

EXPLORING THE RELEVANCE OF
RELATIONSHIP MANAGEMENT THEORY TO
INVESTOR RELATIONS

by

CONSTANCE S. CHANDLER

A THESIS

Presented to the School of Journalism and Communication
and the Graduate School of the University of Oregon
in partial fulfillment of the requirements
for the degree of
Master of Science

March 2014

THESIS APPROVAL PAGE

Student: Constance S. Chandler

Title: Exploring the Relevance of Relationship Management Theory to Investor Relations

This thesis has been accepted and approved in partial fulfillment of the requirements for the Master of Science degree in the School of Journalism and Communication by:

Dr. Patricia A. Curtin	Chair
Dr. Donna Z. Davis	Member
Christine Besnard, Esquire	Member

and

Kimberly Andrews Espy	Vice President for Research and Innovation; Dean of the Graduate School
-----------------------	--

Original approval signatures are on file with the University of Oregon Graduate School.

Degree awarded March 2014

© 2014 Constance S. Chandler

THESIS ABSTRACT

Constance S. Chandler

Master of Science

School of Journalism and Communication

March 2014

Title: Exploring the Relevance of Relationship Management Theory to Investor Relations

This study examines the relevance of an established public relations theory, relationship management, to investor relations. Having emerged during the 1950s, investor relations is a relatively new field that integrates the disciplines of communication, marketing, finance, and securities laws compliance. Through qualitative interviews focused on six publicly traded companies on the West Coast, the study provides insight into the relationship management function of investor relations from the perspectives of those whom investors ultimately hold accountable for a public company's performance – CEOs. The dominant theme emerging from the study is the constant challenge CEOs of public companies face as they engage in relationships with investors, primarily due to the constraining effects of regulatory requirements. While the study confirmed that the interviewees value L. C. Hon and J. E. Grunig's qualities of trust, satisfaction, control mutuality and commitment in relationships with investors, CEOs' most frequently discussed relationship quality that they work to achieve is trust.

CURRICULUM VITAE

NAME OF AUTHOR: Constance S. Chandler

GRADUATE AND UNDERGRADUATE SCHOOLS ATTENDED:

University of Oregon, Eugene
Colorado State University, Ft. Collins

DEGREES AWARDED:

Master of Science, Communication and Society, 2014, University of Oregon
Bachelor of Arts, Speech and Rhetoric, 1972, Colorado State University

AREAS OF SPECIAL INTEREST:

Strategic Communication
Public Relations
Investor Relations

PROFESSIONAL EXPERIENCE:

Graduate Teaching Assistant, School of Journalism and Communication
University of Oregon, 2011-2014

Founder, IR Strategies
Strategic Communication & Investor Relations Consulting, 1998-2011

Director of Corporate Communications & Investor Relations
National Education Corporation, 1993-1997

Director of Corporate Communications & Investor Relations
Advanced Interventional Systems, 1991-1993

Director of Corporate Communications & Investor Relations
Geothermal Resources International, 1985-1990

Director of Communications,
Oregon Secretary of State Campaign, 1984-1985

Director of Communications, Minority Caucus
Oregon House of Representatives, 1982-1984

Director of Communications
4th District Congressional Campaign, 1981-1982

Editor, Oregon Blue Book
Oregon Secretary of State, 1980-1981

GRANTS, AWARDS, AND HONORS:

Award for Outstanding Teaching by a Master's Student, School of Journalism and Communication, University of Oregon, 2013

Graduate Teaching Fellowship, University of Oregon School of Journalism and Communications, 2011-2014

Chapter Leadership Award, Best Member Services, National Investor Relations Institute, Annual Conference, 2010

Chapter Leadership Award, Best External Affairs, National Investor Relations Institute, Annual Conference, 2010

PUBLICATIONS:

Chandler, C. S. (2014). Investor Relations from the Perspective of CEOs. *International Journal of Strategic Communication*, (in press).

ACKNOWLEDGMENTS

Throughout my work on this thesis, the scholarly guidance, probing questions, and thoughtful discussion of my committee chair, Professor Curtin, inspired, encouraged, and motivated me to push through the inevitable challenges of doing qualitative research. May I bring some of the same openness, clarity of thought, and sense of adventure to my students' work that she has brought to mine.

Thank you as well to my committee members: Professor Davis, who made it possible for me to gain access to that “one last interviewee;” and to Christine Besnard, whose legal expertise and collaborative work with me on investor relations contributed not only to this study but also to the successful implementation of a major investor relations program.

I also sincerely appreciate the willingness of the CEOs in the study who shared their valuable time with me as well as their experiences building relationships with investors. My hope is that their contribution will advance the scholarly understanding of investor relations, lead to the further development of best practices within the profession, and facilitate the creation of curriculum for future professionals.

Many others played a role throughout my professional and academic experience that contributed to bringing this thesis to life: my colleagues in investor relations, the professionals in finance and the legal field who served as mentors; the CEOs with whom I spent many hours over the years engaging with investors; and the School of Journalism and Communication at the University of Oregon where I always discover more to learn and where my fellow graduate students have made the shared journey enjoyable and memorable.

For my mother, who knew the value of an education and who gave that opportunity to her five children, and for my daughter, who was the first – without hesitation – to encourage me to begin this journey.

TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION.....	1
The Evolution of Investor Relations	3
Investor Relations and Public Relations	7
II. THEORETICAL FRAMEWORK AND LITERATURE.....	10
Public Relations from the Relationship Management Perspective.....	10
Rebuilding Trust after the Financial Failures of the 2000s.....	16
Investor Relations Literature.....	17
III. METHOD	24
Sample.....	24
Data Analysis	27
Reflexivity.....	28
Reactivity	30
IV. RESULTS.....	31
Regulatory Requirements Limit the Nature of the Relationships CEOs Engage in with Investors.....	31

Chapter	Page
CEOs Need to Engage with Investors Honestly and Openly in Good Times and Bad.....	37
CEOs Feel a Responsibility to Listen to Investors Who Often Provide Valuable Insights	40
CEOs Have Multiple Audiences, in Addition to Investors, to Consider When Making Decisions.....	43
Investors Rely on Intangibles to Determine if CEOs Can Deliver Results	46
Investor Relations and Public Relations Share Some Ground.....	48
Summary	53
V. DISCUSSION.....	55
Limitations	55
Selective Coding	57
Discussion	61
Implications for Practice and Future Research	73
APPENDICES	80
A. CODES RELATED TO QUALITIES THAT DEFINE THE RELATIONSHIPS BETWEEN CEOs AND THEIR MAJOR INVESTORS	80

Chapter	Page
B. INTERVEIW GUIDE.....	86
REFERENCES CITED.....	88

LIST OF TABLES

Table	Page
3.1. Participant information and pseudonyms.....	25
4.1. Regulatory requirements limit relationships between CEOs and investors.....	32
4.2. CEOs need to engage with investors honestly and openly in good times and bad.....	38
4.3. CEOs feel a responsibility to listen to investors who often provide valuable insights.....	41
4.4. CEOs have multiple audiences, in addition to investors, to consider when making decisions.....	44
4.5. Investors rely on intangibles to determine if CEOs can deliver results.....	47
4.6. Investor relations and public relations share some common ground.....	50

CHAPTER I

INTRODUCTION

Investor relations, which integrates the disciplines of communication, marketing, finance, and compliance with securities laws (NIRI, 2013), is a relatively new field that emerged during the 1950s as the United States embarked on a 20-year economic expansion. As the volume of shares trading in the stock market rose dramatically, stockholders became another public with whom publicly traded companies needed to communicate. As owners of the publicly traded shares of a corporation, stockholders have the right to vote on certain issues, including, for example, the right to participate in the election of the members of the board of directors (Thomsett, 1986).

Today, investor relations is recognized as essential to the ability of a public company to compete for capital and to achieve and maintain a fair valuation for the company's securities over the longer-term. Some have argued that a proactive and well-executed investor relations program can contribute 10% to a company's stock price (Hobor, 2012).

In contrast, failure to engage successfully with investors can create significant downward pressure on a company's stock and also severely limit management's ability to complete major strategic and financial transactions. For example, Apple Inc. stockholders drove the company's stock price down 30% in just five months in 2012 over concerns about increased competition, the compensation level of its senior executives, and the company's reluctance to distribute some of its nearly \$137 billion in cash to its stockholders. Speaking at the company's annual meeting of stockholders in February

2013, Apple's CEO Tim Cook acknowledged dissatisfaction with the dramatic loss of the stock's value but seemed to minimize his stockholders' concerns – even appearing to be dismissive of those concerns. When questioned about the issue, he responded: “I don't like it either. Nor does the board or the management team ... but we're focused on the long term” (Moore & Treanor, 2013). And Dell Inc.'s largest outside investors withheld for six months their support for a buyout offer in 2013 from founder Michael Dell and private investors, claiming that the price being offered to shareholders for their shares was too low (Terlep, Worthen, & Demos, 2013). Ultimately, following an extended battle with shareholders, including numerous delays in the vote due to lack of sufficient shareholder support, Dell completed the buyout, but only after increasing the initial \$13.65 share price to \$13.75 as well as agreeing to pay shareholders two special dividends. So, in addition to the increased transaction expenses and the loss of business opportunities from the delay in completing the buyout, the price tag for Michael Dell to take the company private rose \$6.0 billion to \$25.0 billion (Benoit, 2013; Rubin & Benoit, 2013)

To the extent that CEOs such as Apple's Tim Cook and Michael Dell engage with investors in a way that fails to genuinely acknowledge investors' concerns, these executives risk compromising their relationships with investors as key stakeholders. Given that intangibles, including how management is perceived by investors, can comprise more than 50% of the criteria for investment decisions (Laskin, 2011), underestimating the importance of a relationship with investors characterized by a demonstrated mutual respect and a commitment to two-way communication that seeks to achieve an organization's interests while at the same time trying to accommodate its

stakeholders interests can jeopardize a public company's appeal to investors and, ultimately, its ability to achieve a fair valuation. Such negative outcomes suggest that building and maintaining relationships is as integral to the discipline of investor relations as scholarly studies have argued it is to public relations.

The Evolution of Investor Relations

Two major economic and social turning points of the 1950s contributed to the emergence of investor relations. The dramatic economic expansion that began after World War II and continued until the early 1970s increased the wealth of private citizens in Western countries, including the United States. These increasingly affluent individuals sought opportunities to invest their surplus income. Simultaneously, companies across America, particularly consumer product companies, were in need of greater financial resources to fund their expanding operations aimed at capturing customers in the newly invigorated consumer marketplace. These companies turned to the stock market to find investors who had the financial resources to become shareholders of their publicly traded stock.

To communicate with and attract investors to their stock, public companies in the 1950s and 1960s looked to the public relations field, which at the time was focused primarily on generating publicity for organizations and individuals. Consequently, early investor relations efforts relied heavily on promotional tactics to woo investors. These tactics, including "dog and pony shows" (Mahoney, 1991, p. 3) and lavish events, were aimed at impressing investors and selling them on the idea of becoming stockholders. Investors, however, wanted access to information and to opportunities to engage in ongoing discussions with senior management about strategic direction, operational

performance, financial results, and opportunities in the marketplace for the products and services of the companies in which they had become stockholders. Glossy annual reports and fancy gift boxes were not enough to satisfy these individual investors who had risked their own money to become stockholders. As investors, they took their ownership in public companies seriously and expected the executive teams managing public companies to take them seriously as shareholders (Laskin, 2010).

Even though investor relations was initially influenced by public relations, the financial nature of much of the information provided to stockholders began to define investor relations as a professional experience similar to public relations but also different from it in significant ways. For example, investor relations professionals must communicate information consistent with stock exchange listing requirements and the requirements of the Securities and Exchange Commission (SEC), the federal agency that administers the securities laws in the United States. Generally, these laws prohibit false representations and disclosures made in connection with the buying and selling of publicly traded securities (Pedersen, 2009). This highly regulated environment is unlike the setting in which most public relations professionals work.

Another key development in the evolution of investor relations was the institutionalization of the equities markets in the United States. As the number of assets and the volume of shares trading in the stock market steadily increased throughout the 1960s and 1970s, a structural change was made to streamline the financial markets and to make them more efficient. Professional money managers began to pool the money of individual investors and to collectively manage these assets in a variety of institutional funds. Given the significant number of shares that any institutional fund might own in a

public company on behalf of a large group of individual investors, the portfolio managers of these funds had more influence with public companies than any one individual investor – their decision to buy or sell shares in a company could have an immediate impact on that company’s stock price (Laskin, 2010).

Combined with the fact that these portfolio managers had significant expertise in financial matters and diverse opportunities for investing, it became critical for investor relations professionals to develop expertise and fluency in the financial models and business transactions of public companies as well as to demonstrate a working understanding of capital markets and investment strategies (Laskin, 2010). In addition, investor relations professionals had to be knowledgeable about a range of regulatory guidelines, including the SEC’s requirements related to the disclosure of any information to the public defined as “material,” which generally means any information that is reasonably likely to influence investors’ buy or sell decisions or to have a significant impact on the market price of a publicly traded stock. While a company’s legal counsel and finance department are primarily responsible for compliance with regulatory requirements related to a company’s official filings with the SEC and the stock exchanges, investor relations professionals work with senior management to formulate the company’s disclosure policy and ensure that the day-to-day communications with the investment community are consistent with this disclosure policy and regulatory requirements.

For the reasons discussed above, investor relations is a uniquely situated function in the organizational structure of public companies and one that continues to evolve. While it was conceived initially as a public relations function at a time when public

relations was still characterized by promotional tactics aimed at generating publicity, it is now being practiced by professionals with expertise in finance, communication, and securities law compliance who are increasingly focused on building strong relationships with investors using two-way communication aimed at achieving a balance between the interests of the company and the interests of its stakeholders. Such an approach may result in either or both the organization and its stakeholders changing their behavior.

Recognizing the importance of two-way communication to investor relations, in 2003 the board of directors of the National Investor Relations Institute, which was established in 1969 and is the leading professional organization for investor relations, adopted the following definition of investor relations to emphasize the importance of investor relations in facilitating two-way communication between companies and the investment community:

Investor relations is a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company's achieving fair valuation. (NIRI, 2103, About Us section, para. 2)

Similarly, an Ernst & Young global executive interviewed by Hutchins (2008) observed that the role of investor relations professionals goes beyond providing information to the investment community. According to the executive, investor relations officers also establish the dialogue between a company and the investment community, which facilitates the building and maintaining of relationships between senior executives of public companies and their investors (Hutchins, 2008).

Investor Relations and Public Relations

Many of the communication activities that investor relations professionals are engaged in on a day-to-day basis are similar to those of public relations professionals, such as formulating news releases, serving as media liaisons, developing fact sheets and other information for electronic or print distribution, writing management speeches, and creating presentations. But important differences also exist between the two fields that relate primarily to (1) the content of the messages, (2) the key audience for these messages, and (3) the regulatory guidelines that mandate how this information is communicated, or disclosed, to that audience.

For the most part, the focus of the content that investor relations professionals develop is related to the strategic, operational, and financial performance of companies. The investment community, which generally is defined as the portfolio managers at large institutional funds such as Fidelity Investments and T. Rowe Price, sell-side analysts who recommend stocks to institutional and individual investors, individual investors, and retail stockbrokers who sell stocks to individual investors, is the key audience to which this information is directed. The process by which information is communicated to the investment community is driven by legal parameters established by the Securities and Exchange Commission and the stock exchanges. For the most part, the intent of these regulatory agencies is to maintain a level playing field among investors by ensuring that all investors have equal access to accurate information about publicly traded companies. Investor relations professionals develop extensive expertise in managing the disclosure of this information consistent with these legal requirements, whether the information is

shared in one-on-one meetings, in investor teleconferences and webcasts, or at Wall Street hosted conferences.

Generally, investor relations is not offered as a course of study in U.S. colleges and universities or in academic institutions overseas. However, the National Investor Relations Institute has developed a substantial body of knowledge in investor relations over the past four decades. NIRI educational seminars are offered each year to develop and improve the professional expertise of investor relations practitioners both in the United States and internationally. These professional development seminars focus significant attention on the most effective ways to share information with the investment community to close the information gap (Mahoney, 1991) that exists naturally between a company and its investors. Therefore, discussion topics at educational seminars primarily focus on best practices and strategies for managing the production and dissemination of information related to corporate strategies and financial performance. Investor relations activities and communication vehicles such as investor relations sections of a company's website, teleconferences and webcasts with the investment community, one-on-one meetings with current and potential investors both in the United States and internationally, and senior management presentations at investor conferences are examples of the primary topics of professional seminars. Tactics for targeting potential new investors, utilizing digital media, and adapting disclosures practices to accommodate the evolving regulatory environment also are routinely addressed.

Even though public relations scholars consider investor relations to be a specialized field of public relations, academic researchers have largely neglected investor relations, except for a few noteworthy studies (Laskin, 2011). This neglect is despite the

substantial progress that public relations scholars have made in the past several decades in the development of theory specific to public relations, such as relationship management, which holds that the purpose of public relations is to manage the relationships between an organization and its publics (Ledingham & Brunig, 2000). Until now, the relevance of this theoretical framework has not been applied to investor relations, despite the specialized role of investor relations in managing relations with the investment community.

Building on scholarly research in the field of public relations, this current study responds to suggestions for academic research that explores the relevance of relationship management theory to investor relations. The study examines whether CEOs perceive investor relations as the management of relationships between a public company and its investors. The study also seeks to determine how relationship management theory might inform investor relations practices, particularly through the perspectives of those who manage companies and who are a company's public face – the CEOs (Garten, 2001).

CHAPTER II

THEORETICAL FRAMEWORK AND LITERATURE

This literature review focuses on studies of public relations from the relationship management perspective as well as research in investor relations conducted more recently by public relations and business scholars. Using a relationship management approach to investor relations applies an established public relations theoretical framework to the investigation and understanding of relationships between public companies and a key stakeholder group, the investment community.

Public Relations from the Relationship Management Perspective

Relationship management in the field of public relations implies mutually advantageous relationships between organizations and their key publics that are developed, maintained, and expanded over time. Scholars across multiple disciplines agree that relationships – whether interpersonal or professional – are characterized by a set of expectations two parties have of one another’s behavior that are derived from the nature of the parties’ connection.

The first scholar to articulate a strong rationale for developing a public relations theory focused on relationships was Ferguson (1984). She made the case that by emphasizing relationships instead of the organization, the organization’s publics, or the communication process, it would be possible to study the significance of these relationships. Researchers could then gain insight about the various attributes of the relationships between an organization and its publics and also measure the impact of these relationships on attitudes and behavior toward an organization.

By focusing on *relationship* as the unit of analysis, some public relations scholars argue that the contribution of public relations is not solely related to strategic planning and implementation of communication aimed at influencing, informing, and obtaining feedback from key stakeholders. While managing the development of communication strategies and implementing outputs are integral to public relations, relationship management theory holds that the essence of public relations is building mutually beneficial relationships with the publics that can enhance or hinder an organization's opportunities to achieve its goals (Ledingham & Bruning, 2000).

Given that the contribution of public relations as a profession is either underestimated or misunderstood by most senior executives (Ledingham & Bruning, 2000), many scholars and practitioners believe that developing a means for measuring and monitoring public relations, such as relationship management theory does, is critically important.

In the years since Ferguson (1984) first suggested that relationships were the most relevant focus of research in public relations, academic studies focused on the understanding of organization-public relationships have increased substantially. Broom, Casey, and Ritchey (1997) examined the concept of relationship to identify meaningful properties of relationships to be measured. They reviewed the literature in the fields of interpersonal communication, psychotherapy, interorganizational relationships, and systems theory, in which relationship is a key concept. Because of the wide range of definitions of the concept of relationship across these disciplines, the researchers concluded it would be difficult for public relations scholars to advance a relationship-centric theory of public relations until the concept of relationship was more clearly

defined. Ledingham and Brunig (1998) responded by positing a definition of the organization-public relationship as “the state which exists between an organization and its key publics, in which the actions of either can impact the economic, social, cultural or political well being of the other” (p. 62).

As relationship management theory gained acceptance among many public relations scholars as a theory specific to public relations (Ledingham & Brunig, 2000), some suggested that these relationships could be effectively managed through communication alone. J. E. Grunig (1993), however, held that organization-public relationships are both symbolic and behavioral. He argued:

When symbolic (communication-based) relationships are divorced from behavioral (grounded in actions and events) relationships, public relations practitioners reduce public relations to the simplistic notion of image building which offers little of value to the organizations they advise because they suggest that problems in relationships with publics can be solved by using the proper message – disseminated through publicity or media relations – to change an image of an organization. (p. 136)

This understanding of the nature of organization-public relationships is also apparent in public relations research (Grunig, J. E. & Grunig, L. A. 1992) that argues that the two-way symmetrical model, which uses communication to negotiate mutual agreements with publics, to settle conflicts, and to build mutual understanding and respect between an organization and its publics, provides the greatest value to an organization’s effectiveness when compared to the other three models. These other models include the press agentry model, the public information model, and the two-way asymmetrical model of public relations (Grunig, J. E. & Hunt, 1984).

The press agency model, which dominated public relations practice in the early and mid-20th century, is aimed at gaining favorable publicity through the mass media. The goal of this one-way communication model is to make an organization or individual look good and worthy of respect, even if that is not the reality. The public information model is also a one-way model. It is focused on developing and distributing information that is relatively objective, although typically favorable to the organization. The two-way asymmetrical model makes use of research to develop persuasive messages that are most likely to convince key stakeholders to form an attitude and take action consistent with an organization's goals and objectives. Unlike the two-way symmetrical model, this model does not make use of research to discover how an organization's publics feel and think about the issues and the organization, and it suggests minimal interest in achieving goals that mutually benefit the public as well as the organization (Grunig, J. E. 1992).

Since J. E. Grunig and Hunt (1984) initially conceived the four models of public relations, scholars have advanced a "mixed-motive model" that includes both the two-way symmetrical and two-way asymmetrical models (Dozier, Grunig, L. A., & Grunig, J. E., 1995):

In the model, organizations and publics are viewed as holding separate and sometimes conflicting interests. Nevertheless, negotiation and compromise permit organizations and publics to find a common ground, the win-win zone ... The model suggests that a number of outcomes are possible within the win-win zone. Unsatisfactory and unstable relationships exist on either side of the win-win zone, with one party exploiting the other. (p. 48)

Similarly, Hon and Grunig (1999) argue that organizations tend to make better decisions when they are willing to listen and engage collaboratively with key publics prior to making final decisions instead of using communication tactics to persuade publics to support the organization's decisions after they already have been made. In

2012, consistent with the changing emphasis in the purpose of public relations, the Public Relations Society of America (PRSA) adopted a definition derived from a crowdsourcing campaign that describes public relations as “a strategic communication process that builds mutually beneficial relationships between organizations and their publics” (PRSA, 2014, About Us section, para. 2).

To further advance the understanding of how to manage organization-public relationships, Hon and J. E. Grunig (1999) suggested the following as critical to maintaining organization-public relationships:

- access – parties to the relationship have access to each other’s decision making processes; the parties respond to communication from each other and the parties are willing to communicate directly to the other parties when they have complaints or questions instead of taking unsatisfactory experiences and unanswered questions to a third party.
- positiveness – parties to the relationship engage in activities that make the relationship more enjoyable for the other parties involved.
- openness – parties to the relationship are willing to be open about thoughts and feelings.
- assurance – parties to the relationship make the effort to assure the other parties that they and their concerns are legitimate while also making the effort to demonstrate a commitment to the relationship.
- networking – organizations build networks and alliances with the same groups with which their publics have alliances.

- sharing of tasks – organizations and publics work together to address mutual or separate problems.

Hon and J. E. Grunig (1999) also posited the following four measureable predictors of the quality of successful organization-public relationships:

- control mutuality – the extent to which parties agree to the rightful power to influence one another. Enduring positive relationships between organizations and publics need to be characterized by some degree of control over the other, even though some degree of power imbalance is natural in organization-public relationships.
- trust – one party’s level of confidence in and willingness to be open to the other party. Underlying dimensions of trust are integrity (the belief that an organization is fair and just), dependability (the belief that the organization will do what it says it will do), and competence (the belief that an organization has the ability to do what it says it will do).
- satisfaction – the degree to which one party feels favorably toward the other as a result of positive expectations about the relationship being met. Also, in a satisfying relationship, the benefits outweigh the costs. Satisfaction also results when one party believes the other party is making a sincere effort to maintain the relationship.
- commitment – the extent to which the parties in the relationship believe and feel that it is important to invest energy in maintaining and developing the relationship.

Hon and J. E. Grunig (1999) reviewed literature in interpersonal communication and psychology to develop scales for measuring control mutuality, trust, satisfaction, and commitment as indicators of a successful organization-public relationship. They tested these scales in a pilot study with five organizations selected as representative of different types of public and private organizations. These scales provide the basis for the guided interviews in the current study (Hon & Grunig, J. E., 1999). While all four scales are considered integral to measuring the quality of relationships between organizations and their key stakeholders, trust has emerged as particularly relevant, given the crises throughout financial institutions, public companies, and the economy, in general, during the past decade.

Rebuilding Trust after the Financial Failures of the 2000s

Following the global financial crisis of 2008, researchers focused renewed attention on the role of trust in organization-public relationships. Shockley-Zalabak and Morreale (2011) argued that “trust is the main thing in any organization” (p. 44). They concluded from their review of research that a high-level of organizational trust has been associated with (1) more adaptive organizational structures, (2) opportunities to enter into strategic alliances, (3) effective crisis management, (4) lower litigation costs, (5) reduced transaction costs, (6) product innovation, and (7) financial performance.

Rawlins (2007) observed that trust is necessary in the practice of public relations on two levels. First, credibility is essential to public relations professionals’ ability to be effective messengers for organizations. Second, trust is fundamental to the development of relationships with key stakeholders and to the ability to sustain these relationships. He posited the following definition of trust: “Trust is one party’s willingness – shown by

intention and behavior – to be vulnerable to another party based on confidence developed cognitively and affectively that the latter party is: (a) benevolent, (b) reliable, (c) competent, (d) honest, and (e) open” (p. 5).

Lev (2012) argues that investors’ increasing hostility toward public companies during the past decade and the widespread perception that corporate executives are untrustworthy are the unmistakable outcomes of the egregious business practices of such public companies as Enron and WorldCom as well as the pervasive financial losses in the residential and commercial real estate markets triggered by the downfall of Bear Stearns, Lehman Brothers and Countrywide Financial. He posits that rebuilding investors’ and the public trust is the most serious challenge confronting the senior executives of today’s public companies. By 2014, businesses, in general, had begun to regain some of the trust lost during 2008 and 2009, due partly to a commitment to increased transparency (Edelman, 2014).

The role of investor relations professionals in leading communication between the investment community and public companies as these companies and their senior executives engage in relationships with investors creates a significant opportunity – and responsibility – for investor relations officers to ensure that a genuine commitment to trust is the cornerstone of these relationships. Considering the substantial and growing influence of investors as a key stakeholder group, academic research to advance scholarly knowledge related to the field of investor relations is needed.

Investor Relations Literature

Although investor relations has received only limited attention among public relations scholars, several studies relevant to this research have emerged that examine the

practice of investor relations. Among the findings of these studies is an emerging view that two-way communication and relationship building are fundamental to effective investor relations.

Of particular significance is the Kelly, Laskin, and Rosenstein (2010) national study of 145 professionals, including members of NIRI as well as members of the Public Relations Society of America (PRSA). According to the study, public relations practitioners and organizations, in general, predominately practice press agency public relations, while investor relations officers and the publicly traded companies they work for predominately practice two-way symmetrical communication with the investment community. It is noteworthy that investor relations professionals are practicing the normative model more frequently than public relations professionals do. The major impact that investors have on a public company's ability to survive as a business and to be successful in both the near and longer term may provide the rationale and motivation for investor relations practitioners to more fully embrace the two-way symmetrical model than their colleagues in public relations (L. A. Grunig, 1992).

Laskin (2011) surveyed investor relations officers from both public companies and agencies to examine their perceptions of the contribution investor relations makes to public companies. Among the indicators of value included in the study was "relationship building" (p. 316). Participants indicated that establishing personal relationships with the investment community is critical and makes it possible to build credibility among such key investment community audiences as buy and sell-side analysts, portfolio managers of large institutional funds, and credit rating agencies. Engaging in proactive, transparent, and trustworthy communication resulted in greater patience among investors and a

willingness to remain shareholders when the companies in which they held stock experienced the inevitable setbacks and disappointments. Nevertheless, respondents cautioned that recurring failure to meet expectations for performance would undermine, ultimately, any company's ability to maintain strong relationships with investors. The respondents also referenced surveys of the buy and sell-side community that suggest intangibles comprise more than 50% of the criteria used today for making investments. Among the most important of these intangibles was the reputation of management (Laskin, 2011).

Petersen and Martin (1996) asked chief executive officers (CEOs) in nonbanking public companies in Florida if they perceived investor relations as a specialty of the public relations discipline. The study found that the CEOs sampled viewed investor relations more as a financial function than a public relations function. These CEOs also indicated that investor relations was a function that required the direct involvement of senior management, in particular the CEO and the CFO. Consequently, only 13% of the CEOs indicated that the chief public relations officer was involved in overseeing the investor relations function (Petersen & Martin, 1996).

Petersen and Martin (1996) also found that the investor relations activity rated most highly by CEOs was the interaction of investor relations with senior management. Engaging with industry leaders and attracting the attention and support of well-respected analysts also were ranked as priority investor relations activities. These CEOs believed that "earning a reputation for honesty" (p. 193) was the most important outcome of investor relations activities. Among other program outcomes identified as critical by these executives were (1) providing ongoing information to investors, (2) appropriate

disclosure of information based on regulatory requirements, (3) attracting new investors, (4) developing good relationships with the analysts covering the company as well as increasing analyst coverage, and (5) effective communication with the public. Although the results of this study, which focused on 76 responses received from nonbanking public companies in Florida, could not be generalized to the broad population of CEOs, the findings provided important insights into how these CEOs perceived investor relations to be different from public relations and the role they believed investor relations had in their organizations.

Business scholars also have examined the field of investor relations with studies that focus on a range of issues. Corporate governance and corporate social responsibility are among the topics addressed by these scholars that are of relevance to this study. These studies respond to the growing interest in Corporate Social Responsibility (CSR) among mainstream investors as well as socially responsible investors (Fieseler, 2011). As investors' interest in environmental, social, and governance issues expands, the importance of communicating about these issues has become increasingly important to investor relations professionals.

Hockerts and Moir (2004) conducted some of the early research examining how investor relations practitioners address the need to communicate about corporate social responsibility issues to investors. With a focus primarily on multinationals with headquarters in Europe, they investigated how investor relations practitioners perceive CSR, the role they had in communicating about CSR issues, and their view of the future impact of CSR. Overall, the researchers found that companies have an increased awareness of the need to improve the disclosure of information related to social and

environmental performance. And while these investor relations professionals believed investors and analysts will continue to expand their use of social and environmental criteria as they make investment decisions, this is expected to occur only gradually. Nevertheless, participants indicated companies can expect investors to be increasingly concerned with how companies are managing their environmental and social impact in addition to revenues and earnings performance. The researchers argue that investor relations professionals will need to engage in more two-way communication as they take a more active role in providing feedback to management about the investment community's concerns related to CSR issues (Hockerts & Moir, 2004).

For the purpose of advancing understanding within the investor relations field of how to improve communication with investors related to CSR issues, Fiesler (2011) examined how equity analysts in the capital markets in Germany view CSR. In comparison to earlier studies, Fieseler (2011, p. 132) focused on “mainstream business case equity analysts, who presumably concentrate exclusively on financial data (as opposed to socially responsible investors).” The study found that equity analysts view CSR issues, for the most part, from an economic perspective, particularly the contribution they make to creating shareholder value. However, this financial orientation does not suggest that a company's concerns for profits can exclude taking into consideration the concerns of all publics who have a stake in the organization, because under certain circumstances addressing these concerns can increase shareholder value. In addition, the equity analysts interviewed for the study indicated that building a relationship between the company and the investment company based on trust was a major responsibility of public companies. They stated that a strong commitment to an ongoing exchange of

information with the investment community is essential to establishing this trust with investors and to building a reputation of reliability (Fieseler, 2011).

Trust also was examined by Ryan and Bucholtz (2011), who argued that becoming a stockholder requires “both financial and ethical risk, which by definition requires some level of implicit trust in management and the market” (p. 177). The researchers present a Trust/Risk Model of Shareholder Behavior to illustrate how individual investors, who in 2001 owned approximately 50% of the equity in U.S. companies, made investment decisions. They posit that a key component of the decision making process engaged in by individual investors includes not only financial performance and the macroeconomic environment but also senior management’s awareness of its moral duty. Part of the reason investors pay attention to a company’s ethical behavior is based on the realization that news coverage of unethical activities can negatively impact a company’s stock for a substantial length of time (Ryan & Bucholtz, 2011).

To date, scholars researching investor relations have not examined the field from the perspective and experiences of CEOs, except for the Petersen and Martin (1996) study that focused on CEO perceptions of investor relations as a public relations function. This is despite the fact that as leaders of public companies, CEOs have a major responsibility to engage in complex relationships with their investors and communicate in a variety of critical circumstances with these key stakeholders who can provide support for or limit a company’s opportunities to achieve its goals. According to a 1994 survey of 220 companies in the United States with revenues of more than \$1 billion, 46% of the CEOs of these companies spent more than 40 hours annually engaged with their large

investors (The Conference Board, 1994). As investors rely increasingly on such intangibles as “integrity, vision and leadership” (Charlier, 2013, p. 7), in addition to financial performance to make investment decisions, the need for CEOs to be engaged with their investors has become even more critical to a company’s long-term success. Today, CEOs in major public companies are estimated to spend on average 25% of their time dealing with the financial community (Scott, 2005). A study that examines how CEOs as leaders of public companies engage with investors and their perceptions of their relationships with their large institutional stockholders is needed to further advance the understanding of investor relations.

Based on the literature reviewed in relationship management theory and scholarly research in investor relations, the following research questions were posed for this study:

R1: How do CEOs define best practice in investor relations?

- To what extent do CEOs rely on two-way communication as they engage with their major investors?
- What do CEOs believe are the most important outcomes of an investor relations program?

R2: What qualities do CEOs of public companies value in their relationships with their large institutional investors?

- Do CEOs of public companies work to achieve trust, commitment, satisfaction, and control mutuality in their relationships with this key public?

R3: How do CEOs characterize the relationship between investor relations and public relations?

CHAPTER III

METHOD

Because this study investigates the relevance of relationship management theory to investor relations, the research design consists of interviews and employs the analytic induction approach that emerged from the Chicago School of sociology in the 1930s and 1940s (Vidich & Lyman, 1994). The study examines the theory of relationship management, an established public relations theoretical framework that measures the quality of organization-public relationships based on the dimensions of trust, control mutuality, commitment, and satisfaction, to determine whether the theory can be applied to the investigation of the quality of organization-public relationships in the investor relations field, in particular the relationships between CEOs and their largest stockholders.

Sample

Participants were selected using purposeful sampling from publicly available lists of the largest public companies in Oregon, Washington, and California based on total annual revenue. Participants listed below in Table 3.1 were CEOs across a range of industries, including financial services and banking, medical devices, and technology. The 2012 annual revenue of the companies participating in the study ranged from approximately \$60 million to nearly \$2 billion, and the market capitalizations of the companies (calculated by multiplying share price by shares outstanding) ranged from approximately \$270 million to nearly \$7.0 billion at the time of this writing.

Table 3.1: Participant Information and Pseudonyms

Name	2012 Fiscal Year Revenue	Market Capitalization(as of 12-17-2013)	Location	Gender
John	\$61.5 million	\$270.0 million	Northwest	Male
Carol	\$275.5 million	\$1.4 billion	Northwest	Female
Gary	\$1.9 billion	\$6.9 billion	California	Male
Sam	\$1.3 billion	\$631.0 million	California	Male
Jim	\$342.0 million	\$363.0 million	California	Male
Chris	\$592.9 million	\$2.6 billion	Northwest	Male

CEOs encounter constant demands for their time, and the gatekeepers who shield their schedules are highly selective in granting access. For these reasons, the sample for this exploratory study was small: data were gathered from six CEOs. However, McCracken (1988) argues that working intimately with a few interviewees is more important than engaging superficially with a larger number of individuals, while acknowledging that the findings based on a small sample cannot be considered representative of the larger population.

I gained access to the CEOs in the study through longstanding connections with investor relations officers, securities law attorneys, and CEOs known personally by me, who then provided access to other CEOs, resulting in a snowball sample. To increase the likelihood of gaining access and engaging in a more candid discussion, all participants were ensured confidentiality through informed consent provided by the Institutional Review Board of the University of Oregon. To further protect the confidentiality of the

participants, each CEO was assigned a pseudonym. These pseudonyms are listed in Table 3.1.

Hon and Grunig's (1999) scales for examining the quality of successful relationships, which include trust, satisfaction, control mutuality, and commitment, provided the basis for the interview guide developed to investigate whether CEOs work to achieve these qualities in their relationships with investors. The semi-structured nature of the interviews intentionally created the opportunity for the CEOs to reveal the extent to which they rely on the two-way symmetrical model in their communication with investors, which J. E. Grunig and L. A. Grunig (1992) argue provides the greatest value to an organization's effectiveness. Such a semi-structured approach to the interviews also allowed for new understandings to emerge from the interviewees' perceptions of their experiences with their investors.

Data were gathered through 30- to 60-minute in-depth interviews conducted face-to-face and guided by open-ended questions using an interview guide. Charmaz (2006) has described such intensive interviewing as "open-ended yet directed, shaped yet emergent, and paced yet unrestricted" (p. 28). Such an approach made it possible to identify the factors that characterize and shape CEOs' relationships with large institutional investors.

McCracken (1988) argues for qualitative interviewing to be conducted in an "unobtrusive manner" (p. 21) that allows for private sharing and an intimate look into the nature of complex experiences. The office of each CEO provided a familiar, yet private setting for the face-to-face interviews that were free from interruptions because the interviews were scheduled well in advance after extensive discussion of the interviewing

purpose and process. In addition, the in-person meetings fostered more interpersonal engagement with each CEO than a telephone interview would have allowed.

Data Analysis

The transcripts from the interviews as well as the researcher's notes provided the raw data for analyzing the research participants' relationships with their investors.

Several grand-tour questions were used to begin the interviews:

- Tell me about the biggest challenges you face as a CEO. What do you enjoy about it? What is least enjoyable about it?
- What are the first things that come to mind when you think about the relationships you have with your major shareholders?

I then probed more specifically about the characteristics of relationships that these CEOs have with their investors based on the questions in the interview guide (Appendix B). To establish the CEO participants' perspectives of the qualities that characterize their relationships with their major investors, responses to these questions were analyzed by organizing them into categories (Charmaz, 2006), including, for example, the behaviors of investors that the CEOs recall and the attitudes they associate with their major investors. Data from the interviews were further clustered around categories and subcategories related to the four dimensions that define the quality of relationships (satisfaction, trust, control mutuality and commitment) identified by Hon and J. E. Grunig (1999).

The coding paradigm used to select, separate, and sort data was open coding, axial, and selective coding (Strauss, 1987). The initial coding – open coding – included a close reading of the data during which the researcher was open to all that the data revealed

about the research participants' perceptions of their experiences as CEOs engaging in relationships with their major stockholders. In addition, line-by-line coding was used during the open coding phase. Charmaz (2006) argues that line-by-line coding is particularly useful in the early analysis of data from in-depth interviews because it makes it possible to look at the data critically and to recognize, for example, implied concerns and underlying assumptions of the research participants.

Axial coding was then used to explore the data further and to create connections between categories and subcategories to determine how they are related to one another. According to Strauss and Corbin (1998), this strategy brings together the data that had been broken apart into specific pieces during initial coding and identifies relationships between categories to answer such questions as “when, where, why, who, how, and with what consequence” (p. 125). Through selective coding in the final stage of data analysis the most significant and/or reoccurring earlier codes were used to sift through over 100 single-spaced pages of data. Decisions were made to identify which initial codes were most central to and related naturally to other codes. This process was the basis for categorizing the data thoroughly and creating an overarching organizational schema for the analysis (Charmaz, 2006; Strauss, 1987). Overall, open coding resulted in 12 categories, which during axial coding were consolidated into six categories.

Reflexivity

McCracken (1988) posits that scholars who work within their own culture do not have a “critical distance from what they study” (p. 22). As a consequence, they are likely to make assumptions about the phenomenon they are examining based on a blinding sense of familiarity that can limit their ability as researchers to be critical observers.

Having worked with CEOs as an investor relations professional for more than 20 years, I provided counsel to them related to their communication and relationships with the investment community. Consequently, I have a deep understanding of the issues CEOs encounter with their investors and have observed firsthand the ways in which the relationships with investors unfold. This familiarity made it particularly important for me to successfully manufacture distance (McCracken, 1988) from participants in my research in order to maintain a critical awareness of the information and experiences they were relating. For example, when a CEO described a discussion with an investor in which the investor pressured the CEO to share information that had not been widely disclosed to other investors as required by regulatory guidelines, I needed to resist projecting my own experience with CEOs in the situation onto the specific experience of the CEOs in the research group as they described the incident.

Another challenge I faced was facilitating a process that allowed for CEOs to be candid. CEOs are used to engaging in scripted performances, so creating a setting in which they were able to share authentically was particularly important to producing insightful data. In addition, by the nature of their leadership role, they often are guarded about revealing details of their experiences that may pose a threat to their perception of themselves, intellectually and emotionally. In order for the CEOs in this study to be unreserved about their experiences with investors, I needed to work diligently toward creating a balance between professional formality based on mutual respect and an informal sense of genuine connection with them as participants in the research.

Also, I was aware that my role as a social scientist in this research setting was quite different from my role as an investor relations professional advising CEOs of public companies.

Reactivity

As mentioned earlier, the demands for CEOs' time made gaining access to these individuals for in-person interviews particularly challenging. However, several of the participants specifically mentioned the importance of participating in scholarly research projects.

Three CEOs initially agreed to be interviewed but eventually declined. In two instances, gatekeepers intervened, and in another the individual decided he was unwilling to be audio recorded as the interview was getting underway. The audio recording was required by the study's protocol.

The six CEOs interviewed all had substantial experience engaging with investors and generally were unrestrained in sharing their experiences about their relationships with investors. All of the companies led by the interviewees had at some point in time during the CEOs' tenure gone through periods of both weak and strong financial performance. Over the 24-month period from December 2011 to December 2013, the price of the stock of some of the companies had increased while in others it had decreased or remained essentially unchanged.

CHAPTER IV

RESULTS

Throughout the interviews, each of the participants described a variety of factors that make building relationships with investors a constant challenge to them as CEOs of publicly traded companies. Chief among these are the constraints imposed by regulatory requirements on communication between publicly traded companies and their investors. The CEOs interviewed also discussed experiences that reveal the importance in the relationships these executives have with investors of qualities such as trustworthiness, transparency, honesty, and a willingness to be responsive and listen sincerely. The table in Appendix A lists the open and axial codes used in this section to provide a description of the qualities that CEOs believe define their relationships with their major investors.

Regulatory Requirements Limit the Nature of the Relationships

CEOs Engage in with Investors

Table 4.1 summarizes the codes leading to the analysis presented in the following paragraphs.

Four of the six CEOs directly referenced the legal parameters established by the Securities and Exchange Commission, including Regulation FD (REG FD), as being a constraining factor in their relationships with investors. The SEC adopted REG FD in August 2000 in response to its concerns related to the selective disclosure by publicly traded companies of material nonpublic information to the investment community, including stock analysts and shareholders, who might buy or sell stocks based on this information (NIRI, 2012). REG FD requires that when publicly traded companies communicate material information, which generally means any information that is

reasonably likely to influence investors’ buy or sell decisions or to have a significant impact on the market price of a publicly traded stock, they need to do so publicly, not selectively. With this regulation, the SEC’s intention is to create a level playing field for all investors by making material information available simultaneously to all participants in the stock market and, in particular, limiting CEOs’ and other company spokespersons’ discussion of critical developments to those previously announced and broadly disseminated to the public, primarily through news releases from the company.

Table 4.1: Regulatory Requirements Limit Relationships Between CEOs and Investors

Properties	Open	Axial
Tough	Constant challenge to manage relationships	Regulatory requirements limit the nature of the relationships CEOs engage in with investors
Consistently discipline myself		
Play it straight		
Give everybody a level playing field		
No email exchanges		
Investors don’t make a decision from a distance, from just going to a conference, from online information	As they make investment decisions, investors need to believe CEOs are trustworthy	
What CEOs say need to stand the test of time		

Gary described how this regulation affects his dialogue and relationship with his investors:

One of the principal challenges is investors want an edge versus other investors and part of what they look for in their relationship with me or the company is to learn things that others don’t know – develop insights – that others don’t have. And to be consistent with REG FD, we’re obviously incentivized not to do that, but to give everybody a level playing field. And it’s a constant challenge to have investors feel close and have personal contact and feel like they have a relationship but give them nothing more than you give everybody in the marketplace. That’s tough – I think we do it, but it’s not easy.

To ensure he engages in a dialogue with his investors in a way that is in line with REG FD, this CEO has to “constantly discipline” himself to “stay on message” and to provide “consistent” information to all of his investors – both large and small. He doesn’t exchange emails with investors, and when he has telephone conversations or in-person meetings with them, he makes certain to have either “an IR professional in the room or the CFO or some other member of the staff.” He maintains a “level playing field” by trying to “play it straight” with all his investors and by being “responsive” to them, irrespective of their opinions about the company’s strategic direction or financial performance.

John described the limited opportunity he has to discuss potential changes to strategic direction, operational initiatives, or uses of excess cash with his investors due to REG FD. Even though he’d like to ask informally for investors’ perspectives on certain key decisions being considered by the company, it is difficult, he said, to engage in such discussions with investors and not “tip your hand,” thereby, selectively disclosing information to these investors, which would be a violation of REG FD. Only if his industry, overall, is wrestling with an issue -- such as whether to use excess cash for stock buybacks or dividends -- does he feel comfortable asking his investors their general opinions about the issue. He said investors “always appreciated it” when they’ve had the opportunity to share what they are thinking about such issues with him. In situations where REG FD is not a concern, he has frequently asked investors for their feedback, for example, about the quality of information provided in company’s presentations delivered at Wall Street hosted conferences or on the length of conference calls with investors – are they “too long, too short?”

Chris said his company is “totally transparent” about past performance. He described the company’s news releases as “mini books.” His company provides investors “everything they need, so we don’t get that many questions.” He relies upon his legal counsel to ensure that disclosure related to future events and performance is consistent with regulatory requirements.

Among other SEC provisions for public disclosure of information that interviewees discussed are those provisions requiring that communications cannot be false, misleading, or incomplete. After several highly visible public companies in the early 2000s, including Enron, WorldCom, Global Crossing, and others, failed to abide by these requirements, Congress passed in 2002 the “Public Company Accounting Reform and Investor Protection Act,” commonly known as Sarbanes Oxley or SOX. Included in these new reforms were additional and severe criminal and civil penalties for corporate misconduct and the requirement that CEOs and CFOs officially “certify” the reliability of their company’s financial statements and disclosures (NIRI, 2012). Gary and Sam both reported a keen awareness of the weight their words carry with investors and the responsibility they feel as CEOs to be honest with investors and to act with integrity at all times.

As Sam said,

If someone is going to invest millions of dollars into our company, I want to make sure they’re doing that on the real facts, the true facts. I don’t want to go to bed saying, “Boy, I think they got the wrong idea.” There is enough responsibility to deliver on what I’ve said, which I feel a real responsibility to do. If I say something is going to happen, I better make it happen because people are investing. If I spun something and it was bigger than what it should be ... I wouldn’t sleep at night. So I don’t want to mislead or flower things up by any means. I want to be just kind of straightforward, tell it like it is.

Similarly, Gary described the responsibility he feels:

The long-term nature and the importance of whatever I say ... is something I think about constantly. Knowing that whatever I say is going to influence a decision and it's going to get played back, whether it's one year from now, five years from now, or more.

Five of the six CEOs participating in the study reported spending a significant amount of their time – on average 30% annually – either meeting and talking with investors or thinking strategically about investor relations issues. This level of involvement with their investors is consistent with open coding that revealed the interviewees believe investors need to meet with and have a dialogue with CEOs.

Jim, whose company is a small-cap with 2012 annual revenue of approximately \$266 million, said that market capitalization may be a factor in investors' expectations for gaining access to the CEO:

In most companies below what you might refer to as a mid-cap stock, the investors want to see and talk to the CEO. They're never going to be happy having the CFO go out on the road and be the one that they meet with face-to-face in one-on-one meetings or in the investor conferences. They want to see, talk to, and hear from and have a conversation with the CEO.

Market capitalization categories typically are defined as mega-cap: more than \$200 billion; large-cap: more than \$10 billion; mid-cap: \$2 billion - \$10 billion; small-cap \$250 million - \$2 billion; micro-cap less than \$250 million; and nano-cap: less than \$50 million.

John, whose company is a micro-cap with 2012 annual revenue of approximately \$55 million, said:

I absolutely believe they [investors] want to look into the eyes of the CEO. I don't think they care whether or not I'm an eloquent speaker or use all the right words. They're looking for honesty out of a person.

Sam, whose company is a small-cap with 2012 annual revenue of nearly \$740 million, described how the conversations and meetings that investors have with CEOs enable them “to feel comfortable” with a management team:

They meet with us. They talk with us. They judge what we’re saying. Do they think we’re honest? Are we open? Or, are we just trying to market our stock? Over time, they can judge if we do what we say. Do we have credibility?

As investors decide which companies to invest in, these discussions with CEOs give them the opportunity to assess whether or not a CEO is trustworthy. When CEOs demonstrate they are able to do what they say they are going to do, trust develops. Carol, whose company is a small-cap with 2012 revenue of approximately \$285 million, describes her “biggest accomplishment” as:

We have the respect of the investment community for doing what we say we’re going to do. If there’s something that is going to cause a financial detour from what they expect, even though we don’t give guidance, we really do try to let them know what circumstances could change it.

Gary, whose company is at the higher end of the mid-cap range with 2012 annual revenue of nearly \$1.5 billion, said:

Trust is critical. What’s obvious to me is that people don’t make investments with a company from a distance. They rarely do. They’re not going to just go to a conference or they’re not going to read something online and decide probably they’re going to make a substantial investment. Serious investors want to meet management. They want to talk to them. They want to trust them.

Sam also emphasized the importance of trust in his relationships with investors:

I think trust is almost everything. If they can’t trust you as a CEO and trust what you say, then how do they know whether to invest in your company or not? I mean ... trust permeates everything. So when an investor wants to invest, when he talks to us, he knows where we stand. He doesn’t have to say, “Well, is he telling me the truth? Or, is he trying to cover up a bad quarter?”

Chris, whose company is at the lower end of the mid-cap range with 2012 annual revenue of nearly \$593 million, indicated that he doesn’t spend as much time meeting

with investors as he used to, although he does attend Wall Street conferences and meets in one-on-one meetings every now and then with investors. Unlike the other CEOs interviewed, his chief financial officer and others in his organization manage most of the interaction with the investment community. Similar to John, he believes in-person meetings with investors are preferable to telephone conversations and emails. “When they see the whites of your eyes, and I can see the whites of their eyes, I think you get more done.” Chris also discussed the importance of trust in relationships with investors:

I think it [trust] is obviously important. I think more important is confidence. They [investors] have to have confidence in management or they would never invest ... if they lose confidence or trust, they will sell, they will get out.

***CEOs Need to Engage with Investors Honestly and
Openly in Good Times and Bad***

Table 4.2 summarizes the open and axial coding leading to the analysis presented in the following paragraphs.

In addition to assessing trustworthiness, when investors interact with CEOs they are seeking “quality information” that will help them understand the story “behind the numbers.” The interviewees explained that investors need to receive “prompt” responses to their questions and requests for information. Jim reported that he interacts with his investors in much the same way that he relates to his customers:

I think you need to be very diligent and consistent and proactive in your communications and not let anything slip through the cracks. You’ve got to return phone calls quickly or in a timely manner. You have to provide them (investors) with materials.... You have to engage with them as if they were a customer, because what a customer would expect is all that too, right? In many ways, they are a customer. They’re just buying stock as opposed to a product.

Table 4.2: CEOs Need to Engage with Investors Honestly and Openly in Good Times and Bad

Properties	Open	Axial
Investors can access numbers online in the 10K and 10Q	Investors want access to quality information	CEOs need to engage with investors honestly and openly in good times and bad
Talk about what's behind the numbers		
Don't mislead or flower things up		
Investors are customers; they're just buying the stock as opposed to a product		
Return phone calls quickly		
Don't pull covers over your head	Investors will be disappointed when companies face the inevitable challenges of operating businesses in dynamic marketplaces	
Don't try to avoid it		
Go to more Wall Street conferences		
Hold more one-on-one meetings with investors		
Do lengthier conference call		
Anticipate the questions		
Don't try to time the truth		

John discussed a particularly “difficult” time in his industry when his company reported the “first quarterly loss” it had ever reported. Even though the company had informed investors “that there could be issues” and investors were anticipating these issues, the negative impact wasn’t clear until the quarterly results were reported:

At that point, they’re [investors] disappointed – not disappointed in us but just disappointed in the quarter and then trying to determine whether they should exit their holding or ride it out. They make their own decisions, of course, but I don’t think they were ever really disappointed in the company or our discussion with them – just surprised it happened.

He described advice he had received even before the difficult cycle occurred: “When things are bad, talk more. Be as available to your investors and potential investors as you can be. Be more visible, not less visible. Don’t pull the covers over you.” As the difficult

cycle continued to unfold, John said he made it a priority to proactively engage with investors. However, several of his company's peers in the industry, which had traditionally done conference calls with investors, discontinued those calls. "When things went bad, they went silent." After these companies "wiped out their existing shareholders" they had to be financially restructured. While this CEO acknowledges that maintaining a commitment to communication and being "transparent" would not necessarily have prevented the need for the financial restructuring, he believes "it was a mistake not to be transparent and talking" through the industry's difficult cycle.

Similarly, Chris emphasized the need to be available and candid with investors during difficult times:

Accessibility is always a part of it, but it's more important when things are tough because there's a fear factor out there. They [investors] want to know what's going on so I think you have to be totally accessible, and I think you have to be totally truthful. You even fudge a little bit you're dead. The name of the game here is you tell the truth. 'This is what's going on. I got bad news. I got good news. This is what's going on.' I think it's part of transparency. A lot of people think transparency is you just put stuff on a piece of paper and you're good to go. No, it's what comes out of your mouth, too. Tell people the truth. I don't try to time the truth. For me, the truth needs to get out when it becomes obvious that is what is happening.

Chris described a specific incident during a particularly dramatic decline in his company's industry and the response from investors when he discussed the potential negative effect on his company and its financial performance:

We went public with that. Wall Street hated me for that. They said, "Jesus, this is the first company in this industry that's ever gone public with that." They didn't like it, they didn't like it at all. Best decision we ever made doing that. Now, looking back at it, it added so much credibility to what we said.

Jim said that communication with stakeholders – whether employees, customers, vendors, or shareholders – is one of the major challenges any CEO faces. When people

are so busy that they hardly have time to do their jobs, it's hard for them to be attentive listeners who can successfully process all the information they are bombarded with daily. Further complicating this environment, he says, is the fact "business is complicated" and difficult to "condense" into a "simple story that makes sense to everyone." And when communicating with the investment community, in particular, most investors have "never actually worked for a company trying to make things happen." Even if they have at some time in their career, it usually is not in a business that is very similar to his. Nevertheless, he described what he believes has contributed to the "pretty positive" relationships he has with his investors:

We have had a consistent level of outreach to them and have attempted to do our best to communicate in an open, honest, and transparent way, regardless of whether it was good news or bad news. I would say consistency of effort, consistency of engagement and messaging with them ... where you really have to establish a rapport with them so you can have both the easy as well as the hard conversations.

CEOs Feel a Responsibility to Listen to Investors

Who Often Provide Valuable Insights

Table 4.3 summarizes the open and axial coding leading to the analysis presented in the following paragraphs.

Each of the CEOs interviewed said that when they meet and talk with investors they gain valuable feedback and insights. Jim said he feels an inherent responsibility to listen to investors and to take their concerns into consideration:

I think if I'm going to expect them [investors] to patiently listen to me explain the realities of the company and the challenges and opportunities that we face, I should have a mutual responsibility to listen to what they have to say, to listen to their views on those subjects, to listen to their views on things like dividends and distributing capital to shareholders, and acquisitions and all that kind of thing. You don't always agree on all of it and you can have a healthy debate about it, but

I think you have to have an open mind. You have to listen sincerely and have an honest communication in both directions.

Table 4.3: CEOs Feel a Responsibility to Listen to Investors Who Often Provide Valuable Insights

Properties	Open	Axial
Investors' comments can be clarifying	Investors' opinions are taken seriously for the most part	CEOs feel a responsibility to listen to investors who often provide valuable insights
Themes can emerge from discussions with investors		
Not all comments and opinions are taken seriously, if they are based on short-term returns rather than long-term health of the company		
CEOs have a responsibility to listen sincerely to investors' view on key initiatives		
Long-term investors ask a lot of questions	CEOs want to spend their time with investors who take a long-term view and will be long-term investors (three to five years)	
Long-term investors study the team and the strategy		
Short-term investors want to know what might drive the stock up or down over the next few weeks or months.		

John described how investors “want to share their insights” and that this feedback helps him formulate some of his ongoing messaging. He assumes if one major investor “is curious about something,” everybody else may have “the same question, so let’s answer it.” In a similar way, Gary said he feels like he has “picked up an insight or emphasis that I wouldn’t have necessarily had myself,” based on questions major investors have asked and themes that have emerged in discussions with these investors.

For the most part, Gary said he finds the opinions of investors “legitimate” and often “clarifying”:

I have my own set of things that are the most important and that might be the most important strategically. But I always find it clarifying, interesting and focusing when I spend time with major investors, because sometimes they surprise us and focus on some things that I hadn’t really thought

about. When I reflect on it, they're on a key value point that maybe I have undervalued. So I tend to take their comments seriously. Not always. Of course, when we have a long-term strategy or when we say we put patients first, if they're willing to compromise that, okay, that's different, or when they say, 'Why don't you go to a dividend policy?' I'm not quick to jump to that sort of conclusion because one major investor says that – they may be interested in short-term returns rather than the long-term health of the company.

Four of the CEOs interviewed expressed a strong preference for spending their time meeting and talking with investors who take a longer term view of their investments in public companies. In fact, Carol said that whenever she meets with new investors the “first thing” she wants to know is are they “long-term” or “short-term” investors, because she wants investors who share the company's long-term vision. She is up front with investors from the beginning and tells them:

We're not going to manage our business on a quarter-to-quarter basis. If they're looking for something that is going to run the stock up really fast so that they can take the gain and be out the next quarter, we're just not the right stock for them. I think it's important to be candid with them about what you're looking for.

Chris also described his commitment to managing his company with a long-term perspective even if it causes investors to sell their stock:

We don't run our company on a quarterly basis or a short-term basis. We look out on the horizon. We will make decisions today that could have a negative impact on a short-term basis, but we know long term it's going to pay off in spades – we will do that. So we're in it for the long haul. A lot of companies, unfortunately, run their organizations by quarterly earnings calls. We don't. My attitude is investors have an opportunity. If they don't like the direction we're going or the decisions we're making, sell your stock.

Gary used the term “catalysts” to describe the focus of shorter-term investors who are seen by the CEOs interviewed as trying to determine what could possibly “drive a stock up or down in the near term” as they make investment decisions. He said:

They're not interested necessarily in long-term ownership, but 'Can I get in at some low point and get out quickly and have a quick return?' Obviously, we're

less interested in that kind of investor. My energy, my time and going to the offices of people or my time that I spend in one-on-one meetings is focused on people that we believe will take a long view and be a long-term investor.

Long-term investors, according to Gary, are willing to be in a stock for five years or more. These long-term investors take the time to “study the company deeply,” including the management team and the company’s strategy. They are “far more deliberate” and “ask a lot of questions,” and “their questions tend to be very different than those that might be focused on what’s going to happen over the next few weeks or few months.”

Sam characterized longer-term investors as those he can sit down and talk with about the company from a long-term viewpoint:

We can talk about the industry and our competitors. They invest in some competitors, and so they know what makes us different, and they understand that. So, those are the best conversations.

Similar to Carol and Gary, Sam described short-term investors as those “just looking for a quick dollar.” The conversations with these investors have a different focus than with “somebody who is truly interested in our industry and our company.” With longer-term investors, he talks about the advantages his company has over the competition and “where we’re going and why we think we can get there, and has a good solid conversation.”

***CEOs Have Multiple Audiences, in Addition to Investors,
to Consider When Making Decisions***

Table 4.4 summarizes the codes leading to the analysis presented in the following paragraphs.

Table 4.4: CEOs Have Multiple Audiences, in Addition to Investors, to Consider When Making Decisions

Properties	Open	Axial
Investors' principal goal is making money	CEOs can reach out to investors and make it clear who the company is, but investors judge whether to invest or not	CEOs have multiple audiences, in addition to investors to consider when making decisions
Investors will sell if fundamentals change		
Investors will sell if competitive position changes		
Investors will tolerate surprises only if they continue to trust the CEO		
Credibility helps mitigate investors' concerns about CEOs passing up certain opportunities	CEOs make decisions about their companies based not just on what investors think but on what is right for the company overall	
CEOs are trying to do what is right for employees, customers, as well as investors		

While the CEOs interviewed preferred having major investors willing to take a long-term view of their investments, these CEOs also recognize that their investors' primary goal is making money." As a result, these investment professionals tend to measure a public company's performance based on how they get measured, which is on "quarterly and annual returns." Gary believes that even investors who have a long-term view "measure their happiness in the short term." He said:

I think their joy or lack of joy with us is directly related to did we help them distinguish themselves from the crowd or not? Are they willing to stay in there even if they get disappointed? Yes. Do I think their disappointment or happiness rises or fall with the most recent results? I think it does.

So while near-term results also are important to long-term investors, these investors are likely to tolerate near-term disappointments, Gary said, "if all their original

assumptions still hold about the quality of the strategy, the quality of the leadership team, and the quality of the execution.” However, if a “new fact pattern emerges” that reveals the “market opportunity” or “competitive position” has changed or if management has proved to be untrustworthy, even investors with a long-term view will decide: “I’m getting out.” However, such decisions by long-term investors are related to changes in “the fundamentals” rather than “near-term results,” Gary said.

According to Jim, managing expectations to avoid disappointments is “the holy grail of being a CEO” in his industry, but inevitably investors will still face disappointments, at some point. He said.

When that happens you just got to talk about it, right? You can’t try to gloss over it. You can’t try to avoid it. You can’t try to sugarcoat it. You just got to acknowledge: “We’ve screwed up here. Here’s why we think that happened and here is what we’ve done about it.”

When investors experience such disappointments, he thinks “all of them become more skeptical,” but the length of the relationship with management will determine how understanding investors are willing to be about a disappointment. Rebuilding “trust” and “credibility” will take some time, he said. Depending on the circumstances, this rebuilding can take “anywhere from one to two quarters to four quarters.”

Sam explained that investors often exit an investment in a company for reasons unrelated to a company and its performance. They may have “better opportunities, so as a CEO, you don’t want to take that personally.” His approach is to tell investors:

‘Here’s who we are as a company. Here’s where we’re trying to go. Here’s our strategy to get there. Here’s the team that can execute that strategy. Hopefully, that fits your investment criteria.’

Generally, he is not going to alter his strategy to try and satisfy an investor. He’s trying to do what is right for the company, he said, which includes satisfying customers and

keeping employees motivated, because these are the “ingredients” that make the company successful. “That’s where I focus. Hopefully, investors find us an attractive investment.”

Chris emphasized that his relationship with his employees differs from his relationship with investors, primarily because he spends time every day with his employees. He tells his employees that even though his business card says “CEO,” his real job is “head of support,” because his job is to ensure his employees have the resources needed to achieve “some incredible goals” he gives them. Like investors, Chris said his employees value the truth and need to have confidence in management and access to management:

They [employees] have to have confidence in you. They’ve got to believe in what you’re trying to do. I’m always in front of our people, and they know that I will always tell them the truth. They have to have confidence in the leadership of the organization. That we’re going down the right path. That we aren’t going to mislead them or mistreat them. That we’ll treat them with respect and understanding.

He described his company’s “greatest asset” as the culture of the organization:

Our culture is so centered around empowerment of people, empowering people to make day-to-day decisions. Yet there’s this undercurrent of tough love you have to have because you can’t have empowerment without accountability. Enron had that. You can’t have that. There has to be some sort of discipline.

Investors Rely on Intangibles to Determine if CEOs

Can Deliver Results

Table 4.5 summarizes the codes leading to the analysis presented in the following paragraphs.

Table 4.5: Investors Rely on Intangibles to Determine If CEOs Can Deliver Results

Properties	Open	Axial
Investors want to see leadership teams that are trustworthy	Investors look not only at numbers but also at whether they trust management to hit those numbers	Investors rely on intangibles to determine if CEOs can deliver results
Leadership needs to consistently do the right thing		
Leadership needs to be personally invested in the future (of the company) themselves		
Leadership needs to be balanced; not so enthusiastic that they don't see reality		
Establishing a level of rapport with investors gains credibility and respect for CEOs	CEOs demonstrate commitment to their investors by making sure investors understand the company	
Investors expect CEOs to deliver strong results based on understanding the true levers of the business		
Investors demonstrate their satisfaction by increasing or decreasing their stock ownership positions in a company		

All of the CEOs interviewed talked about the significance of intangibles, including honesty, respect, transparency, accessibility, and trust, in their relationships with their major investors. Jim said he believes “intangibles are probably more important than the tangibles” to investors. He explained:

I think a company can be performing poorly, but if there are rational explanations for that and you have a plan in place that you're executing on to rectify it, I think investors will stick with you or buy into that vision. All that is built not on the hard quantitative data. That's built on the qualitative stuff – on the intangibles.

Gary and Sam agreed that intangibles, particularly trust, are important. While investors “invest in the numbers,” Sam said, their interpretation of a management team's ability “to

hit those numbers” is also important. And Gary distinguished between “likeability and trust.” He believes that investors can “like a management team and the company as well as its mission,” but they have to like the stock, too, which gets “a little more technical than, ‘Do I like the people?’ He explained:

You can like somebody but find them terribly optimistic and kind of dreamy. As an investor that would scare you, right? I can like him a lot, I can want to go have a beer with him, and I could maybe even what to work for him, but I’m not sure I want to trust him with this pile of dough. The trust is I want somebody discriminating, grounded, thorough, and tough. Some of those things may not come through with somebody that’s likeable. I think investors know they’re different. There’s no one investor, but there is something about trust probably being more important than likeability.

In addition to expecting CEOs to be “trustworthy and honest, even when it’s uncomfortable,” Gary believes investors want leaders that “they feel are balanced, not so enthusiastic that they can’t see reality.” He said, they want people who “work hard and are constantly doing the right thing and people that are personally invested in the future themselves.”

Carol said that she’s been involved with most of her investors “off and on for 10 years or more,” and when you spend that kind of time with them, a “rapport that is respectful” develops. They “trust that we’re going to tell them the truth.”

She said that “transparency” and “going the extra mile to make sure people really understand things” contributes to the trust she has among investors. Carol provides investors as much information as possible –whether in news releases, conference calls, or in one-on-one meetings at investor conferences – so that the “analysts can figure out their models and the investors can make their decisions. They appreciate that a lot,” she said.

Investor Relations and Public Relations Share

Some Common Ground

Table 4.6 summarizes the codes leading to the analysis presented in the following paragraphs.

While five of the six CEOs indicated that some similarities exist between investor relations and public relations, all of the participants identified differences between the two disciplines. Carol and Sam both described investor relations as being more directed toward a single audience than public relations, even though both functions focus on making sure key publics understand the company. According to Carol, “Investor relations is targeted, but public relations touches investors as well as every community that we serve.” She emphasized that the individuals responsible for public relations need to understand “how the company is doing financially” and also “reflect the same tone” as the company’s investor relations.

Sam described public relations as telling the story of “the broader company,” whereas investor relations is “talking about financials and how you’re going to achieve financial results.”

Jim stressed that “they [public relations and investor relations] are different beasts,” although both functions share common communication challenges. At his company, the same individual manages both investor relations and public relations. However, he believes “the larger you get as a company, the more specialization you can have and the higher quality talent you’ll recruit to do each of these.”

At small-cap companies like his, “one person has to do more than one thing.” He described the similarities and differences he sees between the two disciplines:

I think there is common ground in the sense that you’re attempting to communicate with third parties who have a lot of the same challenges in terms of limited attention spans and a multitude of things on their agendas. I would say that it [public relations] is sometimes harder. The investors are motivated by

money, and so they have an inherent interest in at least hearing what you have to say. The media are interested in what's going to provide them with copy that's going to drive readership. If you don't have what's perhaps a trendy or what's viewed as being a hot area, you can try as hard as you want and you're never getting any attention or any press out of it.

Table 4.6: Investor Relations and Public Relations Share Some Common Ground

Properties	Open	Axial
Public relations is sometimes harder than investor relations	Public relations looks at the company's overall image and its products	Investor relations and public relations share some common ground
The media is motivated by what will sell newspapers or draw viewers		
The media tend to be sensational		
Investors are motivated to make money, so they listen to CEOs communicate about their companies	Public relations and investor relations share the challenge of communicating with third parties, but they are different beasts	
Employees, customers and citizens of the local community can all be investors, so the messages have to be the same to all audiences		
The common measurement of a public company among employees, customers, investors, and local community is the stock price		
Public relations professionals need to understand how the company is doing financially		
Both public relations and investor relations require the ability to listen and explain things with patience while also being timely, proactive and responsive		

John believes “public relations is very different from investor relations.” He is the face of investor relations for his company but not the face of public relations. Because of this difference, he doesn't believe any company should have the same individual doing

both investor relations and public relations. He believes it would be unusual for an individual to be able to do both effectively:

Public relations is newspapers, editors, journalists, the public. What is the public perception of your company? It's going to be about service. It's going to be about products. It's going to be about how you are differentiated in the community. Investor relations is all about capital. It's all about deployment of capital. It's all about returns. It's just completely different.

Gary also compared investor relations to public relations from a media relations perspective:

I'd say for the most part, the media is motivated by their own goals of what's going to sell: 'What's going to sell a newspaper? What going to draw viewers?' They [the media] tend to want to be sensational. They tend to want to dramatize the present. I think that's far more the case than I see with investors, especially the kind of investors that I would say are preferred investors for us, the longer term [investors].

But Gary finds the "boundaries blurring more and more" between investor relations and public relations:

I was naïve enough when I first started all this to think my messages to the media versus my messages to investors versus my messages to customers versus my messages to my employees or my messages to the local community were five different messages. They're one. They must be, and you have to stand up to scrutiny because there is an overlap. Investors can be all of those and vice versa. I find the only way to do this is to have consistent messages and not to have customized messages per audience. When you start trying to separate media from investors, I have a tough time being able to segregate those in the world that we live in.

Stock price is one of the common denominators that nearly every audience uses as a "measuring stick" for public companies, according to Gary. Whether he is talking with his employees, his neighbors, who might be casual investors, customers or the media, they are all going to be interested in the stock price, at some point. Although he acknowledges other issues also cross over and are of interest to all of a public company's audiences, stock price dominates as the issue to which all stakeholders pay some attention.

I do think there is a character issue. I do think there's a trust issue that exists. I do think there's a message, and there's a mission/vision part of this that crosses over. I do think there is something consistent that says, 'Yeah, that's the kind of company that I would work for, a company that I would buy from, a company that I'd own stock in.' Those kind of things I think do tend to go together. But the other thing – just being a little bit more cynical – what they measure is just stock price. That's what it is all about.

Jim and Gary both talked about what they consider the most important achievements of an investor relations program. Jim evaluates the success of his company's investor relations efforts by the number of new shareholders the company attracts during a 12-month period "because they're the people who will fuel the marginal demand [for the stock] and hopefully build their positions to higher levels in future years." He also looks at the quality and timeliness of information provided to investors through news releases, including earnings news releases, and the investor relations section of the company's website.

Gary measures the effectiveness of his company's investor relations program by its ability to create interest in the stock among the company's preferred investors – long-term investors. He looks at the company's 10 largest investors and the quality of those people. If the company's investor base consists of the kind of investors the leadership team and board of directors prefers to have as owners of the company, "our investor relations team has done its job. Obviously, the company has to perform as well, but the IR team has to perform, too." He said investor relations professionals need to be "highly credible and highly responsive":

I think investors by their nature – because they're risking a lot of capital and their own careers in many ways – they want answers, and they want somebody to answer their questions promptly, and they want people to give them a realistic answer. And so I think it's really important that our investor relations team provides access and that our team provide realism. There's also another thing that I think everyone would look for. Does the IR team, are they in sync with the rest

of management? Do they have access to information? Do they really know? That's the other thing that I think impresses investors – if investor relations really knows the answer. They're not guessing; they are not deferring answers because they're uninformed. In other words, they need to be deeply informed.

Jim said that among the most important skills for both public relations and investor relations professionals is “the ability to manage interpersonal relationships with a company's diverse stakeholders. He indicated managing such relationships requires being patient, being a good listener, and being willing to explain information and issues to audiences who have different levels of knowledge about a company.

John said “IR professionals are helpful, but you cannot hide behind them.” He described investor relations' role as assisting in arranging meetings with investors and organizing roadshows. “They [IR professionals] can help you understand what type of investors you have, but they cannot write your earnings news releases – they can edit your news releases.” While his company has never had an in-house IR professional, it has worked with a consulting firm briefly. Currently, he is driving the function as the CEO. “I'm not sure that's right, but that's where we are at the moment.”

Summary

The results that emerged through the open and axial coding process reveal that CEOs of public companies face challenges when building relationships with their investors – a key public. Regulatory agencies, including the SEC, require CEOs of these companies to pay close attention to maintaining a level playing field among investors by avoiding the selective disclosure of market-moving information to any investor. Yet these regulations do not prohibit investors from seeking such material information. As a result, CEOs navigate a tightrope as they work to demonstrate a commitment to investors by satisfying these investors' ongoing need for information without violating regulatory

requirements, including REG FD. Despite the challenge of engaging with investors in this highly regulated communication environment, the CEOs interviewed described experiences that make it possible for them to have mutually beneficial relationships and a constructive dialogue with their investors characterized by trust and mutual respect. The data showed that the interviewees believe intangibles are as important to investors as tangibles. A prevailing belief emerged that when inevitable disappointments occur and investors are deciding whether to stay invested in the company or sell their stock, a trustworthy relationship with the CEO can be a deciding factor. The CEOs interviewed said they consider the opinions of their investors legitimate most of the time, although these CEOs manage their companies for the longer term, keeping in mind all of their stakeholders' interests, including employees and customers as well as investors. Based on the data, CEOs have expectations of their investors, and they distinguish between long-term investors and short-term investors with a preference for long-term investors who will hold their stock for several years. Discussion of the common ground between public relations and investor relations revealed that while CEOs believe there are some similarities, they also identified differences between the two disciplines.

CHAPTER V

DISCUSSION

The following section discusses the results of the study as it investigated the relevance of relationship management theory to investor relations, a relatively new discipline that only recently has begun to receive the attention of scholars. The study's results are presented in relation to existing literature, the selective code developed from the open and axial codes discussed in Chapter IV is outlined, and recommendations for practical applications and future research are made. But first, limitations should be noted.

Limitations

Participants were limited to a small group of CEOs leading publicly traded companies on the West Coast. As a result, while the interviews offer important insights about the role of investor relations from the perspective of CEOs whom investors ultimately hold accountable for a public company's performance, the conclusions drawn from the study cannot be generalized to the broader population of public company CEOs.

As discussed in Chapter III, I initially identified potential interview participants based on publicly available lists of publicly traded companies on the West Coast. I then gained access to the interviewees through longstanding professional connections I had with investor relations officers, securities law attorneys, and the CEOs I know personally who provided access to other CEOs resulting in a snowball sample. This sampling process resulted in a relatively varied group of research participants based on annual revenue, market capitalization, and business sectors. In addition, one female CEO is included among the interviewees, even though women hold only 4.2% of the CEO

positions at Fortune 500 companies and only 16.9% of the board seats at these companies (Bennet & Murray, 2013). Time constraints and accessibility limited the opportunity to recruit a larger and more diverse sample of CEOs. Also, financial resources limited the sample to companies on the West Coast to which I could travel with minimal expense.

The sample is likely biased toward CEOs with a positive disposition toward building quality relationships with investors because this is the approach my investor relations colleagues and I have advocated with the public companies we have represented over the years. For example, one of the CEOs who facilitated my access to an interviewee was a CEO for whom I had led a highly proactive program to engage with investors. Access to another interviewee was arranged through a longstanding investor relations colleague actively involved over the years in the leadership of the national NIRI organization, the leading association for investor relations professionals. NIRI is recognized among investor relations professionals for its focus on advancing best practice communication with the investment community. CEOs who tend to believe that engagement with investors does not add value to their companies and who believe investors' decisions to buy or sell a stock are driven almost exclusively by financial results were less likely to be interested in participating in the research. The study does not include content analysis of CEO communication with investors through news releases, annual reports, earnings teleconferences, webcasts or SEC filings, and it does not include observation of CEOs as they engage with their investors. Nevertheless, the data offer insight into the lived experiences of CEOs as they build relationships and communicate with investors as well as these CEOs' perceptions of the qualities that characterize these relationships.

Selective Coding

The selective coding process results from examining the open and axial codes that emerged in response to the research questions. Selective coding is the process by which open and axial codes are probed to determine the essential variable that exerts the greatest influence in shaping the behavior and experiences of the participants in the study. Examining the axial codes that emerged from the research presented in this study reveals that unlike CEOs of other organizations, CEOs of public companies are constantly challenged by the constraining effects of regulatory requirements as they engage in relationships with investors as a key stakeholder group.

Building and maintaining relationships with investors is critical to CEOs and their companies who depend on investors for the capital needed to thrive and survive as competitive businesses in the marketplace. Yet, the communication and interactions between public companies and their investors are highly regulated as the SEC and the stock exchanges work to maintain a level playing field for investors and to hold public companies accountable for the accuracy, truthfulness and completeness of the information they provide investors and the general public. After several high-profile public companies violated these regulatory requirements in the early 2000s, new reforms took effect that included additional and severe criminal and civil penalties for officials of public companies who engage in corporate misconduct.

More recently, investors' and public trust were further shaken by the economic crisis of the late 2000s. The need to regain this trust is considered the most serious challenge facing the senior executives of today's public companies (Lev, 2012). This is

the landscape that CEOs of public companies navigate as they work to build relationships and communicate with investors.

Because of the complexity of managing communication and building relationships with investors in the regulated environment, CEOs spend a substantial portion of their time involved in the strategic planning of investor relations activities and communicating directly with investors. As they engage with investors, CEOs are keenly aware of the importance to this stakeholder group of trustworthiness. They believe that to gain investors' trust they need to communicate openly and honestly about what they are trying to accomplish both in good times and bad, and they need to be able to demonstrate that they have the ability to do what they say they can do. Building such trustworthy relationships with investors can help CEOs attract the investors they prefer to have owning their companies' stock – long-term investors. These investors tend to be more deliberate than short-term investors. They study the company and its strategy more deeply. When the inevitable disappointments come, investors who trust the CEO are less likely to sell the company's stock. In this way, trustworthy relationships with investors can result in a tangible financial benefit for public companies.

While CEOs would like to give investors the opportunity to provide feedback on major decisions their companies are considering, regulatory requirements limit the input CEOs can seek from investors. This is because discussing such potential decisions might hint at future material events and violate the regulatory requirement prohibiting the selective disclosure of material information, or REG FD. Nevertheless, CEOs believe they have a responsibility to listen sincerely to investors who often provide valuable insights that might not occur to them otherwise. They also feel a responsibility to keep an

open mind and engage in a healthy debate with investors when there is a difference of opinion. Such a two-way approach to communication expands CEOs' understanding of their investors' interests and creates a greater likelihood that the CEOs and their management teams will align their decision making with investors' when possible.

Even though investors represent a powerful stakeholder group for CEOs of public companies because of the capital they provide, these CEOs make their decisions based on what they believe is right for the company in the long term, taking into consideration their multiple constituencies not just investors. The dramatic growth in effective communication channels in recent years makes it necessary for CEOs today to take this broader view of their companies' stakeholders. As a result, CEOs of public companies are more aware of the value that communication brings to their organizations, which has begun to blur the boundaries between investor relations and public relations. However, while CEOs in the study view investor relations as building trustworthy and open relationships with investors, they perceive public relations to be about gaining publicity. This suggests a gap between how public relations professionals describe their discipline's purpose (PRSA, 2014) and the perception of CEOs. Equally important, Kelly, Laskin, and Rosenstein's (2010) study found a discrepancy between PRSA's description of public relations – a strategic communication role aimed at building relationships that mutually benefit an organization and its public – and the way these professionals practice public relations. Rather than managing relationships to pull stakeholders toward the organization, today's public relations professionals predominately practice press agency/media relations to push information from the organization outward to stakeholders.

This study contributes to the knowledge of relationship management theory by examining the relevance of this established public relations theory to investor relations. In addition, it contributes to ongoing research on the dimensions that characterize successful organization-public relationships by investigating whether CEOs of public companies work to achieve trust, satisfaction, control mutuality, and commitment (Hon & Grunig, 1999) in their relationships with a key public – investors. While CEOs of public companies are constrained by regulatory requirements as they engage with investors, this study shows that the relationships CEOs of public companies have with their investors are characterized by all four dimensions, although trust is the quality that emerged as most important and control mutuality as the quality most difficult to achieve due to regulatory requirements.

Also, because much of relationship management when applied to investor relations resembles personal one-on-one interactions, further research is needed to examine models of interpersonal communication to better understand how they may be relevant to the relationships public companies engage in with investors. Other scholars (Brunig, 2001; Gallicano, Curtin, & Matthews, 2012) also have suggested that as the study and practice of public relations moves toward relationship management and the communication with key stakeholders – both external and internal – becomes more personal, public relations practitioners need to adjust their communication with these stakeholders in a way that creates more interpersonal interactions. By drawing upon its roots in interpersonal communication, relationship management theory can more fully inform and advance the study and practice not only of public relations but also investor relations.

Discussion

The dominant theme that emerged from the study is the constant challenge CEOs of public companies face as they engage in relationships with investors, primarily due to the constraining effects of regulatory requirements. Unlike other organizations, the CEOs and leadership teams of publicly traded companies continually balance two frequently competing concerns. They need to provide transparent and reliable information to investors who can use this information to affect the companies' market valuation by deciding to buy or sell the companies' securities. The information of interest to these investors and which they persistently seek from public companies, as several of the interviewees reported, is market-moving information. Yet, the disclosure of such material information is highly regulated with serious legal implications if the regulatory requirements are violated – either intentionally or inadvertently. Such a communication environment has been compared to walking a tight rope (Thompson, 1996), and CEOs navigate this environment daily as they work to communicate and build relationships with investors. Nevertheless, none of the CEOs in the study noted the risk of potential federal securities class-action lawsuits as a deterrent to proactively engaging with their investors. This is despite a continued rise in such lawsuits against U.S. corporations by shareholders in 2013, which represented the largest yearly increase since 2008, with settlements nearly doubling to \$6.5 billion (Wall Street Journal, 2014).

It is the complexity of managing communication and building relationships with investors in a regulated environment that may explain why five of the six CEOs interviewed indicated that they spend nearly one third of their time overseeing strategic direction of investor relations activities and communicating directly with investors, which

affirms Scott's (2005) report that CEOs in major public companies spend on average 25% of their time dealing with the financial community. In addition, the fact that CEOs focus a substantial amount of their time on investors speaks to the importance of investors as a key stakeholder group to public companies. L.A. Grunig (1992) has argued that public companies may be compelled to engage with investors as a priority stakeholder group because they rely upon the capital investors provide to them.

The findings of the study suggest that the level of direct involvement CEOs have with investors may vary depending on a number of factors, including market capitalization, industry sector, the financial condition of the company as well as the strength or weakness of the company's industry, and the leadership style and values of individual CEOs. For example, one of the interviewees observed most investors of mid-cap companies and smaller expect to have direct access to the CEO, in addition to the CFO and the investor relations practitioner. All of the CEOs in the current study lead companies that are mid-cap or smaller. Therefore, these CEOs may expect to be actively engaged with their investors. In addition, several of the companies participate in industries – technology and medical devices – which typically attract investors who expect broad access to senior level executives, including the CEO. Several other CEOs in the study lead companies in an industry emerging from a particularly difficult cycle – financial services and banking – which may require they remain visible and accessible to their investors.

The data also suggest company size may determine who beyond the C-Suite is most actively involved in investor relations. The CEO leading the micro-cap company in the study is “the face of investor relations” but not public relations. In the three small-cap

companies, the responsibility for investor relations and public relations rests primarily with one individual in the organization who manages both functions. In the largest cap company, several investor relations professionals, including a vice-president of investor relations, lead the function with the CEO and other senior executives. In contrast, the CEO of the other mid-cap company said the company's CFO and legal counsel had primary responsibility for investor relations, while he focuses on his employees.

Another pervasive theme in the interview data is the importance of building relationships with investors characterized by trustworthiness, transparency, honesty, and a willingness to be responsive and listen sincerely. This finding suggests that relationship management theory, which argues that initiating, maintaining, and expanding relationships with key publics is the ultimate measure of successful public relations, has particular relevance to investor relations. While the current study generally confirmed that the interviewees value Hon and Grunig's (1999) qualities of trust, satisfaction, control mutuality, and commitment in the relationships they have with their investors, CEOs' most frequently discussed relationship quality that they work to achieve is trust. This finding suggests that CEOs recognize the need as discussed by scholars for business leaders and organizations to regain both investors' and public trust that several high-profile companies during the early 2000s and the economic crisis of the late 2000s severely compromised (Lev, 2012; Rawlins, 2007; Ryan & Bucholt, 2011; and Shockley-Zalabak & Morreale, 2011). In addition, the interviewees reported that doing what they say they will do is fundamental to establishing and maintaining trust, which is consistent with Hon and Grunig's (1999) scale in which two of the underlying dimensions of trust are dependability (an organization will do what it says it will do), and competence (an

organization has the ability to do what it says it will do). Another underlying dimension of trust (Hon & Grung, 1999) is integrity (an organization is fair and just). The CEOs described a strong sense of responsibility to deal honestly with their investors and to avoid minimizing financial and operational disappointments. This willingness to be accountable to their investors and to “do the right thing at all times” suggests that CEOs recognize investors expect the leadership of public companies to act with integrity as they engage with investors, realizing that these investors put their capital at risk when they become investors.

The interview data described above suggest that the CEOs also recognize their relationships with investors are defined not only by the information and good intentions communicated in their ongoing interactions with investors but also by their behavior. For example, one CEO described the “respect” her company has earned among investors for “doing what we say we’re going to do” as her biggest accomplishment. Such findings are consistent with public relations scholars, including Grunig (1993) and Brunig (2001), who have argued that organization-public relationships are defined not only by “symbolic (communication-based) relationships but also by behavioral (grounded in actions and events) relationships” (Grunig, 1993, p. 136).

Another contributing factor to the interviewees’ expanded awareness of the necessity to build trustworthy relationships with their investors may result from the increased significance to investors of such intangibles as “integrity, vision and leadership” (Charlier, 2013, p. 7). Such intangibles, as Laskin (2011) reported, can constitute more than 50% of the criteria used today for making investments. In the current study, the CEOs reported that when a company fails to meet its investors’

expectations, investors are likely to accept “rational explanations” for the disappointment, if the CEO is someone they believe is trustworthy. In other words, building trustworthy relationships with investors can result in a tangible financial benefit for a public company by increasing the likelihood investors will be long-term investors. Laskin (2011) reported a similar finding from interviews with investor relations practitioners who reported that proactive, transparent, and trustworthy communication leads to greater patience among investors and a willingness to hold shares when companies encounter inevitable setbacks and disappointments.

Four of the six CEOs in the study indicated that attracting investors who will hold their companies’ stock for the long term is a high priority outcome as they engage with investors. According to the interviewees, these patient investors who take a longer-term view of their investments behave differently from short-term investors. They seek a more thorough level of understanding of the company and engage in a more deliberate dialogue with company officials. A relationship management approach to engaging with investors may help these CEOs achieve the outcome of attracting long-term investors given that a relationship with a public company increases the likelihood that individuals and institutions will invest for the long-term (Kelly et al., 2010). Similarly, Ledingham and Brunig (1998) argue that successful relationships with key publics can “differentiate stayers and leavers in competitive environments” (p. 63).

Of the four qualities of successful organization-public relationships identified by Hon and Gruing (1999), the study’s findings suggest that control mutuality, or the degree of shared power, is the relationship quality that is most difficult to achieve, due primarily to securities law compliance. While the interviewees reported they often wanted to

discuss with investors certain decisions or courses of action being contemplated, they were unable to do so because discussing such potential decisions might hint at future material events, thereby violating REG FD. However, control mutuality assumes some degree of power imbalance is natural in organization-public relationships (Hon and Grunig, 1999). Such an imbalance is confirmed by this study's findings.

Despite the inherent imbalance of shared power between public companies and investors resulting from regulatory constraints, Apple Inc.'s investors recently demonstrated that some equilibrium can be achieved. As noted in Chapter I, at Apple's annual meeting in February 2013 angry investors voiced their dissatisfaction with the company's financial performance, executive pay, and struggling stock price, which had declined 30% in five months during late 2012. These investors advocated for Apple to implement a plan to return some of the company's cash, which totaled \$137 billion at the time, to stockholders. Tim Cook, Apple's CEO, seemed dismissive of these concerns at the February 2013 annual meeting. However, by April 2013 the company had declared a 15% increase in its quarterly dividend paid to stockholders (Apple Inc., 2013). Such events suggest that weak relationships and a lack of two-way communication with investors can lead to powerful shareholder resistance.

The CEOs interviewed also described the importance of providing as much information as possible to investors and that investors appreciate it when CEOs make a consistent effort to ensure a thorough understanding of their companies' strategies, operations, and market opportunities. Given the importance of both prompt and quality information to investors, this finding suggests that CEOs are working to satisfy investors' needs when responding and communicating meaningful information to them in a timely

way, which is consistent with the dimension of satisfaction, or the degree to which one party feels favorably toward the other as a result of positive expectations about the relationship being met (Hon & Grunig, 1999).

This finding also provides evidence of the significant role communication plays within a relationship management framework when applied to investor relations. Despite the constraining effects of the regulatory requirements on a public company's communication, the interviewees reported a willingness to meet with investors and to have an open and transparent dialogue with them about what they are working to accomplish as CEOs and to talk about "the story behind the numbers." In addition, several interviewees discussed the need to communicate honestly and openly with investors in both good times and bad, emphasizing that "it is a mistake not to be transparent and talking" when an industry is going through a difficult time. When CEOs are consistently willing to proactively share information in this way, it contributes to investors' overall understanding of a company as these investors make their decisions to buy, sell, or hold a company's stock. Such a commitment to communication also builds credibility for CEOs and their companies.

Such a two-way symmetrical approach to using communication to gain mutual understanding and strengthen relationships with investors is consistent with Kelly, Laskin, and Rosenstein's (2010) work showing that the two-way symmetrical model is predominately practiced in investor relations by members of NIRI and PRSA's Financial Communications Section.

Furthermore, according to Dozier, Grunig, L. A., and Grunig, J. E. (1995), two-way models of communication are characterized by both formal and informal 'strategic

research” (p. 42) that helps organizations gather information about publics to better understand stakeholders’ interests and concerns. The current data confirm that the CEOs rely on such a two-way process as they engage with investors. The interviewees reported feeling a responsibility to maintain an open mind and to listen sincerely to investors from whom they often gain insights that might not occur to them otherwise. While acknowledging these discussions may not always result in a mutual agreement on the issue, the CEOs indicated a willingness to engage in a healthy debate with their investors, even if they could not always accommodate the interests of investors. This suggests that CEOs in the study communicate with investors not only to provide information but also to collect information that can improve their organizations’ strategic decision making and create a greater likelihood that the decisions of the CEOs and their management teams will align with the interests of investors when possible. By engaging with their investors in this way, CEOs make use of informal strategic research to expand their understanding of their investors and to gain feedback, thereby closing the loop between themselves and investors and making their communication with this key stakeholder group a two-way process.

However, as the shareholders of both Apple and Dell demonstrated during 2013 in the examples cited earlier, public companies and their investors sometimes have competing interests that result in serious conflicts. These competing interests can position the company and its investors as “cooperative antagonists” (Dozier, Grunig, L. A., & Grunig, J. E., 1995, p. 48) who need to find a compromise that is acceptable to both. Such an approach reflects a mixed-motive approach in which communication is used to create a win-win zone. In such an environment, the relationship between an organization and its

public is unsatisfactory and unstable outside of the win-win zone (Dozier, Grunig, L. A., & Grunig, J. E., 1995). When companies fail to build relationships characterized by such qualities as trust, satisfaction, control mutuality, and commitment, the mixed-motive approach is likely to provide the most effective means for re-establishing equilibrium to the relationship through a negotiated compromise. Three of the interviewees gave specific examples of strategic decisions they had made which displeased their investors. However, the CEOs believe the relationships with their investors had earned them strong credibility, which mitigated these investors' concerns and helped over time to return equilibrium to the relationships.

In addition to the qualities of trust, satisfaction, and control mutuality, the interview data confirmed commitment as a quality that characterizes the relationships between CEOs and their investors. Hon and Grunig (1999) describe commitment as a willingness to invest energy in developing and maintaining a relationship. As discussed earlier, the majority of the CEOs interviewed reported spending 30% of their time overseeing strategic direction of investor relations and communicating directly with investors. Recall that L.A. Grunig (1992) has suggested that public companies may be compelled to engage with investors as a priority stakeholder group because of the capital they provide. However, the interview data show that as they make decisions about their companies, CEOs feel a responsibility to keep in mind the interests of all of their stakeholders, including employees, customers, and the general public, in addition to investors. All of the interviewees reported they make decisions about their companies based on what they believe is right for the company in the long term and not just on feedback they receive from investors. This broader view of a company's constituencies

was shared by CEOs in a survey conducted by the Arthur W. Page Society in 2013. According to the study, the dramatic growth of effective communication channels makes it necessary for companies today to pay attention to more audiences and to subgroups of those audiences. One CEO in the study said, “We have to be sensitive to and have an open line of communication to many more people than in the past” (Arthur W. Page Society, 2013, p. 9).

These findings from both the current study and the Arthur W. Page Society suggest the common ground between investor relations and public relations may be expanding as public companies increasingly seek to build relationships with and balance the diverse interests of all of their key stakeholders. Another factor contributing to CEOs’ perceptions of the blurring of the boundaries between public relations and investors relations may be the reality that all messages have to work for all audiences all the time. Eventually, “everyone see and hears everything” (Arthur W. Page, 2013, p. 9). As one of the CEOs in the current study said, “I have a tough time trying to segment audiences in the world we live in.”

When CEOs in the current study were asked what skills and professional characteristics they consider most important to an investor relations professional, four of the six CEOs indicated that being able to effectively communicate what the company is trying to do and what is happening within the organization is a critical skill. While a clear understanding of the regulatory requirements for disclosing information to investors and the ability to discuss financial performance are unquestionably essential to the investor relations professional, the majority of CEOs in the study specified without hesitation that effective communication skills are a necessity as well. This contradicts to some extent

Petersen and Martin's (1996) finding, which reported that CEOs perceive investor relations to be a "highly specialized financial function and that they do not believe public relations practitioners can handle it" (p. 203). It also runs counter to NIRI research which showed an increase during 2012 in its new members with finance and/or accounting expertise and a decline in new members with corporate communications backgrounds. According to the research, 42% of new members in 2012 had finance and/or accounting backgrounds and 11% had corporate communications expertise. In 1990, 36% had finance and/or accounting expertise and 21% had expertise in corporate communications (Porter, 2012). Nevertheless, the current study's finding that CEOs recognize the contribution of communication expertise to investor relations suggests that public relations professionals who have not succeeded yet in gaining the respect of the dominant coalition afforded investor relations professionals may become more highly regarded by executives in the C-Suite and given a seat at the table to participate as their investor relations colleagues do in senior level strategic decision making.

Petersen and Martin (1996) also found that "CEOs often retain primary responsibility for this activity [investor relations] sharing it only with those executives most likely to understand its complexity" (p.174). Such executives are typically the CFO and legal counsel. The current study confirmed this finding.

An alternative narrative emerged from the study's data that differs in major ways from the perceptions and experiences reported by the majority of the interviewees. One CEO indicated that he has turned over the primary responsibility for managing the communication and relationship with his company's investors to other members of the dominant coalition, chiefly the CFO and legal counsel. The other CEOs in the study

reported being more intimately engaged with their investors, even though their CFOs, legal counsel and investor relations professionals had key roles as well. Although this CEO indicated that earlier in his leadership role at the company he had been more involved with investors, he suggested during the interview that he focuses his attention now on building the culture of his company, which he described as his organization's "greatest asset."

He is "always in front" of employees and tells them that although his business card says "CEO," his real job is "head of support" for his employees. Such an emphasis on employees as a priority audience is consistent with a recommendation made by Jay Hooley, chairman, president and chief executive officer of State Street Corp., at a 2013 Wall Street Journal CEO Council with leading corporate executives from a range of industries gathered to address some of today's most critical economic issues. According to Hooley, "I think if all U.S. businesses devoted more mindshare to how to rally every mind in their organization around a single mission and set of values, the result would be a dramatically better business climate for everyone" (Wall Street Journal, 2013, November 29, p. 3).

This CEO suggested throughout the interview that performance is what matters most to his investors and that 90% of their interest is in the company's financials. This is contrary to the other interviewees' perspectives and the findings included in the literature review of the current study which suggest intangibles represent more than 50% of the criteria used today by investors for making decisions.

The financial performance of this CEO's company has been strong historically and that is the case currently as well. During the past five years, the company's stock

price has nearly doubled after a sharp decline between 2007 and 2009. In addition, the company has been recognized on a variety of occasions – both nationally and locally – as an exemplary business organization. In general, this company seems to be evidence of the business philosophy that if companies “get it right with customers, employees, reputation – then shareholders win. If they get it wrong, they lose” (Garten, 2001, p. 167).

An alternative narrative such as the one described above challenges the findings of the current study and calls for further investigation. Clearly, creating value for shareholders constitutes the major responsibility for CEOs of public companies, and it is the criteria by which they are measured. The issue is not whether they deliver value for their shareholders but how and over what time frame that goal is achieved (Garten, 2001). Some explanation for this CEO’s perspective may be found in examining organizations and their outcomes as a reflection of top executives and the values and thought processes that guide their decision making (Hambrick & Mason, 1986).

Implications for Practice and Future Research

While investor relations officers who are highly skilled in communication, finance, and securities law compliance provide the day-to-day leadership at the heart of a proactive and professional investor relations program, the organization’s CEO is the individual who investors ultimately hold accountable for a public company’s performance. Also, according to the 2014 Edelman Trust Barometer, “With regard to business, trust in the person leading the company is inextricably linked with trust in the company itself. Actions taken by CEOs shape trust in the companies they lead and influence the behaviors and attitudes of their stakeholders” (Edelman, 2014). For such reasons, examining both CEOs’ experiences and their perspectives about the

communication and relationship building processes with investors advances the knowledge of investor relations while expanding the understanding of the relevance of relationship management as an established theory in public relations to investor relations. Significantly, this study is the first investigation of relationship management as a theory applicable to investor relations. In addition, it is the only study in the field of public relations to examine CEOs perceptions and experiences since the Petersen and Marten study (1996).

For the practice of investor relations, the study has several implications. The substantial amount of time CEOs spend engaging with investors is evidence of the continued importance of this stakeholder group for public companies. Nevertheless, the findings suggest that CEOs of public companies increasingly recognize the need to take into account and balance the interests of a broader base of stakeholders. Succeeding in this effort requires the knowledge of advanced communication practices and represents an opportunity for public relations professionals to demonstrate the strategic value of their expertise to the dominant coalition and gain the respect these executives give to investor relations.

Similarly, given the strong influence intangibles have on investors' decision making, the findings suggest CEOs are likely to pay increased attention to managing corporate reputation and articulating their organizations' stories in a transparent and authentic way that goes well beyond financial performance. Doing so requires the reputation management expertise and sophisticated messaging skills of the top communicators in their organizations. This creates an additional opportunity for public

relations professionals to demonstrate their value as strategic counselors to the dominant coalition of public companies.

While recognizing that some blurring of the boundaries between investor relations and public relations is underway as both professions continue to evolve, public relations practitioners also need to recognize that some key differences exist in the professional expertise required to lead best practice investor relations programs. Achieving professional credibility in investor relations requires that public relations professionals access training through professional organizations such as NIRI and the Financial Communications Section of PRSA as well as academic institutions to expand their knowledge and develop expertise in the skills specific to investor relations, including securities law compliance and finance.

In particular, the overarching impact that the regulatory requirements have on public company communication as evidenced by this study underscores the need for educators to include securities law compliance in curriculum designed to prepare students to specialize in investor relations, because investor relations professionals play a key role in managing along with CEOs and their leadership teams, the disclosure of information to investors. Also, the trend in NIRI's membership (Porter, 2012) toward professionals with finance expertise underscores the importance of including financial analysis and accounting in investor relations curriculum. Overall, because few colleges and universities offer investor relations curriculum there exists an opportunity for educators to collaborate across the disciplines of communication, securities law and finance to develop an interdisciplinary approach to investor relations education. Such an approach would effectively prepare students with the diverse skills needed to lead investor relations

programs in today's world of globalized financial markets where digital communication makes 24/7 information available to an increasingly broad base of stakeholders. These stakeholders are likely to consider intangibles equal to or more important than financial performance.

This study and others suggest that successful relationships can create value for a public company by the impact they have on investors' buy or sell decisions. Informed by such research, investor relations professionals can borrow from proven public relations practices and increase their effectiveness by building programs around relationship goals with communication strategies designed to facilitate goal achievement. Such an orientation to investor relations, for example, would support the desired outcome as articulated by CEOs in this study of attracting and maintaining relationships with long-term investors.

With regard to future research, investigating a larger sample by surveying CEOs in diverse industries and across broader market capitalization categories would make it possible to use quantitative analysis to identify more fully the qualities that characterize CEO-investor relationships that then could be generalized to the broader population of CEOs in public companies. Additionally, research using the lens of relationship management to examine the experiences and perspectives of other members of the dominant coalition, including CFOs and in-house legal counsel, as well as key publics in the investment community, including institutional investors and buy and sell-side analysts, is needed to establish the relevance of this theory to investor relations.

Additional research also is needed to more fully examine the relationship dimensions identified by Hon and Grunig (1999) and to investigate other dimensions that

may be specific to the relationships between public companies and their investors such as authenticity and proactivity.

The blurring of the boundaries between investor relations and public relations creates an opportunity for public relations scholars to investigate further both the similarities and differences between the two disciplines. Such knowledge would advance the understanding of the expanding common ground between public relations and investor relations and provide a framework for closer collaboration among practitioners in the two fields. However, the continued lack of awareness of the strategic role of public relations among senior executives who view its primary function as tactical will impede efforts to increase the integration and collaboration between the two disciplines.

Based on the findings of this study, the seemingly interdependent role in investor relations of the mixed-motive model, two-way communication, and relationship management theory needs to be investigated further. The regulatory requirements of the SEC and the stock exchanges make communication particularly risky for the dominant coalitions of publicly traded companies. However, investors' strong need for reliable information and their ability to affect a company's market valuation motivates CEOs to find a win-win zone. Getting to a win-win zone requires that CEOs of public companies walk a tightrope by communicating openly and honestly with their investors without creating litigation risk by violating regulatory requirements.

To the extent that CEOs successfully navigate this tightrope with investors, they develop credibility and earn the trust of these key stakeholders who then demonstrate a greater willingness to be long-term investors – which creates mutual benefit for both the organization and its investors as well as other stakeholders. If CEOs fail to navigate this

tightrope effectively, their relationships with investors are likely, at the very least, to be contentious, as exemplified by Tim Cook at Apple and Michael Dell in 2013, or costly, if investors choose to exit the relationship altogether by selling a company's stock.

The findings of the current study suggest that investor relations may, at various times, rely upon the mixed-motive model, relationship management theory, and two-way communication, depending on internal and external factors, such as the organizational structure, company's financial condition, CEO leadership style, industry performance, and economic climate. Such an approach makes it possible to engage with investors in a way that minimizes the risk for the dominant coalition of violating regulatory requirements, including REG FD, while maximizing the opportunity to satisfy investors' need for reliable information and a trustworthy relationship with the CEO and other company officials. Because this study focused on relationship management theory, further research is needed to examine the interplay of these theoretical frameworks within investor relations.

In addition, given the weight of CEOs words among investors and the importance to CEOs of being effective communicators as they engage with their investors, analyzing CEO statements at annual meetings, in shareholder letters, earnings news releases, and webcasts with investors from a rhetorical theory perspective would reveal how these communications either strengthen or weaken relationships with investors, particularly activist investors.

In conclusion, investor relations is a young discipline that only recently has begun to receive the attention of public relations scholars. This exploratory study has contributed to relationship management theory by providing data that show CEOs believe

relationship to be at the heart of investor relations. These same CEOs perceive public relations to be about generating media coverage – a journalist-in-residence function. This suggests that investor relations is putting relationship management theory into practice while public relations continues to be defined as gaining publicity.

APPENDIX A

CODES RELATED TO QUALITIES THAT DEFINE THE RELATIONSHIPS
BETWEEN CEOS AND THEIR MAJOR INVESTORS

Classifications	Category	Description
Open code	Constant challenge to manage relationship	CEOs feel constrained in relationships with investors
Properties	Tough Consistently discipline myself (CEO) Play it straight Give everybody a level playing field No email messages	Strong incentives due to regulatory requirements (Reg FD) to limit deep personal relationships with investors Not easy Stay on message Need to be responsive to all investors -- good, bad and ugly Always a second person in the discussion
Open code	As they make investment decisions, investors need to believe CEO is trustworthy	Trust is absolutely critical to the relationship between the CEO and investors
Properties	Investors don't make an investment from a distance, from just going to a conference, from online information Doing what you say you're going to do develops trust	Serious investors want to meet with and have a dialogue with CEO What CEO says needs to stand the test of time
Axial code	Regulatory requirements limit the nature of the relationships CEOs engage in with investors	CEO face unique challenges, including regulatory constraints, in their effort to build trustworthy relationships with investors

Classifications	Category	Description
Open code	Investors want access to quality information	CEOs need to lay out exactly what they're trying to accomplish
Properties	<p>Investors can access numbers online in the 10K and 10Q Talk about what's behind the numbers Don't misled or flower things up</p> <p>Engage with investors as if they were customers</p> <p>Return phone calls quickly</p>	<p>It's the story investors are interested in Be transparent</p> <p>Be realistic (not overly enthusiastic)</p> <p>Investors are customers; they're just buying the stock as opposed to a product</p> <p>Be prompt in responding</p>
Open code	Investors will be disappointed when companies face the inevitable challenges of operating businesses in dynamic marketplaces	When companies go through tough times, CEOs need to communicate more and be more available to investors
Properties	<p>Don't pull covers over your head Don't try to avoid it</p> <p>Go to more Wall Street conferences Hold more one-on-one meetings with investors Do lengthier conference calls Anticipate the questions</p>	<p>Keep talking</p> <p>Acknowledge it; don't sugarcoat it</p> <p>Can never provide too much information</p> <p>Be open</p> <p>Be as accessible as possible</p> <p>Let the questions come</p>
Axial code	CEOs need to engage with investors honestly and openly in good times and bad	Access to timely, balanced and quality information is necessary for investors to understand what CEOs are trying to accomplish and the story behind the numbers

Classifications	Category	Description
Open code	Investors' opinions are taken seriously for the most part	Investors' comments can create focus that a CEO hadn't thought about or had undervalued
Properties	<p>Investors' comments can be clarifying</p> <p>Themes can emerge from discussions with investors</p> <p>Not all comments/opinions are taken seriously, if they are based on short-term returns rather than the long-term health of the company</p> <p>CEOs have a responsibility to listen sincerely to investors' views on key initiatives</p>	<p>CEOs benefit from investors' insights</p> <p>CEO get valuable feedback from investors</p> <p>CEOs need to have an open mind about investors' perspectives and engage in an honest dialogue</p> <p>The legitimacy of input varies from investor to investor</p>
Open code	CEOs want to their spend time with investors who take a long-term view and will be long-term investors (three to five years or more)	CEOs prefer long-term investors to investors focused on what's going to happen in next few weeks or months
Properties	<p>Long-term investors ask a lot of questions</p> <p>Long-term investors study the team and the strategy</p> <p>Short-term investors want to know what might drive the stock up or down over next few weeks or months</p>	<p>Long-term investors study the company deeply</p> <p>Long-term investors are deliberate</p> <p>Short-term investors are interested in near-term catalysts</p>
Axial code	CEOs feel a responsibility to listen to investors who often provide valuable insights	CEOs value investors' feedback and want to focus their time on investors who are deeply interested in the company and who are comfortable being long-term investors

Classifications	Category	Description
Open code	CEOs can reach out to investors and make it clear who the company is, but investors judge whether to invest or not	Investors form their judgments based on what they hear the CEO say and what they see the CEO do
Properties	<p>Investors' principal goal is making money</p> <p>Investors' will sell if fundamentals change</p> <p>Investors will sell if competitive position changes</p> <p>Investors will tolerate surprises only if they continue to trust the CEO</p>	<p>Investors measure company based on quarterly and annual financial returns</p> <p>Investors will sell if facts prove CEO wrong</p>
Open code	CEOs make decisions about their companies based not just on what investors think but on what is right for the company overall	CEOs are not going to change strategies to satisfy investors, unless they believe it is good for the company
Properties	<p>Credibility helps mitigate investors' concerns about CEOs passing up certain opportunities</p> <p>CEOs are trying to do what is right for employees, customers, as well as investors</p>	<p>No one understands the company better than the company</p> <p>CEOs have numerous constituencies to think about as they make decisions</p>
Axial code	CEOs have multiple audiences, in addition to investors, to consider when making decisions	CEOs make decisions about the company based on what they believe is right for the company in the long term and not just on feedback from investors

Classifications	Category	Description
Open code	Investors look not only at numbers but also at whether they trust management to hit those numbers	Intangibles are key to investors' decision making
Properties	<p>Investors want to see leadership teams that are trustworthy</p> <p>Leadership needs to constantly do the right thing</p> <p>Leadership needs to be personally invested in the future (of the company) themselves</p> <p>Leadership needs to be balanced; not so enthusiastic that they don't see reality</p>	<p>Leadership needs to be honest</p> <p>Investors expect CEOs to act with integrity</p> <p>Leadership needs to work hard</p> <p>Investors want leadership to be discriminating, grounded, thorough and tough</p>
Open code	CEOs demonstrate commitment to their investors by making sure investors understand the company	Providing a consistent level of effort, engagement, and messaging demonstrates CEOs understand investors' needs
Properties	<p>Establishing a level of rapport with investors gains credibility and respect for CEOs</p> <p>Investors demonstrate their satisfaction by increasing or decreasing their stock ownership positions in a company</p> <p>Investors expect CEOs to deliver strong results based on understanding the true levers of the business</p>	<p>CEOs develop credibility and respect with investors by building relationships with them</p> <p>Investors' satisfaction is evidenced by their willingness to own the company's stock</p> <p>Improving performance is one way CEOs demonstrate a commitment to investors</p>

Classifications	Category	Description
Axial code	Investors rely on intangibles to determine if CEOs can deliver results	Investors make investment decisions based on whether or not they trust CEOs' ability to deliver strong performance
Open code	Public relations looks at the company's overall image and its products	Public relations is more broad than investor relations
Properties	Public relations is sometimes harder than investor relations The media is motivated by what will sell newspapers or draw viewers The media tend to be sensational	The media is only interested if you are trendy or in a hot area The media tend to dramatize the present What the media write or say doesn't have to stand the test of time
Open Code	Public relations and investor relations share the challenge of communicating with third parties, but they are different beasts	Investor relations speaks to a more targeted audience about financial performance and how it will be achieved
Properties	Investors are motivated to make money, so they listen to CEOs communicate about their companies Employees, customers, and citizens of local community can all be investors, so the messages have to be the same to all audiences The common measurement of a public company among employees, customers, investors, and local community is the stock price Public relations professionals need to understand how the company is doing financially Both public relations and investor relations require the ability to listen and explain things with patience while also being timely, proactive and responsive	Investor have an inherent interest in at least hearing what CEOs have to say Messages to employees, customers, investors and local community have to be consistent Each of a public company's audiences care about how the company's stock price is doing Public relations and investor relations have to reflect the same tone and key messages Both public relations and investor relations professionals need to have the ability to manage interpersonal relationships
Axial code	Investor relations and public relations share some common ground	The lines are blurring between investor relations and public relations

APPENDIX B

INTERVIEW GUIDE

- 1 How satisfied are you with the relationships that you have with your major investors? Please explain why you are satisfied or not.
 - In what ways have your major investors shown that they are satisfied with their relationships with your company? In what ways have they shown any dissatisfaction? Please provide specific examples.
- 2 How important is trust in your relationships with your investors? Please explain.
 - How do you go about building trust with your investors? Please provide specific examples.
- 3 What is your response to the following statement: Whenever my organization makes an important decision, the investment community knows that I will make a reasonable effort to take its concerns into consideration.
 - How legitimate do you believe investors' opinions of your company are? Please explain.
- 4 Tell me about a time you have taken into account your major investors in decisions you've made or an action you've taken. Please provide specific examples.
 - To what extent do you feel you have any control over what your investors do that affects you and your company? Why or why not?
 - Tell me how you and your company work to maintain a constructive relationship with your major investors. Please provide specific examples.
 - How do you demonstrate to your investors that you are interested in maintaining an ongoing relationship with them?
 - In what ways do you and your investors benefit mutually from your relationship? Please explain.
- 5 How important do you think nonfinancial indicators/intangibles are to investors' assessment of the companies in which they invest?
- 6 What professional skills and characteristics do you consider most important for the individual/individuals leading your investor relations program?
- 7 Describe your involvement as CEO in your company's investor relations program. Approximately how much time do you spend each quarter engaged in investor relations activities, including overseeing strategic direction and communicating directly with investors?

- 8 What do you believe are the most important achievements of an effective investor relations program?
- 9 Do you believe any common ground exists between investor relations and public relations? Why or why not?

REFERENCES CITED

- Apple Inc. (April 2013). Form 10-Q for the United States Securities and Exchange Commission. Retrieved from <http://investor.apple.com/sec.cfm#filings>
- Arthur W. Page Society. (2013). *The CEO view: The impact of communications on corporate character in a 24x7 digital world*. Retrieved from <http://www.awpagesociety.com/insights/ceo-view-2013/>
- Bennett, J., & Murray, S. (2013, December 10). General Motors names Mary Barra as CEO. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/news>
- Benoit, D., Terlep, S., & Lublin, J. S. (2013, March 7). Dell battles to protect deal. *The Wall Street Journal*, pp. A1, A2.
- Benoit, D. (2013, September, 9). Icahn ends Dell fight: 'It would be almost impossible to win the battle. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/news>
- Broom, G. M., Casey, S., & Ritchey, J. (1997). Toward a concept and theory of organization-public relationships. *Journal of Public Relations Research*, 9(2), 83-89.
- Bruning, S. D., Castle, J. D., & Schrepfer, E. (2004). Building relationships between organizations and publics: Examining the linkage between organization-public relationships, evaluations of satisfaction, and behavioral intent. *Communication Studies*, 55(3), 435-446.
- Brunig, S. D. (2001). Axioms of relationship management: Applying interpersonal communication principles to the public relations content. *Journal of Promotion Management*, 7(1/2), 3-15.
- Charlier, M. (2013). *When the CEO doesn't "Get It."* (IR Update). Alexandria, Virginia: National Investor Relations Institute.
- Charmaz, K. (2006). *Constructing grounded theory: A practical guide through qualitative analysis*. London, England: Sage Publications Ltd.
- Chatlos, W. E. (1984). Investor relations. In B. Cantor (Ed.), *Experts in action: Inside public relations* (pp. 84-101). New York: Longman.
- Corbin, J., & Strauss, A. (2008). *Basics of qualitative research*. Thousand Oaks, CA: Sage Publications.
- Dozier, D.M., Grunig, L. A., & Grunig, J. E. (1995). *Manager's guide to excellence in public relations and communication management*. Mahwah, NJ: Lawrence Erlbaum Associates, Publishers.

- Edelman. (2014) *Edelman trust barometer: 2014 Annual global study*. Retrieved from <http://www.edelman.com/insights/intellectual-property/2014-edelman-trust-barometer/about-trust/executive-summary/>
- Ferguson, M. A. (1984, August), *Building theory in public relations: Interorganizational relationships as a public relations paradigm*. Paper presented at the meeting of the Association for Education in Journalism and Mass Communication, Public Relations Division, Gainesville, FL.
- Fieseler, C. (2011). On the corporate social responsibility perceptions of equity analysts. *Business Ethics: A European Review*, 20(2), 131-147.
- Gallicano, T. D., Curtin, P., & Matthews, K. (2012). I love what I do, but ... A relationship management survey of millennial generation public relations agency employees. *Journal of Public Relations Research*, 24, 222-242.
- Garten, J. E. (2001). *The mind of the CEO*. New York, NY: Basic Books.
- Glaser, B. G. (1978) *Theoretical sensitivity*. Mill Valley, CA: Sociology Press.
- Glaser, B. G., & Stauss, A. L. (1967). *The discovery of grounded theory: Strategies for qualitative research*. Chicago, IL: Aldine Publishing Company.
- Grunig, J. E. (1993). Image and substance: From symbolic to behavioral relationships. *Public Relations Review*, 19, 121-139.
- Grunig, J.E. (2001). Two-way symmetrical public relations. In Robert L. Heath (Ed.), *Handbook of public relations* (pp. 11-30). Thousand Oaks, California: Sage Publications, Inc.
- Grunig, J. E., & Hunt. T. (1984). *Managing public relations*. New York: Holt, Rinehart & Winston.
- Grunig, J. E., & Grunig, L. A. (1992). Models of public relations and communication. In J. E. Grunig (Ed.), *Excellence in public relations and communication management* (pp. 285-325). Hillsdale, New Jersey: Lawrence Erlbaum Associates.
- Grunig, L. A. (1992). Strategic public relations constituencies on a global scale *Public Relations Review*, 18, 127-136.
- Hambrick, D. C., & Mason, P.A. (1986). Upper echelons: The organization as a reflection of its top managers. *Academy of Management Review*, 9(2), 193-206.

- Hobor, N. A. (2012). Investor relations for shareholder value: Communicating with the market. In C. L. Caywood (Ed.), *The handbook of strategic public relations and integrated marketing communications* (pp. 173 -185). New York: McGraw-Hill.
- Hockerts, K., & Moir, L. (2004). Communicating corporate responsibility to investors: The changing role of the investor relations function. *Journal of Business Ethics*, 52, 85-98.
- Hon, L. C., & Grunig, J. E. (1999). *Guidelines for measuring relationships in public relations*. Gainesville, FL: The Institute of Public Relations.
- Hutchins, H.R. (2008). Financial communication. In W. Donsbach (Ed.), *The International Encyclopedia of Communication*. Retrieved December 1, 2012, from [http:// www.communicationencyclopedia.com](http://www.communicationencyclopedia.com)
- Kelly, K. S., Laskin, A. V., & Rosenstein, G. A. (2010). Investor relations: Two-way symmetrical practice. *Journal of Public Relations Research*, 22(2), 182-208.
- Laskin, A. V. (2010). Investor relations. In R. L. Heath (Ed.), *The Sage handbook of public relations* (pp. 611-621). Thousand Oaks, CA: Sage Publication Inc.
- Laskin, A. V. (2011). How investor relations contributes to the corporate bottom line. *Journal of Public Relations Research*, 23(3), 302-324.
- Ledingham J. A. (2003). Explicating relationship management as a general theory of public relations. *Journal of Public Relations Research*, 15(2), 181-198.
- Ledingham J.A. & Bruning, S.D. (1998). Relationship management in public relations: dimensions of organization-public relationship. *Public Relations Review*, 24(1), 55-65.
- Ledingham, J. A., & Bruning, S. D. (2000). A longitudinal study of organization-public relationship dimensions: Defining the role of communication in the practice of relationship management. In J. S. Ledingham & S. D. Brunig (Eds.), *Public relations as relationship management: A relational approach to the study and practice of public relations* (pp. 55-69). Mahwah, New Jersey: Lawrence Erlbaum Associates.
- Lev, B. (2012). *Winning investors over*. Boston: MA: Harvard Business Review Press.
- McCracken, G. (1988). *The long interview*. Newberry Park, CA: Sage Publications, Inc.
- Mahoney, W. F. (1991). *Investor relations: The professional's guide to financial marketing and communications*. New York: Simon & Schuster.

- Moore, H., & Treanor, J. (2013, February 28). Apple's share price: Tim Cook tells angry investors: "I don't like it either." *The Guardian*. Retrieved from <http://guardian.co.uk>
- Monga, V. (2013, January 9). Boards cozy up to investors. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/news>
- Porter, M. V. (2012). *Help wanted: IRO with financial acumen – Do Wall Streeters have the required skills for IRO positions? Not necessarily*. Retrieved from http://www.niri.org/Main-Menu-Category/resource/publications/IRUpdates/IR-Update-Articles-2012_1/Help-Wanted-IRO-With-Financial-Acumen-M-V-Porter-Dec-2012.aspx
- Public Relations Society of America, *About PRSA – What is public relations* (2014). Retrieved from <http://www.prsa.org/AboutPRSA/PublicRelationsDefined/#.UyH7LIWfirg>
- National Investor Relations Institute, *Origins of NIRI – SECTION One* (2012). Retrieved from <http://www.niri.org/functionalmenu/about/origins.aspx>
- National Investor Relations Institute, *Mission and Goals*. Retrieved February 12, 2013, from <http://www.niri.org/about/mission.cfm>
- National Investor Relations Institute. *Standards of practice for investor relations*. Retrieved December 20, 2013 from <http://www.niri.org/Main-Menu-Category/resource/publications/Standards-of-Practice-for-Investor-Relations/Standards-of-Practice-Volume-III--Disclosure-2012.aspx>
- Pedersen, J. A. (2009). *The Wall Street Primer: The players, deals, and mechanics of the U.S. securities market*. Westport, Connecticut: Praeger Publishers.
- Petersen, B. K., & Martin, H. L. (1996). CEO perception of investor relations as a public relations function: An exploratory study. *Journal of Public Relations Research*, 8(3), 173-209.
- Rawlins, B. (2007). *Trust and PR practice*. Retrieved from <http://www.instituteforpr.org>
- Rubin, B. F., & Benoit, D. (2013, September 12). Dell shareholders approve buyout. *The Wall Street Journal*. Retrieved from <http://online.wsj.com/news>
- Ryan, L. V., & Buchholtz, A. K. (2001). Trust, risk, and shareholder decision making: an investor perspective on corporate governance. *Business Ethics Quarterly*, 11(1), 177-193.
- Scott, M. C. (2005). *Achieving fair value: How companies can better manage their relationships with investors*. West Sussex, England: John Wiley & Sons, Ltd.

- Starkman, R., & Rlingbail, S. (2004, March 2). Investor relations and the art of managing market expectations: *Haaretz*. Retrieved from Haaretz web site: <http://www.haaretz.com>
- Strauss, A. L. (1987). *Qualitative analysis for social scientists*. New York, New York: Cambridge University Press.
- Strauss, A., & Corbin, J. (1994). Grounded theory methodology: An overview. In Norman Denzin and Yvonna Lincoln (Eds.), *Handbook of qualitative research* (pp. 274-285). Thousand Oaks, CA: Sage Publications.
- Strauss, A., & Corbin, J. (1998). *Basics of qualitative research: Grounded theory procedures and technique* (2nd ed.). Thousand Oaks, CA: Sage.
- Terlep, S., Worthen, B., & Demos, T. (2013, March 8). Icahn rattles Dell plan. *The Wall Street Journal*, pp. B1, B2.
- Thomsett, M. C. (1986). *Investment and Securities Dictionary*. Jefferson, North Carolina: McFarland & Company Inc.
- The Conference Board. (1994). *Company relations with institutional investors* (Report Number 1070-94-RR).
- van Ruler, B. (1997). Communication: Magical mystery or scientific concept? Professional views of public relations practitioners in the Netherlands. In D. Moss, T. MacManus, & D. Verčič (Eds.), *Public relations research: An international perspective* (pp. 247-263). London: International Thomson Business Press.
- Verčič, D., van Ruler, B., Bütschi, G., & Flodin, B. (2001). On the definition of public relations: a European view. *Public Relations Review*, 27, 373-387.
- Shockley-Zalabak, P., & Morreale, S. (2011). Communication and the high trust organization. In T. Gillis (Ed.), *The IABC handbook of organizational communication: A guide to internal communication* (pp. 41-53). Hoboken, NY: Jossey-Bass.
- The Wall Street Journal (2013, November 29). What could business do to improve the business climate in the U.S.? *The Wall Street Journal*. Retrieved from <http://online.wsj.com/news/articles/>
- The Wall Street Journal (2014, January 26). Securities lawsuits are on the rise. *The Wall Street Journal*. Retrieved from [wsj.com/news/articles/SB10001424052702303277704579344963625796496?KEYWORDS=number+of+shareholder+class+action+lawsuits&mg=reno64-wsj](http://www.wsj.com/news/articles/SB10001424052702303277704579344963625796496?KEYWORDS=number+of+shareholder+class+action+lawsuits&mg=reno64-wsj)

Vidich, A. J., & Lyman, S. M. (1994). Qualitative methods: Their history in sociology and anthropology. In N. K. Denzin & Y. S. Lincoln (Eds.), *Handbook of qualitative research* (pp. 23-59). Thousand Oaks, CA: Sage Publications.