in Figure 9.2), this direct reporting relationship allows the IR department to make decisions quickly. Figure 9.2

<sup>50</sup> Each stock price was divided by a constant number in order to disguise the actual stock price while maintaining a relative price.

shows that there is no direct reporting arrangement between the investor relations and public relations; even though a member, that is designated part of public relations, does assist with the daily and periodic reporting tasks that impact the IR website. This lack of reporting relationship is not uncommon. As Laskin (2009) reported, the investor relation function does not generally have a reporting relationship with public relations.

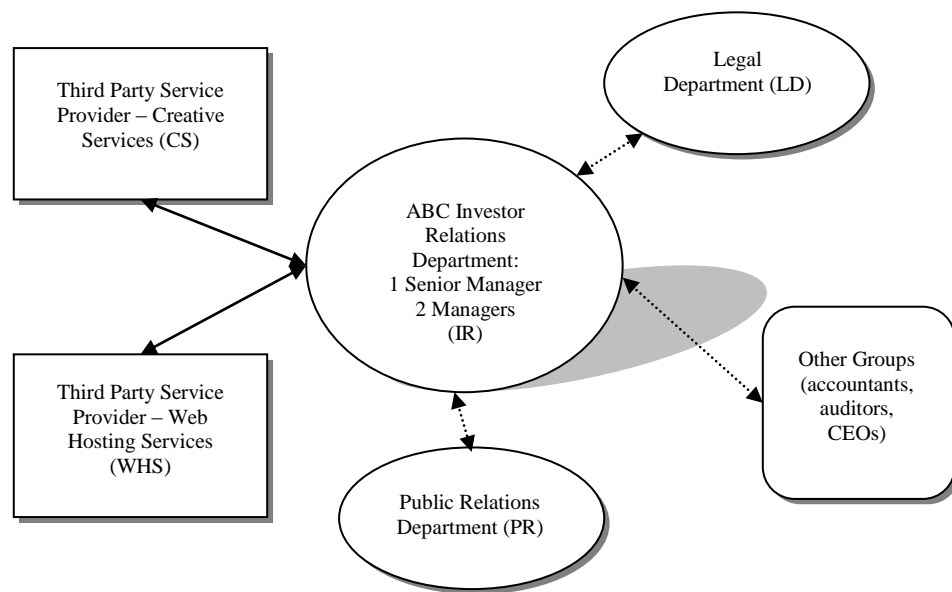
**Figure 9.2: Investor Relation Department Reporting Relationship**



Within the ABC IR department, they have one senior manager and two managers, with one manager being responsible for the website information. The second manager was hired just prior to the interviews (this third person was not interviewed as part of this study as they lacked any detailed knowledge of the daily operations at the time of the interviews). The IR department has several other internal and external departments and companies that they do not directly report to; however, they impact the daily operations. Figure 9.3 illustrates the main internal and external groups that the IR department communicates with.



**Figure 9.3: Overview of Internal and External Relationships with ABC IR Department**



As Figure 9.3 shows, in addition to their own staff, the IR department also works with ABC’s public relations staff and one key member is responsible [ABC<sub>2</sub> from Table 6.2] for ensuring that the site is up to date and accurate. The solid lines between CS and WHS signify a more direct relationship between the groups. The dotted lines, between LD and PR and the other groups, signify that this is an indirect reporting relationship.

The public relations department’s (PR) reporting stream is very different from the IR department. ABC<sub>2</sub> was hired by the public relations department and reports to the senior manager of investor relations when they are working on the website. “Everything the PR releases externally out of the company has to flow through our Disclosure Policy Officer (the Senior Director of IR)” [ABC<sub>1</sub>]. The Senior Director of IT is responsible for the message projected by ABC in terms of “consistency, accuracy, and reputation”. [ABC<sub>1</sub>]

The other group box, in Figure 9.3, reflects other groups that may have an impact on what ABC's IR department may or may not do with the IR web content. These groups were not available to the researcher for interviews; however, ABC<sub>1</sub> was asked about them and their significance to the IR web content. ABC<sub>1</sub> stated that the external auditors have never had any relationship with the IR team in terms of web related content. The accountants (their finance team) provide the financial information to the IR department, but the IR department is completely responsible for how the information is repackaged for the web. As ABC<sub>1</sub> stated:

“IR is responsible for executing everything on the IR site. We get everything, all of the information from finance, and we repackage it based on how we decide to display it. We will get some feedback from finance from time to time but we are ultimately responsible for what is there and choosing what goes on the web” [ABC<sub>1</sub>]

Senior management (CEO and other senior team members) may also be another group that impacts what ABC's IR department does. During the initial planning of the interviews, ABC<sub>1</sub> mentioned that the senior management team was supportive of the IR department, but that processes were developed within the IR department.

In summary, while the legal and finance departments are an important part of the function of ABC's website, they were not available for interviewing. However, it is believed that ABC's IR web team interviewees were able to provide much of the detail that those departments would have been able to provide if interviewed. Both actors in ABC were questioned about the role of other senior management members, and the legal and public relations departments, that were not available for interviews. The actors were consistent in saying that they were all involved in the IR web development and supported it, but the main drivers were the limited number of actors working on it on a daily basis.

Externally, there are two companies that have an important impact on ABC’s IR website. ABC has a contractual agreement with a Creative Services Company (CS) that assists with the writing of the investor material such as the annual report and quarterly reports, both online and offline. In addition, the Creative Services Company assists ABC with the timely updating of webcasting events. The second company hired by ABC is a Webhosting Company (WHS). WHS is responsible for the backend systems, the tracking of weblog data, and the maintenance and updating of the software and hardware.

The next section discusses in greater detail, the actors that were interviewed within ABC and its two service providers, WHS and CS.

### 9.2.2 The Corporations and the Actors

Table 6.2 in Chapter 6 provided a list of individuals interviewed from all three companies, and the number of interviews (face-to-face, email and telephone) that took place. The tags below provide background information on each of the interviewees. Each individual is tagged by company (for example: ABC<sub>1</sub>, and ABC<sub>2</sub>) in order to strengthen the confidentiality of the case study. Table 9.1 summarizes the interviewees and their responsibilities.

**Table 9.1: Interviewees and Responsibilities**

ABC <sub>1</sub>	Manager of Investor Relations. Responsible for IR website content
ABC <sub>2</sub>	Employee that works in Public Relations and Investor Relations. Responsible, with the IR department, for ensuring web pages are accurate
CS <sub>1</sub>	Founder of creative services company. Provides writing support to ABC (for annual and quarterly reporting; other public releases). Has worked with ABC since before the IR website was used as a communication tool

CS <sub>2</sub>	Employee of CS with their only responsibility being to work with ABC on their web reporting
WHS <sub>1</sub>	Founder of the Internet service provider and has been working with ABC since the initial launch of their IR website
WHS <sub>2</sub>	Employee of WHS and project manager in charge of the ABC account

All three companies only have a few people that are directly involved with ABC's IR website. This resulted in few interviewees, but each one had an in depth story to tell. For example, programmers at WHS do not have contact with ABC (everything flows through the project manager WHS<sub>2</sub>). The key staff member at CS devotes their entire time to ABC, and the founders of both WHS and CS are heavily involved with the ongoing activities that impact ABC's IR website (both at a strategic and, when necessary, operational level).

Much of the six interviewees' work is dedicated to ABC's IR website and they represent the key actors in this organizational unit for this thesis. ABC<sub>1</sub> stated, during initial communication with them that, they had an extremely small team and reporting periods were 'intense' as they all worked to get the information posted to the IR website. As such, it is argued that a sufficient number of interviewees have been obtained to provide an in depth and complete analysis.

### **ABC<sub>1</sub>**

ABC<sub>1</sub> was hired in 2005 to work in the investor relations department of ABC. ABC<sub>1</sub> had a financial and communication background and was not directly hired by the company to work with the website. Since other members of the investor relations team were involved in so many other things, the 'web responsibility basically fell in my lap' [ABC<sub>1</sub>]. There were other members that dealt with some of the administrative issues of the web, but not the

investor related elements. Shortly after arriving, there was a movement towards the redesigning of the IR website that then existed. According to ABC<sub>1</sub>, ‘...investor focused [was] what we were doing at the time.’ [ABC<sub>1</sub>] ABC<sub>1</sub> stated that the IR website was not their fulltime job but, on a regular basis, it accounted for about 25% of their time. They also noted that they were currently spending about 50% to 60% of their time on the IR website, as they were in the process of redesigning it (as of the date of the interviews, April 2009). Website research by Hill and White (2000) concluded that, often, website duties are only a part of what an employee does and, therefore, this division of time is not unusual.

## **ABC<sub>2</sub>**

ABC<sub>2</sub> started working at ABC in 2001, in the accounting area, and then moved into public relations in 2006 to assist with the website. Presently they work on everything that deals with communication, including the IR website. They are on contract (not fulltime but on a contract renewal basis) and currently their job is to maintain the website,

“I’m involved in everything that requires administrative work, maintaining it, making sure it’s up to date and correct; investor relations and whatever [else].”  
[ABC<sub>2</sub>]

While ABC<sub>2</sub> gets involved in almost all aspects of the IR website functions, they do not get involved with the quarterly reporting activities. That is left to ABC<sub>1</sub>, as the company’s preference is not to have too many individuals involved in the process until it is ready to be published on the IR website. When questioned as to why this was the case, ABC<sub>2</sub> replied that, in order to maintain confidentiality until close to the release date, the IR Department policy was to have limited numbers of individuals in the reporting process. ABC<sub>2</sub> has an unusual reporting arrangement; they report to Public Relations except when dealing with the IR website, where they report to the Manager of Investor Relations. They spend 100% of

their time working on the IR website during annual report time (a one month period that precedes the release of the annual report). While they were unsure of how much time was actually spent working on the IR website throughout the balance of the year, ABC<sub>2</sub> stated that the work on the IR website was increasing relative to the other portions of ABC's website.

### **CS<sub>1</sub>**

CS<sub>1</sub> is the founding member of CS and has worked with ABC for 14 years. According to data obtained during the interview, CS<sub>1</sub> started on the printing side and assisted with the website when it was still rudimentary. According to CS<sub>1</sub>, ABC made a conscious decision in 2005 to begin thinking about the website, what needed to be placed there and where it needed to go. CS<sub>1</sub> stated that this was 'a big transition and it has changed the way we dealt with them' [CS<sub>1</sub>]. ABC was the first of their clients to make this shift in how the website was utilized.

In interviewing CS, they also stated that they devote a substantial amount of staff time to ABC, deciding to establish 'long-term relationships with stable clients' [CS<sub>1</sub>]. In fact, CS has reduced the number of clients that it works with in order to provide more time for ABC when required.[CS<sub>1</sub>] According to CS<sub>1</sub>, they have approximately three other large clients and the balance are smaller clients. This allows them to draw experience from these other clients and apply it to ABC (in terms of issues such as best practices).

## **CS<sub>2</sub>**

CS<sub>2</sub> joined CS in 2008, has a commerce degree, and has previous experience in market research. CS<sub>2</sub> plays an integral role in the material produced by ABC for its stakeholders.

CS<sub>2</sub> explained their role as a liaison between the different groups,

“I guess you could say [that] I am the liaison between ABC and WHS. CS does the communication side of the website where WHS does the technical side. We have writers and designers that will design the front[end]. I pretty much organize all of that. We need a conference call and we need a box, I will get our designer to make that and I will send it to ABC for review. They would send changes back to me and send them back the designer changes. Also, I proof. So when something goes onto the website, WHS will proof it, then I get it and proof it, and then I send a beta link to ABC for their final approval” [CS<sub>2</sub>]

When asked how much time CS<sub>2</sub> devotes to ABC on a daily basis, CS<sub>2</sub> said that ABC was the only client they worked on.

## **WHS<sub>1</sub>**

WHS started as a printing company in 1993 when the Internet was just beginning to be accessible commercially. WHS<sub>1</sub> opened up the printing shop with a partner, and has a background in business, and a minor in English. WHS<sub>1</sub> noted that it was his partner that initially took an interest in the Internet; stating “...the Internet was just coming out, and my partner is the adopter of all things, so we began to offer Internet services and new media services.” [WHS<sub>1</sub>] During the interview, WHS revealed that they began working in the investor relations area while working with the presentation software program Persuasion (originally owned by a company called Aldus and now part of Adobe), a program created prior to PowerPoint. WHS began working with another company, creating slide shows for environmental tours, and working with them on an initial public offering. WHS prepared the visual presentation tools to be used by the company to promote themselves. WHS then

convinced this company to create a website ‘...after they understood the Internet wasn’t going away’ [WHS<sub>1</sub>].

From WHS’s perspective, they became involved with ABC in 1997, when it was developing its initial website [WHS<sub>1</sub>]. Although CS has worked with ABC longer than WHS (in a non Internet related capacity), it was WHS that first began working with ABC on the IR website. After their initial setup, CS stepped in to provide creative support in a way similar to the support they provided for the traditional print materials. When asked how the two external companies work together, WHS<sub>1</sub> explained that they work in a collaborative fashion,

“We work together and we are definitely a full service place; but they are involved in writing and in the visual design, and together we strategize, and we are the actual plumbers and the hosts and the programmers.” [WHS<sub>1</sub>]

## **WHS<sub>2</sub>**

WHS<sub>2</sub> came to WHS in 2007 with little web background, but took over as ABC’s project manager in 2008. Prior to that, WHS<sub>2</sub> worked on ABC’s account as project coordinator. WHS<sub>2</sub>’s only responsibility is ABC. WHS<sub>2</sub> ensures that the programmers get their work completed and proofreads information prior to posting it to a live website. WHS<sub>2</sub> will also make recommendations, and deploy the information back to the programmers, in order to ensure that the website changes are made appropriately.

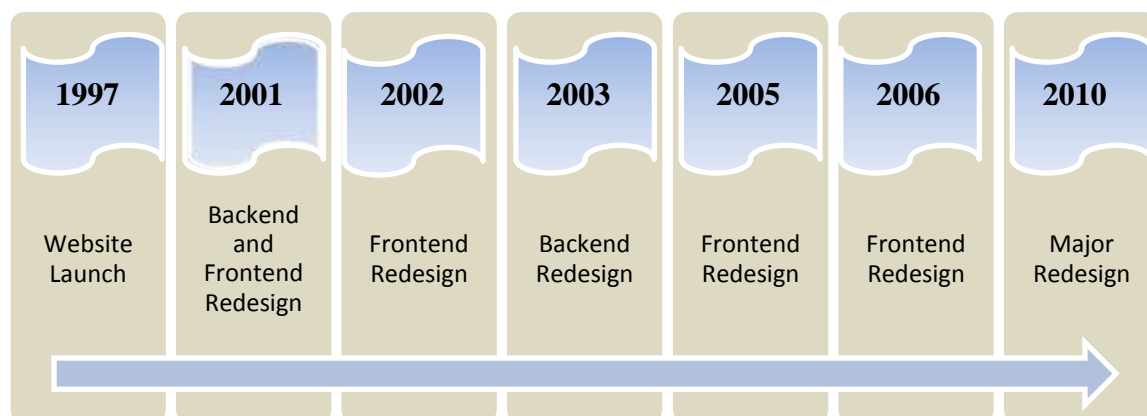
The next section completes the introduction of ABC by detailing its IR website history from inception in 1995 to 2010.



### 9.2.3 ABC's IR Website History

Using archived files provided by ABC, the front pages of their website were observed from 1997 to 2010. Some of the detail and links from the backend links no longer functioned in the archived files, but enough information was still available to provide a picture of how ABC's website has evolved. Any gaps with the broken links within the backend were filled with discussions with ABC<sub>1</sub> and WHS<sub>1</sub>. Figure 9.4 shows the key points in time where change has occurred within the IR website of ABC.

**Figure 9.4: ABC Investor Relations Website Timeline**



ABC's initial website, in 1997, was very simplistic with simple boxes linking to more details on their business activities. There were no links to financial information. ABC had a minor redesign of its front page in 2001 and 2002. The 2001 website incorporated front page links to investor relations material and prominent links to industry related material. The front page included a "unique strengths" area where ABC tried to differentiate themselves from others. The backend pages, in 2001, contained links to speeches, financial reports, news releases and stock information. According to discussions with ABC<sub>1</sub> and WHS<sub>1</sub> (their third party service provider), there were very few changes to the backend

infrastructure other than the addition of financial related links. The backend infrastructure would include the files linked to the website, software, servers, and other hardware. In 2002, the website was altered to include a stewardship section on the front page. In 2003, there were some minor modifications to the backend, including the addition of “pull down” menus in order to retrieve different annual reports, and other filings. Again, no files were removed and no major enhancements were made.

In 2005, a new IR manager was hired (specifics of IR department staffing is discussed in detail in subsequent sections and Chapters) and a new person was hired by ABC’s creative services provider. This was a key point in the evolution of the IR website for ABC and resulted in some major website changes in 2005 and 2006 (with most of the additional information being added during midyear in 2006). The new front page showed clear links for customers and investors. ABC had links on the first page for sustainability, governance, and industry. There was a highlights section that detailed upcoming conference calls and earnings releases. In 2010, ABC unveiled a brand new corporate website that included a completely new IR website that allows users to create their own ‘pot’ of interactive data. The website was designed to reduce the amount of redundant information (i.e. the same information being placed up on the website in three different reports) and allow the user control over the types of information they wish to see. For example, users may choose to look at sales and cost of goods sold only over a period of three years, or may wish to have information on different expense items.

In summary, ABC slowly evolved the front end of its website and had major changes in 2005 and a complete redesign in 2010. The balance of this chapter, and the subsequent chapter, will examine ABC's IR website in more detail from a variety of different angles.

The next section describes the use of weblog analysis as a tool to examine the types of information being requested by external users of ABC.

### **9.3 Web Server Log Analysis of ABC Corporation**

Chapter 6 introduced the concept of WSLA as a way of gaining an understanding of how an IR website is used. By analyzing ABC's weblogs from 2006 to 2008, an increasing pattern of usage is visible<sup>51</sup>.

According to Allam (2005), WSLA is a form of data mining where huge amounts of data can be analyzed. WSLA are essentially files that are tracked when users click on various pages on the Internet and have historically had a security based function (Allam, 2005). Allam also contends that WSLA is useful in analyzing patterns of IR web usage by external parties.

“However, such emphasis by security experts should not under-value the potential use of WSLAs to generate useful information in order to make online content, in general, more relevant to the user. WSLA is intended to serve two main groups. The first group is Web administrators who are interested in the design of the Websites. The second group includes many interested parties who need information about the users of Websites, such as marketing managers and advertisers.” (Allam, 2005 pg.173) from (Backman and Rubin, 1997)

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<sup>51</sup> The impacts of this increasing usage will be further explored in Chapter 10 to determine if it has had any effect on the routines occurring within ABC's IR department.

Allam's thesis supported the use of WSLAs to provide information that companies can use to analyze patterns by stating that "One major advantage of WSLA when studying users' behavior is that it measures actual behavior of users, unlike questionnaires, for example, that measure users' perceptions and attitudes." (Allam, 2005 pg. 173).

There are several standard definitions for the information that is extracted from the weblogs. These definitions are listed in the glossary to the Weblog Expert program on their website and key ones are reproduced in Table 9.2.

Previous research has already established that there are various metrics that can be used to examine weblogs. These include Hits, Page Views, and Visits (Nicholas et al., 1999; Allam, 2005; Rowbottom et al., 2005).

The conclusion, from previous research, is that although each metric has its own limitations, page views provides a more accurate picture of the website usage when analyzing investor relations' websites. Given the results of this previous research, it was determined that page views would be the best metric to use when examining the weblogs of ABC.

**Table 9.2: Web Server Log Analysis Definitions**

Bandwidth	Amount of traffic transmitted from the site
Cached Request	A request that was cached on a client. If a browser has a cached copy of the requested file, it sends special request to a server so it sends the file only if it hasn't been modified. Otherwise the browser uses the cached copy of the file, and the request is logged on the server as the cached one.
Failed Request	A request which caused an error
Hit	A request for any file (page, image, etc.)
Incomplete Request	A request in response to which the server sent only a part of a file. Many download managers download files using several threads each of which downloads a part of the file, so it is logged as several incomplete requests. Incomplete requests may also occur if the files (pages, images) are large and/or users have problems with getting them from the site
Page View	A request for a page file. Hits from spiders aren't counted as page views unless the <i>Count spiders as visitors</i> option is enabled
Visitor	The program determines number of visitors by the IP addresses. If a request from an IP address came after some time (timeout) since the last request from this IP, it is considered to belong to a different visitor. The timeout is set to 30 minutes <sup>52</sup>

(WebLog Expert Help, Glossary)<sup>53</sup>

In summary, WSLA is a form of data mining that can be used to determine how an IR website is used by external stakeholders, but it is not without its limitations. There is researcher judgment that needs to be managed when examining the web pages. This can be mitigated through careful review and secondary checks when the data appears unreasonable. In addition, it has its limitations as a means of tracking usage; in particular, it is not possible to tell if someone clicked on the site by mistake, for what purpose they actually went to the site, nor how they actively view the data once accessed.

<sup>52</sup> In the case this was determined based on a strong design principle that has been consistently applied to ABC's website design over this period namely everything with an *investor* tag in its website address as all IR pages are designed into subdirectories under this tag heading

<sup>53</sup> From the WebLog Expert Glossary [www.weblogexpert.com/help/wlexpert/source/glossary.htm](http://www.weblogexpert.com/help/wlexpert/source/glossary.htm) accessed on February 9, 2010

Despite the limitations of log analyzers, WSLA can provide a picture of how ABC's site is utilized by external users over a period of time, and general statistics of if there is an increased amount of traffic over time.

### **9.3.1 General Weblog Observations**

The weblog data was obtained in monthly files from ABC's third party web provider. The data provided, was the entire investor relations website area. This data was recorded on a DVD and sent to the researcher, who then imported the weblog files into the Weblog Analyzer.

As was discussed in the previous section, there was very little development in ABC's website throughout the period that the weblogs were examined. This made it easier to trace the web pages from year to year, as the names did not change dramatically. There were some minor wording changes that occurred. For example, the auditors' report was tagged with the word auditor until March 2007, when it was subsequently referred to as an IRCA (Independent Registered Chartered Accountant). Another substantial change was the division of the notes to the consolidated financial statements in 2007. Prior to March 2007, the notes to the financial statements were in one separate PDF or HTML file (in addition to the full annual report available for download). In March, ABC separated the notes further and allowed users to select PDF download or HTML for each note separately. This increased the number of web address files, but it was straightforward for the researcher to apply these tagging details to the data set extraction procedures to ensure the WSLA process was applied correctly. This constant changing is to be expected for websites. "Typically, a

web environment is highly dynamic and in constant competition with similar websites to attract and retain visitors.” (Bollen et al., 2008, pg. 174)

General Weblog statistics for ABC Company are shown in Figures 9.5 through to 9.8 (Note again that data could not be obtained for October 2008 to December 2008 so comparative information for that period has some limitations).

The data charted reveals various overall trends that are explored in the next sections.

### **9.3.2 Monthly Page Views**

As Table 9.2 described, monthly page views represent a request for a page file. These requests can either come from humans or from non-humans (for example, in the form of spiders or web-crawlers). Essentially, the most common application for these non-human programs is to move from web page to web page, following the links and adding them to their database in order to construct search engines (Murphy and Bennett, 2001). The software program to analyze the web server logs used was capable of removing these via a filtering process so they were not included in the data extracted.

Figure 9.5 shows a spike in requests for page views of the investor relations portion of ABC’s website in April of each year, with spikes in 2007 and 2008. April coincides with the annual release of ABC’s financial statements and conference calls, which normally happens in later April, along with first quarter results. ABC announces its second quarter results in July of each year, and third quarter results are announced in October. The usage spikes in Figure 9.5 match with the key financial releases of ABC; therefore, it can be concluded that

there is increased traffic to the ABC site when major financial announcements are made. This is examined in more detail in a later section, where daily page views are examined and compared to key events announced for ABC. These results are consistent with prior research (e.g. Rowbottom et al., 2005) where similar peaks of IR website activity were reported, and with what may be expected anecdotally.

Figures 9.5 to 9.8 show general website activity statistics for ABC's investor relations website. Bandwidth activity is a measure of the amount of data that is transmitted on the site. Figure 9.9 illustrates the monthly bandwidth activity graphically. From 2006 to 2007, the bandwidth increased by more than three times, showing an increase in the transmission of information to the external user. There may be several reasons for this increase. One reason may be due to the increasing number of files being placed on ABC's website. An examination of the number of files extracted from the weblog files of ABC revealed that, from 2006 to 2008, there was a 48% increase in total files and a 19% increase in files with a PDF extension. This would suggest that ABC has increased the number of files on its site from 2006 to 2008. This corresponds with the website information examined in Chapter 8, where it was observed that Canadian companies were retaining and archiving their financial information on their IR websites.

A second reason may be due to the general increase in the amount of traffic to ABC's website from 2006 to 2008, ultimately resulting in more downloading of information by the external users visiting the site. An examination of Figures 9.6 to Figure 9.8 supports this comment. In examining the data, the average visitors per day rose from 731 in January 2006, to 961 in January 2007. This was an increase of 31.5% in one year. By January 2008,

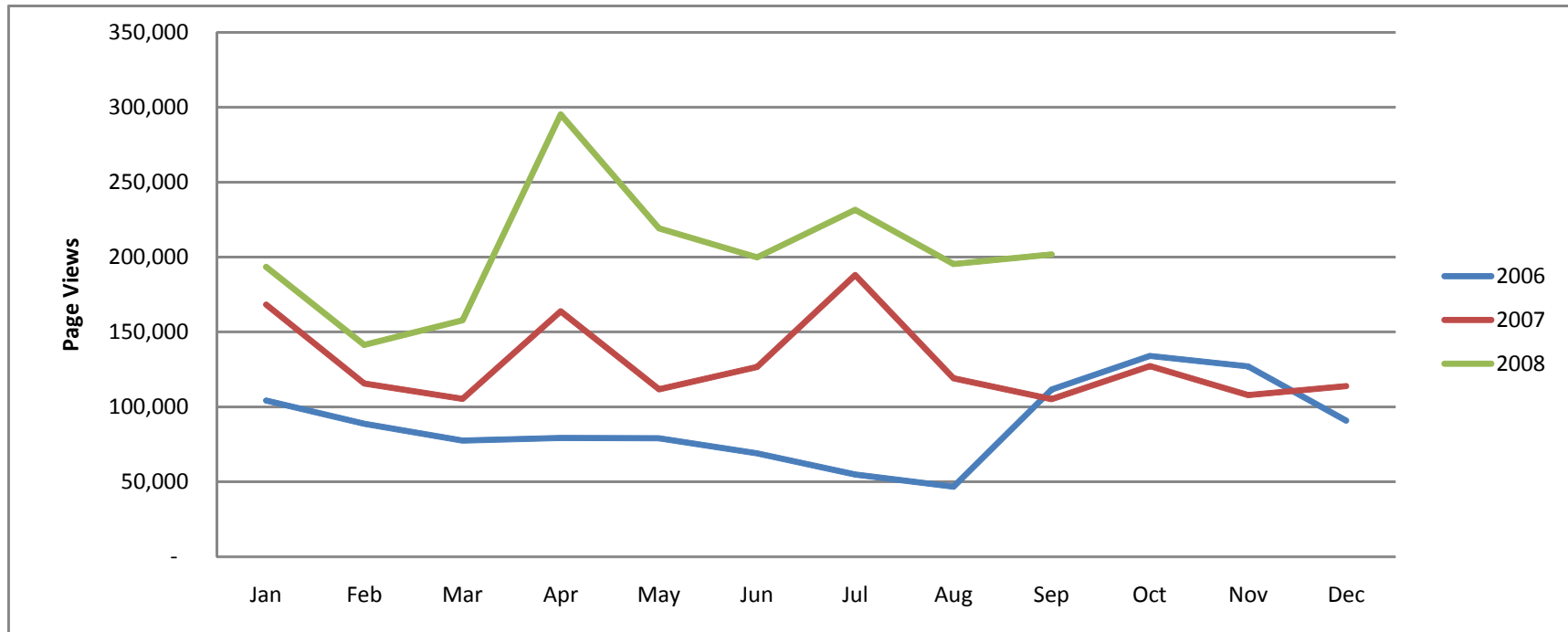


the average number of visitors was 1,435. This represents an increase from 2007 of 49%, and an increase from January 2006 of 96%. In addition, documents such as annual reports and interim reports continue to get larger resulting in a larger file when it is downloaded by the user. Using the companies in Table 8.2, the websites of 5 companies were revisited at random and the size of their annual reports were examined for the same time period (2006 to 2008). The average size of the annual report grew from 2.63mb in 2006, to 4.06mb in 2008; an increase of 54%. The increasing size of the annual reports may be due to increased use of graphics and/or to increased documentation as the result of required disclosures such as Sarbanes Oxley. In Figures 9.6 to 9.8, the average bandwidth per visitor has grown from 246.28kb in January 2006, to 546kb in September 2008; an increase of 122%. The Figures show that there is some fluctuation in the average bandwidth per visitor; however, even with those fluctuations, the average in 2006 never exceeded 275.93kb (September 2006) while the average bandwidth per visitor in 2008 was never lower than 400kb.

Figure 9.9 shows an unusually high bandwidth activity for January 2008. When the activity for January was looked at in greater detail, it was noted that there was an increase in activity from January 29<sup>th</sup> to January 31<sup>st</sup>. There was a company announcement in late January, announcing that ABC had reached their highest level of earnings to date. This, accompanied with a conference call in late January, increased the number of users to the site (resulting in increased bandwidth usage) and used a greater amount of bandwidth during the web based conference call.

**Figure 9.5: Monthly Page Views January 2006 to September 2008**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	104,185	88,815	77,482	79,333	79,137	69,101	54,943	46,776	111,565	134,096	127,069	90,868
<b>2007</b>	168,302	115,719	105,390	163,837	111,880	126,735	188,003	119,138	105,206	127,279	107,821	113,935
<b>2008</b>	193,449	141,462	157,811	295,263	219,089	199,838	231,490	195,356	201,781	-	-	-



**Figure 9.6: Monthly Weblog Data January 2006 to December 2006**

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
<b>Hits</b>												
Total Hits	154,515	134,768	141,108	132,046	128,189	118,200	102,805	92,656	160,991	190,247	188,160	145,142
Average Hits per Day	4,828	4,647	4,409	4,259	4,005	3,812	3,212	2,895	5,193	5,945	6,069	4,535
Average Hits per Visitor	7	6	5	5	5	5	4	5	7	7	7	6
Cached Requests	1,043	990	1,405	1,301	1,161	1,323	1,707	1,218	552	517	474	494
Failed Requests	63	37	52	37	44	27	31	152	118	67	81	3,010
<b>Page Views</b>												
Total Page Views	104,185	88,815	77,482	79,333	79,137	69,101	54,943	46,776	111,565	134,096	127,069	90,868
Average Page Views per Day	3,255	3,062	2,421	2,559	2,473	2,229	1,716	1,461	3,598	4,190	4,099	2,839
Average Page Views per Visitor	4	4	3	3	3	3	2	2	5	5	5	4
<b>Visitors</b>												
Total Visitors	23,409	23,361	29,988	27,250	25,979	26,178	24,563	20,592	21,557	26,769	25,726	23,648
Average Visitors per Day	731	805	937	879	811	844	767	643	695	836	829	739
Total Unique Ips	6,553	6,963	7,175	6,835	6,829	5,997	5,726	5,172	5,405	6,409	7,446	6,422
<b>Bandwidth</b>												
Total Bandwidth	5.50 GB	4.17 GB	4.79 GB	3.99 GB	3.41 GB	3.75 GB	3.95 GB	4.73 GB	5.66 GB	6.50 GB	7.06 GB	5.51 GB
Average Bandwidth per Day	175.94 MB	147.35 MB	153.14 MB	131.83 MB	109.19 MB	123.86 MB	126.42 MB	151.40 MB	187.02 MB	208.06 MB	233.23 MB	176.25 MB
Average Bandwidth per Hit	37.31 KB	32.47 KB	35.56 KB	31.69 KB	27.91 KB	33.26 KB	40.29 KB	53.54 KB	36.88 KB	35.84 KB	39.35 KB	39.79 KB
Average Bandwidth per Visitor	246.28 KB	187.30 KB	167.33 KB	153.57 KB	137.73 KB	150.19 KB	168.65 KB	240.93 KB	275.39 KB	254.69 KB	287.79 KB	244.22 KB

**Figure 9.7: Monthly Weblog Data January 2007 to December 2007**

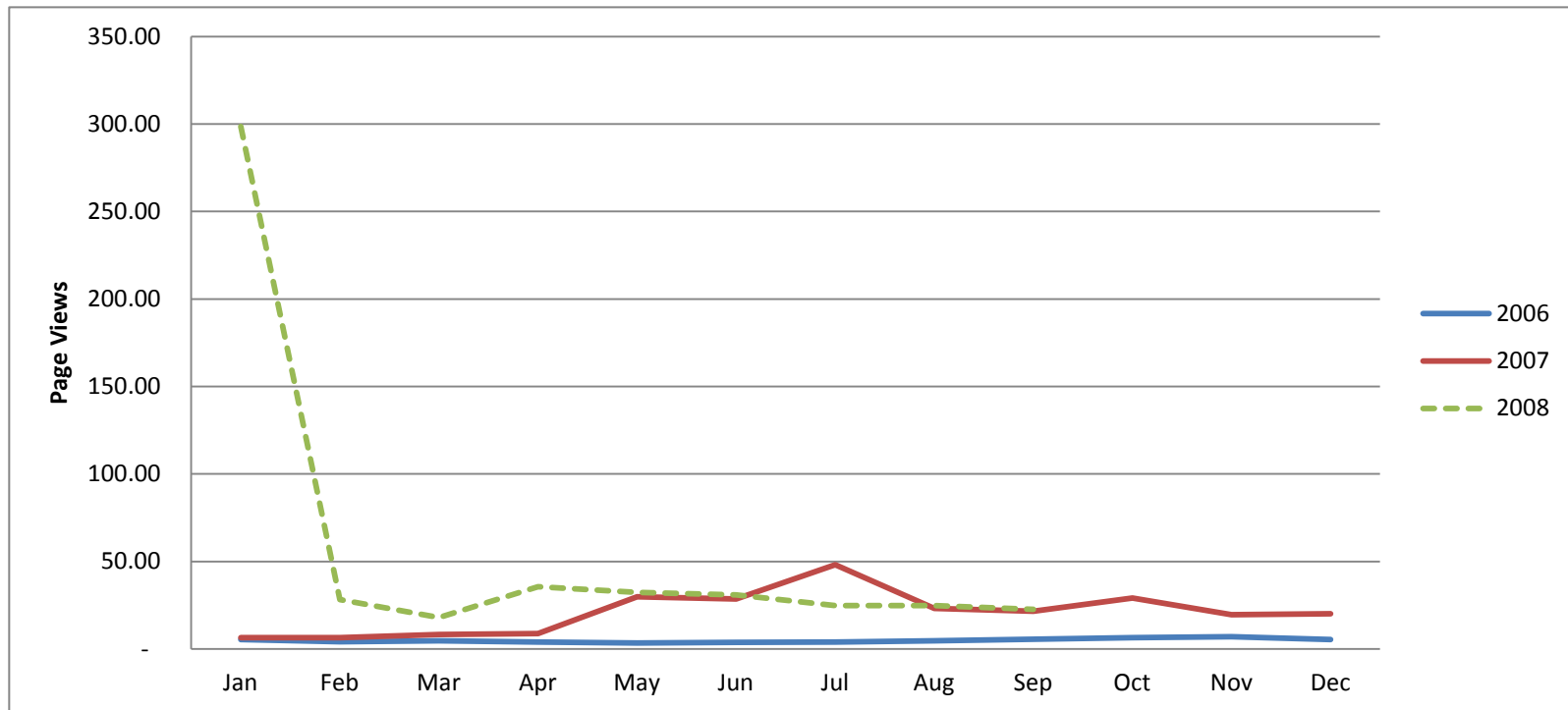
	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
<b>Hits</b>												
Total Hits	223,373	150,571	144,941	222,159	172,650	211,999	284,153	187,984	164,807	202,034	147,112	149,555
Average Hits per Day	6,980	5,192	4,529	7,166	5,395	6,838	8,879	5,874	5,316	6,313	4,745	4,673
Average Hits per Visitor	7	5	4	6	5	4	5	5	5	5	4	4
Cached Requests	622	567	809	943	652	1,395	1,462	854	821	1,349	860	728
Failed Requests	12,326	7,007	5,889	3,632	3,113	2,656	3,143	2,022	3,158	1,622	818	1,131
<b>Page Views</b>												
Total Page Views	168,302	115,719	105,390	163,837	111,880	126,735	188,003	119,138	105,206	127,279	107,821	113,935
Average Page Views per Day	5,259	3,990	3,293	5,285	3,496	4,088	5,875	3,723	3,393	3,977	3,478	3,560
Average Page Views per Visitor	5	4	3	5	3	3	3	3	3	3	3	3
<b>Visitors</b>												
Total Visitors	30,762	28,947	35,359	35,354	38,113	49,731	56,291	40,765	34,174	37,783	34,967	34,796
Average Visitors per Day	961	998	1,104	1,140	1,191	1,604	1,759	1,273	1,102	1,180	1,127	1,087
Total Unique Ips	7,785	7,781	7,291	8,119	9,794	10,013	11,251	9,249	8,241	11,053	10,733	11,116
<b>Bandwidth</b>												
Total Bandwidth	6.57 GB	6.42 GB	8.25 GB	8.93 GB	29.85 GB	28.54 GB	48.16 GB	23.17 GB	21.64 GB	29.22 GB	19.69 GB	20.17 GB
Average Bandwidth per Day	210.10 MB	226.60 MB	263.96 MB	294.82 MB	955.06 MB	942.58 MB	1.51 GB	741.40 MB	714.80 MB	935.15 MB	650.36 MB	645.44 MB
Average Bandwidth per Hit	30.82 KB	44.69 KB	59.68 KB	42.13 KB	181.26 KB	141.14 KB	177.73 KB	129.24 KB	137.68 KB	151.67 KB	140.33 KB	141.42 KB
Average Bandwidth per Visitor	223.80 KB	232.47 KB	244.62 KB	264.72 KB	821.12 KB	601.66 KB	897.15 KB	595.96 KB	663.97 KB	811.02 KB	590.41 KB	607.82 KB

**Figure 9.8: Monthly Weblog Data January 2008 to September 2008**

	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
<b>Hits</b>									
Total Hits	240,645	189,276	200,240	367,410	280,003	258,411	287,181	257,804	255,560
Average Hits per Day	7,762	6,309	6,257	11,851	8,750	8,335	8,974	8,056	8,243
Average Hits per Visitor	5	5	4	5	5	5	5	6	6
Cached Requests	751	891	1,880	2,377	2,615	1,487	1,200	1,304	1,495
Failed Requests	1,301	1,275	2,002	2,008	2,105	2,136	1,908	1,610	1,856
<b>Page Views</b>									
Total Page Views	193,449	141,462	157,811	295,263	219,089	199,838	231,490	195,356	201,781
Average Page Views per Day	6,241	4,715	4,931	9,524	6,846	6,446	7,234	6,104	6,509
Average Page Views per Visitor	4	4	3	4	4	4	4	5	5
<b>Visitors</b>									
Total Visitors	44,489	36,975	46,227	80,947	60,111	49,479	53,113	41,865	43,362
Average Visitors per Day	1,435	1,232	1,444	2,611	1,878	1,596	1,659	1,308	1,398
Total Unique Ips	16,736	14,179	17,437	30,850	20,824	19,565	21,271	16,830	17,371
<b>Bandwidth</b>									
Total Bandwidth	208.57 GB	28.26 GB	17.97 GB	35.53 GB	32.37 GB	30.90 GB	24.90 GB	24.83 GB	22.59 GB
Average Bandwidth per Day	6.73 GB	964.76 MB	575.07 MB	1.15 GB	1.01 GB	1020.66 MB	796.72 MB	794.60 MB	746.32 MB
Average Bandwidth per Hit	908.82 KB	156.58 KB	94.11 KB	101.39 KB	121.22 KB	125.38 KB	90.91 KB	101.00 KB	92.70 KB
Average Bandwidth per Visitor	4.80 MB	801.55 KB	407.64 KB	460.22 KB	564.64 KB	654.82 KB	491.54 KB	621.94 KB	546.36 KB

**Figure 9.9: Bandwidth Activity**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2006</b>	5.50	4.17	4.79	3.99	3.41	3.75	3.95	4.73	5.66	6.50	7.06	5.51
<b>2007</b>	6.57	6.42	8.25	8.93	29.85	28.54	48.16	23.17	21.64	29.22	19.69	20.17
<b>2008</b>	298.57	28.26	17.97	35.53	32.37	30.90	24.90	24.83	22.59	-	-	-



### **9.3.3 Accessed Downloads of PDF Files**

In addition to the general statistics, it is also possible using WSLA, to get details of what the most popular downloads are for ABC company. Using the weblog analyzer software, the top 200 most requested PDF downloads, on a monthly basis for 2006, 2007, and 2008 were extracted.

The weblog analyzer extracted the top download files by month and produced web addresses for each. Given the number of combination of PDF downloads that could occur in any given month, the top 15 downloads from each month of each year was taken and accumulated and sorted using a standard Excel spreadsheet. In order to ensure that 15 was a reasonable number to take to get a clear picture of the types of information users were requesting, the page view activity was compared to the page activity of the top 200 extracted. On average, the top 15 downloads accounted for 64% of the activity of the top 200 downloads; suggesting, that by examining the top 15, reasonable conclusions about what users were examining could be made.

Once the web addresses had been sorted, the details of each were determined in a number of different ways. It was possible, in most instances, to find the address by visiting the website of ABC and placing the address in their search box. In other instances, it was possible to place the address in a Google search engine box to find the right page. Once the pages were identified, they were organized into groups depending on the type of information. The information is shown in Table 9.3 and an explanation follows.

**Table 9.3: Most Downloaded Files 2006 - 2008**

<b>Popular Downloads</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Previous Year's Annual Business and Financial Review	46%	3%	3%
Speeches	19%	18%	23%
Other Financial News Releases	15%	8%	4%
Financial News Review	14%	19%	10%
General Company Announcements	3%	8%	3%
Quarterly Statements for the year	3%	0%	0%
Industry Overview	0%	20%	36%
Most Current Year Financial Review	0%	6%	6%
Most Current Summary Annual Report	0%	6%	1%
Financial Performance Indicators	0%	5%	3%
Annual Report in 10K	0%	4%	3%
10K or 8K Announcements	0%	3%	8%
Notice of Annual Meeting	0%	1%	0%
Most Current Year Completed Condensed Financial Statements	0%	1%	2%

2006 data downloaded was different from that downloaded in 2007 and 2008. As a result, the categories for 2007 and 2008 do not compare directly with 2006. When the top downloads were accumulated, it was observed that there were a number of financial related downloads; unlike what was observed in 2007 and 2008. Figure 9.4 illustrated that there was a new website that was implemented in 2006. Specifically, ABC added for the first time, more non-financial related information on governance, sustainability, and industry matters. This change may have resulted in users changing what they examined in future years (i.e. it took a year before users realized there was more information available to them).

In order to produce more detailed results for 2006, the Previous Year's Annual Business and Financial Review downloads were broken down further and presented in Table 9.4. As can be seen from Table 9.4, the full annual report was the top file downloaded by ABC users in 2006.



**Table 9.4: Breakdown of 2006 Annual Business and Financial Review Information**

	<b>2006</b>
Annual Report - Full report of Previous Years	43%
Annual Report – Appendix (Glossary of terms, short forms and definitions)	11%
Annual Report - Management Discussion and Analysis	2%
Annual Report - Board of Directors	1%
Annual Report - Business Review	12%
Annual Report - Financial Statements	12%
Annual Report - Financial Review	12%
Quarterly Statements Previous Years	6%

Industry overview documents were any downloaded file, in PDF format, that discussed anything related to the company. Due to confidentiality constraints, the specifics of these documents cannot be revealed; but they relayed information to the user on such issues as the type of business ABC was involved in, and business segments within which they operate. The information in this area is not mandatory disclosures. These disclosures represent voluntary information, as discussed in chapter four.

For the year 2007, 20% of the top 15 downloads were industry related information, compared to 36% in 2008. There were no top downloads related to industry information for 2006; this is due to the fact that the website, in 2006, did not have the industry related information that was presented in 2007 and 2008. The increasing use of industry information suggests that stakeholders were interested in knowing more about the particular company and what it is that they did for business. It may also be due to the increasing stock price of ABC, and this resulted in increased interest from prospective investors.

The financial news releases represent announcements of a financial nature. These announcements include notification of the release of quarterly financial information, declaration of dividends, and stock splits. Of the top 15 monthly downloads for the years 2006 to 2008, an average of 10% to 19% related to these announcements; further suggesting that users are seeking out more than simply financial statements. The year 2007 posted the highest percentage at 19%. One reason for this increase could be due to the change in the stock price in 2007. As Figure 9.1 illustrates, ABC's stock price began to increase in 2007, which could have generated more interest from prospective investors.

Speeches were categorized as non-financial related speech transcripts, generally from senior management within ABC. These speeches related to general information on world markets, or they related to the industry that ABC operates within. Based on downloads extracted from the software program from 2006 to 2008, 18% to 20% accessed were speeches.

General company announcements related to various projects that were taking place at ABC. These projects may include expansion plans or changes in capacity. These announcements differ from the financial news releases above, as they do not relate specifically to any financial activities or results of ABC. Of the top downloads for 2007 and 2008, these were downloaded 8% of the time whereas in 2006 they represented 3% of the top downloads. While the percentages are relatively small, the variations between the years are most likely due to the fact that these announcements are non-specific in nature. They do not relate to major company financial announcements, release of financial information, or to speeches. They were essentially the balance of the items that did not fit neatly into a category and would vary from year to year based on the particular announcements.

Other financial releases included items such as agreements to purchase and other areas of financial interest, but not directly related to the financial results of ABC. Of the downloads for 2007, 8% were other financial releases. In 2006, this was higher at 15%, but lower in 2008.

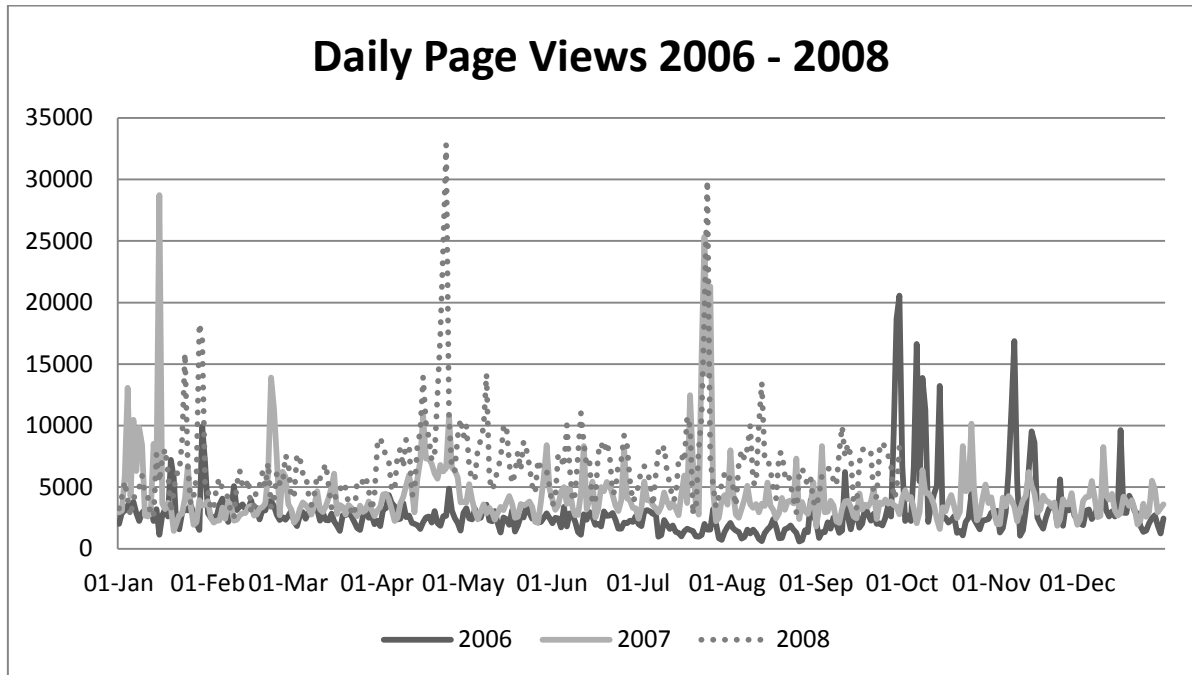
The next six top downloads relate directly to financial information. For 2007, the financial downloads of the most current year's financial information would include documents such as the financial review, financial statements, and key performance indicators of the most recently completed year end. These documents, along with the 10k information and the condensed financial statements, rounded out the top 15 downloads for 2007 and 2008.

#### **9.3.4 Analysis of Daily Page Views**

In order to investigate the patterns of users of IR information, the daily page views of the IR website were extracted from the weblog analyzer. Detailed data is available in Appendix IV, while Figure 9.10 illustrates the daily page view trends graphically.

Once this information was extracted, the activity was examined for spikes in usage, and then compared to archived news releases, financial releases, and other announcements. The objective was to determine if there was a pattern or triggers where key information, or events, drove users to the website of ABC.

**Figure 9.10: Daily Page Views 2006 – 2008**



### 9.3.5 Observations from 2006 to 2008

In late January of 2006, at the time that ABC announced record earnings for the previous year, spikes in activity occurred on the website. This was combined with a webcast conference call that also took place late in January, causing an increase in activity to ABC's website late in the month.

ABC holds live webcast conference calls and announcements for first quarter earnings in late April of each year. When looking at the activity for each year, there is a clear increase in activity as stakeholders access the site for information during the webcast, and for two or three days after the webcast (likely to be explained in part by other users accessing the archived version). ABC posted record earnings throughout most of 2007 and 2008, which may have created an increased interest about the company.

Anytime that ABC announced their quarterly earnings, there was an increase in traffic for several days afterwards. An examination of the activity shows that, on average, there was an increase in traffic for two days before and after the announcement. For example, around the announcement of record first quarter earnings per share in April of 2006 (announced through regulated news wires and on their website), there was an increase in activity for two days afterwards. The spike occurred again in July, after they announced their second quarter, and in September when they announced their third quarter earnings. These spikes increased in 2007 and 2008, most likely the result of increased interest due to increased profits by ABC. The increased activity varied from quarter to quarter and year to year, ranging from, as small as 2% in 2006, to greater than 100% in 2007.

Major contract announcements, and awards that were presented to ABC, also resulted in an increase in activity to the website after the information was released. For example, in 2006, ABC announced that it had won an award. There was a 50% increase in activity for two days after the announcement.

While it is not possible to mention specific release details due to confidentiality constraints, there are definitive peaks in activity during financial information releases (annually and quarterly). For example, tracing dividend announcements to page view activity, revealed that there were increases ranging from 59% to 198% over activity from previous days and, on average, these spikes lasted two days.

An analysis of page view activity shows that there is an increased level around the release date of both financial and non-financial information, suggesting that users do go to the

website to gather information related to the wide range of material covered in the IR website. The next section compares information obtained from this study to the Allam (2005) study.

#### **9.4 Comparison to Previous Studies**

The previous section examined most popular downloads from 2006 to 2008. This section will compare some key HTML accessed files to the WSLA research completed by Allam (2005).

Using the Weblog Analyzer, monthly page view access for select HTML pages was extracted. Allam (2005) noted that no website is comparable to another website, with each one having a different structure and different links. In his thesis, Allam (2005) examined the weblogs of six companies for a 12 month period. Some weblogs were only PDF, some HTML, and some included both. Of the six companies researched, three companies used HTML files and these companies were used for comparison as they provided the best opportunity to look at changes over time. The data in the Allam (2005) study was anonymous, but the information did reveal that the three companies were in the following sectors: Bank, Retail, and Electricity.

Some of the difficulties associated with comparing the web pages of IR websites include:

1. Companies are free to design their website in any number of ways, so information present on one IR website may not exist on another website.

2. When comparing companies from different geographic locations, there may be terminology differences. For example, in Canada the Earnings, Income Statement or Profit and Loss Statement is generally called a Consolidated Statement of Earnings while in the Allam (2005) study, it was referred to as a Consolidated Profit and Loss.
3. The size of the companies may make the page views difficult to compare. However, the relative positioning of the web pages can be compared. For example, comparing if the Earnings Statement was read relatively more so than the Balance Sheet (or Statement of Financial Position) and how that compares to the Allam (2005) study.

While comparison between the studies is therefore limited, some general comparisons can be made. In his study, Allam (2005) found inconsistencies in what was available and accessed by users for each of the companies he investigated. Based on data extracted from his study, this study picked up on six online documents that could be compared to his study, and highlighted non-voluntary disclosures. The six documents were:

1. Letter to Shareholder (Equivalent to the Chairman's Report or Statement)
2. Statement of Financial Position (Company Balance Sheet)
3. Statement of Operations (Company Income Statement)
4. Board of Directors Report
5. Auditors' Report
6. Notes to the Financial Statements

The page views for these six documents were extracted from the weblog analyzer for 2006, 2007, and 2008 and can be found in Tables 9.5, 9.6 and 9.7.

The Tables show an increase in the level of activity to the notes to the financial statements, suggesting that they were accessed more often in 2007 and 2008. However, in March 2007, ABC Company separated their notes into their own separate files; thus resulting in more

activity, because each file accessed increased the level of activity. Most notes were only accessed one or two times per month, with note one and note two to the financial statements being accessed more often, averaging 8 to 15 times per month. These notes are generally the notes on significant accounting policies, including depreciation policies and revenue recognition policies. In his study, Allam suggested that the notes were a popular file to be accessed, suggesting that they are used by professionals such as analysts (Allam, 2005). Further examination of the table shows that the notes to the financial statements were accessed more often during the release of ABC's quarterly financial information, suggesting that they were used as support for the financial information.

In his study, he concluded that the Chairman Statement (Shareholder Letter in Canada) was an item that was accessed generally more often than others. The Tables do show that the letter was comparatively the same between the Allam (2005) study and ABC. Access averaged 19 to 27 times per month for the companies in the Allam study, while average access in 2006 and 2007 for ABC was 23 and 28 times respectively. Average access increased substantially in 2008, to 80 times per month, most likely due to the overall increased activity within ABC's IR website. It also shows that the Auditors' Report is ranked lower than the other files, which again compares to the Allam (2005) study. Table 9.8 organizes the data by document, and compares the weblog data from ABC to the data from Allam (2005). A discussion follows the tables.



**Table 9.5: 2006 HTML Monthly Access of Files from ABC's IR Website**

<b>2006 Selected Data</b>	<b>Format</b>	<b>Jan</b>	<b>Feb</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Letter To Shareholder	HTML	66	54	35	6	4	0	67	0	0	0	0	48
Statement of Financial Position	HTML	74	59	28	40	31	42	65	38	68	57	150	36
Statement of Operations	HTML	36	25	18	12	7	13	26	14	25	12	33	13
Board of Directors	HTML	44	39	43	15	10	11	14	10	29	20	28	0
Auditors' Report	HTML	4	6	9	1	9	6	27	14	32	27	48	15
Notes to the Financial Statements	HTML	31	0	6	16	7	6	22	7	15	19	78	32

**Table 9.6: 2007 HTML Monthly Access of Files from ABC's IR Website**

<b>2007 Selected Data</b>	<b>Format</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
Letter To Shareholder	HTML	14	14	17	21	30	24	12	24	45	51	43	42
Statement of Financial Position	HTML	102	48	81	25	35	34	28	35	50	35	71	36
Statement of Operations	HTML	25	10	16	13	14	31	13	13	8	20	44	12
Board of Directors	HTML	18	70	81	44	60	51	30	40	41	42	45	46
Auditors' Report	HTML	34	16	12	7	6	11	2	7	9	7	10	8
Notes to the Financial Statements	HTML	40	42	117	118	10	137	40	110	49	78	76	59

**Table 9.7: 2008 HTML Monthly Access of Files from ABC's IR Website**

<b>2008 Selected Data</b>	<b>Jan</b>	<b>Feb</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>
Letter To Shareholder	52	30	90	159	72	69	94	83	68
Statement of Financial Position	61	77	117	140	96	109	59	37	44
Statement of Operations	12	39	46	63	56	52	26	15	28
Board of Directors	82	96	271	364	393	351	135	142	192
Auditors' Report	8	8	23	30	15	19	9	3	6
Notes to the Financial Statements	34	47	86	168	80	146	55	35	75

**Table 9.8: Comparison of HTML Monthly Access of Key Files – ABC IR Website and Allam (2005)**

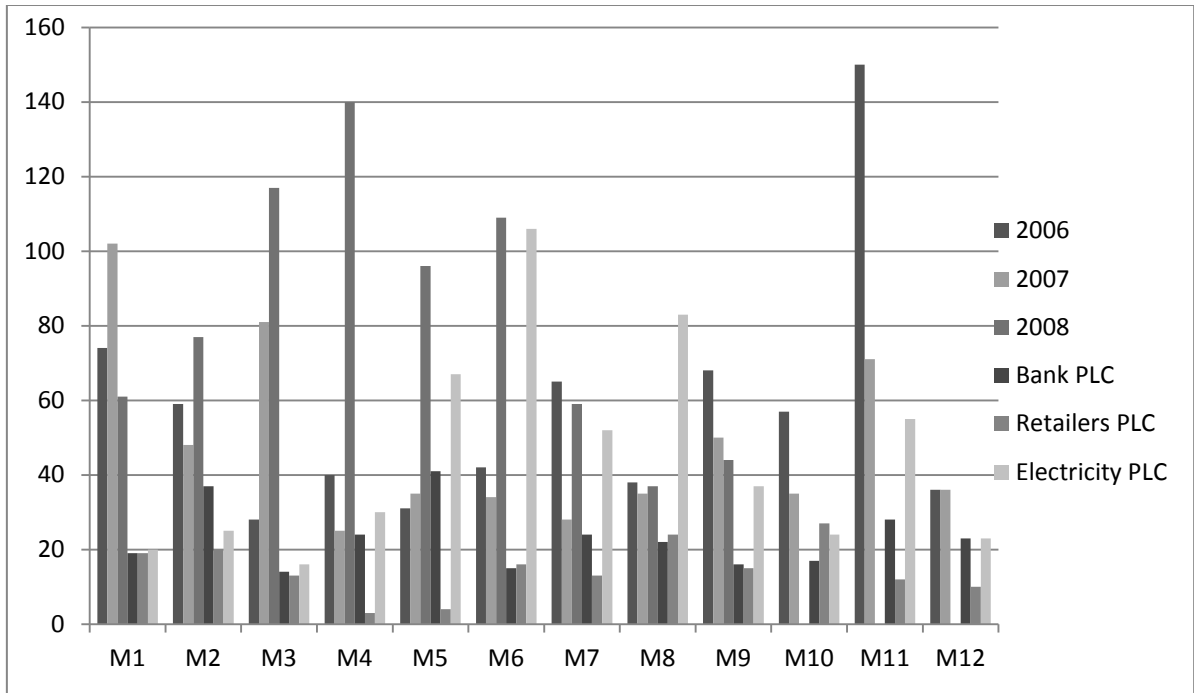
<b>Letter to Shareholder</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>
2006	66	54	35	6	4	0	67	0	0	0	0	48
2007	14	14	17	21	30	24	12	24	45	51	43	42
2008	52	30	90	159	72	69	94	83	68			
Bank PLC	22	47	29	25	29	12	33	20	31	31	29	22
Retailers PLC	24	25	17	12	14	39	19	22	11	20	19	15
Electricity PLC	15	10	6	28	41	54	33	51	16	10	10	8
<b>Statement of Financial Position</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>
2006	74	59	28	40	31	42	65	38	68	57	150	36
2007	102	48	81	25	35	34	28	35	50	35	71	36
2008	61	77	117	140	96	109	59	37	44			
Bank PLC	19	37	14	24	41	15	24	22	16	17	28	23
Retailers PLC	19	20	13	3	4	16	13	24	15	27	12	10
Electricity PLC	20	25	16	30	67	106	52	83	37	24	55	23
<b>Statement of Operations</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>
2006	36	25	18	12	7	13	26	14	25	12	33	13
2007	25	10	16	13	14	31	13	13	8	20	44	12
2008	12	39	46	63	56	52	26	15	28			
Bank PLC	18	39	19	23	33	21	35	29	28	23	27	19
Retailers PLC	35	29	15	6	9	38	25	36	21	44	24	8
Electricity PLC	24	26	9	25	69	99	44	88	43	28	55	28

**Table 9.8: Continued**

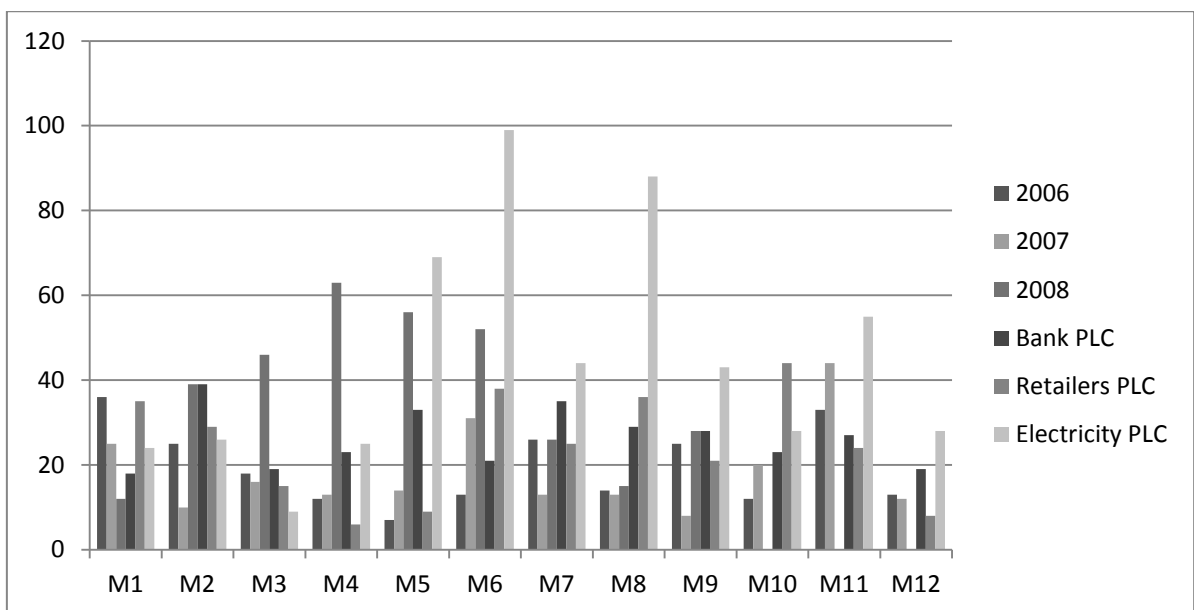
<b>Board of Director Reports</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>
2006	44	39	43	15	10	11	14	10	29	20	28	0
2007	18	70	81	44	60	51	30	40	41	42	45	46
2008	82	96	271	364	393	351	135	142	192			
Bank PLC	22	40	12	21	32	15	40	30	17	35	22	16
Retailers PLC	5	18	14	4	3	15	8	11	6	9	7	8
Electricity PLC	11	18	8	12	6	5	16	13	32	11	22	11
<b>Auditors' Report</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>
2006	4	6	9	1	9	6	27	14	32	27	48	15
2007	34	16	12	7	6	11	2	7	9	7	10	8
2008	8	8	23	30	15	19	9	3	6			
Bank PLC	17	27	13	20	21	10	16	9	12	21	17	18
Retailer PLC	10	15	18	5	0	12	6	7	10	8	5	4
Electricity PLC	5	0	4	9	10	13	6	10	4	2	9	3
<b>Notes to Financial Statements</b>	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>	<b>M5</b>	<b>M6</b>	<b>M7</b>	<b>M8</b>	<b>M9</b>	<b>M10</b>	<b>M11</b>	<b>M12</b>
2006	31	0	6	16	7	6	22	7	15	19	78	32
2007	40	42	117	118	10	137	40	110	49	78	76	59
2008	34	47	86	168	80	146	55	35	75			
Bank PLC	25	56	23	54	44	27	47	33	34	30	43	31
Retailers PLC	17	19	13	6	4	19	14	15	10	44	15	13
Electricity PLC	21	36	26	38	62	140	53	83	40	36	69	38

To see trends from this study (of three years of one company) to Allam’s study of three companies (12 months in duration), Figures 9.11, 9.12, 9.13, and 9.14 illustrate graphically how some of the files were accessed.

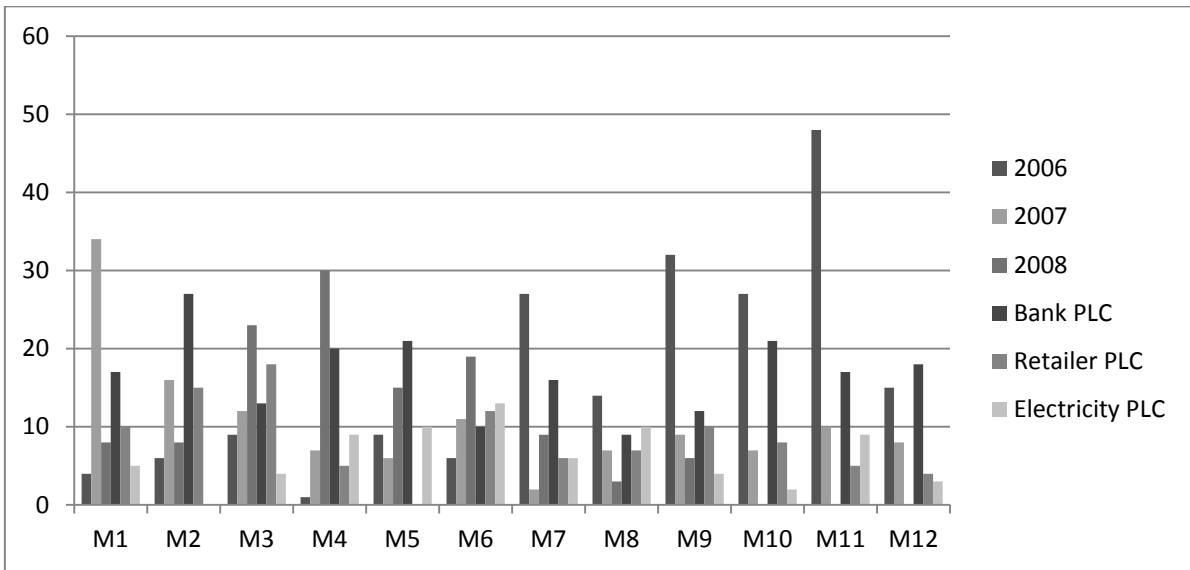
**Figure 9.11: Statement of Financial Position**



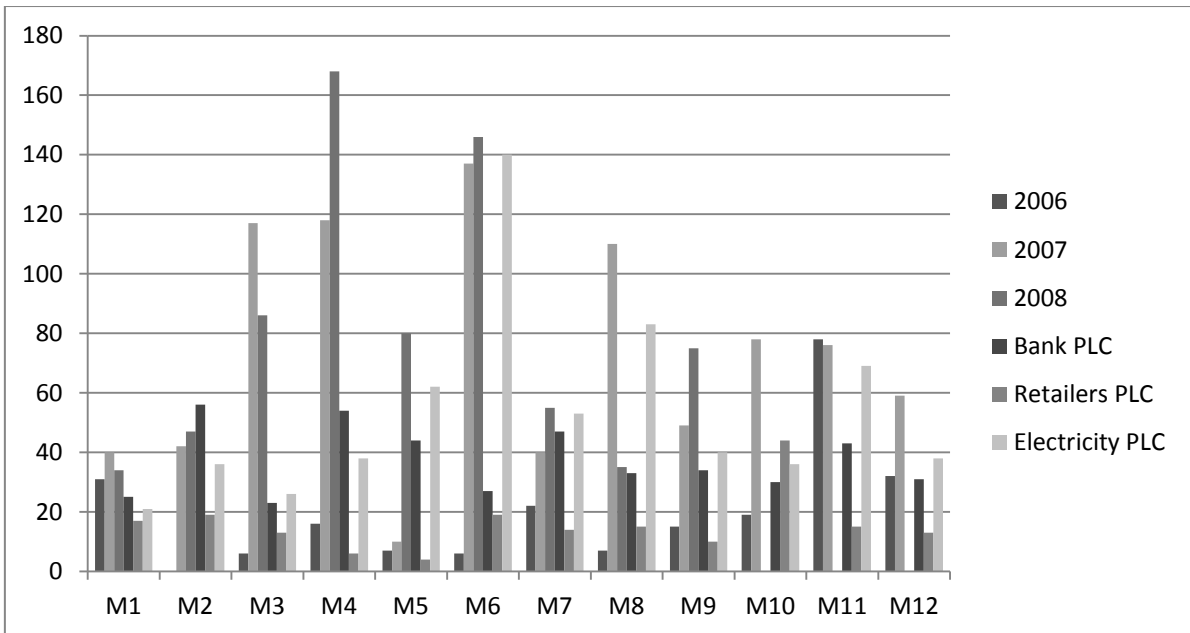
**Figure 9.12: Statement of Operations**



**Figure 9.13: Auditors' Report**



**Figure 9.14: Notes to the Financial Statements**



Since not all companies operated on calendar year ends, the information was normalized in order to see trends. The Tables and Figures show that the access did vary according to the time of year. The 2006 auditors' report for ABC appears to have been accessed less often, relative to the other years and other companies, during the first part of the year and more often during the latter part of the year. This may have perhaps been due to the fact that ABC's website was changed in mid-2006 and more supplemental information was placed on it. The addition of this new information may have driven more individuals to the website and to the auditors' report.

Figure 9.11 and 9.12 graphically show the statement of financial position and statement of operations respectively. The figures show that across all companies (and all years for ABC), the statement of financial position is accessed more frequently than the statement of operations, yet there is substantial variability between years and companies. This may be due to events occurring within the companies that drive users to the website.

In summary, even though the companies compared are in different countries, the trends remained consistent with most users preferring the Statement of Financial Position when examining the financial statements of companies.

## **9.5 Voluntary Disclosures**

Chapter 4 reviewed the literature on voluntary disclosures and found that companies disclose information that they are not required to in order to reduce information asymmetry (Lang and Lundholm, 1996) and that any deliberate release of information that is not required is voluntary (Gibbins et al., 1990). Throughout this chapter, there have been several

examples of voluntary information that ABC has posted. Section 9.4.3 illustrated that several of the top downloads were not mandatory disclosures, which suggests that users do place value on information other than required information. Table 4.4 identified a number of voluntary disclosures typically found on corporate IR websites, based on work completed in Chapter 8. Based on the table, five different voluntary disclosures were captured using WSLF and are shown in Tables 9.9 to 9.11. The Table shows how each file could be accessed as either a PDF file or an HTML file.

The Multi Year Review PDF file provides the user with key summarized financial information for ABC. The two industry overview files are each separate and distinct downloadable files that provide the user of the file with in depth information about ABC and their business. The stock information page is an HTML page that highlights the current stock price, as well as the stock history, for ABC. The dividend history file provides the user with information on current dividends to be paid, as well as, a history of dividends paid in the past. While none of the files are mandatory, each one provides different information to the user, and was chosen in order to illustrate the various types of information available. Figure 9.15 shows the three years graphically. Explanations follow the Tables and the Figure.



**Table 9.9: Selected Voluntary Disclosures from ABC’s Weblogs 2006**

	<b>Format</b>	<b>Jan-06</b>	<b>Feb-06</b>	<b>Mar-06</b>	<b>Apr-06</b>	<b>May-06</b>	<b>Jun-06</b>	<b>Jul-06</b>	<b>Aug-06</b>	<b>Sep-06</b>	<b>Oct-06</b>	<b>Nov-06</b>	<b>Dec-06</b>
Multi Year Review	PDF	23	24	63	36	34	37	24	29	59	75	82	51
Industry Overview #1	PDF	0	0	0	0	0	0	0	19	30	43	31	15
Industry Overview #2	PDF	0	0	0	0	0	0	0	8	30	33	43	22
Stock Information	HTML	404	330	394	422	361	373	346	350	390	458	717	748
Dividend History	HTML	106	69	83	72	52	35	82	60	101	110	185	154

**Table 9.10: Selected Voluntary Disclosures from ABC’s Weblogs 2007**

	<b>Format</b>	<b>Jan-07</b>	<b>Feb-07</b>	<b>Mar-07</b>	<b>Apr-07</b>	<b>May-07</b>	<b>Jun-07</b>	<b>Jul-07</b>	<b>Aug-07</b>	<b>Sep-07</b>	<b>Oct-07</b>	<b>Nov-07</b>	<b>Dec-07</b>
Multi Year Review	PDF	50	56	60	58	75	73	77	58	52	85	90	73
Industry Overview #1	PDF	38	36	17	52	15	76	58	36	51	48	45	42
Industry Overview #2	PDF	47	29	14	56	25	64	92	56	58	87	66	66
Stock Information	HTML	879	1089	823	1117	1420	1268	1326	1117	1014	1393	1275	1612
Dividend History	HTML	174	289	195	293	284	236	299	293	255	330	329	367

**Table 9.11: Selected Voluntary Disclosures from ABC's Weblogs 2008**

	<b>Format</b>	<b>Jan-08</b>	<b>Feb-08</b>	<b>Mar-08</b>	<b>Apr-08</b>	<b>May-08</b>	<b>Jun-08</b>	<b>Jul-08</b>	<b>Aug-08</b>	<b>Sep-08</b>
Multi Year Review	PDF	159	125	107	264	146	123	152	121	112
Industry Overview #1	PDF	85	50	44	81	64	62	63	107	78
Industry Overview #2	PDF	81	61	73	107	83	93	61	202	109
Stock Information	HTML	2737	2757	2335	5329	3253	2646	2763	1999	2316
Dividend History	HTML	577	545	533	1164	649	564	540	479	482

**Figure 9.15: Selected Voluntary Disclosures from ABC’s Web Server Logs 2006 to 2008**

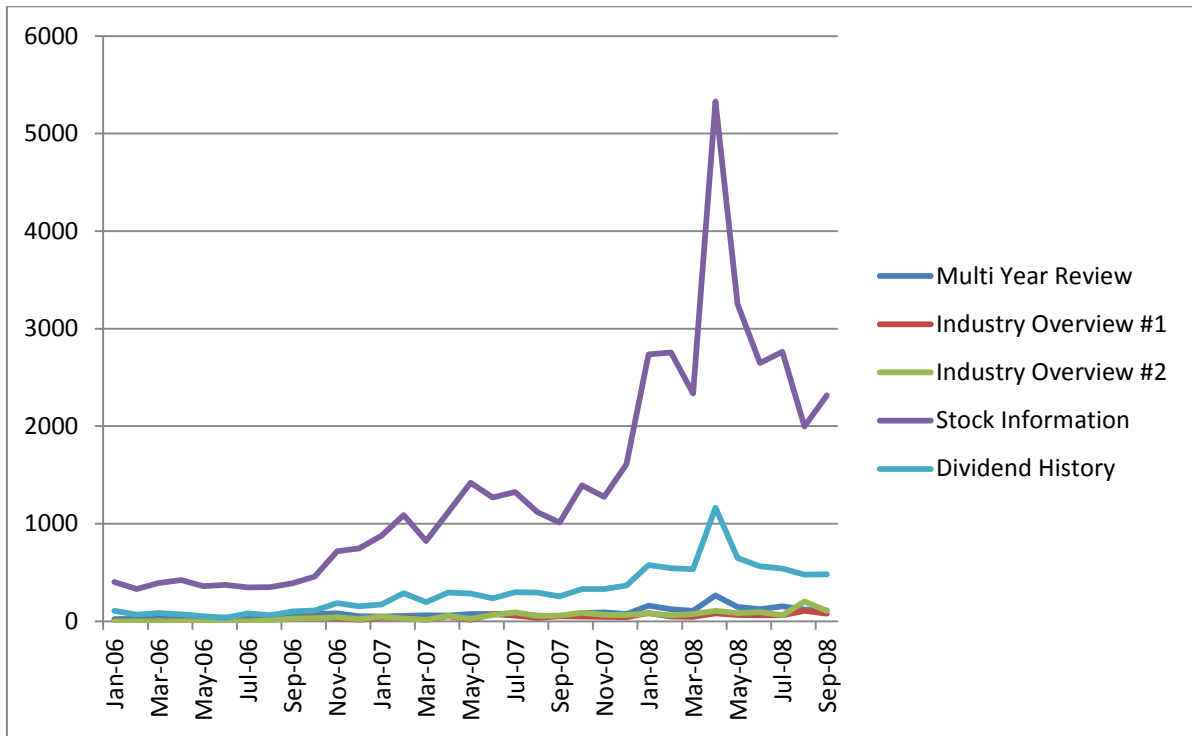


Table 9.9 shows how the industry overview PDF files were added in 2006, when a frontend redesign of ABC’s website was completed (as shown in Figure 9.2). Figure 9.15 shows the same general increasing trend that previous sections in the chapter have shown. In April 2008, there was a spike in the access to these files, most notably with the stock information and the multi-year review of financial information. This corresponds to the spikes in usage shown in Figure 9.10, and also occurs around the release of year end and first quarter financial information.

If these access figures are compared to those figures for mandatory financial information from Section 9.5 such as the auditors’ report and the notes to the financial statements, the data suggests that users do place an emphasis on non-required disclosures.

In summary, ABC places a variety of voluntary information on their IR website. This information includes summary financial information, industry related material, stock information, and dividend information. While the reasons for the increase in access to the voluntary information cannot be absolutely determined without questioning the actual users of that information, several explanations could exist.

1. Based on information already presented in this thesis, there is a general overall increase in Internet usage. In addition, it has been noted that ABC's stock price has increased substantially over the period in question. This increase in access to voluntary disclosures may be due to the higher level of Internet awareness, or by higher levels of individuals trading online and therefore accessing this information. Or, it may be due to increased interest by new (or potentially new) stakeholders, as a result of ABC's increased price.
2. Based on Laskin (2009), corporate scandals in the 2000s led to a need to rebuild trust through increased disclosure. While this cannot be measured in this thesis, it may have had a two sided impact on ABC. First, ABC, in their need to respond to this, increased the amount of disclosures, including voluntary disclosures. Secondly, in response to the increased scrutiny discussed by Laskin (2009), ABC users began accessing more information including website information.
3. This information may be due to a greater awareness by external users to examine non-financial information to assess ABC.
4. ABC's business may be complex, such that other voluntary information assists readers in understanding ABC's industry.

## 9.6 Conclusion

This chapter examined, through weblog analysis, the financial and non-financial information posted to ABC's website and accessed by external users. The weblogs of ABC (specifically the IR website area) were examined from several different perspectives. General trends suggest that there is an increasing use of ABC's website by those seeking more information. The reasons for this are not entirely clear, as there are several possible explanations. First, ABC has shown an increase in their share price over the last three years which could reasonably be expected to result in more attention from potential investors. Second, ABC is seeking to become more global and this global presence will also result in an increase in Internet traffic, as the data shows. A third reason may be that the demographic changes over this period suggest that users of ABC's information want to increasingly go to the website for that information. Any, or all, of these factors could be resulting in increased traffic; but regardless of the reasons for the increase, it supports the notion that an IR website is becoming an important communication tool.

The weblog information, extracted through the use of a commercially available software program, also revealed that users are looking for information other than financial information. This was supported by Allam's study (2005), and through the weblogs, as the data shows that the first 57% of the top 15 downloads for 2007 were not related to financial statements or performance indicators. It may be argued that users visiting the website are demanding this information as a means of understanding ABC better, or perhaps, that they value the non-financial information on the Internet more than the financial.

In addition, the information suggests that more users are accessing ABC's website and accessing it during key points in their reporting year such as financial release dates, dividend announcements, and other key announcements.

The last section illustrated that users are using voluntary information that is posted by companies to their IR websites. The weblog analysis of ABC showed that users were interested in voluntary information, such as stock price information, during key announcements by ABC.

Chapter 10 completes the four stages of the thesis by exploring the changes that have taken place within an IR website. The actors within ABC, and their external service parties, will be interviewed in order to examine the rules and routines that have developed within the IR website.

## **CHAPTER 10: DISCUSSION AND ANALYSIS – FINDINGS FROM ABC INTERVIEWS**

### **10.1 Introduction**

This chapter details the findings from semi-structured interviews conducted at the headquarters of ABC, CS and, WHS in April, 2009, and subsequent follow-up emails and telephone conversations. Appendix V summarizes the documents obtained, or viewed, by the researcher during the course of these interviews.

This chapter represents stage 4 as outlined in Chapter 6, and provides an evolutionary perspective of how an IR department has transformed itself to deal with the Internet. It explores how the Web team of an IR department created and altered rules and routines as the website changed. The information shared by the individuals within each organization (called the actors) assisted in exploring how the Internet has become a regular part of an IR communication platform.

This chapter utilizes the semi-structured interview approach, discussed in Chapter 6 to explore how the actors within organizations view the Internet and its function within an investor relations department. Given the lean organizational structure employed by ABC internally within its IR department, and a similar structure being used with its external arrangements, six interviews were conducted with two members from each unit being interviewed. Each person was interviewed separately and the questions focused on their interpretations and perceptions of the ABC IR website. The breakdown of the interviews was discussed in Chapter 6.

The interviews sought to examine the rules and routines that may have developed over time and how more formal rules have been institutionalized within the IR department, specifically the web component of the IR department. The overall objective is to analyse how an IR department has organized itself to deal with the Internet as an IR communication tool. This paper uses the theoretical framework developed by Burns and Scapens (2000), discussed in Chapter 3, to interpret the case study of ABC.

This chapter has three key sections, drawing on institutional theory and the institutional framework as outlined in Chapter 3 for use in this analysis. Using the Burns and Scapens (2000) framework, the first section explores, via interviews, the internal working relationship of the IR department and the external parties working directly with the IR department. In this section, the chapter begins by discussing some general themes that came out of the interviews. The section then explores the perceptions of the actors regarding the use of the IR website as a communication tool, the rules and routines that have evolved over time (i.e. become institutionalized) between the group to operate ABC's web presence for IR purposes, and the future for the use of the web as part of a broader IR communications platform. Chapter 6 identified the unit of analysis, for this study, as those individuals that worked on the IR website regardless of whether they were part of the IR department of ABC or the third party service providers CS and WHS.

The second section recognizes that external influences have imparted their own impact on the evolution of ABC's IR website. This section discusses the various parties, whether internal or external to ABC, that have an external influence on the activities of the IR web



team. These include regulatory agencies, investor relations institutes, and the users of ABC's information.

The final section reexamines the Burns and Scapens (2000) framework and how external influences have an impact on how rules and routines become institutionalized. Using the data obtained in the interviews, this final section proposes developments to the framework, as presented in Burns and Scapens (2000), for use in similar situations. That is, to show how such external influences impact the actors in different ways, and how this impact, whether consciously or unconsciously, results in changes to routines over time and, ultimately, the institutionalization of those routines.

The chapter concludes by arguing that the formalization of rules, within the IR department regarding its IR website, has resulted in important and interesting changes from 1997 to 2010. Some of those changes were a result of attempting to use more traditional ways of communicating, that are typical to other IR activities (i.e. manuals associated with print media use), on new technology (i.e. the Internet). Drawing upon the Burns and Scapens (2000) framework, the chapter argues that the initial institutional rules and procedures that were pushed down to the actors were based on traditional, paper-based reporting. However, more importantly, the rules or the way 'things should be done', were only loosely developed at the beginning. As Burns and Scapens (2000) discussed, it is possible that no formalized rules are established to begin with, and as routines develop, rules are formalized (e.g. through attempts at developing policy manuals or information retention policies in this case) in order for the routines not to be lost if someone were to leave. The analysis of the interviews contained in this chapter will show how the IR web team has formalized rules by

relying on the routines that have evolved from 1997, and how these are evolving through various stages of development.

## **10.2 General Interview Themes**

How the different groups envision their relationship with ABC sets the tone for their interactions. WHS<sub>2</sub> sums up their relationship with ABC and CS by stating that their working relationship has evolved over time with ABC ultimately having final say,

“...I feel much more comfortable now talking to anyone at ABC or CS. It’s really good to have that mutual respect. I’m not an investor relations guru so I trust what they say. Between CS and us we make a lot of decisions along the way. It’s gone from a [do this] to more collaborative. Ultimately there’s always that sense that if ABC wants us to do it, we do it. As people change though, the dynamic changes instantly.” [WHS<sub>2</sub>]

All of the actors stressed that working well within the groups was important. There was a consensus of the group, that there was a turning point in 2005. This turning point is explored in more detail in a later section. In general, it was at this time that ABC decided the Internet could be a valuable communication tool, and how it was organized was critical to how they communicated the information to their users. This is evidenced by their first major IR site redesign since they began using the Internet in 1997.

None of the main actors interviewed came from backgrounds in IR web related areas, but rather, found themselves placed in a position to deal with IR web data. This is not unusual, as journal papers have commented that most individuals working on investor relations activities have a finance or communications background (e.g. Kelly et al., 2010). What is

perhaps unique is that, despite the fact that there is an obvious contractual relationship between the three organizations, the IR team has evolved together and learned together in order to determine best practices for ABC, as a team would do. All of the actors embraced the notion that transparency was a driving force behind the development of a strong IR website. As ABC<sub>2</sub> said, “We are looking at the future and the redesign of our website. We want it to last a long time and transparency and full disclosure are key.” In conversations with CS<sub>2</sub>, they echoed the importance of transparency.

“For a long time they [ABC] tried to help us understand that transparency creates trust. And with trust, you have more loyalty from your investors and shareholders. Yes, they could get by with simple regulatory reporting requirements, but the more transparent they are, the more apt they are to have investors that will be good and loyal long term faithful shareholders in the company. So it has always been their practice to not just say here’s the story but what our strategies are, and by being successful in building shareholder loyalty they will have more loyal shareholders.”  
[CS<sub>2</sub>]

In summary, there were two common themes from the initial introductory questions posed to the three groups. The first theme was the point in time where all groups remembered the beginning of a conscious decision to use the Internet. Specifically, all groups brought up the fact that 2005 was a turning point for them. This turning point also coincided with the hiring of the new investor relations manager for ABC, in 2005, and a new hire in CS<sup>54</sup>. Given their enthusiasm with the use of the Internet, they became leaders in pushing forward with the use of the Internet as an IR communications tool.

The second theme arising from the interview questions is that the actors within each of the three groups have a high level of interaction between them, stressing that communication was critical to their success. As Burns and Scapens (2000) discussed, habits are personal,

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<sup>54</sup> As will be explained later in the Chapter, this new hire left CS well before research began and was not available to be interviewed

whereas routines are habits done by groups. It can therefore be argued that the high level of interaction between the three distinct groups may be what is leading to the routines and rules being developed within ABC's IR web team. This proposition is explored further in the next section.

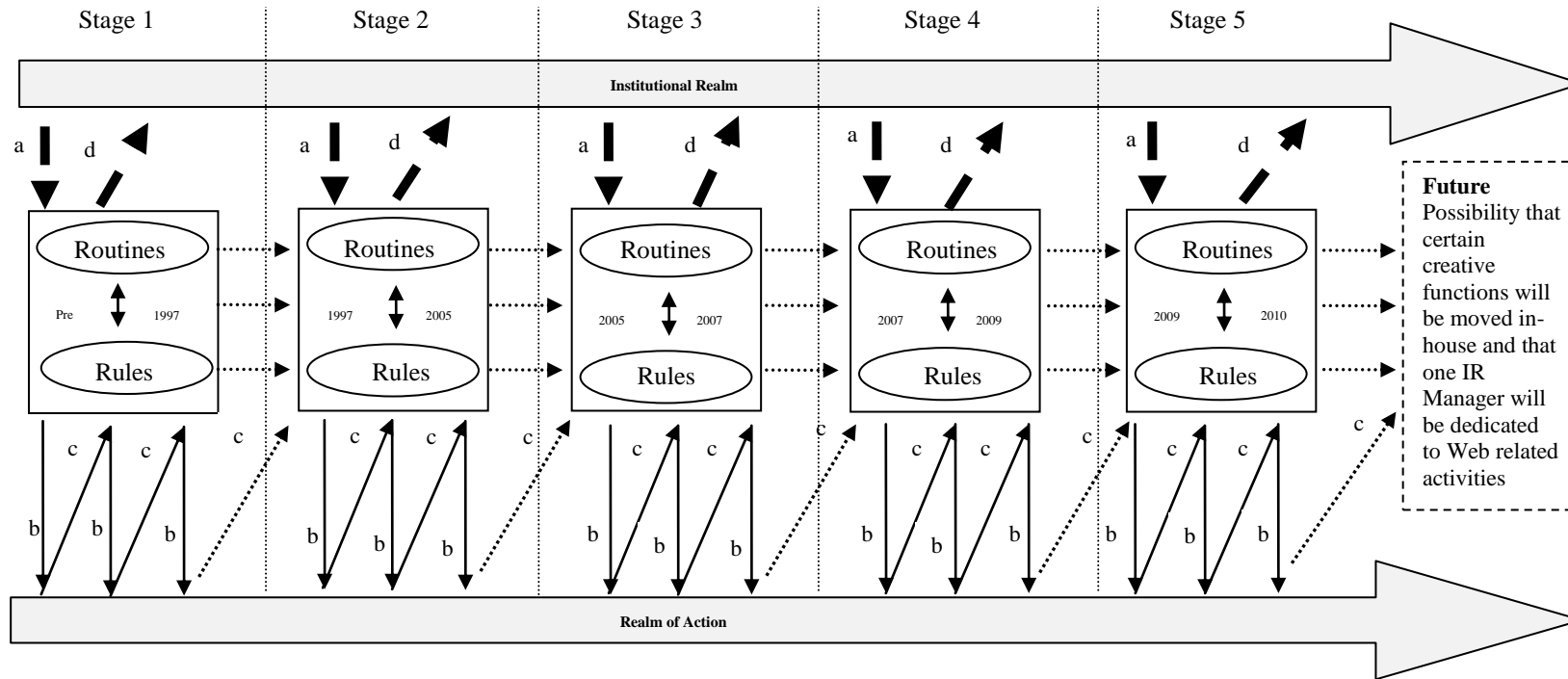
### **10.3 Analysis of Interviews – Internal Influences**

The Burns and Scapens (2000) institutional framework was created to look at management accounting practices, reflecting that "...practices can both shape and be shaped by the institutions which govern organizational activity" (Burns and Scapens, 2000, pg 5). Figure 10.1 illustrates the organizational unit of the IR department of ABC Company, based on information extracted from the interviews. It has been divided into five stages that represent changes, over time, which could be considered key institutionalized developments as proposed by Burns and Scapens (2000).

Note that the unit of analysis, in this study, is the IR department. Therefore, the institutional realm (the top horizontal arrow) represents the rules and routines that have been institutionalized (taken for granted) within the IR Department. The bottom horizontal arrow reflects the actions of the actors over time. The first step in the analysis, based on Burns and Scapens (2000), is to establish the initial rules and routines that control how and what information is being placed on the corporate website (initial arrow a). These rules are then enacted (arrow b) by the actors and then are reproduced (arrow c). This enactment and reenactment over time may result in changes that are one-time changes, or may result in changes to rules and routines that become the "the way things are now done" within the IR

department and, therefore, would have become institutionalized within that department (arrow d).

**Figure 10.1: Development of Investor Relation Web Function of ABC – Based on the Burns & Scapens (2000) Framework Analysis**



Initial website creative – informal rules and routines followed Attempts at determining what information should be on the Internet and in what form	Attempt at formalizing a policy manual	New Manager of IR Hired New CS Project Coordinator hired IR Manager takes over responsibility of the IR Web	Documentation of Roles of the three groups and Webpage Change Routines Project Management Software Implemented	Major website Redesign of Entire ABC website Interactive Data Pot	<b>Description</b>
Fax Telephone Email (minimal)	E-Mail Fax Telephone Policy Manual	Breakdown of Policy Manual Communication more centralized as two new hires take on Web role and makes major frontend web page changes Speed of delivery of documents to the web increases	Touch Points List Roles and Responsibilities Project Management Software	Project Management Software Touch Points List (decreased use) ABC Change Directly Formalized policies (retention, content) Use of Wiki (ABC, CS, WHS)	<b>Communication (New or removed forms from previous shift shown)/Changes in routines</b>
Senior VP Corporate Relations Manager of IR Director of PR WHS and CS	CS ABC	CS WHS Manager of IR IR Staff	CS Manager of IR WHS IR Staff	Manager of IR IR Staff (ABC <sub>2</sub> ) WHS CS	<b>Staff</b>
<b>1997</b>	<b>1997 – 2005</b>	<b>2005 – 2007</b>	<b>2007 - 2009</b>	<b>2009 - 2010</b>	<b>Timeline</b>

The five stages in Figure 10.1 have been created based upon the interviews with the actors of ABC, WHS, and CS. It is important to note these stages represent stages of institutionalization, within the IR department, based upon the perceptions of the actors and the interpretation of the researcher. It should also be noted that the stages are not equally spaced in terms of time, nor are they necessarily of equal importance. As Burns and Scapens suggest, “In addition, more discrete changes may take place – as represented by the movement from the first to the second box of rules and routines...However, it is important not to view this in an overly deterministic way” (Burns and Scapens, 2000, pg. 11).

The descriptions below Figure 10.1 describe the activities that took place within each stage. This information was extracted from the interviews of the three groups and was used to identify the various stages of institutionalization with the IR department, as it pertained to IR websites.

The following sections expand the discussion on Figure 10.1 by going into more detail about each of the stages that were identified based on the interviews.

### **10.3.1 Stage 1 – Pre 1997**

In 1997, ABC launched their first website, posting general company information only. Details of the timeline, and how the website changed along the timeline, can be found in Chapter 9. Of those interviewed, none (except WHS<sub>1</sub> and CS<sub>1</sub>) worked for any of the three entities in 1997 when the website was created. At the time, CS<sub>1</sub> was assisting ABC with the writing of their annual report and WHS<sub>1</sub> was hired to work on the initial website launch.

CS<sub>1</sub> described the first year, and others shortly afterwards, as “[a] parking garage. [We] took all the print materials and dumped them there and said if you want it, there they are.” [CS<sub>1</sub>].

In terms of routines in place initially, CS<sub>1</sub> stated that they were pretty informal.

“In those days when we dealt with them they would say okay, we want to put this online somehow and you know we sort of [idled] our way along and figured out how to break it down.” [CS<sub>1</sub>]

This initial ‘breakdown’ of information, in the early launch year, was the beginning of a routine of looking for ways to put information on the website in separate components rather than placing them up on the website in a large document file.

WHS<sub>1</sub>, having some background in setting up IR Websites for other clients was involved in the initial launch. When asked how easy it was to persuade companies at the time to establish a website, WHS<sub>1</sub> stated that they were one of the key drivers. They had to convince their clients that there was value in establishing a website, as the knowledge level was not there. “That was back when you had to explain what email was.” [WHS<sub>1</sub>]. While WHS<sub>1</sub> never positively stated that they use the Internet as a way to push extra services on their clients (for example establishing an IR website without investigating the real value of it), they did use phrases such as, “We convinced them [another company unrelated to ABC] that they needed a website” [WHS<sub>1</sub>] and “we hooked ABC as they were having a rough time getting started” [WHS<sub>1</sub>]. This phrasing may suggest that WHS was a factor in the establishment of several initial corporate IR website launches. And, perhaps revenue growth from their perspective had much to do with this.

Although not at ABC in 1997, ABC<sub>1</sub> did provide some details on how the website was handled on a daily basis during the early years. The website was updated on an ‘as needed



basis' [ABC<sub>1</sub>] by the Senior VP of Corporate Relations, the Manager of Investor Relations, or the Manager of Public Relations (these are all former employees of ABC. None are currently working there). The Manager of Public Relations had primary responsibility for the website at that time. This reporting mechanism remained in place until 2005.

Stage 1 was the initial launch and, based on interview data, there was little by way of formalization of rules or routines in place at that initial stage. At the time, changes were initiated and made by a number of different individuals, and no one was really designated as the 'go to' person for the website. Approvals were going through the Manager of Public Relations during this period (and Stage 2).

Routines performed by the actors were limited to regular communication to determine what should be placed on the website. In effect, the routines reflecting how "things are actually done" (Burns and Scapens, 2000, pg 6) did not really differentiate itself from how things were done with traditional reporting pre 1997. This is perhaps, not surprising given how new the Internet was at this stage (1997) for corporate use, but there is evidence that suggests routines were being unconsciously altered. For example CS<sub>1</sub> stated (as per quote above) that they tried to figure out how to put information up on the Internet and break it down and in what form (the whole or parts), suggesting that either consciously, or unconsciously, the actors were repeating the routines (arrow b) but change was occurring (along arrow c).

### 10.3.2 Stage 2 – 1997 to 2005

As the website progressed, CS found itself working more and more with the web information in addition to the traditionally printed information. This transition resulted in CS rethinking its processes, and how it had to deal with both traditional print and the additional work with the IR website.

“...as this started to evolve, we started to write policy and procedure manuals on how things would happen...we have probably written it [the manual] at least four times. What happened at the outset when it was just me working individually with their investor relations department to figure out what we would do with the things [I] had my own policy manual informed by what their requirements were, but as demands of the site got greater and all of a sudden we had to have other people involved with it we recognized there has to be a more formalized process of this. [We have] probably tried at least four times to create the binder...” [CS<sub>1</sub>]

During their research, Bollen et al. noted that, of the six companies they looked at, only one had a manual; but even this was more of a style guide rather than a manual of policies and procedures (Bollen et al., 2008). This would suggest that manuals relating to the website and IR functions are not standard for companies. According to CS<sub>1</sub>, the manual began as a procedure binder where information and checklists for the various reporting cycles were placed (for example, quarterly reporting). They quickly realized that the manual then had to be updated to reflect tasks such as changes to the content management system. Once that was changed, they realized that other procedures that were done (such as webcasting events and news releases), needed to be added as well. All of these changes necessitated updates to the manual.

Stage 2 covers a period of six years with apparently very few changes in routines or processes occurring, with one notable exception. By the historical accounts of CS<sub>1</sub> and WHS<sub>1</sub> (as they were the two individuals that were directly involved with ABC during these

early years), there was very little key development. This is substantiated by the historical timeline (Figure 9.4), as it showed only minor changes to the website front pages over this period of time (addition of more information and links, but no real changes to processes). However, this does not imply that there was no internal development (as some backend redesign occurred). The one exception of note was the attempt at formalizing a policy manual to deal with the increasing content being placed on the web. Again, the timeline (Figure 9.4) in Chapter 9 noted that, while only general company information existed on the website when it was launched in 1997, by 2001 investor information had been separately placed on the website. This attempt at formalizing a policy manual represents a minor shift of the IR website's development over the period of analysis.

### **10.3.3 Stage 3 – 2005 to 2007**

Stage 3 represents the first major shift in the development of ABC's IR website since the launch of the initial one in 1997. In March 2005, ABC<sub>1</sub> was hired and CS<sub>1</sub> hired an individual with experience with website communication<sup>55</sup>. ABC<sub>1</sub> stated earlier that the IR website essentially became theirs to manage and oversee when they arrived. When ABC<sub>1</sub> was questioned further, to find out if the website policy or philosophy of its use for ABC was explained to them as a key communication tool when they arrived, ABC<sub>1</sub> stated,

“I don't think it was communicated that way. It was more [like] you have a bag of tools, our annual report is [one of those] tools. Even at that point it was a big effort to get our print documents on the web. You had this periodic kind of reporting that you kind of repurposed for the web and you weren't really using the power of the web at the time. We started changing that approach in 2005. There was no formal mandate, it was informally understood...here is the website and the person that I took over for wasn't focused on the website as being a primary tool. We would

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<sup>55</sup> This person subsequently left CS and was not one of the actors interviewed

provide our print documents and lots of pages of information but [there] wasn't much else." [ABC<sub>1</sub>]

The ABC<sub>1</sub>'s comments reflected how they perceived the initial tone at the top (of ABC in general), in terms of website usage. ABC<sub>1</sub> noted that senior management was supportive of the IR website (this was a perception that the researcher could not independently verify) but, the fact that the new hire was left with the website, would suggest that they (ABC<sub>1</sub>) were the driving force behind the need for change to the IR website as it existed then.

A strong driver of the change above, was the new hire in CS. According to ABC<sub>1</sub> "[they] and I started at the same time – March 2005 – their vision and my buy-in (I "got" it)" is what prompted changes in how the website component was managed. Very shortly after arriving, the Senior VP of Corporate Relations provided ABC<sub>1</sub> the resources and the time to "run with it and we did so rapidly" [ABC<sub>1</sub>]

There are some key themes in these previous statements. ABC<sub>1</sub> stated in chapter 9 that they were not initially hired for the IR website and then stated that they would normally spend about 25% of their time on the website. Chapter 3 discussed how the formalization of roles are often different from those actually done, referring to loose coupling (Meyer and Rowan, 1977). ABC is no different than other companies are in this regard, as evidenced by the fact that ABC<sub>1</sub> was not hired to work on the IR website and the activities that they actually performed did not match with the formalized role initially provided to them.

Secondly, it appears that an external contract provider became a change agent by convincing ABC<sub>1</sub> of the power of the Internet in general, and an IR website more specifically, as a

communication tool. The final key theme is that, for the first time, there was evidenced ‘buy in’ at the top of ABC as the resources were provided to ABC<sub>1</sub> to redesign the website. This provided an important external motivator to the IR web team (as will be explained further in this Section).

By the end of 2006, the authority for IR website strategy and development planning, had shifted from the Manager of Public Relations to the Senior Director of Investor Relations.

“[They were] still responsible for the other sections – but the overall thinking, architecture, technology/functionality, and content in sections where investors relied heavily (on the old site “About”, “Sustainability”, “Governance”) were fairly quickly taken out of their hands.” [ABC<sub>1</sub>]

Part of the change in the overall thinking was that the Internet information had to get onto the website much quicker than it had in the past.

“In years past, turn back the clock two or three years ago, we finished the print book and once the print book was signed off, ink was dry, no more changes. Then we created the online version. It might be three weeks or a month later that you had access to an online HTML report. The past couple of years [since 2006] they are done concurrently so as soon as ABC files its annual report with the regulatory [agencies the] online annual reporting [is] live before printing has even started.” [CS]

This represents a key change in how things were actually done – from a slow approach to ensuring information was posted even before printing began (but after being released to the necessary regulatory agencies). This also begins to divide the IR department between traditional IR functions (i.e. print) to IFR functions. The role for which ABC<sub>1</sub> was initially hired, was now changing, traditional print and IFR began occurring concurrently. This new way of doing things became institutionalized within ABC and is still the way that things are done to the present day.

Recall from Stage 2 that the actors were attempting at formalizing a policy manual to deal with all the changes to the web. During Stage 3, there was a breakdown in the formalization of a policy manual (it never was finalized). CS<sub>1</sub> noted that the ever changing state of the IR website made it difficult to build formalized procedures and protocols. CS<sub>1</sub> referred to writing a policy manual as a ‘Studebaker’<sup>56</sup> that ‘doesn’t hold up anymore’. [CS<sub>1</sub>] Both WHS<sub>1</sub> and ABC<sub>1</sub> concurred with CS<sub>1</sub> that a concrete policy manual did not work in this time period. CS<sub>1</sub> recalled that what they were trying to create was too cumbersome, in that, they were trying to create a policy manual based on how they would write one for tradition print, but that the Internet was just too dynamic and that things were “just changing all the time.” [CS<sub>1</sub>] With the breakdown of the policy, CS and ABC reverted to a more informal way of communicating changes by using telephone and email. More formalized processes become apparent in the next stage. Although, this may have led to a risk of mistakes occurring, none of the individuals interviewed suggested that any major errors had happened as a result of this more informal communication mechanism. This may, perhaps, be due to the limited numbers of individuals involved in the IFR processes and the close communication that occurs.

In summary, Stage 3 resulted in key changes, as there was a shift in the roles that actors within ABC took with respect to the IR website. It was at Stage 3 that one person was informally recognized as being responsible for website changes (ABC<sub>1</sub>), whereas in the past, a number of individuals were involved, arguably limiting the motivation or ability to drive changes to the site. Substantial changes were made to the frontend of ABC’s website during stage 3. Formal processes, such as surveys and development teams, were not

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<sup>56</sup> The word Studebaker is in reference to an old car built in the 1960s

employed during this stage. Instead, the changes to the frontend continued to use most of the information from previous IR website versions (links, files, and backend structure).

In addition, the speed at which the documents were placed on the web increased (as CS suggested in their earlier statement). The increased speed was not something that was formalized, but was something that was consciously done near the end of Stage 3.

Of interest in this Stage, is what was not institutionalized. The IR team never did manage to formalize the use of the policy manual. All actors that were present during this time period stated that the constantly changing website made it too difficult to have an established policy manual.

More importantly, Stage 3 marked a point in time where there was more effort placed into how ABC should organize its IR website, and the beginning of a more defined role for someone within ABC to oversee the IR website. Although this did not lead to a formal change in the organizational structure within the IR department, there was a clear recognition of a need for IFR and a change in the role of ABC<sub>1</sub>.

#### **10.3.4 Stage 4 – 2007 to 2009**

Again, Stage 4 did not result in any changes to the front end component of the website, but interestingly, was the beginning of the production of documents to formalize the routines that were taking place.

#### 10.3.4.1 Web Usage Analysis Routines

During the interviews, the actors were asked if they monitored the activity taking place on the website. WHS and ABC both track website usage, with ABC relying on WHS to organize and send them summary information that serves their purpose for tracking usage. While WHS supplies the data ABC requests on usage, WHS has a different viewpoint on the detailed use of weblog analyzers for aiding development purposes,

‘...we do use Google Analytics. We are now using Click Trails. I like it for general trends. Some people put too much into it, like it’s a magic bullet for just thinking things out. If you have a pretty organized store, grocery store, if you follow someone around looking for the butter, is that going to help. NO (spoken emphatically), you should just think of good organization and just do it. The I-Phone didn’t get built from looking at the past.’ [WHS]

When ABC<sub>1</sub> was asked about web trends, they responded that “I ask for it, ABC<sub>2</sub> looks at it” but when ABC<sub>2</sub> was asked about the web trends, their response was “I haven’t yet because it’s been kind of busy. If someone requests it, I’ll search it out. I think we do it as needed. It’s not something we look at every month and deal with it.” [ABC<sub>2</sub>] There is clearly a difference here between what could be done and what is actually done. This would indicate this routine while present at the data collection level, with suitable specification of what is required to be done in place, is not operating effectively as a feedback process. It appears this usage data is not critical information for reporting internally for ABC, and as it does not directly lead into WHS<sub>1</sub>’s development processes, this routine while being present and established as an activity the group engages in, is only partly used in practice.

There are a number of changes that can be made periodically to ABC’s website and these can be designated as minor changes and major changes. Examples of minor changes would be announcements of upcoming conference calls, release of interim or annual reports,



industry updates, and general news releases. Examples of major changes would include the addition of interim financial information on the website and annual reporting information, as these updates require that a number of pages get updated.

#### **10.3.4.2 Formalization of Rules and Routines**

The year 2007 was a key year for process formalization, as actors in all three entities began to establish more formal routines for their respective activities. These routines were done in ways other than informal means such as phone calls or emails. A discussion surrounding several of these follows.

Figure 10.2 is an extract from a presentation done by ABC<sup>57</sup> in June of 2007 for their internal group as they hired a new Vice President (Financial Officer) and wanted to ensure that all members dealing with web changes were aware of the roles of each of the groups. The defined roles are not just specific to the IR website but, as one member of ABC stated when asked about their time allocated to work on the IR site,

“...depends on the time of the year. Like, annual report time. My whole month is spent in the investor section. Investor relations is a big part of what we do. There is always something going on in investor relations. I get mad once in awhile. We’re not just about investor relations. But you know you can’t help it.” [ABC<sub>2</sub>]

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<sup>57</sup> The document was given to the researcher by ABC<sub>2</sub> who stated that their predecessor created it

**Figure 10.2: Roles of ABC and Providers Once Request Initiated by ABC**

**Role of CS in the Web Maintenance Process**

- CS' role in the web maintenance process is to communicate ABC's requests to WHS (*CS noted earlier that they act as a liaison between ABC and WHS*)
- Review web maintenance request on beta and forward to ABC for final proof and approval (*beta is a holding website where information can be viewed before it goes live*)
- Communicates back to WHS for moving from the Beta site to the Live site
- Responsible for Navigation Structure (*ensuring that new information is properly linked*)
- Architecture
- Overall communication structure (*how the information should be properly worded and presented on the website*)

**Role of WHS in the Web Maintenance Process**

- Receives maintenance requests from CS
- Completes the maintenance request on their development server (reviewed by WHS)
- Moved onto Beta by WHS and reviewed by CS (*reviewed for accuracy and completeness*)
- Moved to live site by WHS once all approvals from CS and ABC have been received

**Role of ABC in the Web Maintenance Process**

- Ensure all new text/material has received appropriate approvals (LD and IR Department)
- Proof all material received from CS on Beta prior to moving to the Live site
- Post website material on a timely basis

(Extracted from ABC PowerPoint slides from 2007 – Researcher notes in Italics)

No document existed at any of the three locations previous to these slides that stated what the roles of the various actors were at that time. Figure 10.2 represents the general process followed when content changes (for all changes except for major redesigns) are made to ABC's website (for example adding quarterly or annual information). The interviews revealed that there was some turnover of staff below the senior actors of each of the three groups beginning in 2007 (as discussed in the profile of each in Chapter 9) and a new senior individual within ABC. This information was prepared to assist ABC new senior management in understanding the various roles of each of the three entities.

Prior to 2007, the routines that existed when a webpage was changed were not written down or formalized by creating a standardized checklist. Communication for change was done by E-Mail and the e-mail would vary in format and content. This is consistent with the findings of Bollen et al. (2008) who found that communication for approval was often done by E-mail in the six companies they studied for their research. The formalization of the roles in Figure 10.2 was discussed with ABC<sub>1</sub> and they confirmed that the slide presentation was used as a mechanism to establish a way of doing things, as it assisted in providing clarity (i.e. who did what). As a result, there is evidence that this documentation, at a minimum, began the formalization of roles within the web based team.

In 2007, the predecessor to ABC<sub>2</sub> created a list of ‘touch points’ based on the informal routines that they had been following whenever any minor webpage was altered. Figure 10.3 reproduces the list of touch points that ABC goes through and a discussion follows.

**Figure 10.3: ABC Webpage Change Routines (Minor and Major Changes)**

**Touch Points to Make Webpage Changes**

1. ABC sends request to CS (*done via email in 2007 and by project management software in 2009*)
2. CS reviews request and determines whether writing, strategy or design is needed on CS's side first and where it fits into the current tasks (*for some tasks, CS is required to complete some basic writing; other tasks are more complex. Priorities are based on where the change fits within ABC's reporting period*)
3. CS communicates the request with WHS (Via project management software or phone if further discussion is necessary)
4. CS enters the requests into database for a comprehensive list of web tasks on the go and for tracking/status purposes (*not formally communicated back and forth – for CS only*)
5. WHS communicates the request to their programmer
6. Programmer makes the change on the development server
7. WHS reviews the changes on the development server
8. Programmer makes the change on the beta server (*three versions used*)
9. WHS review the changes on the beta server
10. Sent back to CS
11. CS reviews on the beta server
12. Sent to ABC for review on beta
13. ABC provides feedback or approval
14. Approval or feedback is sent back to CS
15. CS communicates this to WHS
16. WHS communicate this to their programmer
17. Programmer makes the request live or makes the requested changes
18. WHS review on the live site
19. Sent back to CS
20. CS reviews on the live site
21. Sent back to ABC

(Reproduced from ABC's 2007 Change Documents – Researcher Comments in Italics)

As the Figure shows, there is a very specific list of steps that ABC goes through when any change is made. This is a routine that previously had not been formally documented, yet when questioned if every change had to go through this process ABC<sub>1</sub> stated “Yes. Now with the CMS [Content Management System] some of it will change and you won't have those 20 touch points”. This represents a formalization of those routines into institutionalized rules of operations. The CMS that ABC<sub>1</sub> commented about refers to

changes that were in the process of occurring while the interviews were taking place. The CMS changes will be discussed in the next stage.

At the time the interviews were taking place, ABC<sub>1</sub> also noted that the website did not allow ABC to make any of the changes directly themselves. Every request by ABC had to go to WHS in order for the website to get updated. This, they considered, was a key constraint to the efficient operation of at least minor changes to the website, and in part, motivated the plan for the 2009 re-launch of the website that was in process at the time of the interviews.

In addition to the requests for minor webpage changes that happen on an ongoing basis, ABC must also deal with periodic changes, particularly the quarterly reporting and the annual reporting activities. These particular events take up a considerable amount of each actor's time as one ABC actor said '...annual report time. My whole month is spent in the investor section.' [ABC<sub>2</sub>]. As such, these activities are considered to be major changes to the website, and therefore fuller change management routines are applied.

Given the inability to interview the legal department of ABC, their role in these changes was questioned at this stage. ABC<sub>2</sub> stated that legal did not sign off on anything manually with respect to IR website changes, but that they would email ABC<sub>2</sub> after they had examined the information to be posted, before it actually went live (for example, a news release). ABC<sub>1</sub> had a response that was consistent with ABC<sub>2</sub> and added that the legal department discussed any potential issues with ABC<sub>2</sub>, but that the legal group was in agreement with the power the web provided. The sign-off that is done by legal, by email, represents a routine that has developed within ABC.

The Senior IR Director examines the changes differently than legal. According to ABC<sub>2</sub>, the Senior Director goes straight to the Beta site to view changes and communicates with ABC<sub>2</sub> if there are problems.

Figure 10.4 reproduces a sample checklist that was produced by CS<sub>2</sub> after they joined the IR web team in 2008, and is now used whenever there is a major announcement made on the IR website. Within the checklist is a very specific list of links that would require updating based on the event taking place,

“What happens is that we make a list of what ABC needs us to update. So these are all the links for the quarter (referring to Figure 10.3) that need to be updated and ABC will send me the Excel spreadsheet and I send it to WHS and tell them which links. We’ve done this many times so I can send them the information and they know where it goes.” [CS<sub>2</sub>]

This document was sent to ABC for information, even though it was initially created as an internal document to be used by CS to ensure that they completed all the necessary tasks correctly. In the absence of previous formal documentation between the various actors for website changes for major events, such as annual reporting and quarterly reporting, this document had become something that all three groups expect to see and use. For example, ABC<sub>1</sub> requested CS<sub>2</sub> to provide the researcher with this document, reinforcing the fact that it is a set of routines that has become institutionalized into their operational practices, and was recognized as such.

**Figure 10.4: Quarterly Release Checklist for CS**

**Begin Preparation 3 weeks prior to Earnings Release Date**

- Homepage Flash Promo
- Registration Pages (Phone numbers for call in; registration for webcast)
- Investor Relations Homepage (registration for webcast)
- Webcast Details (Call in numbers)
- Send ABC Earnings Release Checklist (*This is this checklist with dates and times*)

**Approximately 4 days prior to Earnings Release Date ABC to Send**

- Earnings Information
- Notes
- Frequently Asked Questions
- Other Information

**Day Prior to Earnings Release Date: Key Web Pages to be Ready on Beta**

- Company Profile
- Quarterly Summary
- Non-GAAP
- Other Notes
- Key Earnings Sensitivities
- Share Ownership Graphs
- Mobile Site (*i.e. for Blackberry/Smartphone release*)
- Homepage Flash Transition on Beta
- What's New on Beta
- Frequently Asked Questions
- Investor Relations Calendar
- Last Reviewed Dates

**Release Day**

- Post News Releases in HTML, PDF
- Post Quarterly Results – Summary Content
- Post Company Profile
- Format News Release Tab
- Prepare Financials Tab
- News Release and Financials Approved
- Quarterly Results – Summary/News Release/Financial Tabs Live
- Add News Release/PDF on Investor Relations Homepage
- Share Ownership Graphs
- Key Earnings Sensitivities
- Frequently Asked Questions
- What's New
- Investor Relations Homepage
- Investor Relations Calendar – Quarter Release to point to release, rather than registration page
- Check all pages last reviewed dates
- Update Main Investor Page

**After Webcast is Complete**

- Post Conference Call Audio on Beta
- Check Conference Call Audio on Beta
- RSS Feeds
- Obtain Webcast Stats from WHS and send to ABC
- Post Conference Call transcript in PDF
- Add Quarter sign-in page to track statistics

(CS Checklist – Researcher Comments in Italics)

CS<sub>2</sub> also had created similar checklists for the following activities as other “major” website changes that occur periodically:

1. Annual Releases
2. Quarterly Releases
3. Webcast Updates
4. Conference Webcasts
5. News Releases
6. Interviews

Each one follows the same pattern as Figure 10.4 with information on release dates, key times, and contact individuals. The importance of these checklists was confirmed during the interview of ABC<sub>1</sub> as they asked if the lists had been provided to the researcher during previous interviews. In addition, ABC<sub>2</sub> made reference to the checklists. All of these checklists, while not formally agreed rules established by the IR web team, are the daily routines that have been followed (as evidenced by corroboration by several of the actors) and have been institutionalized (i.e. moved along through arrow d).

#### **10.3.4.3 Project Management Software Use**

During 2008, another means of management of change that most of the actors spoke of as being brought into the internal communication process, was an internal project management software system created by WHS. Prior to the software being used, email was a key mode of communication between the three groups. Almost all approvals and changes would take place over this platform as the change checklists were applied. However, during 2008, new web based software was developed by WHS for this purpose, and it is a threaded message program that actors can attach ‘sticky notes’ to indicate things such as changes in colour or approval. The groups are now moving towards adopting this project management software



to manage all changes and all groups can visually see the process of each request or change activity.

The actors, as a way of keeping the change process clear, have started to use the internal software discussed above and actors from all three companies commented on its importance. This represents a change in the daily routine, from email primarily being used for communicating, to this new project management software. According to ABC<sub>2</sub>, this has been a welcome change to their method of communication.

“We love it and are just getting into it. Our normal process would just be via email. I can go into web maintenance and I can see one, two, three that I just posted today. Everything is there.” [ABC<sub>2</sub>]

The initial software was used internally by WHS and then CS picked it up. WHS still uses an internal version for their communication and an external version that communicates with CS and, more recently, ABC. It would appear that WHS, while not specifically imposing the software on the other two groups, have informally influenced the implementation of this new project management software. It is now taken for granted that this software is being used, and this new routine (movement along arrow d) is being institutionalized. In addition, the use of this management software, and the way in which it was introduced and accepted by the three separate legal entities, provides further evidence about how they have moved from operating as individual entities to an internal team. While WHS initially developed the software to assist them in their own internal communication, they saw the benefits of extending it, first, to CS and then to ABC.

#### **10.3.4.4 Use of Ongoing Informal Communication**

Despite the introduction of change management software, this has not meant that all other forms of communication have also been more formalized by technology or checklists. Although formalized procedures do not exist between the actors for every activity, there was a sense that there are clear expectations of what needs to be done and as such, effective routines can be said to be present within the IR web team's operations. This could be successful because of the length of time working together, meaning that less formalized routines continue to be effective for some tasks.

“I would be hesitant to say there are not entrenched protocols in place now because there are certain things that everybody who works on it nothing goes by without signoff from the client. You know, for the standard predictable things there are certain air clad practices that are followed that don't need to be in writing.” [CS<sub>1</sub>]

Interviews with the accounting/finance department were not available, but since their impact on the IR web team is an important one since they share data, ABC<sub>1</sub> was questioned about their relationship. While the IR web team does get their information from the finance department, and the finance department will examine the website at each quarter, the repackaging for the website is at the discretion of the IR web team. Based upon the interview with ABC<sub>1</sub>, the routines in place to coordinate the activities between finance and the IR web team are more informal.

In summary, Stage 4 was a period of the establishment of a more formalized communication plan within the IR Web team. Each legal entity created a more formal document (i.e. PowerPoint slides, checklists), or software programs, to assist in guiding them through what was needed to be done. Other groups, such as legal, routinely used email as a means of communicating approval for website changes. However, regular change tasks continue to be

undertaken using less formal routines, where these were adequate for the purpose. In addition, the routines that developed between the IR web team and the finance department were less defined than other areas.

### **10.3.5 Stage 5 – 2009 to 2010**

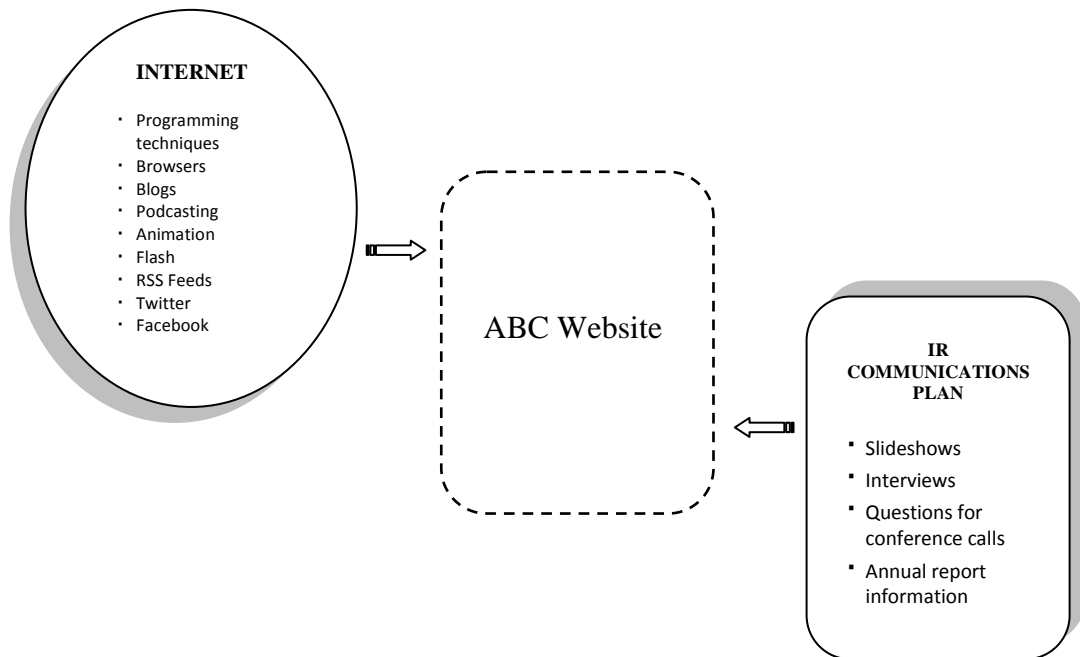
Stage 5 is very different from the previous stages as it includes a more formal self-examination of ABC's assessment of where they are and where they want to be. Whereas, prior stages, it could be said, were characterized by evolution rather than revolution. While interviewing ABC in April of 2009, they were beginning to look at a major redesign of their entire corporate website. Part of the site redesign would be to allow certain pages, within the IR site, to be changed by ABC without having to request WHS make the change. ABC stated that legal would still be involved, but the touch points listed in the Figure 10.3 would no longer be followed.

During the interviews a common theme that was brought up by the actors, was that the site redesign had provided the three groups the opportunity to investigate the adoption of retention policies as well as other policies (in fact all actors brought up the issue of retention without prompting from the researcher). Chapter 8 looked at the archiving of information and noted that most companies had information dating back to 1997. Like most corporate websites in Canada (as was shown in Chapter 8), the information gets posted to the site, but removing it becomes less organized with information staying on the site for years and resulting in server storage issues. At present there is no clear policy on how long information should be kept on ABC's website. All actors mentioned the creation of a

retention policy for documents, suggesting that this is something that they would formalize in the future.

The role that the Internet plays in how a company organizes its IR communications platform is substantial. No IR Communication Plan was provided to the researcher, but the service provider WHS<sub>1</sub> visualizes how an IR site should be established in Figure 10.5, and what an IR Communication Plan would look like.

**Figure 10.5: Organizational Website Influences**



(Source: recreated from the interview notes with WHS<sub>1</sub>)

Companies need to begin to successfully integrate both, the tools that belong to the Internet, and an IR Communications Plan that continues to contain tools that are traditional print based. The way in which companies will look at their websites in the future, is changing, according to the actors. Part of this new wave of thinking includes the use of social media,

such as Facebook and Twitter. CS recently hired a specialist<sup>58</sup> in the area to specifically look at how social media can be used to increase the communication and transparency between ABC and its stakeholders, ‘We would be foolish to pretend the type of investor is not going to change because of this’. [CS<sub>1</sub>] One of the problems associated with social media is the legalities surrounding it. Corporate lawyers are still debating how to make appropriate use of social media which reduces the spontaneous nature of it.

With respect to continuing yet further development to the nature of the IR website, ABC<sub>1</sub> echoes the comments from WHS<sub>1</sub>. ABC<sub>1</sub> stated that organizations can be leaders or followers when it comes to IR websites:

“The fundamental difference is this. The web is changing constantly...the demographic of our user is changing rapidly...you can either message or be messaged. If we want to participate in this then we have to make changes in how we think about this and we have to build a site that is flexible...we call it perpetual beta.” [ABC<sub>1</sub>]

Despite this argument, ABC’s actors [both ABC<sub>1</sub> and ABC<sub>2</sub>] appear hesitant to call themselves leaders in IR web reporting, but recognize that technological innovation drives organizations to continue to make change. Barley and Tolbert (1997) discuss how innovations, like technology, can result in actors intentionally modifying the way in which things are done and therefore initiate change within an institution. The action of ABC’s IR web team appears to demonstrate that they recognize that available technology, and investor information needs, must be looked at as a complete package. Therefore, innovation in IR website provision is likely to continue to be a feature of ABC’s IR website, with requisite changes (stages) to future IR web team evolution.

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<sup>58</sup> This new hire arrived the week the researcher was undertaking primary interviews and as such was considered outside the scope of the research time period for this particular focus

“We are not seeking to be leaders, we are seeking to provide the best information for our users given who we think they are and how we think they are getting their information.” [ABC<sub>1</sub>]

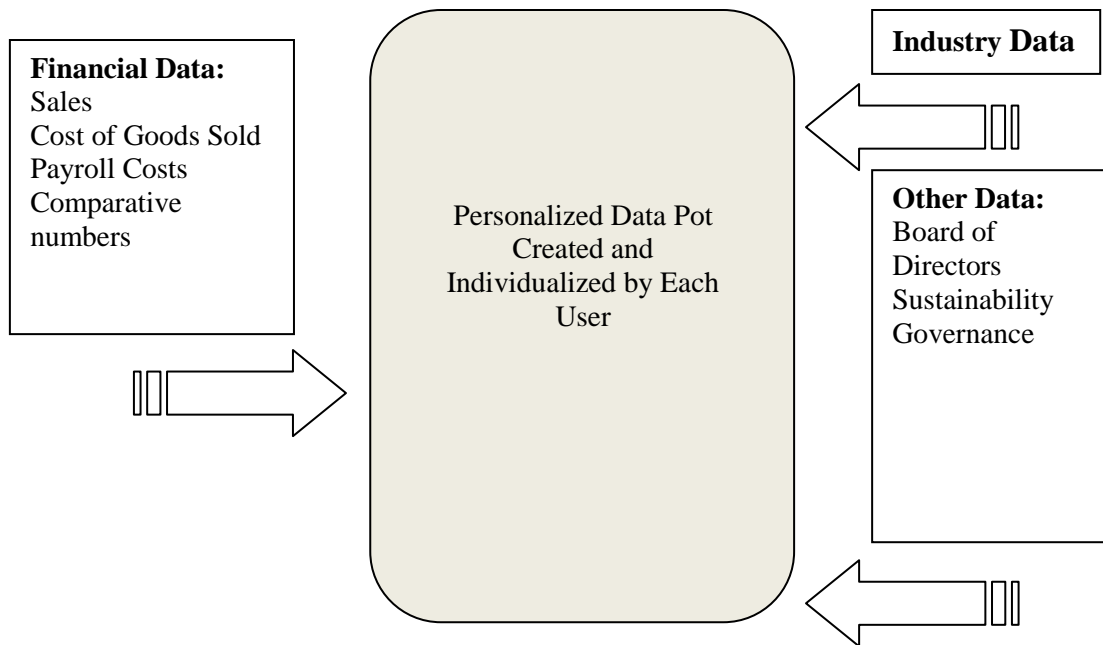
As such, an environment of constant innovation and dynamic change produces a constantly evolving institutional development pattern and, therefore, future stages of Figure 10.1 are considered highly likely to result from this ongoing process.

Further evidence, of this increasingly dynamic environment, emerged during the course of the interviews. It was revealed that ABC is seeking to make some major changes to the way in which it views its IR website. Based on the SEC document (SEC, 2009b) and the emerging use of XBRL, ABC is developing a website that would include a data pot<sup>59</sup>. The financial budget was created by ABC<sub>1</sub>, supported by the Senior Director of Investor Relations, and approved by the CEO. Figure 10.6 was created based upon the interview transcripts and shows how ABC’s data pot is expected to be set-up.

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<sup>59</sup> The data pot was created by ABC based on the SEC’s document (SEC, 2009) on electronic documents. The data pot contains financial and non-financial information that is separately XML tagged within the website and allows users to choose which items they would like to see.

**Figure 10.6: The ABC Data Pot**



(Source: ABC<sub>1</sub> - Recreated from interview notes in April, 2009)

ABC's expectation of their new website is that each user will be able to create their own individual data pot of information, both financial and non-financial. ABC<sub>1</sub> believes that this will completely alter how an IR website is utilized; from a depository of traditional print information that is repeated on several parts of the site (as was the case with generation one of ABC's site), to a website capable of allowing users to draw out the information that they want.

This emphasis on how to strategically implement their new IR website is consistent with the findings of Bollen et al. (2008) that stated that those involved in high quality websites are more likely to engage in strategic development compared to low quality websites. While information on relationships between the various departments, after the implementation of the data pots, was not available during the interviews, it would appear that this dramatic

change in how the data is presented on the website will alter some of the routines now in place. For example, currently, the finance department provides data to the IR web team and then it is the responsibility of the IR web team to repackage it for the web. The new data pot may necessitate closer communications between these two departments which may, in turn, result in changes to the routines currently in place.

### **10.3.6 Post Interviews Comment**

As part of follow-up interviews with ABC<sub>1</sub>, it was revealed that ABC released their new corporate website (including a completely new IR website) in February 2010. When asked how the new website was being received, ABC<sub>1</sub> commented that the public has responded very well to the redesigned site, as long as they are using Internet Explorer 7 and 8 or Firefox. Users of Internet Explorer 6 are having difficulties, but “that was a conscious choice by us given the very large cost to program for that browser relative to the small and diminishing percentage of users on that browser.” [ABC<sub>1</sub>]

ABC<sub>1</sub> further stated that the new website is ‘...a work in progress as the old site was – we had many bugs to work out, but we’re getting there’ [ABC<sub>1</sub>]

### **10.3.7 Summary of Internal Influences**

At this stage, it is useful to summarize the Stages and discussion of internal influences shaping the routines (what is actually done) and becoming rules (what should be done), within the IR web team, whether it be formal or informal. The Burns and Scapens (2000) model was adopted and used to illustrate the five stages it is argued the IR web team has passed through from 1997 to 2010. Several key themes were identified during this analysis.



Burns and Scapens (2000) noted three areas that would be helpful in understanding management change. These three areas were identified in Chapter 3 and are discussed here, based on the interviews conducted with ABC and their third party providers. They are: (1) formal versus informal change, (2) revolutionary versus evolutionary change, and (3) regressive versus progressive change.

Formal versus unconscious change suggests that the change is one of either "...conscious design as against tacit change." (Soin et al., 2002, pg. 254) The interviews suggest that many of the changes that took place were more tacit or informal changes rather than formal changes, especially early on. In fact, the one attempt in Stage 2 and 3 to create a policy manual for the IR website was an attempt at a formal change that never materialized. Nevertheless, conscious design appeared in Stage 4, where the formalization of routines took place with the creation of checklists for the key communication points within a fiscal reporting period.

Revolutionary versus evolutionary change refers to "...[a] fundamental disruption as opposed to gradual change" (Soin et al., 2002, pg. 254). Burns and Scapens (2000) mentioned that, although changes could be major, they would still be influenced by the prevailing routines in place within the institution.

There is evidence of evolutionary change throughout the history of ABC's IR website, but there is also recent evidence of more revolutionary changes. Chapter 9 detailed how the IR website had changed on the frontend from 1997 to 2010, and noted that the changes were gradual changes that for the most part added new documentation for download and new

areas on the front page (for example industry information). The 2010 IR website resulted in a revolutionary change for ABC. It required them to completely change how they provided information to their stakeholders and required them to invest in a brand new backend system.

Often revolutionary changes are the result of some major external change (Guerreiro et al., 2006). The interviews suggested that key changes were the result of two major external changes:

- (1) The interviewees suggested that the backend end infrastructure needed replacing and that Web 2.0 was a driving force behind how they organized their data over the next five years.
- (2) A general push from IR Best Practices groups, and a general movement by the SEC, for a more organized website with less redundant information and more choice for the stakeholders.

Regressive change results in a managerial power structure that inhibits institutional change, while progressive change allows for institutional change (Burns and Scapens, 2000). While there is little hard evidence to determine what is happening with ABC, based upon the history of change and the revolutionary way in which they have redesigned their website, it would appear that ABC (the entire company from senior management down) is embracing these changes. This would suggest more progressive, rather than regressive, change is taking place.

In addition to the three areas of management change, the researcher also made some other important observations. In 2005, as a result of an increase in the use of IFR, the roles of some of the members of ABC changed. The IR department itself was altered to more clearly recognize the IR website as a separate and distinct function rather than a simple extension of traditional print.

A third observation from the ABC case study was that the shifts between stages are not equally distanced apart, nor does Burns and Scapens (2000) suggest that they should be. The shift from Stage 1 to Stage 2 was much smaller than the shift that took place in Stage 3.

A final observation was how the routines (what was actually done) in Stage 1 and 2 were greatly influenced by the rules (what should be done) with respect to traditional reporting. In other words, the actors did what they knew how to do, traditional reporting, and used those rules to establish their routines in the beginning. Through conscious and unconscious thought, this changed to the point that in 2010 there is clearly a differentiation between traditional reporting and Internet reporting. Although they must work together, and although this is often concurrent, what is being placed on the website is now methodically thought out rather than simply duplicated based on traditional print. The analysis provided in this section has sought to elaborate how this process occurred, in the case being explored as an innovative IR field leading company in Canada.

A possible limitation of the Burns and Scapens (2000) model is that it does not address external influences in a way that enables this analysis to be extended to more fully describe these factors which also shape what the IR Web team does. Previous Chapters have

discussed the role that various external parties play in influencing IR activities, including regulatory agencies, electronic filing depositories, and users of financial information. In order to obtain a more complete picture, the next section explores those external influences to see what impact they have had on the operation of the IR Web team.

#### **10.4 External Influences**

Institutions are impacted by external influences which shape their decisions, and the rules and routines that develop (DiMaggio and Powell, 1983). While the Burns and Scapens (2000) model is primarily interested in internal influences that create and impact the evolution of habits, routines, and rules within an organization, external influences may also have an impact. As Burns and Baldvinsdottir (2005) stated “A major challenge for all institutional theorists at present is to further develop conceptualization of, and seek empirical evidence for, when, why and how actors influence change while embedded within the institutional fabric of a particular time and space.” (Burns and Baldvinsdottir, 2005, pg. 728). This thesis puts forward the suggestion that the external influences placed on the IR team working on the IR website may be important and, therefore, needs to be included to expand on the internal influences discussion found in the previous section.

This section explores those external influences and argues that there are three levels exerting influence over the IR web team. The first level of external influences are those that impact ABC at the Company level directly, and flow through to the IR Web team via the Company; for example, new corporate governance disclosure rules that require senior management to take personal responsibility for the accounts presented. The second level of external influences are those that impact the Investor Relations Department initially, and then flow

through to the IR Web team; for example, overall IR communication objectives. The third level of external influences are those that impact the IR Web team directly, and have little or no effect on ABC Company as a whole, or the wider IR department; for example, best practice awards specifically for online corporate reporting. The balance of this section discusses these external influences in more detail and how they impact each of the levels above.

#### **10.4.1 Users of Financial Information**

Analysts, investors, and potential investors are examples of users of ABC's financial information. ABC realized, early on, that the IR website is a very important communication tool for users of the IR output.

“When I started [in 2005] there wasn't a big focus on the web but that was true probably in every corporation but then we realized the power of it. We realized we're this company...we have this story to tell and really we think that what we're doing and how we're providing information...we have the potential shareholder, the potential investor who had very different needs than the existing shareholder. They all would like to know what's new. If we can get an investor to hear our story one time, *we know they will come back.*” [ABC<sub>1</sub>]

Although ABC has consistently been on the cutting edge of technology for IR use, they are still seeking external legitimacy for their web efforts, particularly from their users. As part of their 2009 redesign, the IR web team sought to get the viewpoints of the external users by means of a survey posted on their website. The survey was ongoing while the interviews were taking place,

“...we expected to get 50 responses. Honestly, we were shocked to see the responses. As of three days ago, there were 234 responses which really surprised us. The number one thing that people are looking for is news about the industry, industry analysis, market analysis, [and] news about the company. The financial, the other stuff is down here (pointing down the page suggesting minimal importance), but people want to know what's going on now. It's a real time, need to know. People have been very good at understanding the key drivers and the key drivers change and

they can change rapidly and they want to know what that stuff is...the web is a perfect tool for this. It didn't take us very long to get on that track. So we're in a business that has come to the forefront, people are all wanting to learn about it, we're giving them the ability to do that. Five years ago that wasn't the case. We weren't popular in the popular meaning. Investors didn't find us." [ABC<sub>1</sub>]

The responses from the survey support the conclusions reached in Chapter 9 and the tables 9.8 to 9.10. These tables, and the weblog data examined, suggest that users are visiting the website to see non-financial data such as an industry overview.

As a result, the IR web team is listening to their external users and seeking to adapt their website in order to meet their needs. In effect, they are adapting the way in which they do things in recognition of the external demands for information that is organized in formats unlike traditional paper formats<sup>60</sup>.

One of the key areas explored in the interviews was determining why the various parties believe the web is important for users, and why a company would spend the time and effort in building an extensive website. CS<sub>1</sub> stated that ABC recognized that investors would want information on the website:

"...it was investors that were coming to the website for information to find out what happened. ABC recognized this very early on. They would be off on their investor presentation and then they would get back to the office and would get calls from analysts and investors and they were asking what were you talking about there. ABC would say, our website, go here and let's take a look at this slide from the presentation and walk through it. It didn't matter that they were located in [Canada<sup>61</sup>] anymore." [CS<sub>1</sub>]

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<sup>60</sup> The researcher received a confidential copy of the full survey results after the interviews were completed and while the researcher was asked to keep the final results confidential, the initial findings above in what users were looking for remained constant throughout the survey.

<sup>61</sup> In order to preserve confidentiality the word 'Canada' was put in place of real location

CS<sub>2</sub> commented on the how users expect information to be placed on websites and continue to request it in different forms. While not an external coercive factor, failure to do so could arguably result in a reduction in the legitimacy of ABC (Meyer and Rowan, 1977).

“I think having information readily available to investors is key. I know they talked more about wanting access to Excel and we did that the last quarter for the financials. I grew up without the Internet...I wonder what people did without it. How did people invest in companies, how did they learn about them? I guess they would phone them and ask for information. So I think for sure IR websites are probably the primary tool for any analyst.” [CS<sub>2</sub>]

This thesis argues that users exert influences directly at all three levels. In level 1, they influence ABC in terms of governance and ethics. In level 2, they influence the IR department directly in terms of printed material and requests for information. In level 3, they exert direct pressure on the IR web team in terms of how the information gets placed on the website and in what format.

#### **10.4.2 Regulators and Mandatory Periodic Filing**

Regulators such as the TSX and the NYSE have explicit filing rules that must be followed by all listed companies making it a coercive influence, as discussed in Chapter 4 and Chapter 7. ABC is a Canadian Company filer and adheres to the TSX filing rules specifically. The ongoing (e.g. quarterly and annual) filings themselves would have an impact on ABC first, with a flow through to the investor relations department and the IR Web team. In addition, it can be argued that the governance regulations affect all of ABC; therefore, this is designated as an influence that impacts all levels.

#### **10.4.3 Regulatory Website Rules and Guidelines**

This section looks more specifically at website related rules and guidance, rather than periodic filings. Despite the lack of regulations, one of the major external influences over

web based financial information, is the regulatory agencies. However, the influences that various regulatory groups have on the development of an IR site varies,

“...[The] SEC was silent for five years and I haven’t looked at the TSX for a while. We pay attention to more of the CICA awards lists and we develop audit lists based on these awards...So we can position companies for awards but if third parties think they are good, then they are probably doing a good job. We use them as lists of completeness and we use them for quick audits and then we go in for more qualitative things. A lot of awards are a matter of completeness and not a matter of Internet technology or animation...ABC is a great website because those people believe in making it great and having budgets to do it.” [WHS<sub>1</sub>]

ABC<sub>1</sub> provided a similar response to the question (when asked specifically about regulations surrounding IR websites),

“We don’t even think about the TSX. The SEC until last year (2008 when the draft was produced) had not provided any direct commentary on the web. They put out their first paper last August and then January. They have been surprisingly very progressive and we are using this as a tool, as a hammer over our legal department. One of our constant battles is with legal on how do we use the website and what do we do with it and for us we are off breaking trail often. External influences are often tough because we are the leader in a lot of things and in the web we lead and people caught up and now we’re going to lead again.” [ABC<sub>1</sub>]

ABC<sub>1</sub> is referring here to the SEC (2009) document on greater transparency discussed in chapter seven and stressed during the interview, and subsequently, that this document was something that they would be using as a guide during the redesign of their site. This, therefore, represents a level 3 external influence.

#### **10.4.4 XBRL**

In Chapter 5, XBRL was discussed as a new technology that was having an impact on companies’ reporting practices throughout the world. When asked why a data pot, versus XBRL, ABC<sub>1</sub> has some very strong opinions:



“The problem is from a practicality perspective of the corporation that they need to realize that we have so much more data than we would ever want to tag for XBRL purposes.” [ABC<sub>1</sub>]

He continued by stating that the legal department is concerned about the risk associated with XBRL and the tagging of all of the data, but more importantly, ABC is not willing to put the financial resources into it. He also stated that they are a “Canadian GAAP filer with a USA GAAP reporting converting to IFRS, so what taxonomy would you like to show”. Given the weak support for XBRL in Canada at this time, and the interactive ‘data pot’ that has been created by ABC with XML tags, they do not see implementing XBRL anytime soon<sup>62</sup>. Therefore, XBRL could be said to be a weaker external influence at this time, at level 3, as it has little impact on the investor relations department. In addition, it has little impact on ABC on a wider firm level, and only at the IR web team level is there apparent interest and, only then, at the level of seeking to ensure they are in compliance with regulatory agencies.

#### **10.4.5 Internet Reporting Consultants**

During the interview, both senior individuals from ABC and WHS mentioned that they were less directly influenced by the regulators, and more interested in the opinions of other external individuals, most notably web strategy consultant Dominic Jones. In an article posted in September 2009, he stated that many companies are still not using the web as a proper tool, but rather, continue to simply place traditional printed documents such as the annual report on the website (Jones, 2009). In his comments, he sees two extremes to online annual reporting. One extreme is the company who simply takes their annual report and posts it online; a practice that he says ‘has no value’. The other extreme is the company that

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<sup>62</sup> At the time of the case, ABC was not required to implement XBRL until after June, 2011 when foreign IFRS issuers are phased in through three stages.

puts a lot of effort into technological glitter, with little regard for the information requested by their users.

On the basis of the interviews provided, it was clear that the IR web team places a lot of weight on the viewpoints Jones has with respect to the Internet. This has therefore been placed as a level 3 external influence.

#### **10.4.6 Reporting Awards**

Reporting awards are important to ABC, as was noted in the quote by WHS<sub>1</sub> above. This appears to drive the IR web team to think of different ways to present their information and they use the guidelines within the awards programs as they change their website. This therefore is a level 3 external influence.

#### **10.4.7 Increased Need for Transparency - Legitimacy**

It is clear from the interviews, that ABC seeks legitimacy through transparent disclosure. They believe that the more transparent their disclosure is, the better this will reflect on them as a Company, and lead to higher valuation,

“I think our approach is that transparency leads to a higher valuation. The more transparent we are; the less surprises there are; the less surprises there are the less discount to book for surprises, which ultimately in the long run should lead to a higher valuation on our share price. That’s always been our approach whether it’s sustainability reporting. We always want to open the underwear drawer up and the web gives you a perfect way to do that...We use the website to try to be more transparent, to provide news, to provide updates, to provide market data that is most relevant to users. The web is a very powerful tool for that.” [ABC<sub>1</sub>]

This thought is echoed by CS,

“So, it has always been their practice to not just say here’s the story but what our strategies are and by being successful in building shareholder loyalty they will have more loyal shareholders.” [CS<sub>1</sub>]

This pressure to be transparent impacts each of the external influence levels in different ways. At the corporate level (Level 1), the corporation is ultimately concerned with maximizing its value by showing that it is transparent and this will filter down to the IR department and the IR Web team as directives coming from the top, and as part of ABC’s corporate culture in a less tangible way. It also has direct level 2, as the IR department feels the pressure for increased transparency. This pressure to be transparent, at level 2, is pushed downward to level 3, through level 2. This pressure results in the IR web team creating a website that increases transparency through enhanced disclosures.

#### **10.4.8 Other Company Websites – Competitive Isomorphism**

During the interviews, the actors were hesitant to call ABC a leader in the field of web reporting, although, one actor who wanted to remain confidential (in respect of this comment) said that “with no disrespect to others, ABC has been light years ahead of all others in terms of what they do.”

ABC<sub>1</sub> stated that “I think we give more than we get. I fear I sound arrogant. We are trying to advance peoples’ thinking of what they can do. I don’t make the determination of whether we are leaders.” [ABC<sub>1</sub>]

ABC<sub>1</sub> did indicate that they looked at other websites for best practices, but the emphasis was on what they believe will increase transparency and what they believe their external shareholders want to see. An example of where other companies do influence what they do,

happened in 2009. ABC and CS recognized that other companies were posting Excel spreadsheets with financial data on their websites. ABC responded by placing their own Excel spreadsheets on their website. This, therefore, represents a level 3 influence as it appears there is little evidence the IR web team feels influenced by ABC or by the wider IR department in this respect.

#### **10.4.9 Auditors**

The audit firm for ABC is an external influence, as they are required to sign-off on the audited financial statements on an annual basis. ABC<sub>1</sub> noted that the IR web team has no contact with the auditors, and as a result, the auditors would be an external influence that would impact ABC at level 1 and at level 2. Any issues that arise at these levels, would flow indirectly to level 3.

#### **10.4.10 PR Department and Legal Department of ABC**

The PR and legal department of ABC are internal departments, but sit externally in relation to the IR department and the IR web team. These two departments would influence the IR department directly and also the IR web team directly (i.e. when the IR web team is seeking approval to place items on the web that would not normally be a part of the IR departments' communication plan). As such, both of these departments can be said to have a level 2 and level 3 influence on both the IR department and the IR web team.

#### **10.4.11 Summary of External Influences**

In addition to internal influences that shape the rules and routines of the IR Web team of ABC, there are a number of external forces that influence what they do. This thesis argues

that these external influences impact the organization as a whole, in different ways, and then filter down to the institution of the IR website team. Table 10.1 summarizes these influences by level.

**Table 10.1: Summary of External Influences**

<b>Level 1 External Influence impacting the Organization first</b>	<b>Level 2 External Influence impacting the Investor Relations Department</b>	<b>Level 3 External Influence impacting the IR web team</b>
Users of Financial Information	Users of Financial Information	Users of Financial Information
Regulatory Agencies	Regulatory Agencies	Regulatory Agencies
		XBRL
		Regulatory Website Rules and Guidelines
		Internet Reporting Consultants
		CICA and other Internet Reporting Awards
Need for Transparency	Need for Transparency	Need for Transparency
		Competitor Websites
Auditors	Auditors	
	PR and Legal Department	PR and Legal Department

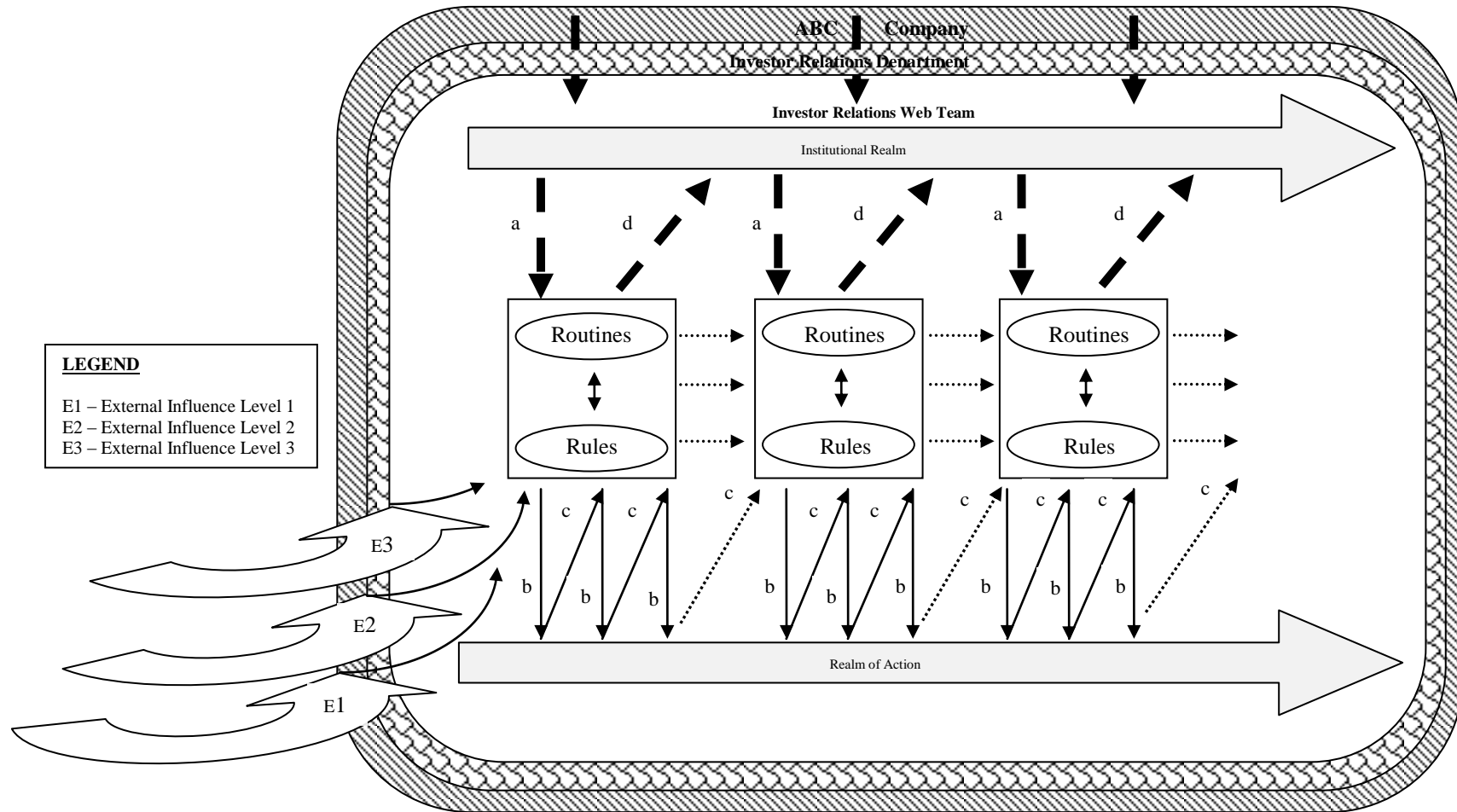
In the next section, the current institutional framework for ABC will be illustrated and a proposed extension of the Burns and Scapens (2000) framework will be discussed.

### **10.5 The Current Institutional Framework for ABC**

Even new organizations are able to quickly develop rules which are handed down from the top to the actors in an organization. In turn, and over time, they create routines which themselves can be shaped into more formalized rules. This is the main theme surrounding the Burns and Scapens (2000) framework. Information extracted from the case study interviews allowed for the examination of how routines and rules had been institutionalized within the IR department of one company.

From the results of the interviews, this thesis also argues (as others detailed in Chapter 3 have), that in order to obtain a complete view of the forces that result in routines and rules being institutionalized and evolved through stages of development, both external and internal influences must be researched. Given this, a revised Burns and Scapens (2000) framework is proposed to capture these influences on the IR web team examined in this study, and is shown in Figure 10.7.

Figure 10.7: Institutional Framework for the Internet Investor Relation Function – ABC<sup>63</sup>



<sup>63</sup> This Figure is based upon the Burns and Scapens (2000) framework

This revised framework takes the original Burns and Scapens (2000) framework and visually represents the boundary areas external to the IR Web team as of 2010. In the case of ABC, the internal portion of the diagram represents the IR Web team and the how the rules and routines are, over time, institutionalized. The investor relations department is the first external boundary area and ABC Company is the next layer. This is not to suggest that they are the only external boundary areas within ABC Company that exert pressure, but that they are the key ones (e.g. legal and PR are treated in this diagram as part of the ABC layer rather than as separable departments with influences in their own right).

The second revision to the framework recognizes that external influences are key factors in how routines are formed and rules institutionalized. At the same time, it recognizes that not all external influences impact the IR Web department with the same force. Level 1 external influences impact the Company first, and then the implications of those influences filter down to the IR web team department. Each subsequent layer results in a more direct impact to the department and the actors within that department. A greater understanding of these influences, and the impact they have as they travel through the organizational levels, would help in understanding how actors' current processes and routines are changed whether consciously or unconsciously. While some analysis of external influences have been addressed here in this study, the impact that they have on how routines, rules, and processes are altered, cannot be measured and more specifics would help in providing a more complete picture.



## 10.6 Conclusions

The objective of this chapter was to explore how the actors of the IR department operated, developed, and maintained the IR website while using and evolving the rules and routines that guide their activities inside a large Canadian public company. This chapter has examined the viewpoints of the internal actors of the Canadian public company and its two external service providers, exploring the use of the web as part of an investor communication activity. In doing so, the Burns and Scapens (2000) institutional framework was utilized because it focuses on how rules, routines, and processes evolve over time.

The first part of the chapter provided an overview of some of the key themes that were found during the interviews. The actors perceived that ABC was clearly going through some major changes with respect to their IR website.

The next section of the chapter examined the rules and routines of an IR website through the eyes of the actors. Throughout the case study interviews, several key phrases appear frequently; transparency and social media. All the actors mentioned transparency as a main focal point to their objectives for the IR website. Evidence has suggested that increased transparency ultimately decreases risk, and that transparency can be reduced through an effective communication to investors e.g. by use of a website. Social media was discussed as a new tool for communication but with risks involved (i.e. legal), that are still being explored, given the novelty of this form of web communication. Yet, even with this increased potential risk, it remains a part of their future plans for the IR website innovation path.

The information obtained from the interviews was analyzed between internal influences and external influences. During the course of the interview, it became apparent that the tight, cohesive group was operating as a collective group. As such, internal influences (between group members) became the key focus of this work, while external influences were also explored given their importance in this case.

One theme that came up during several of the actors' interviews was that formalized policies were difficult to create and make operationally effective, given the fluid nature of the Internet environment in which the team was operating. However, the IR web team showed a progression from the inception of the use of the web in 1997, where traditional print routines largely continued to be used, to the present, where routines that are much more directly related to the nature of the web are developing and becoming institutionalized. This development path was analyzed into five distinct stages.

The web portion of an IR communication plan is evolving, with ABC most recently developing a communications platform that reduces the replication of information and increases the power of the web and the IR website. This highly interactive website will undoubtedly push the actors to rethink the processes that are currently in place and further developments in the routines and rules institutionalized into the group are likely to occur.

The Chapter concluded by seeking to explain the Burns and Scapens (2000) institutional framework. A new framework was proposed that, it is argued, enables the external boundaries to be more explicitly represented within an institutional framework for analysis, something not explicitly addressed in the core framework (although other studies have

discussed the need to better incorporate external influences as discussed in chapter 3). The framework therefore proposes that external influences should be incorporated, while recognizing that different external influences will have different effects on the actors and therefore different effects on the processes and routines that may become institutionalized.

## **11. CONCLUSIONS**

### **11.1. Introduction**

This final chapter is divided into four sections. The first section summarizes the thesis by revisiting the chapters and highlighting key points. The second section discusses the contributions to knowledge that this thesis has made by re-examining the research questions and the research results. The third section discusses the limitations of the research and where improvements could have been made. The final section explores areas of future research based on this thesis and how the findings from the research could be developed further.

### **11.2 Thesis Summary**

The introduction established the foundation for the research. The Internet is a tool that has gained worldwide acceptance for everything from searching for information, to emergent innovations in areas such as community relationship building using social media tools. Previous research has shown that companies were increasingly using the Internet to communicate various forms of financial and non-financial information to its current users and potential users. Although various survey usage studies had been undertaken and questionnaires completed in order to gauge this usage, no detailed study had examined the role of the individuals within a company providing this information and how they were impacted by the various media options, trends in best practices, expectations of users, guidance and regulation of regulatory bodies, and other influencing factors associated with modern investor relations activities, while at the same time embedding their own influences and often entrepreneurial talents to the area.

The case study conducted in this thesis discovered that based upon the perceptions of those interviewed, there are very few leaders when it comes to the Internet and web based investor relations sites that had experience with the area when they started. Interviews conducted with ABC confirmed that none of the actors from any of the three groups directly involved in the IR website production and operation had any previous experience in the area before taking on their roles. A number of external influences exist including regulatory agencies, best practice sites and investors to put pressures on companies to maintain sound websites. The introductory chapter discussed the key objectives of this thesis which was to find out what, if any, institutionalization of rules and routines have developed within the IR department of a Canadian public company specifically related to IR websites, (by looking at how routines have evolved and developed), and why corporations use IR websites.

In Chapter 1, a discussion about the various stages was introduced and ultimately the central research objectives were identified. The first one was to explore how routines evolved within an IR department, specifically dealing with IFR. The second objective was to explore why corporations use IR websites. This central research objective leads to a variety of sub-questions in seeking to explore the key themes involved. For example, addressing issues such as: Why do individuals working with the IR website perform the routines that they do and in the way they do? How are these routines developed over time, formalized, and changed? How is good practice established and integrated as the underlying dynamic technology changes so rapidly (e.g. compared to more traditional means of undertaking IR activities)? Based on the perceptions of those working in the IFR area, why do corporations use IR websites?

The approach to answering these questions led to the development of a number of distinct stages within the thesis. Each stage looked at a different component that potentially impacted how the actors within a company performed their roles.

Chapter 2 discussed the nature of accounting research, noting that research itself is a journey of discovery. The chapter was one of reflection, at times a personal reflection, of the research process. The investigation into accounting research revealed that it borrows from many other disciplines. This reflection led to the ability to evaluate how IR websites were previously examined in the past, (in fact how limited this research really was to date), and how other research disciplines could be used to gain a broader understanding of the influences impacting the actors. It also helped establish the importance of the role of structure to effective research, most typically employing the use of theory, (or seeking to find theory if adopting a more interpretive rather than positive approach).

Chapter 3 discussed broadly the interpretivist approach this thesis took in seeking to use a prior, well established theory; institutional theory, as a means of examining how rules and routines have been institutionalized in the specific research area of focus for this work. The definition of an institution was examined from a number of different perspectives and institutional theory was discussed. The concept of institutional theory and the routines and rules that shape an institution were then explored in further detail. Building on Barley and Tolbert's (1997) sequential model of institutionalization, Burns and Scapens' (2000) process of institutionalization recognized that the initial rules and routines sent down to the actors within an organization are, over time modified, either consciously or unconsciously, by the actors. These modifications within the realm of action (the actual actions of the actors) serve

to change the original rules in the institutional realm over time. This framework was identified as a uniquely suitable framework to study the change processes that may be occurring within the web component of an IR department. The Chapter recognized however, that both internal and external influences needed to be investigated in this exploratory study, and as such the core Burns and Scapens (2000) framework may be inadequate to provide a complete framework for this analysis.

Chapter 4 examined the literature on voluntary and non-voluntary financial disclosure as these disclosures formed the foundation of the IR websites. Previous studies in this area suggested that organizations voluntarily disclose financial information in order to reduce information asymmetry and lower the cost of capital (e.g. see Verrecchia, 1983). Important to this thesis, however, is also the argument that managers place information on their IR websites because others do. In other words, competitive and mimetic isomorphism are key drivers for the types of information posted along with legitimacy factors. The thesis drew on this concept by surveying the information posted on the IR websites and asking questions to interviewees as part of the case study such as; why post this information to your website? What constrained these decisions in practice? What influences affected these decisions?

Chapter 5 discussed the literature on Internet financial reporting as an extension of the broader disclosure discussion presented in Chapter 4. Much of the previous research examined financial information posted on websites by surveying websites for information. This provided a static reflection of what had been disclosed, but very limited insight into why it was made available, or how practical decisions were made about making information

available via the web. This thesis proposed a partial solution to this limitation in the existing literature by exploring the influences impacting the ultimate content of an IR website.

The research conducted by Amernic (1998) suggested that web-based reporting has the ability to alter completely how individuals look at and digest financial information. The thesis explored this issue by asking the major actors within the company where they see the future of Internet reporting and why they believe it to be moving away from traditional paper-based reporting.

Chapter 6 outlined the approach to be taken in undertaking the research in the thesis. The thesis took a unique perspective by examining the role of IR websites from a number of different angles. In this chapter, the notion of four stages was elaborated upon, beginning from a very high level perspective and narrowing the focus down to a specific single company case study. The first stage examined the evolution of regulations and guidance surrounding Internet financial reporting. This stage described Canada and the United States, and how they began to envision the impact of the Internet on corporate reporting. It examined how both these countries developed guidance and regulation to manage that activity in different ways. It also revealed some attributes that Canadian regulators more specifically believed were useful in a website and these attributes were carried forward to further stages in the thesis.

The second stage of the thesis narrowed the focus to Canada and investigated Canadian Corporate Websites by visiting the sites in 2002, 2005, and 2008. Content attributes from previous studies (Allam, 2005), along with attributes identified in stage one were focused on



when the websites were examined. This longitudinal study was undertaken in order to observe changes to corporate websites over time and how Canadian corporations were incorporating the guidance and regulations from Canadian regulators.

The third stage incorporated the use of a single case study and covered two chapters. Stage three examined the weblogs of a Canadian public company. A single case study was appropriate as it allowed for an in depth review of one company's history. A large Canadian company was chosen given its active engagement with web related content so as to explore what was likely to mark the leading edge of developments in this field, and was generically named ABC Company in order to preserve its confidentiality.

The final stage used a semi-structured interview approach to examine the actors that influence what happens with a corporate IR website. As a result of ABC's critical reliance upon third party service providers for some of their work, the actors interviewed included ABC's IR staff working on the corporate website, and the two external service providers that devote a substantial portion of their time to the creative writing portion of the website and the technology side of the website. The method was chosen after contact with another company assisted in the refinement of the questions. The face-to-face interviews were recorded and transcribed in full in order to analyze the comments and identify similarities. Subsequent interviews were conducted by phone and further questioning and developments of specific issues occurred via email.

Chapter 7 examined the evolution of the financial regulations over corporate Internet reporting by investigating regulatory documents of Canada and the United States. This

chapter showed that the two countries were slow to respond to the use of the Internet by corporations, preferring instead to maintain the position that the Internet was just an extension of traditional paper-based reporting. The actors themselves placed little emphasis on any of the countries' regulations or guidance over corporate reporting on the Internet until very recently after the SEC in the United States released a document in 2009. This analysis is the most comprehensive undertaken to date on how Canadian and American IFR guidance and regulations compare.

Chapter 8 showed that Canadian companies increased their use of the web and the types of information that they posted to the web over a period of six years. This was accomplished by examining a small sample of 50, (with data ultimately from 43), Canadian public companies from 2002 to 2008 in three year intervals. By examining the corporate websites for changes in how companies used them, the thesis was able to see differences over time. More interestingly, the study also showed trends over time as companies began to mimic each other, (for example the use of segmented PDF files). Again, this longitudinal study is unique, and provides the largest such study of Canadian companies undertaken to date.

Chapter 9 showed that the use of the Internet by the users of ABC's IR website had increased in a three year period. Various reasons for this were discussed, including an increasing stock price over the same period of time, and the type of industry that ABC operates in. An analysis of some of the popular downloads of ABC documents showed that many of them were not financial records, but rather were documents that provided information on what ABC did and notices of financial releases (annual and quarterly

releases). As such, the split of voluntary and non-voluntary disclosures showed an interesting bias in use towards the use of voluntary disclosures in this study.

In Chapter 10, the notion that users were interested in more soft data was reinforced during the interviews where the actors echoed the suggestion that investors wanted more than simply the financial statements. Through the interviews, it was determined that ABC's IR department was influenced by their third party providers. The actors within the unit of analysis were identified as the IR web team and this included the two third party service providers. The data from the interviews suggested that the driving influences with IR websites were not regulators, but the belief that the sites provided a forum to increase transparency; therefore, legitimizing the company in the eyes of the user.

### **11.3 Research Questions and Contributions of this Thesis**

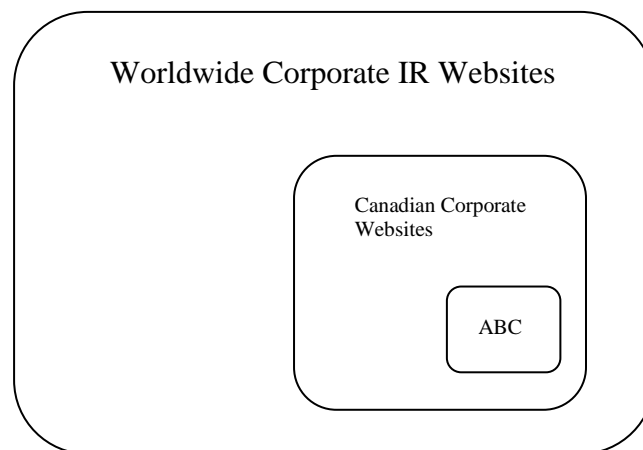
In this thesis, the key research questions were to explore how routines have evolved and become institutionalized within an IR department, and why corporations use IR websites. This also meant examining the external environment that affects the corporations, (for example, regulatory and competitive environments). In doing so, Chapter 1 summarized the following objectives:

1. Critically examine how the regulations and guidance that exist over IFR in Canada and the United States have evolved over time.
2. Examine how Canadian Corporations' IR websites have evolved over time.
3. Examine the weblogs of a Canadian Corporation to explore general patterns of usage and how the IR website has evolved over time.

4. Interview the actors that are responsible for the IR website to explore why corporations use IR websites and how routines have developed and become institutionalized over time.

The thesis has explored how corporate websites have evolved under changing technological and regulatory conditions as well as pressures from internal and external influences. Given the staged nature of the thesis, it is helpful to summarize visually, as seen in Figure 11.1:

**Figure 11.1: A Study of a Corporate Investor Relations Website**



The thesis employed prior research on the investigation of websites and an examination of a corporation's weblogs, and adds an original contribution in the use of institutional theory to explore the rules, routines, and influences that make an impact on how the IR websites are managed, maintained, and ultimately redesigned. The thesis was unique as it took a top-down approach to the evolution of corporate investor relations websites. While institutional theory was the critical underlying theory for ABC, the other two areas in Figure 11.1 could not be ignored as this top down approach allowed for the observations of external influences that ABC and its actors were subjected to. The remainder of this section outlines how the

thesis has provided answers to each sub-question listed above and then how this thesis as a whole contributes to the research to date.

### **11.3.1 Regulatory Influences**

The investigation of the regulations and guidance over IFR from the inception of the use of the Internet by corporations provided insight into the early perceptions regarding its place as a corporate communication medium. When the regulations of Canada and the US were examined in the 1990s, it was observed that regulators considered the Internet an extension of traditional paper-based reporting and therefore any rules that existed for paper-based reporting could be similarly applied to the Internet. Notwithstanding this early notion, there were signs that suggested the push of information to the Internet would evolve into something more as they grappled with guidance and regulations. In the Canadian context, these early signs were noted in guidance from the TSX when they encouraged the use of the Internet in order to communicate with potential investors and other users (e.g. TSX, 2003).

Taking a reasonable person approach, the documents of the key regulatory agencies from Canada and the United States were researched to see what, if anything, existed about how corporations should deal with their corporate IR website. During the years 1999 to 2000, there were a number of documents produced from the two countries discussing the use of the Internet for communicating investor related information. How this was done within each country was often confusing and often changed which could lead any reasonable person searching for these documents to be unsure of exactly what responsibilities corporations had to undertake with respect to their IR websites. From 1999 to 2003 the TSX in Canada first produced electronic reporting guidelines in a standalone document. Shortly after, they

placed the same information within the TSX reporting manual, and then subsequently altered the paragraph numbering of the information. The results became a confusing trail of information. Yet even more confusing was the early premise that, despite encouraging corporations to use websites to communicate information, Canadian regulators held onto the notion that it should be the same traditional paper-based reporting and that the same rules should apply.

Even with the world movement towards XBRL, it took until 2008/2009 for the SEC to produce a document that arguably, really began to look at the Internet as a communication medium truly distinct from traditional reporting; meaning that it should look and be designed differently from traditional based reporting (SEC, 2009b). This document was a substantial divergence from previous documents produced by regulatory agencies and stressed the importance of transparency in reporting. The document signaled a new interest in the regulatory community to get involved with IR websites and may prove in the future to become one of the more influential documents produced by any of the agencies.

The inconsistency of the regulatory agencies in providing clear statements to corporations on design and content of IR websites is important in studying what influences impact corporations when they are maintaining and developing their IR website. Without a clear vision from the agencies that they report to, corporations are more likely to look elsewhere, or within, for guidance as to how they should approach their corporate website. This situation might result in weakly comparable websites from a user perspective, potentially with high variability of content, unless other influences lead to congruence of website design. While users are not likely to compare corporate websites on the same basis as

researchers, the variability of information from one company to another may create confusion and frustration on the part of the users.

The investigation that took place helped to contribute to the first research question in the thesis. This part of the thesis added a general contribution to knowledge in that it provided an examination of how two regulatory agencies handled the emergence of the Internet as an investor communication tool. This investigation highlighted that at an early stage there were fragmented views that existed with respect to the use of the Internet for corporate reporting. There are two divergent views co-existing even today; one viewpoint has the IR website acting as simply a depository of previously printed information. This viewpoint results in the duplication of material (if it already exists) in multiple printed forms as each form ultimately gets posted to the IR website (for example the same information uploaded to the IR website several times in PDF format). The second viewpoint is that the Internet can be used as an effective push or pull technology as it provides information to users in a way traditional media cannot, and offers new, innovative, distribution, and communication options to corporations. In order to do this, the information put into IR websites has to be timely, interactive, flexible, and reduce the redundancies of first generation (traditional media oriented) IR websites.

### **11.3.2 The Evolution of Canadian Corporation Investor Relation Websites**

The idea that IR websites should simply be a filing cabinet filled with every piece of paper that a company has produced would suggest that there are little unique influences, norms, or routines around those websites that differ from other IR distribution channels (paper, face-to-face meetings, etc.). Indeed, researchers found that although there were an increasing

number of corporations throughout the world using the Internet to place financial and non-financial information on their IR websites, most did so initially in static forms, through the use of large PDF files that deliberately mirrored the paper equivalents.

This thesis has contributed to the knowledge base on IR websites evolution in that it provided a unique, longitudinal perspective of how Canadian Corporation's websites had changed. The period reviewed in this thesis covered 2002 to 2008 in three year intervals and tracked website attributes of the same large Canadian Corporations. Other studies across a number of countries have examined IR websites for the content that corporations place on them but none, (to the author's knowledge), have looked at it over a period of six years.

The findings of this review showed an increase in the amount of information that was being placed on the websites, but not necessarily an increase in the quality of the information. The study did not find that companies were moving towards the further end of the (current) spectrum where IR websites could be described as flexible and interactive communication tools. Although companies increased their use of communication aids, such as e-mail alerts and webcasting over the period of review, these events continued to be largely considered as simply an extension of traditional based reporting. For example, even where newer technology options were made use of (e.g. webcasting) this was simply PowerPoint slides uploaded to an Internet site with either no further video, or a 'talking head' only presentation in most cases. There was an increase in the use of segmented PDF documents and an increase in other types of software such as Microsoft Office Excel. However, these provided little by way of true interactivity on IR websites and did not particularly provide users with much extra help in interpreting the IR information released.



The examination did show inconsistencies in how certain information should be presented in electronic form. An example of these inconsistencies was found when examining auditors' reports. Canada's electronic filing depository (SEDAR) states that auditors' names should be typed or signed electronically with a typed name below; yet companies were not consistently following this. In addition, auditors themselves seemed confused as to what should be proper protocol, (as reflected in quotes provided in this discussion). This suggests that there is not yet clear communication between the key parties (company, regulator and auditor) as to what is the proper format.

These findings match well with those of the case study interviews discussed in depth in Chapter 10 as the actors themselves in this particular case company commented on the websites of other companies as often outdated communication tools. In analyzing the forces driving ABC and its websites, there are clear indications that they are not motivated by mimetic forces, as they are proceeding forward with fundamental changes to their IR website.

### **11.3.3. The Use of Web Server Log Analysis**

WSLA has been used previously as a research tool in the IR domain. However, this thesis adds a contribution to the work previously reported on as it uses WSLA as one part of a systematic series of different viewpoints about what an IR website is, and how decisions are made about its operation and development.

The analysis of the weblogs of ABC Corporation showed an increase in the number of page views from 2006 to 2008. It supported the theory that greater numbers of individuals are

going to the website to gain information about Corporations. Based on the information received from the weblogs, there were spikes in usage around key company release dates such as annual report releases and quarterly releases. This also supports the idea that users go to the website to obtain specific information about particular events and announcements as well as accessing it for wider analysis purposes periodically throughout the year.

The weblogs also showed that despite efforts by companies to breakdown their financial statements into bite-sized files to aid use and access, that in fact the majority of users were downloading non-financial related documents. This was found to be supported through the interviews with the actors of ABC, as they have observed that their investors are more interested in non-financial information.

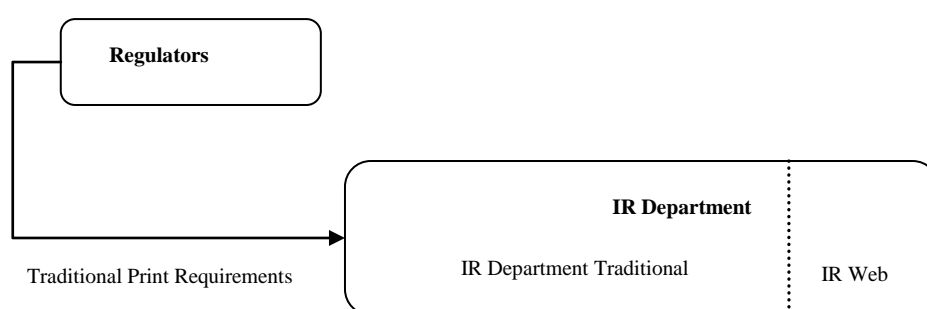
The final research question this thesis has sought to answer is related to influences that produce effects on IR website operational and management decisions. These are summarized in the next section.

#### **11.3.4. The Factors Influencing the Actors of an Investor Relations Website**

Academic research on the IR function is not extensive. Even less so is research on how the IR communication plans are enacted via IR websites. This thesis contributes to this area by using a detailed case study of a Canadian business and exploring in depth how their operation of an IR website has developed over its history to date. This work made use of institutional theory as its analytical framework; in particular the Burns and Scapens (2000) framework, that addressed how rules and routines change, become altered, and then institutionalized over time.

The accounts of all the actors interviewed in the detailed case study emphasized that the early stages of an investor relations website made it look like a simple library of information that everyone had seen before, instead of a place where users could obtain insightful information and engage with it in interesting ways. Created using the interviews of the actors from this in depth case study, Figure 11.2 depicts how an early IR website fit within an investor relations department.

**Figure 11.2: The Early Stages of an Investor Relations Website**

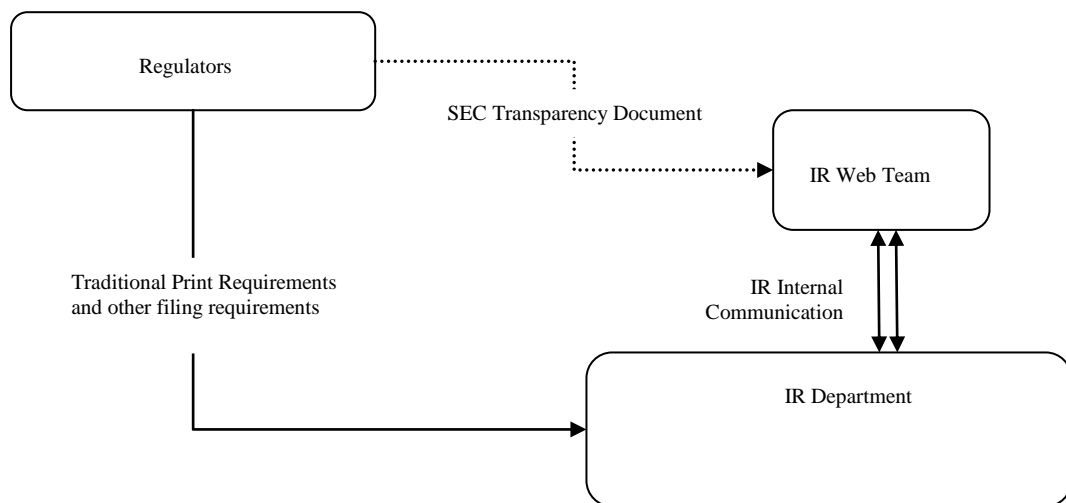


The Figure above represents the communication between the Regulators and ABC Corporation in the early stages of their use of an IR website. The investor relations department handled the traditional paper-based reporting and filing requirements as mandated by the regulators. The IR Corporate website essentially remained off to the side, waiting to be updated by whoever was available. Once all of the paper-based reporting had been done, compiled, printed, and released, then the IR Website was updated. This generally meant that the paper-based documents were uploaded to the IR website as they existed in print form. Since the delay would be extensive between yearend and posting to the IR website, it also meant that the information posted to the website was not timely, nor could it therefore be relied upon, for current information because of this.

The case study interviews revealed a movement in how an IR website was perceived within ABC in the early 2000s. The actors began to modify the website management routines that were undertaken between them; that of posting static paper-based documents to one where purposeful thought was given to how an IR website could be used to better communicate information to users.

Based on the information obtained from the case study interviews, this thesis contributes to the body of knowledge existing on IR websites by illustrating how a fundamental shift happened in a particular corporation on the role of the IR portion of the website. This shift is shown below in Figure 11.3.

**Figure 11.3: Second Stage of Investor Relations Website**



Based on the regulatory documents research, corporations are still required to file regulatory documents; however, the focus has shifted so that the routines surrounding the IR website management have gained prominence; often now equivalent to traditional or mandated data releases. The various actors, now playing complementary roles in developing the IR website

for ABC, have modified routines so that IR website information is now getting posted as soon as results are released, with printed annual reports following well afterwards. The IR web team within the investor relations department is still very much connected to the main IR department (and this is represented by the dual sided arrows between them in figure 11.3). However, unlike the early stages of corporate websites, where the IR website was an afterthought, routines have been modified through a series of stages so that there is now a conscious effort going into how an IR website should look, what information should be posted on it, in what form the information should be posted, and how users want to access and use this information. The dotted line between the regulators and the IR web team represent the idea that there is now formal documentation that exists specifically to deal with IR websites. This formal communication acts as one external influence on the IR web team and increases the conscious thought of the actors who in turn modify their routines in response to the influences. Other external influences were also shown to affect the IR web teams, particularly users' wishes, awards for innovation, and specific legal and PR guidance from elsewhere in ABC.

This thesis therefore also contributes to the limited body of knowledge on investor relations activities. To the researcher's knowledge, no study has undertaken a tiered research study that examines the IR Web component within investor relations activities. In addition, no study, (to the researcher's knowledge), has taken an institutional perspective to explore the internal and external forces within the Internet activity of an investor relations department.

The conclusion to this stage of the research proposed an extended Burns and Scapens (2000) framework that illustrates the different levels of external influences that impact the institution.

#### **11.3.5. Overall Thesis Contributions**

The previous sections looked at each of the stages completed in the thesis and how those stages contributed to the current body of research on IR websites. This section summarizes the overall contributions this thesis makes. The case study provides interesting observations that senior management and academics, (from a researching and educational perspective), may find important. These contributions are discussed in the following paragraphs and focus on the formal versus informal nature of IR web team creation, management and oversight, senior management engagement with these processes (including budgetary support), the importance of creating suitably skilled leadership, and team membership (both internally to the organization and externally as a resource that can be periodically applied to key stages in IR website development).

When IR websites were first developed, there were no defined roles for individuals working with them. The research completed in this thesis suggests this is slowly changing as IR websites become an everyday part of an IR communication platform. This was shown in Exhibit 11.3 where an IR web team formed within ABC. Other current research has also observed that dedicated teams are forming within high quality websites specifically (For example, Bollen et al., 2008). The implication for corporations and senior management is the need to create more specialized roles for the team members and importantly, who those team members should be.

The research summarized in Chapters 8, 9, and 10 observed that the amount of information on IR websites was growing substantially, and that the firm infrastructure in place was not adequate to deal with technological changes and the quantity of information being posted. ABC stated that the changes required were substantial, required vast amounts of resources, and support of senior management to both current IR websites and future changes. The ability of senior personnel, within a corporation, to recognize the importance of the IR website would appear from the research completed in this thesis, to be a critical factor in progressing IR websites further.

In the case of ABC, IR web team members pointed out that senior management 'buy in' is easier when they see how important the Internet is to their overall communication platform. In ABC's case specifically, the IR web team actively sought to educate and inform senior management about the power of the web. This was accomplished in relatively simple ways, such as slideshow presentations on how the IR web process works, to including senior management in video clips that were ultimately placed on the IR website. While these may appear to be basic activities, each one builds upon the other. ABC<sub>1</sub> commented on how this slow and steady incorporation of senior management into some of the typical IR website events, enabled them to become more comfortable using it, as a key element in their various communications activities. In leading these activities, the IR web team has benefited from direct access to senior management in ways, perhaps, not found in other companies, and are able to relay their messages directly, rather than having to go through several other departments and risk losing the key themes they are trying to communicate to senior management. This has enabled vital dynamism to be created and maintained on the IR web function, and ensured senior management was drawn into an improved understanding of the

specific needs of the IR web function. This thesis argues that a direct channel between the IR web team and senior management could usefully be applied in other businesses in seeking to develop effective IR websites elsewhere.

A key part of the ABC case study, was the observation of who was leading the movement in advancing the IR website. For ABC, this was initially the investor relations department and subsequently the IR web team. While the IR web team now has independence in the wider IR department, it continues to be a team closely tied to it. In other companies, the public relations department or marketing department may be in charge of the IR website. The results of this thesis suggests the nature of these relationships, and how they have developed, has important implications. For ABC, it was members of the IR department that took the leadership role over the website. They are commonly in contact with investors and other external stakeholders, and were a part of the quarterly and annual reporting show that travelled to various locations throughout the world to discuss the financial results. As such, they were well versed in IR language, principles, and practices. Unlike a marketing department or even a public relations department, members of the IR web team were able to get close enough to the frontline stakeholders to hear what they wished to see form part of ABC's communications strategy, and specifically what they wished to be made available via the IR website. The stories from ABC employee interviews detailed how they explored how their stakeholders wanted more information on the website and critically; that they heard the message from them at the various reporting sessions. The fact that ABC's organizational structure also provides the IR web team with direct responsibility to make changes to their own distinct IR website means that they are able to adjust more quickly than companies whose IR websites are maintained by other departments. In addition, because they are



directly responsible for these changes, they can communicate their requirements to senior management themselves, rather than being just one part of an Internet communication platform, and potentially getting lost within that general platform. While this may not work for all companies, the ability to reduce the lines of communication, and react quickly to their external environment, allowed ABC's IR web team to evolve quickly, and as a result alter their rules and routines over time. This was evidenced by the multiple stages of institutionalizing of routines illustrated in the analysis of this case, without the need for formal structures that might otherwise have constrained this dynamism. The faith and trust placed in the IR web team by senior management, and the wider IR department, was therefore a strong element in the success of ABCs IR web team and of their IR website.

Apart from the acceptance of needing to fund a general needs IR website by senior management, substantial additional resources are required to continually stay on the leading edge of developments in this field. ABC is a large company with potentially greater resources for this purpose than other companies, yet the IR web team still had to make a clear case to senior management for how important ongoing changes to an IR website were. While the IR web team in ABC were largely successful in securing these resources, senior management would have to similarly be willing to make resources available, (perhaps significant resources from time to time where step changes are needed), in order to advance their IR websites. In the absence of these resources, the gap between lower quality websites and higher quality websites may get larger. Such support however, is likely to be far from automatic in the current climate, posing a potential threat to the nature and speed of future developments in this field.

During the period of this study of ABC, they were not mandated by regulatory agencies to make changes to their IR website and arguably could have maintained a status quo instead of expending significant resources in a complete overhaul of their IR website. The interviews with ABC and their external third party providers did suggest that the incremental development of the existing infrastructure was becoming more and more difficult, leading towards proposals for a step change in the IR website that was under development during the period of this case study, (and delivered shortly afterwards). Based on the amount of archived information that other Canadian companies showed in Chapter 8, it would seem that other companies are, or will eventually be, faced with some of the same issues that ABC was, and being able to get resources from senior management will be important.

The result of the interviews showed two key factors that led to ABC's IR web team getting budget approval from senior management. These may be generally applicable to other businesses, particularly large companies.

The first factor was the composition of the IR web team itself, with the mix of ABC employees and external third parties. There was an effective collaboration amongst the three external groups. Although there were contractual implications, a structure of this kind, particularly for a mission-critical activity such as the development and operation of an IR website, has resulted in less corporation 'groupthink' and less competition over internal computer resources (both human and machine based) that may otherwise have significantly constrained innovation. This allowed ABC to use external resources, (particularly human expertise), to continue to push forward the limits of their IR website. This, combined with

the direct contact, as discussed above, meant they were able to more clearly articulate those ideas, with suitable evidence, directly to senior management. This arguably increased the chance that approval for resources would be successful and largely proved to be the outcome as the case review articulates.

The second key factor this case study highlighted was the importance of the individual in charge of the IR web team and the change management process for the IR website. ABC had an appropriate leader in ABC<sub>1</sub>, who took an immediate interest in the website and who, with their financial background, was able to communicate to, listen to, and interpret the needs of the stakeholders, and effectively communicate the importance of change and budget resources to senior management to deliver these stakeholder desires. ABC<sub>1</sub> was able to generate a case for each developmental stage of the ABC IR website without having to rely on other departments.

Therefore, this case study suggests that the identification of a suitable leader for an IR web team, and provision of an effective structure in which they can have freedom to operate, are important elements in ABC's success with their IR website. Other companies may wish to consider emulating this when considering fundamental changes to the operation of their IR website.

The increasing need for specific roles within an IR department for website support and the importance of developing a key driver or champion within the corporation to act as a visionary leader in this area, may suggest a need for more formalized education processes being developed at an industry level. This thesis has stated in previous chapters that the

investor relations area is often staffed by individuals from varied backgrounds and that those working on IR websites often have little formal training in the area. The increased number of individuals dedicating themselves to IR websites will lead to increased need for training and educational conferences. While a number of such events already exist, (for example, ABC<sub>1</sub> stated that they have been attending conferences and other functions dedicated to IFR related issues), these currently lack formal organization by such bodies that may provide accreditation and ultimately aid in industry wide development.

The research in this thesis observed that normative isomorphism did not appear to currently be a key factor in the development of IR websites and only limited best practice development was occurring as a driver to change this field. This may change in the future. From a corporation perspective, this may result in further changes to websites as normative isomorphism takes hold and the possibility of increased training costs as employees further develop their skills. From an academic or professional body/trainer perspective, this has several implications. It is reasonable to expect that the need for these skill sets may result in changes to educational programming. The larger issue is in where this education comes from. Given the prevalence of IR websites, the demand for more formalized professional programs for those with oversight responsibility would seem reasonable. From an academic research perspective, it means that further research into how normative isomorphism is impacting IR websites may lead to interesting findings.

An important observation from this case study was how ABC<sub>1</sub> went outside the company to get the education, and access to, the experience that they needed in order to implement changes, by making contact with IR website best practices individuals (in the IR domain and

elsewhere). Not all individuals responsible for IR websites will automatically do what ABC<sub>1</sub> did, but perhaps IR professional bodies and other professional bodies could learn from this particular case study in seeking to address industry wide education and experience needs, and how best to do this as a mix of technical/practical skills with more conventional IR skills.

There is some evidence that indeed professional associations are recognizing the need for this education. The CICA in Canada organized a Webinar on Internet corporate reporting<sup>64</sup> and attendance was far greater than even they predicted. Participants questioned such things as resources for changes, the use of interactive technologies, and the impact of social media; some of the issues discussed in this case study. The level and nature of the response to this seminar adds support to what this thesis calls for; namely more formalized educational programs to assist companies.

Ultimately, a big question becomes who advances this education further and who needs to be involved. While leaders such as ABC may participate in advancing IR websites by sharing their experiences, and demonstrating best practice by their actions, they will most likely be constrained somewhat by company confidentiality that would ultimately prohibit them from sharing sensitive information such as budgets, details of critical contractual relationships, and operational methods of practice that they have employed. The competitive nature of companies may restrict the amount of information they are willing to share. While over time, such practices will disseminate organically, (e.g. via staff migration) professional bodies may be able to assist in this process by collecting and distributing this information in

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<sup>64</sup> Archived at <http://www.cica.ca/service-and-products/members-services/webinar-pages/item11026.aspx> accessed March 28, 2011

a confidential manner. This could operate through benchmarking, or through organization of relevant educational conferences where companies such as ABC can share their experiences in a more general format; thereby, providing valuable information to other companies who are using IR websites. In addition, professional qualification programs to explicitly cultivate these skills for the next generation of IR professionals could be developed by professional bodies.

Using the Burns and Scapens (2000) institutional framework, several key points of changes in rules and routines that have become institutionalized were observed. While there was judgment involved in the exact delineation of these timeframes in ABC's case analysis, what can be said of more general applicability is that the routines are evolving, at times at such a rapid pace that formal documentation and normal evaluation processes struggle to keep up with them. Other corporations should reasonably expect, and therefore plan for, similar dynamism if they wish to adapt best practices in IR websites as they emerge in the future. They may expect further changes as technology continues to evolve and should expect that the differences between how things are done from a traditional perspective and how things are done with IFR will continue to grow.

A final key observation that resulted from the ABC case study was the fact that attempts to formalize activities and routines of operation were largely unsuccessful when tried, as was the case with their attempts to create a policy manual at one stage of ABC's IR website development. Evidence presented in this thesis may suggest that in a dynamic environment such as an IR website, too much formalization will hinder the ability of those responsible from being innovative and creative. It was also clear that ABC's IR web team benefitted

from substantial freedom, (including budgetary support), to explore new areas, experiment with new technologies, and involve third party partners with expertise in specific aspects of website development and maintenance. Perhaps, given the dynamic nature of IR websites, dedicated IR web teams need to be permitted to operate on a more informal basis, with more formal constraints being placed only in limited ways such as on budgets as a control check. However, this opens a range of corporate governance issues that must also be brought to bear on these plans. This thesis does not attempt to address these in depth however, but acknowledges their existence and their need to be recognized in counter balancing the freedoms that are illustrated, and successfully led to ABC's award winning websites over the years.

#### **11.4 Research Limitations**

Stage 2 of the thesis examined the websites of 50 Canadian companies in 2002, 2005, and 2008 and determined that there was a progression towards similar websites from company to company. While the study did take a longitudinal approach, it did not examine the websites on an annual basis, and therefore could not distinguish the differences in smaller increments. Stage 2 also required researcher judgment as each of the websites were observed. While care was taken to ensure that there was consistency from year to year, this judgment may have resulted in some differences in how information was categorized. In addition, the sample of 50 (and ultimately 43) while sufficient for the purposes of determining how Canadian websites had changed, was small in comparison to other samples. An increased sample size for future research may result in capturing different types of companies, and the inclusion of smaller companies in the sample may result in differences in terms of how websites have evolved.

Stage 3 of the thesis resulted in obtaining the weblogs of ABC, a Canadian public company from January 2006 to September 2008. As was discussed in Chapter 9, WSLA software do not all analyze the files the same way, and as a result, the use of another software program may have yielded slightly different results. In addition, there is some researcher judgment involved in how the weblog files are organized that may result in differences from researcher to researcher.

The results of the WSLA are not completely clear as it is difficult to ascertain from the weblogs themselves why users are going to the web and exactly what they are looking for. Increases in use over the three year period may be due to an increased number of users more generally, but it is not possible to tell if these are new users or current investors that are now going to the website on a more regular basis.

In Stage 4, case study interviews of ABC were conducted. This research employed the use of a single case study method which means that only limited generalizations could be offered of possible wider significance. ABC Corporation had some strong actors that were leaders in change and “agenda setters” in the IR field. This may not be the case within other corporations. As such, this case may not be fully typical of the position of other large Canadian companies.

Further, there were some limitations as some of the actors that may have a role in influencing changes explored in this case were not accessible. For example, the legal department and senior management of ABC were missing from the actors interviewed even though they were identified as groups that had an impact on the IR web team. This



limitation was imposed upon the researcher, but in multiple case studies, and with greater resources, the inclusion of the legal department may provide some new insights on the process of change as outlined in this thesis. Given this constraint, the researcher took care in asking questions to each interviewee, specifically the internal actors, about their relationships with the other departments. Their responses were compared to ensure consistency, and their perspectives have been included in this research.

The size of the Canadian company was large, and it had a number of resources. It may not be representative of other companies due to size, budgets, wealth, and a commitment to maintaining a leading edge investor relations site. For this thesis, a large company was important in order to focus on a number of different areas, particularly in allowing for a detailed engagement with the change management process.

### **11.5 Future Research**

The framework for the process of institutionalization created by Burns and Scapens (2000) provided a useful way of analyzing rules/routines and developments within the IR web team of the investor relations department. By applying this framework, the thesis was able to identify areas where routines were evolving. There are a number of exciting areas for future research by developing this further, and these will be discussed in the following paragraphs.

Future research through the use of the case study method would provide more valuable insights into why organizations continue to expend the energy they do into IFR, and this can be done in a number of different ways, (e.g. by expanding the number of corporations investigated).

At the time that the interview data was collected, ABC was in the midst of a further website redesign, and had documented a fundamental change in how things would be managed, and developed since this site was launched. This has been partially identified, and analyzed by the researcher in Chapter 10, but as this work was in process at the time, it was not possible to undertake a more in depth analysis. Revisiting ABC again, and following up with them after their redesign would provide some key insights into how these changes have been implemented, and if indeed new routines had been institutionalized as part of this process, as seems likely to occur. A visit would also determine if the actors influencing the IR website had imparted enough change to move it along the framework to a further stage of development.

Another area for future research would be to expand the case study to include other organizations. This multiple case study could take a varied approach by encompassing companies in Canada, and other similar countries such as the United States and the UK. This would allow for cultural comparisons and it also would provide some insights into change that may be taking place within different regulatory areas. The multiple case study approach would also help to identify the importance of key actors in the change process. The research provided in this thesis recognized that there were some strong actors that initiated the changes in routines that took place. Multiple case studies would help in measuring the relative importance of actors in the change in routines. In other words, do the external influences drive the change or do the strong internal actors' influences result in changes?

A further area of research could consider differences between large and small corporations. Do small corporations put the same concerted effort into their investor relations websites? Are the routines the same for small organizations versus larger organizations? What emphasis do smaller organizations place on IR websites? The definition of small would have to be determined, and in relation to other countries, Canada has a number of smaller corporations, but the findings may prove interesting.

The revised framework could be explored in more detail in order to tease out the various external influences, the organization level they hit first, and the impact they have on the underlying levels as they spread out. The framework could also be used on smaller companies to see if the collaborative approach that was critical to the IR website team success in ABC exists elsewhere, or can be mirrored (or improved upon) in other situations.

Users of the investor relations information is also a further area of research that can be explored. This thesis explored the use of weblogs to measure investor usage. One of the key limitations noted of this approach is that it is difficult to know why an individual is going to a website, how they used the information they accessed, or if indeed they meant to go to a certain webpage in the first place. Further research into the users' intent would add to the information developed in the thesis, specifically how they influence the development of IR websites.

Another area of possible future research interest relates to the amount of information that corporations are placing on the investor relations website. The thesis has shown that companies have placed, and continue to place, large amounts of investor relations'

information on their website. This information continues to grow on the website as each year is archived. The observations in this thesis suggest that there is a potential for information overload amongst those stakeholders that use a corporation's IFR site. The theory of information overload first developed in 1967 suggests an inverted U-Curve to information received (Schroder et al., 1967). It suggests that there is a point in time where an individual has too much information available to them. At this level, symptoms of information overload occur. These symptoms vary from refusal to use the information to filtering of the information. The application of this theory would allow for further research into the perceptions of the external users of the information in terms of what information they use and how much information becomes too much for them. The results of this area of investigation would enhance the research done to date.

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## APPENDICES

## Appendix I: Interview Questions

Interview # \_\_\_\_\_

### **General Information:**

First set of questions is just trying to understand your general relationship with ABC. Remember I am more interested in the investor relations part of the website.

1. How long have you worked at ABC and their investor relations website: a. Do you know how long you have had an investor relations website? b. What is your background originally and how did you get involved with IFR?
2. Can you describe your role with respect to ABC and their investor relations website specifically: a. How has that role changed or evolved over time (more responsibility, more formal responsibility, etc.)
3. Can you describe for me who your key stakeholders are? (think shareholders, etc.).
4. A very basic open-ended question... <b>Why</b> does your company use the website to post so much company information (think voluntary and non-voluntary).
5. Can you describe how you use the data that you get from the IFR website?

### **Specific Information**

6. Who at ABC is in charge/responsible for the web content? How has this evolved over time?
7. Can you describe the policies in place at ABC with respect to web content and IFR. What can you do, what can't you do? How has that changed over time?
8. Can you describe how web content and IFR is a part of the governance or operating system of ABC?

9. Can you walk me through how information IFR information gets on the website. What needs to be completed on your end?
- a. Have you learned anything over the years that changes this? Things that didn't work? Things that did?
  - b. Who makes changes to the process? How are changes to the process made?
  - c. How do you ensure that things are correct?

### **External Influences**

10. All public companies are accountable to various regulatory agencies. In your case, your stock is on both the NYSE and TSX. Can you describe the types of things you may do to ensure that you are in compliance with those agencies? Does it impact the work that you do or does ABC do most of the work?

11. How do the IFR websites of other companies impact what is done with ABC?
- a. Do you look at others?
  - b. Do you consider ABC a leading/innovative company, one that mimics others?

12. There are a number of awards available for reporting including internet awards. Can you describe how these may impact the work that is done on the IFR site?

13. I noticed that there is a survey on-line. What do you hope to accomplish?

### **Future**

14. Can you describe what you think is the future of IFR? Where is it heading?

- a. XBRL? How do you believe this will impact IFR?
- b. IFRS
- c. Any new things on the Horizon

15. Is there anything else that I may have missed that you would like to talk about?

## **Appendix II: TSX Electronic Communications Disclosure Guidelines (TSX Filing Manual, 2009)<sup>65</sup>**

### **Sec. 423.9.**

For financial markets, the Internet may be the greatest leap forward in providing information and analysis since the advent of electronic communications. It is putting relevant information at investors' fingertips—instantaneously and simultaneously. But the Internet also poses regulatory challenges. In a world in which information is more readily available than ever, it is more important than ever that it be accurate, timely and up-to-date. With this in mind, TSX has developed these electronic communications guidelines to assist listed issuers to meet their investors' informational needs.

[Part II](#) reminds issuers that applicable disclosure rules apply to all corporate disclosure through electronic communications and must be followed by each issuer. Disclosure of information by an issuer through its web site or e-mail will not satisfy the issuer's disclosure obligations. The corporation must continue to use traditional means of dissemination. [Part III](#) sets out the guidelines that apply directly to the Internet and other electronic media. The overall objective of the guidelines is to encourage the use of electronic media to make investor information accessible, accurate and timely. The challenge of regulating electronic media is to ensure that regulatory concerns are addressed without impeding innovation.

### **Sec. 423.10.**

These guidelines should be read with TSX's Timely Disclosure requirements and related guidelines ("TSX Timely Disclosure Policy").

Web sites, electronic mail ("e-mail") and other channels available on the Internet are media of communication available to listed issuers for corporate disclosure. Each of these media provides opportunities for an issuer to broadly disseminate investor relations information. There are, however, a number of issues that an issuer must consider when it goes online. Investor relations information that is disclosed electronically using these new media should be viewed by the issuer as an extension of its formal corporate disclosure record. As such, these electronic communications are subject to securities laws and TSX standards and should not be viewed merely as a promotional tool.

TSX strongly recommends that all listed issuers maintain a corporate web site to make investor relations information available electronically.

Current securities filings of listed issuers such as financial statements, AIFs, annual reports and prospectuses are maintained on the SEDAR web site operated by CDS. In addition, TSX maintains a profile page on each listed issuer on its web site ("tsx.com"). Further, many news wire services post listed issuer news releases on their web sites. Since these various sites are not all connected, it may be difficult and time consuming for an investor to search the Internet and obtain all relevant

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investor relations information about a particular issuer. If an issuer creates its own web site, it can ensure that all of its investor relations information is available through one site and can provide more information than is currently available online. For example, SEDAR contains only mandatory corporate filings, while an issuer's site may carry a wealth of supplemental information, such as fact sheets, fact books, slides of investor presentations, transcripts of investor relations conferences and webcasts.

Disclosure by the Internet alone will not meet an issuer's disclosure requirements and an issuer must continue to use traditional means of dissemination.

Electronic communications do not reach all investors. Investors who have access to the Internet will be unaware that new information is available unless the issuer notifies them of an update.

### **Applicable Disclosure Standards Sec. 423.11.**

Distribution of information via a web site, e-mail or otherwise via the Internet is subject to the same laws as traditional forms of dissemination such as news releases. In establishing electronic communications, an issuer should have special regard to disclosure requirements under all applicable securities laws. Issuers should refer to TSX Timely Disclosure Policy, National Policy No. 51-201, *Disclosure Standards*, National Policy 11-201, *Delivery of Documents by Electronic Means*, and National Policy 47-201, *Trading Securities Using the Internet and Other Electronic Means*. Issuers should be aware of disclosure requirements in all jurisdictions in which they are reporting issuers. Also, there are constant developments regarding electronic disclosure of material information by issuers and issuers must be aware of the impact of all such developments on their disclosure practices.

These standards apply to all corporate disclosure through electronic communications and must be followed by each issuer.

**1. *Electronic communications cannot be misleading***—An issuer must ensure that material information posted on its web site is not misleading. Material information is misleading if it is incomplete, incorrect or omits a fact so as to make another statement misleading. Information may also be misleading if it is out of date.

**(a) *Duty to correct and update***—A web site should be a complete repository of current and accurate investor relations information. Viewers visiting a web site expect that they are viewing all the relevant information about an issuer and that the information provided to them by the issuer is accurate in all material respects. An issuer has the duty to include on its web site all material information and to correct any material information available on its web site that is misleading. It is not sufficient that the information has been corrected or updated elsewhere.

It is possible for information to become inaccurate over time. An issuer must regularly review and update or correct the information on the site.

**(b) *Incomplete information or material omissions***—Providing incomplete information or omitting a material fact is also misleading. An issuer must include all material disclosed information. It must include all news releases, not just favourable ones. Similarly, documents should be posted in their entirety. If this is impractical for a particular document, such as a technical report with graphs, charts or maps, care must be taken to ensure that an excerpt is not misleading when read on its own. In such circumstances, it may be sufficient to post the executive summary.

**(c) *Information must be presented in a consistent manner***—Investor relations information that is disclosed electronically should be presented in the same manner online as it is offline. Important information should be displayed with the same prominence and a single document should not be divided into shorter, linked documents that could obscure or "bury" unfavourable information. While issuers may divide a lengthy document into sections for ease of access and downloading, issuers must ensure that the full document appears on the site, that each segment is easily accessible and that the division of the document has not altered the import of the document or any information contained in it.

**2. Electronic communications cannot be used to "tip" or leak material information**—An issuer's internal employee trading and confidentiality policies should cover the use of electronic forms of communication. Employees must not use the Internet to tip or discuss in any form undisclosed material information about the issuer.

An issuer must not post a material news release on a web site or distribute it by e-mail or otherwise on the Internet before it has been disseminated on a news wire service in accordance with TSX Timely Disclosure Policy.

**3. *Electronic communications must comply with securities laws***—An issuer should have special regard to securities laws and, in particular, registration and filing requirements, which may be triggered if it posts any document offering securities to the general public on its web site. If a listed issuer is considering a distribution of securities, it should carefully review its web site in consultation with the issuer's legal counsel in advance of and during the offering. The Internet is increasingly becoming an important tool to communicate information about public offerings to shareholders and investors. Nevertheless, the release of information and promotional materials relating to a public offering before or during the offering is subject to restrictions under securities laws. Documents related to a distribution of securities should only be posted on a web site if they



are filed with and received by the appropriate securities regulators in the applicable jurisdictions. All promotional materials related to a distribution of securities should be reviewed with the issuer's legal advisors before they are posted on a web site to ensure that such materials are consistent with the disclosure made in the offering documents and that the posting of such materials to a web site is permitted under applicable securities laws.

Anyone, anywhere in the world can access a web site. Special regard should be made to foreign securities laws, some of which may be stricter than Ontario laws. Foreign securities regulators may take the view that posting offering documents on a web site that can be accessed by someone in their jurisdiction constitutes an offering in that jurisdiction unless appropriate disclaimers are included on the document or other measures are taken to restrict access. Reference should be made to the guidelines issued by other jurisdictions such as those issued by the U.S. Securities and Exchange Commission for issuers who use Internet web sites to solicit offshore securities transactions and clients without registering the securities in the United States.

## **Electronic Communications Guidelines**

### **Sec. 423.12.**

TSX recommends that listed issuers follow these guidelines when designing a web site, establishing an internal e-mail policy or disseminating information over the Internet.

Unlike the disclosure rules which are applicable to all electronic communications, these guidelines are not hard and fast rules which must be followed. Aspects of these guidelines may not be appropriate for every issuer. An issuer should tailor these guidelines to create an internal policy that is suitable to its particular needs and resources.

Each listed issuer should establish a clear written policy on electronic communications as part of its existing policies governing corporate disclosure, confidentiality and employee trading. Please refer to TSX Timely Disclosure Policy.

TSX suggests that the policy describe how its electronic communications are to be structured, supervised and maintained. The policy should be reviewed regularly and updated as necessary. To ensure that the policy is followed, it should be communicated to all individuals of the issuer to whom it will apply.

**1. Who should monitor electronic communications**—TSX recommends that one or more of the officers appointed under the issuer's disclosure policy be made responsible for maintaining, updating and implementing the issuer's policies on electronic communications. Reference should be made to TSX Timely Disclosure Policy. These officers should ensure that all investor relations information made available by the issuer on the web site, broadcast via e-mail or otherwise on the

Internet complies with applicable securities laws and internal policies. This responsibility includes ensuring the issuer web site is properly reviewed and updated.

## 2. What should be on the Web site'?

**(a)** *All corporate "timely disclosure" documents and other investor relations information*—TSX recommends that issuers take advantage of Internet technologies and make available through an issuer web site all corporate "timely disclosure" documents and other investor relations information that it deems appropriate. As stated, however, the posting of such documents and information on the web site does not fulfill the issuer's obligation to disseminate such information through a timely news release.

An issuer may either post its own investor relations information or establish links, frequently called "hyper-links", to other web sites that also maintain publicly disclosed documents on behalf of the issuer such as news wire services, SEDAR and stock quote services. "Investor relations information" includes all material public documents such as: the annual report; annual and interim financial statements; the Annual Information Form; news releases; material change reports; declarations of dividends; redemption notices; management proxy circulars; and any other communications to shareholders.

TSX recommends that an issuer post its investor relations information, particularly its news releases, as soon as possible following dissemination. Documents that an issuer files on SEDAR should be posted concurrently on its web site, as suggested in National Policy 51-201, *Disclosure Standards* or the issuer could create a hyper-link to the SEDAR web site. If an issuer chooses to link to SEDAR or to a news wire web site, a link can be provided directly to the issuer's page on that site, provided that the terms and conditions of the site to which the link is provided do not place restrictions on "deep-linking" as this practice is sometimes referred to, or object to "framing"<sup>1</sup>. An issuer providing deep-linking from its web site to a third party web site should consult its legal advisors to assess the legal issues surrounding deep-linking and to ensure the proposed link is effected properly. The practice of deep-linking has given rise to a number of legal issues, including whether permission from the third party must be sought in order to access a web site other than through the homepage and whether the issuer may incur liability in sending a user to a third party site bypassing any disclaimers posted on the homepage of the third party site.

Links to other web sites should be checked regularly to ensure they still work, are up-to-date and accurate. In addition, a disclaimer should be included on the issuer's web site, preferably via a

pop-up window, clearly stating that the viewer is leaving the issuer web site and that the issuer is not responsible for the content, accuracy or timeliness of the other site.

**(b) *All supplemental information provided to analysts and other market observers but not otherwise distributed publicly***—TSX recommends that an issuer that distributes non-material investor relations information to analysts and institutional clients make such supplemental information available to all investors. Supplemental information includes such materials as fact sheets, fact books, slides of investor presentations and transcripts of management investor relations speeches and other materials distributed at investor presentations. Posting supplemental information on a web site is a very useful means of making it generally available.

Keeping in mind that an issuer should design its web site to meet its business needs, TSX recommends that an issuer post all supplemental information on its web site, unless the volume or format makes it impractical. If this is the case, the issuer should describe the information on the web site and provide a contact for the information so that an investor may contact the issuer directly either to obtain a copy of the information or to view the information at the issuer's offices.

In addition to any supplemental information provided by the issuer to analysts, TSX recommends that whenever an issuer is making a planned disclosure of material corporate information in compliance with TSX Timely Disclosure Policy and related guidelines, it should also consider providing dial-in and/or web replay or make transcripts of the related conference call available for a reasonable period of time after the call.

**(c) *Investor relations contact information***—TSX suggests that an issuer provide an e-mail link on its web site for investors to communicate directly with an investor relations representative of the issuer. The issuer policy should specify who may respond to investor inquiries and should provide guidance as to the type of information that may be transmitted electronically. When distributing information electronically the issuer must adhere to TSX and legislative disclosure requirements in order to minimize the potential of selective disclosure of information.

To assure rapid distribution of material information to internet users who follow the issuer, an issuer may consider establishing an e-mail distribution list, permitting users who access its web site to subscribe to receive electronic delivery of news directly from the issuer. Alternatively, an issuer may consider using software that notifies subscribers automatically when the issuer's web site is updated. The issuer must note, however, that any electronic distribution of material information must be made after the information has been disseminated on a news wire service.

**(d) Online conferences**—TSX recommends that issuers hold analyst conference calls and industry conferences in a manner that enables any interested party to listen either by telephone and/or through a web cast, in accordance with s. 6.7(1) of National Policy No. 51-201, *Disclosure Standards*.

If an issuer chooses to participate in an online news or investor conference, TSX suggests that participation by the issuer in such online conferences should be governed by the same policy that the issuer has established in respect of its participation in other conferences such as analyst conference calls.

### 3. What should not be distributed via electronic communications

**(a) Employee misuse of electronic communications**—Access to e-mail and the Internet can be valuable tools for employees to perform their jobs; however, TSX recommends that clear guidelines should be established as to how employees may use these new media. These guidelines should be incorporated into the issuer's disclosure, confidentiality and employee trading policy. Employees should be reminded that their corporate e-mail address is an issuer address and that all correspondence received and sent via e-mail is to be considered corporate correspondence.

Appropriate guidelines should be established about the type of information that may be circulated by e-mail. An issuer should prohibit its employees from participating in Internet chat rooms<sup>2</sup> or newsgroups<sup>3</sup> in discussions relating to the issuer or its securities. As stated in s. 6.13 of National Policy 51-201, *Disclosure Standards*, an issuer should also consider requiring employees to report to a designated issuer official any discussion pertaining to the issuer which they find on the Internet. Moreover, communications over the Internet via e-mail may not be secure unless the issuer has appropriate encryption technology. Employees should be warned of the danger of transmitting confidential information externally via unencrypted e-mail.

**(b) Analyst reports and third party information**—As a general practice, TSX recommends that an issuer not post any investor relations information on its web site that is authored by a third party, unless the information was prepared on behalf of the issuer, or is general in nature and not specific to the issuer. For example, if an issuer posts an analyst report or consensus report on its web site, it may be seen to be endorsing the views and conclusions of the report. By posting such information on its site, an issuer may become "entangled" with the report and be legally responsible for the content even though it did not author it. This could also give rise to an obligation to correct the report if the issuer becomes aware that the content is or has become

misleading (for example, if the earnings projection is too optimistic).

While TSX recommends that issuers refrain from posting analyst and consensus reports on their web sites, it recognizes that some issuers take a different view. If an issuer chooses to post any third party reports on its web site, TSX recommends that extreme caution be exercised. An issuer's policy on posting analyst reports should address the following concerns:

- permission to reprint a report should be obtained in advance from the third party, since reports are subject to copyright protection;
- the information should clearly be identified as representing the views of the third party and not necessarily those of the issuer;
- the entire report should be reproduced so that it is not misleading;
- any updates, including changes in recommendations, should also be posted so the issuer's web site will not contain out-of-date and possibly misleading information;
- all third party reports should be posted.

Instead of posting third party reports on its web site, an alternative approach is for an issuer to provide a list of all analysts who follow the issuer or all consensus reports issued regarding the issuer together with contact information so that investors may contact the third party directly. If an issuer chooses to provide its investors with a list of analysts and other third party authors, the list should be complete and include all analysts and other third party authors that the issuer knows to follow it, regardless of the content of their reports. Since issuers are not obligated to keep track of every third party that follows them or develops a consensus report regarding the issuer, it may be onerous to compile an accurate and complete list that is not misleading to investors.

Concerns also exist regarding the posting of media articles, including radio, television and online news reports, about an issuer on the issuer's web site. TSX recommends that issuers refrain from posting media articles on their web sites as it is very difficult for an issuer to ensure that it is posting all relevant articles to its web site. If an issuer chooses to do so, it must make every effort to ensure that all significant articles concerning the issuer are posted to the web site and that negative and positive articles are given similar prominence. Also, given the frequency with which media articles may appear, the issuer will have to regularly update the articles posted on its web site.

**(c) *Third party links***—As stated above, an issuer may establish hyperlinks between its web site and third party sites. If an issuer creates a hyperlink to a third party site, there is a risk that a viewer will not realize that he or she has left the issuer's web site. TSX recommends that the issuer include a disclaimer stating clearly that the viewer is leaving the issuer website and that the issuer is not responsible for the content, accuracy or timeliness of the other site.

**(d) *The blurred line between investor and promotional information***—TSX recommends that an issuer clearly identify and separate its investor information from other information on its web site. In particular, promotional, sales and marketing information should not be included on the same web pages as investor relations information. An issuer's web site should clearly distinguish sections containing investor relations information from sections containing other information.

**4. *When should information be removed from a web site?***—Care should be taken to make sure that information that is inaccurate or out-of-date no longer appears on the web site. The currency of information on a web site will vary depending on the nature of the information. An issuer may retain on its web site its annual financial statements for a full year while removing other information such as frequent product releases more quickly. An issuer should review the types of information it posts on its web site and develop a consistent policy for the posting and removal of such different types of information. Issuers may delete or remove inaccurate information from the web site, as long as a correction has been posted. In addition, TSX recommends that issuers establish an archiving system to store and provide access to information that is no longer current. An electronic archive is a repository of information which has been removed from the web site but which can still be accessed from the web site through a link. To assist investors in determining the currency of the information on the site, TSX recommends that an issuer date the first page of each document as it is posted on the web site.

TSX recommends that the issuer's policy establish a minimum retention period for material corporate information that it posts on its web site. Different types of information may be retained for a different period of time. For example, the issuer may decide to retain all news releases on the site for a period of one year from the date of issue. In contrast, the issuer may decide that investors would want to access its financials for a longer period (e.g., two years for quarterlies and five years for annuals).

Issuers should also maintain a log of the date and content of all material information that it has posted and removed from the web site. Issuers should also try to ensure that the information posted on their web site is made available in a manner that makes it accessible by others so that it

can be used for subsequent reference and is capable of being retained (e.g., printer friendly versions and save/download buttons).

**5. Rumours on the Internet**—Rumours about the issuer may appear on chat rooms and newsgroups. Rumours may spread more quickly and more widely on the Internet than by other media. IIROC Market Surveillance monitors chat rooms and news groups on the Internet to identify rumours about TSX listed issuers that may influence the trading activity of their stocks. TSX Timely Disclosure Policy addresses how an issuer should respond to rumours. An issuer is not expected to monitor chat rooms or news groups for rumours about itself. Nevertheless, TSX recommends that the issuer's standard policy for addressing rumours apply to those on the Internet.

Whether an issuer should respond to a rumour depends on the circumstances. TSX suggests that the issuer should consider the market impact of the rumour and the degree of accuracy and significance to the issuer. In general, TSX recommends against an issuer participating on a chat room or newsgroup to dispel or clarify a rumour as such action may give rise to selective disclosure concerns and may create the expectation that the issuer will always respond. Instead, the issuer should issue a news release to ensure widespread dissemination of its statement.

If an issuer becomes aware of a rumour on a chat room, newsgroup or any other source that may have a material impact on the price of its stock, it should immediately contact Market Surveillance. If the information is false and is materially influencing the trading activity of the issuer's securities, it may consider issuing a clarifying news release. The issuer should contact Market Surveillance so that they can monitor trading in the issuer's securities. If Market Surveillance determines that trading is being affected by the rumour, it may require the issuer to issue a news release stating that there are no corporate developments to explain the market activity.

**6. Legal disclaimers**—Corporate disclosure by electronic communications gives rise to many legal issues. The use of legal disclaimers on corporate web sites is commonplace. It is in the best interests of an issuer to consult with its legal advisors to discuss the appropriateness and effectiveness of including legal disclaimers about the accuracy, timeliness and completeness of the information posted on its web site. Issuers should also review with their legal advisors the placement and wording of legal disclaimers on web sites. It is critical that disclaimers be easily visible to all users of the web site and that they be written in plain language such that the content of the disclaimer is easily and quickly read and understood.

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<sup>1</sup> Displaying the content or page(s) of a third party web site within the overall design of an issuer's web site, which gives the impression that the third party content is part of the issuer's site.

<sup>2</sup> A chat room is a live electronic forum for discussion among Internet participants.

<sup>3</sup> A newsgroup is an electronic bulletin board on which internet participants may post information.

## **Maintaining Site Integrity**

### **Sec. 423.13.**

Electronic communications on the Internet are not always secure. TSX recommends that an issuer establish procedures to assure maximum security of its web site and email. As electronic technologies evolve, security measures also evolve. To ensure the security of its electronic communications, TSX suggests that an issuer:

- review and update its security systems regularly;
- be aware that it might be possible for unauthorized persons to alter the content of the site;
- monitor the integrity of its web site address to make sure that the site is accessible and has not been altered.

## **TSX Monitoring of the Internet**

### **Sec. 423.14.**

TSX regularly monitors listed issuer web sites as well as chat rooms and news groups on the Internet. TSX has the capability to review alterations to listed issuer web sites and to perform random searches of the Internet to identify active discussions relating to listed issuers. However, such monitoring can never be exhaustive. Issuers are responsible for maintaining their web site and should continue to make Market Surveillance aware of significant rumours or problems relating to Internet discussions.



### Appendix III: Information Data Sheet for Canadian Corporate Websites

<b>Code Number</b>				
<b>Company (Based on October 6)</b>				
<b>Date Surveyed</b>				
<b>General Attributes</b>				
Site Map Exists	YES	NO		
Search Box on Home Page	YES	NO	Yes (Link)	
Investor Relation Page	YES	NO		
Search Box on Investor Relations Page	YES	NO	Yes (Link)	
Web Casting Events	NONE	EXISTS		
News Summaries Physically within Web site	YES	NO		
Links to News Summaries (to outside of site)	YES	NO	YES (link to external news archive)	
E-mail Alerts	NONE	EXISTS		
Direct Link to Annual Report on Home Page (i.e. not from Investor Relations page)	YES	NO		
Link to home page from Annual Report	YES	NO	IRRELEVANT	
E-mail Address to Investor Relations	YES	NO	FROM BROWSER	
Techniques to let users know they are inside annual report	YES	NO	IRRELEVANT	
Download (of annual report)	YES	NO		
Format	HTML	PDF	XLS	LOTUS
Indication that the web site has been updated (i.e. last updated on)	YES	NO		
Date the web site was last updated on	<hr/>			
Warnings that investors are leaving company web site	YES	NO		
Company posted information regarding a new share offering	YES	NO		
A policy exists on the web site regarding their disclosure policies, practices and responsibilities	YES	NO		
Is there an indication that site is maintained Internally or externally	INTERNAL	EXTERNAL	DON'T KNOW	
Corporation posts a WebTrust or similar symbol	YES	NO		
Direct link to SEDAR if it is used (i.e straight to company information)	YES (direct)	NO	NOT APPLICABLE	Yes (Sedar Home)
Other General Comments				

### Appendix III: Continued

<b>Financial Attributes</b>				
Chairman's Message	NONE	EXISTS		
Corporate Information	YES	NO		
Board of Directors & Officers	YES	NO		
Customer Profile	YES	NO		
Employee Profile	YES	NO		
Corporate Citizenship	NONE	SOCIAL	ENVIRONMENTAL	BOTH
Financial Highlight Summary	YES	NO		
Auditor's Report	NONE	SIGNED (digital sign)	SIGNED (Typed)	UNSIGNED
Management Report or MD&A	YES	NO		
Balance Sheet	YES	NO		
Income Statement	YES	NO		
Cash Flow Statement	YES	NO		
Statement of Shareholders' Equity	YES	NO		
Notes to Financial Statements	YES	NO		
Segment Report	YES	NO		
Financial Ratios	CONTEXT	TABLES	BOTH	NEITHER
Vision Statement	YES	NO		
Quarterly Statements	YES	NO		
Other Financial Comments				
<b>Other Attributes</b>				
Latest Stock Price	YES	NO		
Share Price Performance	YES	NO		
Industry Statistics or Data	YES	NO		
Annual Information Form	YES	NO		
Material Change Reports	YES	NO		
Declaration of Dividends	YES	NO		
Redemption Notices	YES	NO		

### Appendix III: Continued

Management Proxy Circulars	YES	NO		
Corporate Governance Disclosures	YES	NO		
Analyst Coverage	YES	NO		
What techniques are being used to show users that they are inside the annual report?				
Do Legal Disclaimers/Privacy Statements exist?	YES	NO		
Describe legal disclaimers/privacy statements if they exist				
<b>Comment Sheet</b>				
Webcasting	YES	NO		
Webcasting software used	Windows	Real player	Other	None
Do you need to register to view webcasts?	YES	NO		
Do E-mail alerts exist?	YES	NO		
If E-mail alerts exist, can you choose what to receive?	YES	NO		
If you can customize E-mail alerts, what options are there?				
Other Comments				

**Appendix IV: Daily IR Weblog Usage by Page Views**

Date	Hits	Page Views	Date	Hits	Page Views	Date	Hits	Page Views	Date	Hits	Page Views
01-Jan-06	2615	2012	01-Apr-06	3910	2281	01-Jul-06	2897	2001	01-Oct-06	8202	6737
02-Jan-06	4002	2933	02-Apr-06	3711	1852	02-Jul-06	2775	1849	02-Oct-06	4206	2263
03-Jan-06	4100	3085	03-Apr-06	5987	3199	03-Jul-06	4200	3046	03-Oct-06	5374	2699
04-Jan-06	5456	3519	04-Apr-06	6373	3294	04-Jul-06	4521	3146	04-Oct-06	4217	2244
05-Jan-06	5571	3356	05-Apr-06	7485	4370	05-Jul-06	4882	3035	05-Oct-06	8955	6703
06-Jan-06	5269	3828	06-Apr-06	5892	3700	06-Jul-06	4333	2822	06-Oct-06	18617	16627
07-Jan-06	3391	2905	07-Apr-06	5956	3458	07-Jul-06	4891	3054	07-Oct-06	6606	5488
08-Jan-06	3321	2246	08-Apr-06	3731	2378	08-Jul-06	2004	977	08-Oct-06	15251	13873
09-Jan-06	4926	2932	09-Apr-06	3716	2432	09-Jul-06	2145	1113	09-Oct-06	13403	11284
10-Jan-06	5112	3191	10-Apr-06	6136	3702	10-Jul-06	4464	2343	10-Oct-06	4240	2176
11-Jan-06	4273	3054	11-Apr-06	4150	2569	11-Jul-06	4509	1951	11-Oct-06	5405	3515
12-Jan-06	5110	3297	12-Apr-06	4451	2697	12-Jul-06	3785	1612	12-Oct-06	8007	4429
13-Jan-06	3902	2260	13-Apr-06	3344	2096	13-Jul-06	4611	1888	13-Oct-06	7280	5132
14-Jan-06	5221	3219	14-Apr-06	3386	2033	14-Jul-06	2923	1366	14-Oct-06	14837	13217
15-Jan-06	2051	1151	15-Apr-06	2724	1913	15-Jul-06	2969	1305	15-Oct-06	3592	2465
16-Jan-06	4207	2701	16-Apr-06	2432	1595	16-Jul-06	2122	1018	16-Oct-06	4220	2513
17-Jan-06	5333	3249	17-Apr-06	3657	2163	17-Jul-06	3110	1426	17-Oct-06	3715	2120
18-Jan-06	4523	2617	18-Apr-06	4433	2553	18-Jul-06	3992	1634	18-Oct-06	4251	2322
19-Jan-06	9500	7221	19-Apr-06	4645	2631	19-Jul-06	3091	1529	19-Oct-06	4463	2648
20-Jan-06	7872	5758	20-Apr-06	3769	2121	20-Jul-06	2961	1417	20-Oct-06	2528	1288
21-Jan-06	3007	1856	21-Apr-06	4785	3066	21-Jul-06	2036	1012	21-Oct-06	2466	1439
22-Jan-06	2553	1575	22-Apr-06	3134	2087	22-Jul-06	1736	971	22-Oct-06	2146	1094
23-Jan-06	5434	2879	23-Apr-06	3038	1878	23-Jul-06	1999	1117	23-Oct-06	4019	2183
24-Jan-06	5406	3272	24-Apr-06	4173	2637	24-Jul-06	4047	2022	24-Oct-06	4310	2512
25-Jan-06	5083	3105	25-Apr-06	3904	2670	25-Jul-06	2992	1553	25-Oct-06	7399	4455
26-Jan-06	6110	3547	26-Apr-06	8329	4871	26-Jul-06	2857	1556	26-Oct-06	4245	2419
27-Jan-06	4595	2859	27-Apr-06	5214	3076	27-Jul-06	6725	3231	27-Oct-06	3383	1989

Date	Hits	Page Views	Date	Hits	Page Views	Date	Hits	Page Views	Date	Hits	Page Views
28-Jan-06	2975	2050	28-Apr-06	3726	2490	28-Jul-06	3840	2051	28-Oct-06	2717	1584
29-Jan-06	2924	1540	29-Apr-06	3379	2097	29-Jul-06	1531	861	29-Oct-06	3192	2300
30-Jan-06	11799	9921	30-Apr-06	2523	1475	30-Jul-06	1277	716	30-Oct-06	4726	2326
31-Jan-06	8660	6908	01-May-06	4406	2917	31-Jul-06	2637	1371	31-Oct-06	4606	2420
01-Feb-06	4686	2887	02-May-06	5402	3305	01-Aug-06	4128	1793	01-Nov-06	5620	2941
02-Feb-06	3777	2524	03-May-06	4262	2464	02-Aug-06	4784	2101	02-Nov-06	4754	3030
03-Feb-06	3993	2607	04-May-06	4692	2385	03-Aug-06	3615	1682	03-Nov-06	4874	3093
04-Feb-06	3483	2619	05-May-06	5484	3254	04-Aug-06	2952	1488	04-Nov-06	2389	1313
05-Feb-06	4635	3578	06-May-06	3796	2469	05-Aug-06	2225	1363	05-Nov-06	3646	1690
06-Feb-06	7094	4077	07-May-06	3746	2529	06-Aug-06	1672	833	06-Nov-06	5372	2952
07-Feb-06	4492	3019	08-May-06	4961	3224	07-Aug-06	2156	955	07-Nov-06	8541	6309
08-Feb-06	3570	2191	09-May-06	5368	3595	08-Aug-06	3078	1560	08-Nov-06	15145	11365
09-Feb-06	4382	2909	10-May-06	4015	2310	09-Aug-06	3191	1250	09-Nov-06	18818	16877
10-Feb-06	7081	5099	11-May-06	3718	2219	10-Aug-06	2956	1548	10-Nov-06	7128	5415
11-Feb-06	4259	3152	12-May-06	4825	3057	11-Aug-06	2445	1263	11-Nov-06	1775	1052
12-Feb-06	4455	3416	13-May-06	3262	2084	12-Aug-06	1345	799	12-Nov-06	2404	1492
13-Feb-06	4804	3601	14-May-06	2494	1319	13-Aug-06	1161	619	13-Nov-06	5262	3193
14-Feb-06	5384	3226	15-May-06	4335	2530	14-Aug-06	2513	1270	14-Nov-06	8127	6380
15-Feb-06	5232	3269	16-May-06	4108	2411	15-Aug-06	2998	1593	15-Nov-06	11942	9528
16-Feb-06	5669	3933	17-May-06	3522	1938	16-Aug-06	3337	1818	16-Nov-06	10830	8636
17-Feb-06	3888	2844	18-May-06	5458	3103	17-Aug-06	4338	2422	17-Nov-06	4441	2547
18-Feb-06	4120	3322	19-May-06	2280	1399	18-Aug-06	3559	1770	18-Nov-06	3727	2033
19-Feb-06	3687	2377	20-May-06	2907	1888	19-Aug-06	1537	864	19-Nov-06	2741	1638
20-Feb-06	4367	3131	21-May-06	3858	2645	20-Aug-06	1626	871	20-Nov-06	4381	2530
21-Feb-06	4796	3115	22-May-06	4287	2549	21-Aug-06	2982	1582	21-Nov-06	5353	3255
22-Feb-06	7097	3856	23-May-06	5678	3521	22-Aug-06	3550	1680	22-Nov-06	6139	3460
23-Feb-06	6985	3881	24-May-06	4820	2943	23-Aug-06	3179	1886	23-Nov-06	5419	3692
24-Feb-06	6014	3490	25-May-06	4008	2428	24-Aug-06	2882	1551	24-Nov-06	3376	2087
25-Feb-06	3801	2747	26-May-06	4127	2452	25-Aug-06	2878	1302	25-Nov-06	9733	5633

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26-Feb-06	3837	2334	27-May-06	3013	2129	26-Aug-06	1141	600	26-Nov-06	2992	1877
27-Feb-06	4514	2560	28-May-06	3120	2179	27-Aug-06	1468	687	27-Nov-06	5744	3527
28-Feb-06	4011	2359	29-May-06	3808	2524	28-Aug-06	3179	1513	28-Nov-06	5950	3124
01-Mar-06	4244	2671	30-May-06	4661	2870	29-Aug-06	2992	1344	29-Nov-06	6056	3726
02-Mar-06	5012	3082	31-May-06	3738	2480	30-Aug-06	7162	3976	30-Nov-06	5536	2678
03-Mar-06	3615	2196	01-Jun-06	3835	2075	31-Aug-06	5541	2736	01-Dec-06	4146	2445
04-Mar-06	3011	1843	02-Jun-06	3994	2521	01-Sep-06	3707	2169	02-Dec-06	3499	2057
05-Mar-06	4163	2691	03-Jun-06	3404	2465	02-Sep-06	1658	879	03-Dec-06	3306	1913
06-Mar-06	5366	2978	04-Jun-06	2933	1728	03-Sep-06	2259	1346	04-Dec-06	5134	3085
07-Mar-06	4741	2447	05-Jun-06	5469	3410	04-Sep-06	2608	1336	05-Dec-06	5131	3185
08-Mar-06	4900	2933	06-Jun-06	3159	1824	05-Sep-06	3664	2161	06-Dec-06	4070	2412
09-Mar-06	6122	3124	07-Jun-06	4461	2889	06-Sep-06	2757	1639	07-Dec-06	4747	2716
10-Mar-06	5704	3222	08-Jun-06	4659	2660	07-Sep-06	4338	2554	08-Dec-06	5171	3431
11-Mar-06	5871	3216	09-Jun-06	3920	2200	08-Sep-06	3437	1987	09-Dec-06	5623	3168
12-Mar-06	3796	2277	10-Jun-06	2182	1351	09-Sep-06	2641	1287	10-Dec-06	7257	4578
13-Mar-06	5714	2901	11-Jun-06	2271	1151	10-Sep-06	2767	1466	11-Dec-06	5005	3122
14-Mar-06	5280	2326	12-Jun-06	4746	2796	11-Sep-06	10166	6226	12-Dec-06	4606	2632
15-Mar-06	4480	2307	13-Jun-06	4350	2371	12-Sep-06	4245	2594	13-Dec-06	4919	3049
16-Mar-06	4997	2844	14-Jun-06	5036	2978	13-Sep-06	2718	1571	14-Dec-06	4132	2633
17-Mar-06	4724	2224	15-Jun-06	5885	2600	14-Sep-06	4557	2647	15-Dec-06	4792	3205
18-Mar-06	3290	1868	16-Jun-06	3671	1952	15-Sep-06	4780	3065	16-Dec-06	14550	9647
19-Mar-06	2852	1447	17-Jun-06	3374	2028	16-Sep-06	2474	1719	17-Dec-06	4167	2939
20-Mar-06	5580	2735	18-Jun-06	3235	1823	17-Sep-06	3220	2046	18-Dec-06	5052	2915
21-Mar-06	5316	2737	19-Jun-06	5937	3040	18-Sep-06	5366	3435	19-Dec-06	6644	4321
22-Mar-06	5086	2926	20-Jun-06	4759	2662	19-Sep-06	5179	2813	20-Dec-06	6205	3872
23-Mar-06	5232	2656	21-Jun-06	4373	2687	20-Sep-06	4468	2290	21-Dec-06	4623	3025
24-Mar-06	4353	2177	22-Jun-06	4838	2907	21-Sep-06	4625	2859	22-Dec-06	4398	2856
25-Mar-06	2908	1678	23-Jun-06	3687	2366	22-Sep-06	3481	2017	23-Dec-06	2983	1841
26-Mar-06	2662	1533	24-Jun-06	2398	1634	23-Sep-06	3147	2080	24-Dec-06	2126	1385

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27-Mar-06	4694	2632	25-Jun-06	2376	1638	24-Sep-06	3296	1897	25-Dec-06	2277	1468
28-Mar-06	5250	3294	26-Jun-06	3525	2127	25-Sep-06	4365	2504	26-Dec-06	3186	2066
29-Mar-06	4551	2528	27-Jun-06	3724	2075	26-Sep-06	5546	3529	27-Dec-06	4149	2479
30-Mar-06	4922	2754	28-Jun-06	3744	2291	27-Sep-06	4374	2621	28-Dec-06	4490	2737
31-Mar-06	3442	1987	29-Jun-06	3733	2186	28-Sep-06	11588	9265	29-Dec-06	2962	1887
			30-Jun-06	4507	2643	29-Sep-06	20665	18661	30-Dec-06	2213	1233
						30-Sep-06	22583	20569	31-Dec-06	3476	2469

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1-Jan-07	4147	2958	1-Apr-07	4166	3103	1-Jul-07	3813	2428	1-Oct-07	5647	4145
2-Jan-07	4884	3098	2-Apr-07	4469	3377	2-Jul-07	5153	3328	2-Oct-07	7755	4760
3-Jan-07	8363	5944	3-Apr-07	6224	4420	3-Jul-07	9062	5461	3-Oct-07	6628	4036
4-Jan-07	15700	13082	4-Apr-07	6401	4470	4-Jul-07	7305	3949	4-Oct-07	6977	4215
5-Jan-07	6112	4285	5-Apr-07	5776	3996	5-Jul-07	6739	3937	5-Oct-07	6303	3268
6-Jan-07	11709	10475	6-Apr-07	4138	3161	6-Jul-07	6035	3532	6-Oct-07	3265	2084
7-Jan-07	7632	6323	7-Apr-07	3052	2256	7-Jul-07	4999	3306	7-Oct-07	4567	2972
8-Jan-07	11865	9812	8-Apr-07	3186	2490	8-Jul-07	4731	2961	8-Oct-07	9761	6397
9-Jan-07	10333	8448	9-Apr-07	5268	3698	9-Jul-07	6199	3460	9-Oct-07	7604	4556
10-Jan-07	5135	2686	10-Apr-07	5642	4195	10-Jul-07	8064	4566	10-Oct-07	7671	4509
11-Jan-07	4164	2625	11-Apr-07	6698	5153	11-Jul-07	6793	3845	11-Oct-07	6924	4186
12-Jan-07	4352	2877	12-Apr-07	7310	5966	12-Jul-07	6243	3323	12-Oct-07	6077	3557
13-Jan-07	9779	8515	13-Apr-07	6135	4723	13-Jul-07	5942	3747	13-Oct-07	3807	2387
14-Jan-07	9553	6044	14-Apr-07	4213	2957	14-Jul-07	5429	3269	14-Oct-07	2521	1609
15-Jan-07	32293	28725	15-Apr-07	7809	5674	15-Jul-07	4283	2722	15-Oct-07	5690	3384
16-Jan-07	5136	3688	16-Apr-07	9657	7161	16-Jul-07	7307	4472	16-Oct-07	5093	3038
17-Jan-07	4875	3215	17-Apr-07	15115	10800	17-Jul-07	9309	5953	17-Oct-07	5993	3817
18-Jan-07	6176	3751	18-Apr-07	10140	7315	18-Jul-07	5881	3713	18-Oct-07	6831	4375
19-Jan-07	5257	3353	19-Apr-07	10659	7338	19-Jul-07	19073	12464	19-Oct-07	5625	3465
20-Jan-07	2208	1449	20-Apr-07	9240	6880	20-Jul-07	10543	6897	20-Oct-07	3692	2499
21-Jan-07	3084	2021	21-Apr-07	7940	6100	21-Jul-07	5377	3568	21-Oct-07	4351	3015
22-Jan-07	4362	2729	22-Apr-07	7690	5688	22-Jul-07	4284	2779	22-Oct-07	12512	8338
23-Jan-07	4227	2842	23-Apr-07	8862	6810	23-Jul-07	23161	15626	23-Oct-07	7215	4683
24-Jan-07	5937	4106	24-Apr-07	8483	6282	24-Jul-07	33774	25348	24-Oct-07	6861	4805
25-Jan-07	9493	6717	25-Apr-07	8599	6547	25-Jul-07	19572	14161	25-Oct-07	14913	10152
26-Jan-07	5219	3462	26-Apr-07	13779	10782	26-Jul-07	27628	21327	26-Oct-07	7471	4851



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27-Jan-07	3110	1947	27-Apr-07	8935	6606	27-Jul-07	7128	4700	27-Oct-07	3815	2303
28-Jan-07	3390	2145	28-Apr-07	8413	6335	28-Jul-07	3265	2224	28-Oct-07	4358	2748
29-Jan-07	5524	3949	29-Apr-07	7872	5799	29-Jul-07	3770	2506	29-Oct-07	7490	4130
30-Jan-07	4754	3500	30-Apr-07	6213	3772	30-Jul-07	6376	4028	30-Oct-07	8391	5224
31-Jan-07	4644	3583	1-May-07	5986	3844	31-Jul-07	6830	4373	31-Oct-07	6134	3720
1-Feb-07	5536	3863	2-May-07	6784	3735	1-Aug-07	6254	3582	1-Nov-07	6195	4191
2-Feb-07	3395	2488	3-May-07	8413	5239	2-Aug-07	12304	7996	2-Nov-07	4722	2824
3-Feb-07	2964	2116	4-May-07	5420	3965	3-Aug-07	7027	4664	3-Nov-07	2919	1993
4-Feb-07	3065	2294	5-May-07	3957	3041	4-Aug-07	3772	2778	4-Nov-07	3729	1996
5-Feb-07	3477	2317	6-May-07	3733	2391	5-Aug-07	3718	2529	5-Nov-07	6834	4146
6-Feb-07	4588	3342	7-May-07	4625	3010	6-Aug-07	5472	3238	6-Nov-07	5653	3443
7-Feb-07	3605	2447	8-May-07	5798	3614	7-Aug-07	6112	4017	7-Nov-07	6070	4278
8-Feb-07	5293	3819	9-May-07	4559	2888	8-Aug-07	8301	5122	8-Nov-07	5151	3953
9-Feb-07	4668	3522	10-May-07	4893	3324	9-Aug-07	5917	3615	9-Nov-07	4581	3414
10-Feb-07	3009	2273	11-May-07	4728	2956	10-Aug-07	4985	3331	10-Nov-07	2867	2221
11-Feb-07	3479	2372	12-May-07	4074	2360	11-Aug-07	5092	3636	11-Nov-07	3973	3201
12-Feb-07	4037	2719	13-May-07	4283	2895	12-Aug-07	4328	2954	12-Nov-07	4972	3912
13-Feb-07	4016	2889	14-May-07	5286	3409	13-Aug-07	5539	3652	13-Nov-07	5461	4306
14-Feb-07	3987	2901	15-May-07	4778	3132	14-Aug-07	5712	3476	14-Nov-07	8252	6236
15-Feb-07	4740	3400	16-May-07	5863	3743	15-Aug-07	8109	5373	15-Nov-07	6619	5118
16-Feb-07	4572	3490	17-May-07	6255	4289	16-Aug-07	6167	3501	16-Nov-07	5733	4502
17-Feb-07	3667	2703	18-May-07	5377	3670	17-Aug-07	5452	3146	17-Nov-07	4067	2931
18-Feb-07	3943	2771	19-May-07	3328	2506	18-Aug-07	3601	2463	18-Nov-07	4193	3189
19-Feb-07	4240	3274	20-May-07	4279	2591	19-Aug-07	4172	2913	19-Nov-07	5774	4311
20-Feb-07	4458	3375	21-May-07	5417	3628	20-Aug-07	6879	4118	20-Nov-07	5058	3891
21-Feb-07	5231	3660	22-May-07	5804	3505	21-Aug-07	5340	3159	21-Nov-07	5072	3784
22-Feb-07	7505	6182	23-May-07	5288	3625	22-Aug-07	6443	3835	22-Nov-07	4538	3419
23-Feb-07	15849	13897	24-May-07	6236	3843	23-Aug-07	6972	3912	23-Nov-07	4747	3765

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24-Feb-07	12840	11398	25-May-07	4757	3395	24-Aug-07	5993	3689	24-Nov-07	2454	1868
25-Feb-07	8756	7313	26-May-07	3026	2171	25-Aug-07	10815	7336	25-Nov-07	3469	2422
26-Feb-07	3986	2721	27-May-07	3008	2139	26-Aug-07	3786	2411	26-Nov-07	5131	4015
27-Feb-07	7757	6269	28-May-07	5592	3817	27-Aug-07	6064	3778	27-Nov-07	4594	3599
28-Feb-07	7880	5877	29-May-07	9231	5808	28-Aug-07	4946	3073	28-Nov-07	4629	3609
1-Mar-07	4696	3599	30-May-07	13086	8430	29-Aug-07	4774	2829	29-Nov-07	5958	4511
2-Mar-07	4098	3196	31-May-07	8680	4864	30-Aug-07	5727	3636	30-Nov-07	3864	2888
3-Mar-07	2872	2134	1-Jun-07	8158	3990	31-Aug-07	8327	5390	1-Dec-07	2568	1953
4-Mar-07	3158	2438	2-Jun-07	5140	3174	1-Sep-07	2805	1811	2-Dec-07	3195	2422
5-Mar-07	4478	3254	3-Jun-07	5332	3521	2-Sep-07	4517	3316	3-Dec-07	4949	3896
6-Mar-07	5598	3769	4-Jun-07	8225	4641	3-Sep-07	13429	8353	4-Dec-07	5188	4210
7-Mar-07	5003	3554	5-Jun-07	8850	5016	4-Sep-07	5063	2952	5-Dec-07	5631	4239
8-Mar-07	4292	3219	6-Jun-07	6775	3637	5-Sep-07	4886	3007	6-Dec-07	6894	5506
9-Mar-07	3961	2780	7-Jun-07	7855	4914	6-Sep-07	5962	3906	7-Dec-07	5860	4159
10-Mar-07	4917	3485	8-Jun-07	6071	3310	7-Sep-07	5577	3509	8-Dec-07	3525	2581
11-Mar-07	6354	4669	9-Jun-07	4260	2724	8-Sep-07	2969	2230	9-Dec-07	3735	2671
12-Mar-07	4582	3200	10-Jun-07	4612	2762	9-Sep-07	3009	2105	10-Dec-07	10889	8269
13-Mar-07	4447	2974	11-Jun-07	7798	4523	10-Sep-07	5306	3255	11-Dec-07	5526	4299
14-Mar-07	4846	3441	12-Jun-07	14069	8348	11-Sep-07	5797	3853	12-Dec-07	5306	4008
15-Mar-07	5314	4165	13-Jun-07	6072	3221	12-Sep-07	5968	3896	13-Dec-07	6032	4476
16-Mar-07	7236	5005	14-Jun-07	6720	3969	13-Sep-07	5808	3396	14-Dec-07	3971	3124
17-Mar-07	8284	6109	15-Jun-07	9671	5464	14-Sep-07	4432	2609	15-Dec-07	3760	2692
18-Mar-07	3726	2816	16-Jun-07	4027	2531	15-Sep-07	3444	2471	16-Dec-07	4276	2888
19-Mar-07	4706	3553	17-Jun-07	5217	3212	16-Sep-07	6421	4494	17-Dec-07	5239	4231
20-Mar-07	4573	3411	18-Jun-07	8020	5008	17-Sep-07	5564	3199	18-Dec-07	5019	3855
21-Mar-07	4152	2779	19-Jun-07	7577	4664	18-Sep-07	5935	3581	19-Dec-07	4443	3485
22-Mar-07	4905	3564	20-Jun-07	8592	5438	19-Sep-07	5417	3437	20-Dec-07	5227	3948
23-Mar-07	4493	3323	21-Jun-07	9213	5131	20-Sep-07	6097	3812	21-Dec-07	4245	3203

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25-Mar-07	3410	2658	23-Jun-07	5306	3493	22-Sep-07	3440	2404	23-Dec-07	3262	2328
26-Mar-07	4843	3497	24-Jun-07	5039	3055	23-Sep-07	5897	3752	24-Dec-07	4676	3654
27-Mar-07	4131	2977	25-Jun-07	6795	3918	24-Sep-07	6352	3646	25-Dec-07	3347	2592
28-Mar-07	4359	3137	26-Jun-07	13041	8116	25-Sep-07	6998	3986	26-Dec-07	3866	3016
29-Mar-07	5125	3853	27-Jun-07	6497	4090	26-Sep-07	6205	3657	27-Dec-07	7300	5542
30-Mar-07	4180	3188	28-Jun-07	6059	3949	27-Sep-07	5819	3846	28-Dec-07	6267	4868
31-Mar-07	3530	2654	29-Jun-07	5681	3333	28-Sep-07	5083	3569	29-Dec-07	3788	2954
			30-Jun-07	4673	3285	29-Sep-07	4854	3398	30-Dec-07	4258	3286
						30-Sep-07	3864	2801	31-Dec-07	4623	3596

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01-Jan-08	4384	3266	01-Apr-08	11187	9024	01-Jul-08	8374	6490
02-Jan-08	5333	4221	02-Apr-08	11259	8315	02-Jul-08	8347	6696
03-Jan-08	6915	5472	03-Apr-08	9852	7501	03-Jul-08	7824	6181
04-Jan-08	5069	4055	04-Apr-08	9201	7056	04-Jul-08	7029	5536
05-Jan-08	3369	2635	05-Apr-08	6040	4727	05-Jul-08	4417	3512
06-Jan-08	5115	4036	06-Apr-08	6049	4801	06-Jul-08	7412	5811
07-Jan-08	5757	4587	07-Apr-08	9972	7682	07-Jul-08	10120	7917
08-Jan-08	6417	4991	08-Apr-08	10978	8069	08-Jul-08	9406	7672
09-Jan-08	7586	5957	09-Apr-08	8859	6592	09-Jul-08	10323	8307
10-Jan-08	5937	4421	10-Apr-08	11605	8891	10-Jul-08	8181	6225
11-Jan-08	5418	4234	11-Apr-08	11151	8471	11-Jul-08	8055	5239
12-Jan-08	4232	2948	12-Apr-08	5383	4309	12-Jul-08	5152	3911
13-Jan-08	3500	2581	13-Apr-08	6266	4686	13-Jul-08	5410	4163
14-Jan-08	9832	7653	14-Apr-08	10442	8331	14-Jul-08	8546	7143
15-Jan-08	6589	5432	15-Apr-08	12083	9509	15-Jul-08	9305	7598
16-Jan-08	8663	7271	16-Apr-08	18498	13965	16-Jul-08	8463	7035
17-Jan-08	9669	8113	17-Apr-08	12838	10167	17-Jul-08	14014	10745
18-Jan-08	7722	6216	18-Apr-08	10966	9011	18-Jul-08	12215	9937
19-Jan-08	3849	2985	19-Apr-08	8964	7178	19-Jul-08	3960	3057
20-Jan-08	6076	4647	20-Apr-08	9515	7674	20-Jul-08	3567	2967
21-Jan-08	7774	6136	21-Apr-08	15512	12554	21-Jul-08	10248	8084
22-Jan-08	8132	6139	22-Apr-08	21303	17481	22-Jul-08	13220	10688
23-Jan-08	10697	8771	23-Apr-08	28543	24791	23-Jul-08	21714	19526
24-Jan-08	20374	15891	24-Apr-08	37776	32834	24-Jul-08	34453	29929
25-Jan-08	8392	6671	25-Apr-08	13027	10587	25-Jul-08	8792	7415
26-Jan-08	4698	3629	26-Apr-08	7526	6331	26-Jul-08	6945	5117

Date	Hits	Page Views	Date	Hits	Page Views	Date	Hits	Page Views
27-Jan-08	5439	4245	27-Apr-08	7957	6365	27-Jul-08	4370	3376
28-Jan-08	7815	5827	28-Apr-08	11387	9128	28-Jul-08	5572	4284
29-Jan-08	20107	18288	29-Apr-08	12773	10538	29-Jul-08	6736	5236
30-Jan-08	18960	16997	30-Apr-08	10992	9117	30-Jul-08	8038	6143
31-Jan-08	6825	5184	01-May-08	12296	10033	31-Jul-08	7099	5574
01-Feb-08	6142	4665	02-May-08	8462	6639	01-Aug-08	7265	5829
02-Feb-08	4275	3165	03-May-08	7134	5553	02-Aug-08	6242	5037
03-Feb-08	4220	3291	04-May-08	7175	5752	03-Aug-08	4495	3480
04-Feb-08	6343	5095	05-May-08	10215	8180	04-Aug-08	8299	6847
05-Feb-08	7674	5711	06-May-08	10822	8806	05-Aug-08	9736	8008
06-Feb-08	6490	4807	07-May-08	12456	9922	06-Aug-08	9187	7266
07-Feb-08	5918	4531	08-May-08	17945	14183	07-Aug-08	11827	8154
08-Feb-08	5452	4158	09-May-08	7476	5691	08-Aug-08	14529	10006
09-Feb-08	3584	2806	10-May-08	6011	4772	09-Aug-08	6935	5370
10-Feb-08	3359	2558	11-May-08	6910	5370	10-Aug-08	7282	5220
11-Feb-08	6695	5218	12-May-08	8888	6522	11-Aug-08	13705	10122
12-Feb-08	8550	6367	13-May-08	9182	7265	12-Aug-08	17939	13486
13-Feb-08	6739	5071	14-May-08	12221	9825	13-Aug-08	10142	7304
14-Feb-08	6645	4913	15-May-08	12833	10093	14-Aug-08	10267	7322
15-Feb-08	7380	5669	16-May-08	8942	6968	15-Aug-08	7968	6444
16-Feb-08	3461	2870	17-May-08	6595	5299	16-Aug-08	6160	4852
17-Feb-08	4313	3426	18-May-08	7970	6127	17-Aug-08	5254	4087
18-Feb-08	6376	5068	19-May-08	10606	7865	18-Aug-08	11228	7745
19-Feb-08	7201	5122	20-May-08	8104	6425	19-Aug-08	10790	7820
20-Feb-08	8065	6186	21-May-08	11318	8721	20-Aug-08	7785	5999
21-Feb-08	7013	5076	22-May-08	9899	8041	21-Aug-08	8369	6296
22-Feb-08	8703	6985	23-May-08	8450	6748	22-Aug-08	6593	5236
23-Feb-08	4523	3315	24-May-08	7429	5107	23-Aug-08	5017	4044

Date	Hits	Page Views	Date	Hits	Page Views	Date	Hits	Page Views
24-Feb-08	5014	3988	25-May-08	5812	4524	24-Aug-08	4093	2959
25-Feb-08	8908	6145	26-May-08	9871	7218	25-Aug-08	7530	6060
26-Feb-08	7289	5314	27-May-08	8354	6476	26-Aug-08	8704	6543
27-Feb-08	7903	5189	28-May-08	8141	6307	27-Aug-08	7558	5837
28-Feb-08	9888	7606	29-May-08	7884	6319	28-Aug-08	6594	5084
29-Feb-08	10980	6999	30-May-08	6390	4997	29-Aug-08	7163	5627
01-Mar-08	4984	4148	31-May-08	4407	3514	30-Aug-08	4845	3873
02-Mar-08	5269	4252	01-Jun-08	5360	4216	31-Aug-08	4307	3406
03-Mar-08	9675	7673	02-Jun-08	9938	7685	01-Sep-08	5673	4397
04-Mar-08	9562	7341	03-Jun-08	9295	7414	02-Sep-08	7492	5974
05-Mar-08	8270	6150	04-Jun-08	8269	6642	03-Sep-08	7671	6374
06-Mar-08	7667	6133	05-Jun-08	12741	10023	04-Sep-08	8061	6523
07-Mar-08	6038	4420	06-Jun-08	8615	6551	05-Sep-08	8449	6465
08-Mar-08	4648	3546	07-Jun-08	5015	3861	06-Sep-08	7111	5556
09-Mar-08	5924	4327	08-Jun-08	5951	4463	07-Sep-08	6544	5136
10-Mar-08	7568	5991	09-Jun-08	10083	7693	08-Sep-08	9783	7894
11-Mar-08	7683	5711	10-Jun-08	13804	11031	09-Sep-08	11478	9956
12-Mar-08	8520	6351	11-Jun-08	11383	8616	10-Sep-08	8785	7502
13-Mar-08	8654	6878	12-Jun-08	9072	6706	11-Sep-08	10971	8496
14-Mar-08	6647	5114	13-Jun-08	9127	7021	12-Sep-08	9676	7570
15-Mar-08	4058	3354	14-Jun-08	4582	3633	13-Sep-08	4882	3683
16-Mar-08	4774	3741	15-Jun-08	5123	3900	14-Sep-08	4190	3242
17-Mar-08	5980	4721	16-Jun-08	9802	7731	15-Sep-08	8834	7005
18-Mar-08	5762	4726	17-Jun-08	10799	8604	16-Sep-08	9621	8041
19-Mar-08	6397	5382	18-Jun-08	10046	7863	17-Sep-08	10088	8172
20-Mar-08	6102	4927	19-Jun-08	10499	8682	18-Sep-08	10384	8195
21-Mar-08	4493	3673	20-Jun-08	9586	7551	19-Sep-08	9615	7747
22-Mar-08	4105	3071	21-Jun-08	5574	4494	20-Sep-08	5062	4139

Date	Hits	Page Views	Date	Hits	Page Views	Date	Hits	Page Views
23-Mar-08	3354	2705	22-Jun-08	5841	4690	21-Sep-08	5402	4233
24-Mar-08	6736	5498	23-Jun-08	9139	6978	22-Sep-08	9648	8060
25-Mar-08	7397	5600	24-Jun-08	9364	7197	23-Sep-08	12237	8652
26-Mar-08	6698	5400	25-Jun-08	11698	9227	24-Sep-08	11949	8185
27-Mar-08	7263	5869	26-Jun-08	12322	8427	25-Sep-08	10233	7556
28-Mar-08	5994	4744	27-Jun-08	7470	5602	26-Sep-08	8323	6823
29-Mar-08	3744	3134	28-Jun-08	5125	3825	27-Sep-08	5346	4066
30-Mar-08	5518	4289	29-Jun-08	5471	4270	28-Sep-08	5975	4603
31-Mar-08	10108	8387	30-Jun-08	7143	5190	29-Sep-08	10427	8251
						30-Sep-08	11323	9025

## Appendix V: Documents List

The following documents were obtained from ABC, CS and <sup>WHS</sup> during the case study interviews or as the result of follow-up interviews. The creator of the document is in bold.

<b>Document</b>	<b>Description</b>
Archived web pages	<b>ABC:</b> Link to archived web pages of ABC dating back to the initial launch of their website in 1997
PowerPoint Slides	<b>ABC:</b> Slides developed in 2007 after a new Vice President was hired. The PowerPoint slides detailed the different steps that all three companies went through whenever there was a change
Screen Shot of Project Management Software	<b>ABC/WHS:</b> During the case study interviews ABC and WHS both showed how the project management software was used to communicate changes between all three companies. A screen shot of the software was obtained and the actual software was shown to the researcher by both ABC and WHS. The researcher was able to see several examples of current website changes occurring and how the threaded messages were in place
Touch Points Checklist	<b>ABC:</b> Document created by ABC that lists every step that is required whenever a change is made to the website. This includes how all three groups consult with each other
News Release	<b>CS:</b> Document showing what processes would be undertaken during news releases including how the file is to be delivered; if there would be a home page promotion highlighting the release (or a promotion on the investor homepage)
Conference Webcast	<b>CS:</b> Document detailing the process for a conference webcast. The process starts 3 weeks prior to the conference and includes a promotional posting to the homepage and a link to the webcast registration page
Quarterly Earnings Release and Annual Report Release	<b>CS:</b> Document detailing the release of quarterly (annual) earnings. The process starts 3 weeks prior to the release with homepage promotion and registration link for the conference call. The checklist also lists all the pages that are required to be ready on Beta the day prior to the actual release
Interviews	<b>CS:</b> Document detailing process for interviews and includes how ABC will forward details of interviews and development of promotion for the homepage
Complete online survey results	<b>ABC:</b> Confidential document that contained the full results from their online survey



<b>Document</b>	<b>Description</b>
Creative Brief	<b>ABC:</b> Confidential document that details the general redesign goals for the ABC website (including the IR website), key online survey results, 10 characteristics of a redesigned site and design phases
Authorization for Expenditure Form	<b>ABC:</b> Confidential document that outlines the cost for the new website