Aalto University
School of Business

Discussions about reflective IR practices among Finnish publicly listed companies

Finance

Master's thesis

Antti Lehto-oksa

2014

Department of Finance
Aalto University
School of Business

Aalto University
School of Business

Discussions about reflective IR practices among Finnish publicly listed companies

Master's Thesis
Antti Lehto-oksa
Fall 2014
Finance

Approved in the Department of Finance __ / __20__ and awarded the grade

____

Aalto University
School of Business

Aalto University, P.O. BOX 11000, 00076
AALTO
www.aalto.fi

Abstract of master's thesis

Author Antti Lehto-oksa

Title of thesis Discussions about reflective IR practices among Finnish publicly listed companies

Degree Master of Science in Business Administration

Degree programme Finance

Thesis advisor Professor Vesa Puttonen

Year of approval 2014 | **Number of pages** 60 | **Language** English

OBJECTIVES OF THE STUDY

The objective of this study is to discuss reflective IR practices among Finnish publicly listed companies. Put more elaborately, the objective was to assess why the phenomenon of top management explicitly commenting on the market valuation – which was present during the latest financial crisis – is not a persistent and systematic part of the IR agenda of Finnish publicly listed companies. In addition, this study intends to draw a landscape of present-day IR and its value creation, and the role of regulatory authorities, independent equity analysts and recent regulatory updates in it.

DATA AND METHODOLOGY

A grounded theory method for the generation of arguable propositions for the basis of research motif is adopted. Following this method, theoretical sampling is chosen as the means of data gathering. Research data consists of semi-structured in-depth interviews with members of top management of Finnish publicly listed companies, independent equity analysts and regulatory authorities.

FINDINGS OF THE STUDY

It was found that the top management of a publicly listed company lacks on average professionalism regarding valuation and regulatory treatment of a public company's equity, and lacks incentives to the inclusion of reflective IR practices to their agenda. Also, the top management's attitudes towards regulatory authorities and recent regulatory updates significantly discourage any proactively oriented IR activities. Furthermore, the top management profession seeks to develop long term credibility in the investor community, and are found reluctant to risk this personal asset. Finally, the equity analysis profession is able to satisfy the investor community regarding the information asymmetry arising from the incentive misalignment in between the representatives of top management and investors, when weighted by pros and cons alongside the reflective methods assessed in this study.

Keywords Present-day IR, Agency theory, Analyst herding, Securities Market Act, Ongoing Disclosure Obligation

Aalto-yliopisto
Kauppakorkeakoulu

Aalto-yliopisto, PL 11000, 00076
AALTO
www.aalto.fi

Pro Gradu tutkielman tiivistelmä

Tekijä Antti Lehto-oksa

Otsikko Keskusteluja reflektiivisistä menetelmistä suomalaisten pörssiyritysten sijoittajaviestinnässä

Tutkinto Kauppatieteiden maisteri

Koulutusohjelma Rahoitus

Ohjaaja Professori Vesa Puttonen

Hyväksymisvuosi 2014 **Sivumäärä** 60 **Kieli** Englanti

TUTKIELMAN TAVOITTEET

Tämän tutkimuksen tavoitteena on keskustella reflektiivisten menetelmiä - joita käytettiin osana suomalaisten pörssiyritysten sijoittajaviestintää esimerkiksi edellisen finanssikriisin aikana – käyttöä osana suomalaisten pörssiyritysten sijoittajaviestintää. Tarkemmin sanottuna, tarkoituksena on tutkia miksi johto ei avoimesti kommunikoi näkemystään johtamansa yrityksen pääoman markkina-arvosta, sen muutoksista ja niiden syistä esimerkiksi pörssitiedotteiden muodossa. Lisäksi tämä tutkimus pyrkii kartoittamaan nykypäivän Suomen julkisten yritysten sääntelyn tilaa, pääoma-analyytikoiden roolia tässä sääntely-ympäristössä sekä arvioimaan ns. ohjeistusvelvoitteen päivitysten vaikutuksia sijoittajaviestintään ja sen arvontuotantoon.

DATA JA METODOLOGIA

Tutkimus soveltaa ankkuroidun teorian tutkimusmenetelmää tuottaakseen tutkimuskysymyksen selvittämisen tueksi teoreettisia propositioita analysoimalla ja abstrahoimalla tutkimusdataa. Tässä tutkimusmenetelmässä sovelletaan teoreettisen otannan aineistonhankintamenetelmää, jossa tutkimusaineiston hankinta ja analysointi tapahtuvat iteratiivisissa sekvensseissä. Tutkimusaineisto koostuu puoliksi strukturoitujen haastattelurunkojen avulla tehdyistä syvähaastatteluista suomalaisten pörssiyritysten ylimmän johdon, pääoma-analyytikoiden sekä pääomamarkkinoita sääntelevien toimielinten edustajien kanssa.

TULOKSET

Pörssiyhtiön ylimmältä johdolta keskimäärin puuttuu vaadittava ammattitaito johtamansa yrityksen pääoman markkina-arvon määrityksen teettämiseen ja riittävän syvälliseen ymmärtämiseen, sekä kannustimet näiden asioiden kommunikoimiseen sijoittajayhteisölle. Ylimmän johdon varaukset sääntelyä kohtaan, ja tuoreimmat pörssiyritysten tiedonantovelvollisuuksien päivitykset vaikuttavat heikentävästi ylimmän johdon sijoittajaviestinnän luonteeseen ja arvontuotantoon. Ylin johto pyrkii kehittämään pitkän aikavälin henkilötason uskottavuutta sijoittajayhteisön silmissä, ja on erittäin haluton riskeeraamaan tämän aineettoman pääoman. Tutkimuksessa todettiin myös, että pääoma-analyytikoiden ammattikunta kykenee tyydyttämään sijoittajayhteisön tietotarpeet jotka nousevat informaation sekä kannustinten epäsymmetriasta yrityksen johdon ja sijoittajien välillä, ottaen huomioon vaihtoehtoisten, tässä tutkimuksessa käsiteltyjen informaation sekä kannustinten epäsymmetriaa vähentämään pyrkivien menetelmien hyödyt ja haitat.

Avainsanat: Sijoittajaviestinnän nykytila, Agenttiteoria, Analyytikoiden laumakäyttäytyminen, Arvopaperimarkkinalaki, Jatkuva Tiedonantovelvollisuus

TABLE OF CONTENTS

1. Introduction ... 3
2. Research questions ... 5
3. Data and Research Method ... 8
3.1 Sample formulation ... 8
3.2 Methodologic approach ... 9
3.3 Grounded theory in management research and organizational science ... 12
3.4 Research design ... 15
4. Theoretical and legislator framework ... 17
4.1 Theory of the company ... 17
4.2 Agency theory ... 18
4.2.1 Agency theory and IR function ... 20
4.2.2 The role of governance ... 22
4.3 Analyst labor market theory ... 23
4.3.1 Herding ... 23
4.3.2 Analyst herding ... 25
4.4 Regulatory framework ... 26
4.4.1 Directive 2003/6/EC ... 27
4.4.2 Securities Market Act 14.12.2012/746, Chapter 7 ... 28
4.4.3 Fiva MOK 7/2013, Chapter 5 ... 29
4.4.4 Regulations of NASDAQ OMX Helsinki ... 29
5. Empirical treatment ... 30
5.1 First round of interviews ... 31
5.1.1 Hard agenda ... 31
5.1.1.1 Management time spent on IR ... 32
5.1.1.2 Orientation of IR ... 32
5.1.1.3 Managerial assessment of market valuation ... 33
5.1.2 Soft agenda ... 34
5.1.2.1 Attitudes towards investors ... 35
5.1.2.2 Young and old finance professionals ... 36
5.1.2.3 Direct discussions with individual investors ... 37
5.1.3 Summary of first round interviews ... 37
5.2 Second round of interviews ... 39
5.2.1 Large versus small companies ... 41
5.2.2 First impressions about material value of reflective IR ... 42
5.2.3 Negative and positive implications and material value of reflective IR ... 43
5.2.4 Management information vs. public information and information of the analysts 45
5.2.5 Present-day IR and level of managerial optimism ... 46
5.2.6 Implications of reduced guidance disclosure obligations ... 46
5.2.7 Direct communication in between top management and analysts ... 48
5.2.8 Summary of second round interviews ... 49

6. Conclusions 50
6.1 Generation of propositions 51
6.2 Constituents for the lack of reflective IR practices 54
6.3 Economic implications of propositions 54
6.4 Generated propositions and previous research 55
6.5 Limitations of the study 56
6.6 Implications for further research 57
7. REFERENCES 58

1. Introduction

Top management of a public company is, and should always be, in a position of knowing the future business prospects of a company they manage better than the financial community at large. The financial community, on the other hand, is better informed about the global economy and company's competitive landscape, having the interim financial reports, stock market releases, top management presentations, and alike as only legitimate sources to company-specific information. Company management is responsible of making money out of company's assets, as the financial community is responsible of maintaining a market valuation of the respective company's equity, and both of these systems are noted to operate to a degree by their internal laws and by their intermediation. It can thus be acknowledged that a persistent gap of information exists in between the top management and the financial community, and it is also noted that very few studies address the optimal size and form of this gap, let alone its implications for regulatory authorities. Furthermore, it is acknowledged that as the motivation and prerequisites of the regulators and of the regulatory process – by its very purpose in securing the interests of stakeholders external to the company – is in necessitating the regulated companies to accommodate some additional practices – e.g. external reporting -, a critical assessment of those in the form of analyzed feedback from their practitioners should be carried out every now and then, as regulators can be thought of as necessitated to cause as minimal a degree of disturbance to conduct business as possible. Also, as the labor markets of both equity analysts and top management are found in previous research, as illustrated later in detail, to propose inefficiencies to market valuation, the idea of necessitating top management of a publicly listed company to maintain an independent valuation of company's equity, and to be obliged to issue this valuation to the markets when found materially differing, should be addressed by an empirically oriented research conduct, as in this study.

From regulatory and legislator perspective, publicly listed companies are responsible of continuously and without unnecessary delay informing the public on any information about the company and its business landscape that is likely to have a material effect on the company's stock price (Securities Market Act 14.12.2012/746, Chapter 6 4§). However the Securities Market Act 14.12.2012/746 and the implied rules and guidelines say nothing about management having to inform the investors about management perceptions about the overvaluation, undervaluation or other misconception of company's fundamental value in a

way that is likely to cause future under- or overvaluation or reduced or excessive liquidity, nor they explicitly state that management should ever do that. From the viewpoint of the regulatory authorities, the communication between the company management and the investors can thus be thought of as that of informing rather than discussing to ensure all market participants have all times an equal access to information of same volume and quality. In other words, regulatory authorities reserve the investors with a right to be consistently and persistently wrong, even if this results in a persistent and significant loss of company value in the form of e.g. arbitrary CEO replacement or missed opportunity cost, as company stock cannot be used as a lucrative financing instrument for e.g. mergers. Furthermore, it should also be according to the management's self-interest to watch over and make effort in stabilizing the fluctuations of the company's stock price, although they should instead focus on running the company. As company management can be thought of as imperfect agents who know the company's future prospects better than the average investor at any given time, it can be hypothesized whether they should be encouraged or obliged and left with more room for application of the Ongoing Disclosure Obligation (ODO) of the Securities Market Act, even as this might also result in a loss of company value in the form residual loss depicted in and derived from the agency theory, as illustrated later in more detail.

The intention of this study is to examine the constituents for the application of ODO as stated in Securities Market Act 14.12.2012/746 and in the implied Rules and Guidelines laid out by Finanssivalvonta, a Finnish supervising authority responsible of supervising the application of Securities Market Act and harmonizing its practical implications with EU legislation and Directives, most importantly with Directive 2003/6/EC of the European Parliament and of the Council on insider dealing and market manipulation (the Market Abuse Directive). The focus is placed on the possible material impacts resulting from the possible large-scale application of *reflective* communication practices – i.e. the practices of management publishing their views about the company's stance in the equity markets – i.e. valuation -, as explained in the first chapter of this Introduction, in the form of e.g. stock exchange releases. It is to be noted that such practices have been used in extreme cases as during the latest financial crisis, but are at the present moment not habitually applied by top management of publicly listed companies in general.

The motivation for this study stems from the notion that, given management applies the Rules and Guidelines - introduced later in more detail - exactly "by-the-book" it is likely to result in

persisting scenarios that destroy company value in form of e.g. arbitrary replacements of management, missed opportunity cost and persistent stock market miss-valuations and excessive or reduced liquidity; also the existence of IR strategies and alike marketing-oriented agendas of the IR function would be difficult to explain. Even further, from theoretical viewpoint, the agency theory and Jensen's (1976) classical equilibrium - introduced later in more detail - let us assume that the company management acting as imperfect agents in the "separation of ownership and control" setting of a public company will reasonably apply the rules for their own protection and private benefit. On the other hand, given company management is explicitly given much freedom in informing the public about their perceptions of the market value of company's stock, they may misuse their right to manipulate the stock price to e.g. make excessive money on their expanding stock options, or to simply extend their careers in a situation where they should be replaced, resulting in an equal or higher loss of company value than that implied by a schoolbook appliance of ODO. The theoretical grounds on top management's IR agenda are thus highly ambiguous and to a great degree unexplored amongst financial studies, and very little empirical evidence exist to provide sound evidence on almost any of hypotheses and assumptions stated in this text so far. This might be due to the abstract and sensitive nature of the topic and the difficulties to obtain research data in a broad and systematic manner, as prevalent in financial studies. For the same reasons, a Grounded Theory approach is adopted as a research method, as explained later in more detail.

The study is structured as follows. In Section 2 I state the preliminary research questions. Section 3 introduces the data gathering process and the research method. Section 4 continues by introducing the relevant theoretical and regulatory framework. Section 5 discusses the empirical findings of this study, and Section 6 concludes with a generation of substantive theoretical categories and propositions, and a discussion of their economic implications, implications for further research and the validity of research approach and its limitations.

2. Research questions

The research approach is adapted from the ideas of generating Grounded Theory known better in sociological research, organization research and management studies. Most importantly this

implies a tilted approach to a conduct of research as opposed to hypothetico-deductive approach that dominates in the field of financial studies; as I lay out the existing scarce theoretical framework before obtaining the data and analyzing it, the briefly introduced research questions are left with much room for the data to navigate the generation of theory, as explained later in more detail. Also, the data gathering is an iterative process, where previous step of data processing and analysis is allowed to navigate the course of research. Even further, following the grounded theory approach, the researcher does not usually make solid assumptions or formalize equations, propositions, hypotheses etc. *a priori* of data gathering and analysis, but should find these emerging from the data. Although the application of grounded theory is not pure in this study as I am compelled to adopt some propositions from the existing theory, the reader should take careful note of the fact that the intention of this study is as much in verifying the scarce practical implications of existing theory, as it is in generating new theory as emergent from data. To summarize, the stance taken towards the research topic and data is better described by asking “What is out there?” rather than following the more traditional means by asking “Are Propositions 1, 2, 3… n - as anticipated by existing theory and research - out there?”.

What is meant by grounded theory generation in this study is, according to generic illustrations of grounded theory, the generation, discussion and ordering of *concepts, categories* and *propositions* attributable to behavior of management conditional on their relevant *information set*, as illustrated later in more detail. At this point, the main research question - the motive of this research - is formulated as follows

What factors constitute the absence of reflective IR practices among Finnish publicly listed companies?

A better term for *reflective IR practices* might arguably be *self-reflective IR practices*, but given the fact that an implied sensation of a Self of a company has long since been cast aside by distinguished schools of modern and postmodern organizational research, I chose not to adapt it. Thus, in this study, reflective IR practices consist of a set of management actions that by explicit means present the financial community with top management’s private views of the company’s present standing on the financial markets, most importantly stock price and liquidity of the company’s stock. By *factors* it is meant at this point in study a very wide array of prerequisites for managerial behavior, including conventional and culturally sensitive managerial professionalism, individual characteristics of the managers, state of regulations,

state and influence of external stakeholders to a company etc. etc. As the research progresses some of these factors are explicitly included in and omitted outside the scope of study. For clarity of scope it is to be mentioned that all subtle forms of management communication, like facial expressions, mood, charisma, or long-sustained credible status in the eyes of the investors are omitted outside the scope of this study. Although being very important, the focus of this study is chosen to address the explicit communicational practices that are thought of as being scalable, i.e. not dependent on the people presenting the company. Furthermore, even though actions like insider trading and buy-back of company's stock are generally considered as strong signals of management perceptions about company's market valuation, these – and all alike – *indirect* information signals are also omitted outside the scope of this study for clarity. In conclusion, although the reader may think of the topic as excessively narrow, a lengthy speculative discussion about the wide economic, managerial and regulatory implications of the reflective IR practices towards the end of this study is intended to justify the strict restrictions of scope.

Furthermore, as the research motive can well be characterized as ambiguous, abstract, open-ended and lacking clear and direct implications to adaptation of any well-defined research methods, it is indirectly approached empirically by a set of auxiliary research questions. These are revisited after the first round of interviews. At this point they are represented as follows:

1. How could the information set that conditions the management's conduct of IR practices be described?
2. How can the communicational act between investors and company management be illustrated in general and at large? How the management perceives the value of
    a. One-way communication, such as e.g. stock exchange releases (informing the public at large, as necessitated by the Securities Market Act)
    b. public two-way communication, such as that in form of a Q&A session in public events like the road shows and Capital Market Days (CMD)
    c. private discussions with individual investors
3. Is the potential loss of company value due to existing state and application of regulatory framework material enough to account for and acknowledged by company management, the investors and the regulatory authorities?

4. Do the management of the companies - especially the CEO, CFO and IR Director - make effort in trying to minimize this loss of value, and how?

“Creation of company value” is here understood as a stable progression of company’s stock price according to a fair understanding of its future prospects and conditioned by the macroeconomic development, since this is likely the top management’s top priority. Thus, from the viewpoint of IR activities, company value can be created in situations where

1. The management is successful in reducing arbitrary fluctuations of the company’s stock price
2. The management is successful in reducing persistent over- and undervaluation of company’s stock price, or future prospects to those
3. Investors are able to educate company management on company’s whereabouts and managerial performance

3. Data and Research Method

The research data is obtained in anonymous one on one interviews with former and present CEO’s, CFO’s and IR Directors of Finnish publicly listed companies, and complemented with anonymous one on one interviews with stock market analysts and regulatory authorities. The interviewed managers are chosen to represent companies that likely had to deal with issues regarding information ambiguity, e.g. companies from the ICT sector and from turnaround and “valley-of-death” scenarios. The reader should note at this point that the empirical treatment is not linear in the fashion of collecting the data, then analyzing it and drawing conclusions, but iterative in the sense that interviews are conducted in various cycles, and data processed in previous section affects the content of interview in the next section.

3.1 Sample formulation

As justified later in more detail, the data gathering is a process that co-exists with the advancement of research. Interviews are held in multiple rounds, the research questions being iterated and discussed after each round of interviews until a point of saturation regarding the

focus of study is found. The stakeholders in the rounds of interviews are classified as follows, as later found emerging from the scarce existing research and theory.

1. Past and present top management and IR Directors in Finnish publicly listed companies
2. Regulatory authorities
3. Independent stock market analysts

The interview format is semi-structured; I will craft answer sheets for different stakeholders for the basis of interviews, but the intention is to leave much room for the interviewees to speak freely about the topic and directly offer ideas on the course of research. The semi-structured question sheets are crafted after the data from previous round is processed.

3.2 Methodologic approach

Due to the abstract nature of the research topic and the unavailability to obtain unambiguous data in a systematic manner, a grounded theory approach is adopted in this research. Grounded Theory approach has been since its introduction in the 60's the most widely used research approach in sociological sciences, where it was commonly noted towards 1970's that the sociologists' prevalent intention to *verify* existing theory rather to *generate* new theory often lead to biased interpretations and even biased sampling of the research data (Glaser & Strauss 1967).

The first systematic and to this day most cited presentation of the Grounded Theory approach was presented by Barney G. Glaser and Anselm L. Strauss (Glaser & Strauss 1967), and has since been adopted in a number of well-regarded studies in e.g. social, management and organizational sciences, as introduced later in more detail. The choice of approach is justified in this study by the lack of sustainable theoretical framework and previous research.

Grounded theory approach is very different from traditional hypothetico-deductive approach most widely adopted in financial studies, where one first formulates hypotheses based on existing theory and research, and then empirically tests the validity of those hypotheses by most often quantitative data, finally drawing conclusions in support or against the hypotheses. With regards to grounded theory, the researcher does not formulate hypotheses or even vague

research questions *a priori* to gathering and assessing data – nor may the researcher even thoroughly define the data to be researched beforehand. Taken to its extreme, a researcher using this approach may even choose to omit a literature review and start off with a monologue about data gathering and analysis. As the approach nevertheless puts very high emphasis on the gathering and processing of data as the primary means of navigating the research, grounded theory can be thought of as very sophisticated and scientifically sound way of exploring areas of social behaviour where any theory has not yet been generated, or the researcher may assume that the existing theory may not be sound, the latter being the case in this study. It is also to be noted that the interest of this study is not in generating and comparable *units* of measurement, but in generation of attributable *concepts, categories* and *propositions* as prerequisites for social behaviour drawn from the data. Nevertheless the final aim is still on forming generalizations that serve a practical purpose and allow for predictions of behaviour, as illustrated briefly.

Taken even further, as the interviews with managers and alike people may be uncomfortable for the interviewees and some might very likely bias their answers to some degree, and also my personal opt as an inexperienced researcher will likely have an effect on the gathering and processing of data, an elaboration on the nature of this research is to be made. As the gathering and processing of data is intended to navigate the course of research, and the nature of data is to some degree ambiguous – my interpretation of the different languages and subjective organizational realities of the interviewees who likely don't always tell me the unquestioned truth, this study is compelled to take note of the limitations of the so called *interpretive paradigm* of the social sciences. The main notion of this paradigm is the ambiguity arising from the fact that the focus of research is not a common positivist reality nor even a social reality of a group of people, but my personal and also to some degree biased interpretation of a set of random subjective organizational realities of the interviewees.

According to Glaser & Strauss (1967), a good presentation of grounded theory should

1. enable the prediction and explanation of behaviour
2. be useful in theoretical advance of the field of its respective studies
3. be usable in practical applications in giving the practitioner understanding and some control of the situation to be assessed
4. provide a perspective on behaviour – a stance to be taken towards data
5. guide and provide a style of research to particular areas of behaviour

The application of grounded theory in this study is not pure, however, As I assume the practical implications of agent theory and theory of the company and the theoretical justification for the existence of IR function in publicly listed companies as a basis of research, thus to some degree making *a priori* assumptions or expectations on social behaviour. The reader should note that the most important characteristic of grounded theory approach is in the stance taken towards data and the treatment of research questions as mere starting points to discussion – these can and should be neglected or iterated as per the conclusions drawn from the data. Also, even though some researchers (e.g. Dick (2007), Locke, 2001) argue for a grounded theory style of research that totally omits literature review and alike chapters, I chose to follow a more traditional structure of research as I found notions (Suddaby 2006, p.633) about grounded theory being highly sensitive to its historical context, which should also be explicitly introduced.

Regarding the generic structure of a grounded theory, the following elements should be introduced.

A *slice of data* is defined as an independent comment, argument, claim, guess, gut feeling or alike of the interviewee, which is processed as it may have implicit or explicit value for the purposes of generating theory

A *concept* is the first-level abstraction from any number of slices of data. For example, when assessing managerial self-interest, if I come across with comments or alike that imply increased stress levels when engaging with investors, concepts of career concern, professional composure and personal safety may be drafted from slices of data.

A *category* is yet a higher abstraction, generated by making comparisons of concepts, and identifying common attributes of those. For example, from the above concepts, a category of "maintaining professional composure in engaging with investors" could be generated, as slices of data imply increased stress levels, and the above concepts fall under the previous category definition.

A *proposition* is a generalization made from a number of comparisons between categories. For example, given categories "maintaining professional composure in engaging with investors" and "engaging in discussion with the investors" emerge from the data, a proposition "Managers engage in discussion with investors more likely, when their top priority is not in protecting their professional composure." This proposition may be justified

as one arising from the comparisons and identified relationships among categories, concepts and slices of data, and may also be tested in further interviews.

In this study, I adopt a story telling mode when processing the data. The practical implication of this is that any propositions are made after each bulk of data is processed.

3.3 Grounded theory in management research and organizational science

The question of validity and necessity of somehow unique or well-adapted uses of grounded theory in the research of management sciences – i.e. if and how grounded theory could and should be made fit to the particular research domain – offers a good starting point for a brief introduction on the adoption of grounded theory in management research and organizational science. In her review of the topic, Locke (2001) notes that the vast majority of methodological references to grounded theory in management and organizational science are made to the Glaser's original text published already in the 60's. It has also been very common to mix grounded theory with methodologies of the respective domain or take its ideas to serve as a starting point and adapt them to a great degree. Locke (2001, p. 95-98) argues grounded theory being for research in the respective due to its ability to *capture complexity* ("produce a multifaceted account of organizational action in context"), *link well to practice* ("…ensuing theoretical accounts that this approach generates have proved especially useful to help organizational members gain a perspective on their own work situations."), *Support theorizing of 'new' substantive areas* ("many of the features of managerial and organizational life associated with the revolutionary effects of technology are an obvious instance of such 'new' areas of concern."), and *enliven mature theorizing* (e.g. Parry (1998) argues that leadership be taken and researched as one of Glaser's (1978) basic social processes, rather than as a construct of organizational setting.)

Grounded theory has been applied to means of generating both normative and explanatory presentations in management studies and organizational research. As per normative research, Burgelman (1994) chooses to adapt a style of generating theory in the form on propositions. In his study of business evolution in the form of business exits in one of Intel's business lines, Burgelman (1994) adapts a research methodology that resembles grounded theory due to his research topic having not been much researched in the past and theoretical base of it being underdeveloped. Grounded theory methodology is much adapted to something that

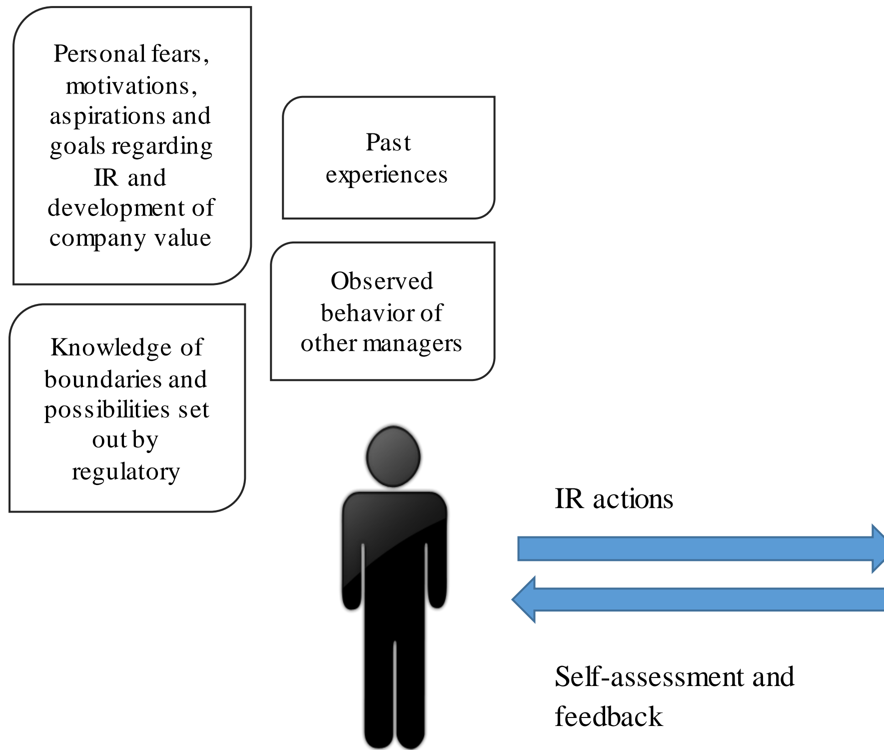
Burgelman (1994) calls a “longitudinal, two-stage, nested case study design”, still the research being grounded with respect to data acting as the basis for the generation of theory. Also the article presentation of research is much like that of a grounded theory paper, as the literature review and hypothesis formulation are left out and great emphasis is placed on the treatment and presentation of research data. The choice of theory generation in the form of normative propositions is most likely due to a sheer volume of unstructured data. In another field study, Burgelman (1983) adopts an even more formal application of grounded theory in presenting a process model of internal corporate venturing. In his explanation on the course of research, Burgelman lets the reader understand that his intention *a priori* was not to arrive at a formal process model, but to develop one as it seemed to arise naturally from the data. In yet another example, Lyles and Mitroff (1980) start off with grounded theory approach and arrive at a conceptualization of problem formulation in three typologies – i.e. the types of problems managers face. For a scarce example of a static theoretical model, Lee, MacDermid and Buck (2000) utilize grounded theory’s analytic techniques in investigation of the implications of reduced work load arrangements for hired professionals and managers.

With regards to explanatory monologues in the research domain, Pandit (1996) adopts a very complex, inter-disciplinary and multi-faceted data collection process in its attempt to create a theoretical framework for corporate turnarounds. The compiled data set consisted of trade and business journal articles, newspaper reports, broker reviews, government publications, stock exchange releases and annual company documents of each of the companies presented in sample. A significant contribution to grounded theory in the research domain of business sciences was made in the way Pandit (1996) explicitly iterated his theorizing case by case as he analyzed through the companies, presenting the new means of acquiring new sources of data and making new kinds of interpretations from existing data. As the application of grounded theory need not be as explicit as in Pandit (1996) (Locke, 2001, p. 125), Isabella (1990) adopts a structure of research presentation where generated theory is presented upfront and the data is referenced here and there in supportive of theory unfolding. One benefit of this is to make the interplay of theory generation and data gathering and processing alive in the eyes of the reader, as they are thickly woven together. This form is also used by Eisenhardt (1989a) in a study of decision-making in fast-paced environments, as he generalizes propositions from theoretical categories of data as he observes the course of companies’ actions and nature of their decision-making in time.

Constraints to the adoption and adaptation of grounded theory in management research and organizational science is much related to issues of access to the data, ambiguity of data, and continuity of data access, and their implications to research design. Bulmer (1998) notes the practical challenges and possible causes of data ambiguity in establishing a data-gathering role in the organization, and moving across units in the organization, and Easterby-Smith, Thorpe and Lowe (1991) note the politics and ethical issues associated with research on management level in particular. One of grounded theory's central features, the overlapping of data collection and analysis poses additional problems, as e.g. Barley (1990) illustrates how he stopped by his data gathering resort every now and then in no means to gather data but just to maintain credibility and continuity of research in the eyes of his connections, adding complexity and ambiguity to ethics of research conduct.

Finally a note on the nature of this study's research subjects, the top management of a publicly listed company. In this study, managers are thought of as agents acting conditional to their *information set*, which can be thought of as a set of fears, motivations, aspirations, knowledge etc. etc. which precedes management actions. It is hypothesized that the knowledge and attitudes on regulatory framework, past experience, observed behaviour of other managers and personal fears and motivations dominate this information set, as illustrated below. As managers conduct IR activities, they directly and indirectly collect feedback on their performance and assess their own behaviour, resulting in a change of the state of their information set. Although existing research on management psychology would allow us to hypothesize a set of internal relations for the main categories of this information set, I choose not to adapt any of such as it would be a very lengthy exercise of its own and is outside the scope of this study. Also it is to some degree contradictory to the ideas of Grounded Theory.

Picture 1. A Sketch Information System of the Managers'



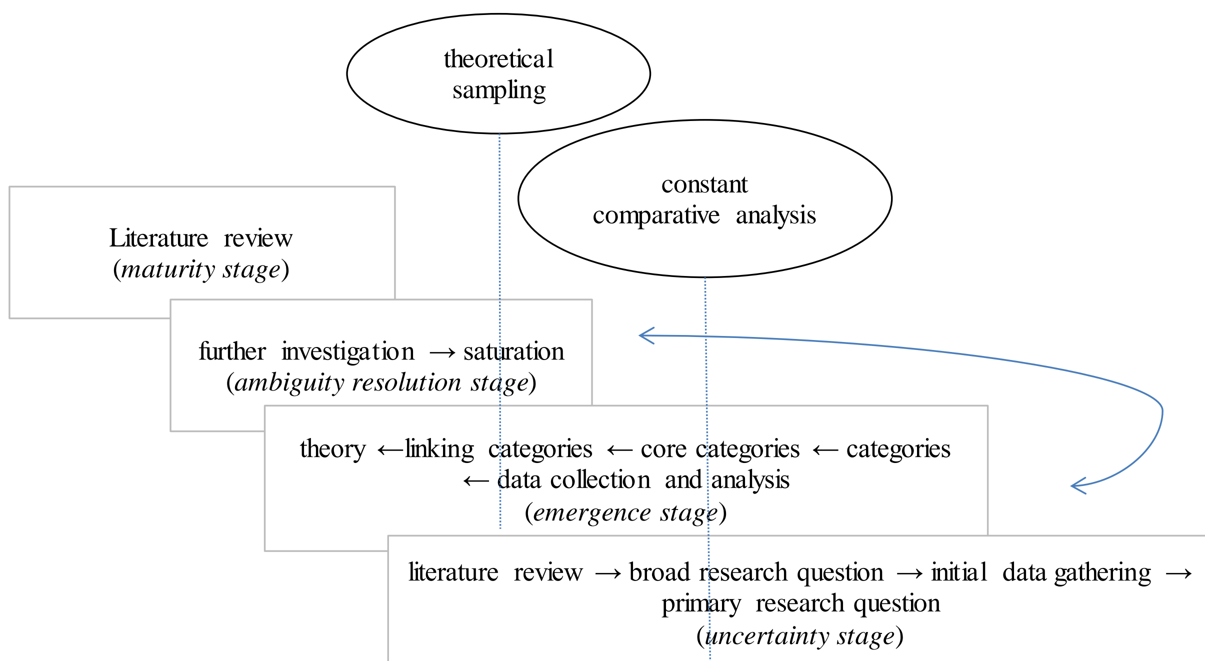
Although similar information systems could be sketched for independent equity analysts, and regulatory authorities, these are omitted for brevity as they fall outside the intended scope of this study, the management's application of Ongoing Disclosure Obligation and its constituents.

3.4 Research design

As mentioned previously, Grounded Theory approach does not validate the hypothetico-deductive research design, but entails the researcher to come up with a mere framework of operational principles for conducting the research. For the purposes of this study, I chose to adopt a four-stage model suggested by Idrees et al. (2011) for conducting research on information systems, as this model is set to help novice researchers overcome the challenges arising from the adoption of Grounded Theory in research practice. Citing Idrees et al. (2011), the research design comprises of four stages:

(1) The uncertainty stage: where the primary focus emerges.
(2) The emergence stage: where the core categories, which form the foundations of the theory emerge.
(3) The ambiguity resolution stage: where the grey areas in the emerging theory are clarified.
(4) The maturity stage: where the discussion of the findings against the literature takes place.

Picture 2. Research design



The generation of theory is most apparent in the *emergence stage*, which is initiated in this study after the first round of interviews. During the *uncertainty stage*, which constitutes of the first round of interviews I approach the interviewees with an open mind and an open interview structure to be able to sketch their mental whereabouts regarding IR. As literature review is conducted in length before conducting interviews, maturity stage is more a reflection of generated propositions against existing theory.

The information system of the managers is in the core of research design, but interviews are also held with other stakeholders, as mentioned also previously and explained later in more

detail. The purpose of this choice is to reflect information acquired in preliminary interviews, and also to acquire information that can be reflected back to the next round of interviews to achieve more credibility and expertise and inspire more discussion. The reader should note that the nature of this information is forward-looking rather than explanatory of the present. If the requisites of saturation, as conditional to the ambiguity resolution explicit in the research design, are not met in a round of interviews, the data gathering process will continue at the emerging stage, as depicted by an arrow in Picture 2.

4. Theoretical and legislator framework

In this section I introduce the central theoretical concepts and the way they have been studied with respect to the most important stakeholders of the company, as this study is concerned. Also, the relevant regulatory and legislator framework is presented in brief.

4.1 Theory of the company

To start off with an introduction on the theory of the company offers us a reminder and a clarification of the imperfection of the nature of the contracts among the company's most important stakeholders. Jensen (1976) was the first to present a formal model of the company's optimal capital structure, assuming the agency costs and the *residual loss* introduced by Berhold (1971), Ross (1973, 1974a), Wilson (1968, 1969) and Heckerman (1975). Although the intention was in the practical implications for the optimal capital structure of the company, it helps to explain why the separation of ownership and control - i.e. assigning the management to control owners' assets although this will impose a persistent loss on the value of the company – is perfectly consistent with assumptions of efficiency, and also justifies assessing the level of freedom the management should be allowed in carrying out their task, the focus of this study.

Jensen (1976) adopts a view on the company as a "legal fiction which serves as a nexus for a set of contracting relationships among individuals", and rests the normative focus of contracts between the shareholders and company's top management – i.e. the contractual means of reducing *residual loss* as introduced in agency theory. The formal presentation of this

optimum is omitted for brevity, since it is outside the focus of this study. With regards to theory of the company, we can be satisfied with the notion that such a widely recognized model which presents practical implications for an optimal capital structure in presence of separation of ownership of control and agency problems as presented by Berhold (1971), Ross (1973, 1974a), Wilson (1968, 1969) and Heckerman (1975), exists.

For the purposes of this study, the following stakeholders are included in the *nexus* and their roles are assessed separately both theoretically and empirically, or just theoretically:

1. Existing and potential shareholders
2. Company's top management
3. IR department of the company
4. 3rd party financial service providers, e.g. independent analysts
5. Regulator authorities
6. Board of Directors

4.2 Agency theory

Agency theory still is one of the most controversial and debated theoretical vehicles in managerial research (Eisenhardt, 1989). It has been studied in a range of disciplines, including finance (Fama, 1980), economics (e.g. Spence & Zeckhauser, 1971), organizational behaviour (e.g. Eisenhardt, 1985; Kosnik, 1987) and political science (e.g. Mitnick, 1986). Some researchers (e.g. Jensen, 1983) are convinced it has a lot of prominence in the establishment of a grand theory about organizations, while others (e.g. Perrow, 1986) call it trivial and even "dangerous". Regardless of the debate surrounding agency theory, it contributes and keeps in academic awareness the notion of managerial self-interest to the theory of organizational research, as it is coming more topic than theory oriented (Eisenhardt, 1989).

The origins of agency theory go back to 1960's and early 1970's at which time Arrow (1971) and Wilson (1986) explored risk sharing among individuals or groups. Agency problem was noted to occur when co-operating parties had different divisions of labour and differing goals. The unit of study, which is still the focus of the theory, was the relationship between a principal and an agent, to whom the agent assigns work to be performed and assets to control in performing that work.

In general, agency theory has two important propositions, also highly relevant to this study. As Ross (1989, p.134) notes, the relationships these propositions depict are universal.

Firstly, it notes that the goals, desires, perception towards risk etc. etc. of the principal and agent may significantly conflict. This is a commonly held assumption in financial theory also, as it is known that investors may diversify their risk as management cannot, and thus an asymmetry of information exists as managers who are likely to take less risk know more about the company's future prospects than the investors do. Also the research on Mergers and Acquisitions has provided empirical evidence on the fact that CEO's may seek to buy and consolidate other companies in the interest of increasing their power and overestimate their contribution in achieving merger synergies, thus destroying company value as opposed to a situation where investors would buy the stock of a respective company themselves in a way that the management of the respective entities remains separate (Haleblian et al, 2009). Jensen and Meckling (1976) provide empirical support and motivation for the conduct of even complex contracts between the CEO and the shareholders on risk sharing in finding out that increasing the firm ownership of the managers helps in decreasing managerial opportunism, formally stated by

Proposition 1: When the contract between the principal and agent is outcome based, the agent is more likely to behave in the interests of the principal.

Secondly it is noted or preceded that it is difficult or costly for the principal to know what the agent is actually doing. Thus the quality and existence of information systems like competitive labour markets, the financial markets, IR department and Board of Directors should curb agent opportunism, as the agent observes these systems and realizes that they inform the principal whether the agent acts according to the interests of the principal. With respect to this notion, Fama (1980) described the informational effects of capital and labour markets, and Fama and Jensen (1983) assess the role company board plays in controlling managers' behaviour. Put formally,

Proposition 2: When the principal has information to verify agent behavior, the agent is more likely to behave in the interests of the principal.

As the abovementioned propositions propose a loss on company value – i.e. *residual loss* -, the bulk of research most relevant to our study – the relationship between a CEO and shareholders of the respective company – is to a great extent highly normative and

mathematical in its attempt to formalize approaches for optimal contracts between the two parties.

The formal treatment of agency problems, arising from the separation of ownership and control, was first introduced in financial theory by Berhold (1971) by the assessment of management's profit sharing incentives. Berhold (1971) is a purely normative study in the sense it develops a basic approach for the analysis of incentive contracts. No qualitative assessment on the agency relationship between CEO and the shareholders exists in to my best knowledge, thereason most probably being the ambiguity of research topic and difficulties in obtaining data in a systematic manner. Thus the importance of this study.

4.2.1 Agency theory and IR function

The abovementioned Proposition 2 provides a theoretical justification and motivation for the existence of IR department in a publicly listed company as a means to increase transparency and allow the principal to be better informed on what the agent is doing, the primary motive being in the alignment of the interests of these two. This, however, might not seem to apply very well in practice since IR department, reporting to the CEO and perhaps represented in the management board, is far from an independent third party. On the contrary, IR can be thought of as a function that monitors the investors and serves the CEO and CFO in serving the investors better.

Modern academic look on the IR tends to view it as a strategic communication function that has an explicit strategy of marketing the company and building good image to a selected investor audience. Hoffman and Fieseler (2010) interview and survey a relatively large sample of equity analysts to conclude that the overall quality of company's communication is the most important non-financial factor in the assessment of a company, and continue with a notion that the achievement of overall good image in the eyes of the investors is a process over time, and may significantly help in collecting relevant input from the markets, dispelling rumors and false information and manage the financial community's access to top management. Skinner (1994) researches the voluntary disclosure of bad news to conclude that these are often purely qualitative releases that achieve a significant negative reaction at the stock market. From the viewpoint of this study, it is noted that these can thus be used successfully by the management to ease fluctuations e.g. before earnings announcements, and

it is also anticipated that interviewees will confirm the use of such a practice. Skinner (1994) also emphasizes the purely legal motivations by the management to disclosing bad news voluntarily, as management can be held legally accountable for the improper conduct of IR. This is also anticipated to be confirmed by the interviews with top management, as introduced later in more detail.

A separate, more recent branch of research assesses the role and uses of Internet in conducting IR activities and engaging with the investors. Earliest of these studies still relevant today, defined as starting from an era where practically all public companies have a home page but majority of these companies not yet using it to share interim reports and stock exchange releases, is to my best knowledge Deller et al. (1999), which also assesses a set of more advanced web tools like on-line chatting - which has gained much popularity in the form of conference calls found adapted by many publicly listed companies as of present times - to find that the use of Internet as an IR tool was very limited among publicly listed companies in the UK, US and Germany, but most prevalent in the US. In a more recent study, Geerings et al. (2003) study the use of Internet in the Euronext zone to find out that the French and Dutch use the Internet to its fullest relative extent - as illustrated by a three stage model - whereas companies in other Euronext countries are at the second stage of Internet Investor Relations (IIR). The second stage of utilization is here characterized by using Internet as a medium to present ongoing information about companies prospects, and to combine such information available at other Internet sources of the financial community, whereas the companies in the third stage utilize “the use of hyperlinks, the use of specific file formats, internal search engines, cookie technology, the possibility of changing the language in which the information is offered, and the possibility of downloading files.”

There are also a number of survey studies that focus on assessing the investor demands and appreciations for a valuable IR function (e.g. Hockerts and Moir, 2004), which also shed light on the nature of non-financial data the investors consider when giving out recommendations. Also, Hockerts and Moir (2004) have assessed investor relations from the point of view of Corporate Social Responsibility (CSR) to note the very different informational demands mainstream investors place on the companies they hold in their portfolios. Kasanen and Puttonen (1994), Puttonen and Kasanen (1995) and Puttonen and Sarkki (1996) have conducted three annual surveys on the topic of investor communications by a survey of Finnish equity analysts. Throughout the three studies, the results show that differences in

good quality conduct of IR between Finnish companies are large, although the development has been positive in general. The results also place emphasis on the oral and even more subtle forms of communication and to credibility of management presentations. In a more recent study, Chang et al. (2008) studied the link between disclosure quality – measured in terms of reducing information asymmetry in general and *among* investors – and found out that companies that rank higher in terms of IR quality are rewarded with more analyst coverage, enhanced market exposure and institutional following. Information asymmetry as some investors holding public and private information of differing value, and some holding only public information. Reducing information asymmetry is thus an act of increasing public information to reduce the relative share of those investors holding valuable private information also, i.e. transforming private information to public information. Ranking is achieved by an indexing based on a checklist of IR activities conducted over the Internet, as Internet is thought of as being the most public medium for reaching investor audiences.

4.2.2 The role of governance

The view on governance from the viewpoint of *Proposition 2* might be very old-fashioned in the sense that bulk of the latest research on corporate boards proposes they should have a much larger and active agenda, instead of just providing the CEO with strategic ends and supervising his/her activities. Mellahi (2005) notes how boards play a large role in situations of crossing the "valley of death" – i.e. very difficult times due to e.g. disruptive technologies – or in turnaround situations, and generalizes a few conditions by which the boards would be bound to fail in their task. Adams et al. (2010) review the present board agenda and find further evidence to the Hermalin and Weisbach (2003) survey that notes the fundamental intervene of board composition and board agenda, thus making it difficult to assess the actions of the "modern" board for none such generalization may exist. As the role of the board may vary from a simply legal entity which just says "Yes" to any idea of the CEO and fire him/her in case of bad company performance, to an active player in the overall management and control of the company, Adams et al. (2010) find no other material generalizations than controlling the CEO and holding him/her responsible, and maintaining a company strategy.

From the point of view of this study and *Proposition 2* of agency theory, as introduced in Chapter 4.2., a recent study of Shank et al (2013) provides further support for the value of boards as part of the information system that notifies the principal on agent's whereabouts. Shank et al (2013) research the correlation of corporate governance and risk-adjusted performance and find that good governance is correlated with risk-adjusted returns on the stock price in periods of three, five and ten years in small cap stocks of the US stock market. It is left unquestioned whether they would play the same role in mid and large cap stocks, if the investors had as good an access to interact with the board there. The reader may take note here that this ambiguity will be later addressed in interviews. Also, Collett & Dedman (2010) observe large share price movements and their correlation with stock exchange release or media coverage, they also document a link between better corporate governance and public corporate disclosure, thus providing further support for *Proposition 2*.

4.3 Analyst labor market theory

As many papers (Hirshleifer et al. 2001; Devenow and Welch, 1996; Brennan, 1990; Diamond and Dybvig, 1983; Cooper et al., 2001; Gleason and Glee, 2003), have illustrated the independent analysts' labor market being imperfect, functioning under its own laws separate from the real economy and resulting in e.g. biased consensus forecasts, a few words should be written about that also, since it is close relationship with management behavior and interpretation of management communication. For example, under herding, intended results of a stock exchange release may be of significantly higher magnitude.

4.3.1 Herding

What is common to different definitions, forms and degrees of herding is that in all of them members of a group exhibit causal correlation in their behavioral patterns. As opposed to *contagion,* this behavior arises from *voluntary* actions by agents. Herding can occur in settings where agents of perfect or limited rationality possess private and differing or similar information sets, and expose them wholly or partially to others in their actions. These information sets may be different in *amount*, *quality* or *character*, and the actions of herding

individuals may be contradictory to the actions implied solely by their private information sets.

Hirshleifer et al. (2001) identify three subsets to *herding/dispersing* by reviewing existing literature:

(1) *Observational influence* occurs when private information is divided unequally among individuals, and agents are not certain of the quality of the private information of their own and of others. Though the outcome of this form of herding may be optimal to those who choose to herd, the individuals who neglect a part of their private information are not certain of the quality of the exposed information set they choose to follow, but assume it is of better quality than their own, since more than one agent implies it in their actions.

(2) *Rational observational learning* occurs when an agent who chooses to follow the herd can be sure that her decision is based on information superior to her private.

(3) *Informational cascades* form when the influence of others is strong enough to make an agent totally neglect her private information, and base her actions solely on observations of the behavior of others. In this category, imitation occurs with certainty and can be assessed beforehand. The signal of a cascading agent is thus uninformative of her private information.

The above subsets refer inconsistently to forms of rational and irrational herding. Devenow and Welch (1996) who focus on rational herding in their review suggest that it occurs when individuals are able to observe the positive *payoff externalities* captured by following actions of other individuals. Rational herding thus occurs when an individual is certain that the observed action implies a superior or equal information set, or the average individual outcome is larger when more people choose the same action. Some of these situations found in e.g. Brennan (1990) and Diamond and Dybvig (1983) include

(a) stock market participants adjusting their portfolios according to new information made public at the market

(b) bank runs, where there is no cost of raising funds from bank, but a risk of losing them in case of insolvency

(c) portfolio managers herding because of their evaluation and compensation is related to that of peers

(d) stock market participants neglecting to acquire costly information about small companies, when the usability of this information in trading depends on other participants acquiring it too

Herding behavior can be further categorized to *stabilizing* or *destabilizing* based on its tendency to exhibit divergent or convergent process outcomes, as Wermers (1999) has noted. For examples, stabilizing herding is something that mutual funds engage in to bring prices to their fundamental levels, as destabilizing herding may be a result of e.g. volatility spillovers in between industries or stock exchanges.

4.3.2 Analyst herding

In this thesis, analyst herding is defined as *rational* based on the observation that analysts who act as agents in a competitive labor market are in general able to observe the quality of the signal to which they choose to neglect a part of their private information, as found by Cooper et al. (2000). In more detail, it is assumed that their information sets are different in *quality*, making it possible to order them. Analyst herding can be categorized as *rational observational herding* in the process of consensus formation as explained later.

Since analyst herding occurs as a result of actions by individuals in a competitive labor market, analysts' choice to herd depends on maximizing private utility. This is twofold given an analyst is able to identify the relative quality or reputation of her signal. Weak analysts are thus likely to herd for protective purposes, as a common perception is that it is more harmful to make an incorrect assessment as an individual than as a member of a group. Strong analysts have on the other hand in their concern to avoid attracting consensus around them, since they do not want others to free-ride on their superior ability, but want the credit of their accuracy all for themselves. It is thus hypothesized in this study that signals that are issued early and attract consensus are likely biased, even though they come from analysts who have a bold and accurate reputation. This intuition is supported by empirical results of Gleason and Glee (2003), which focus on forecasts revisions, and find out that the most accurate signals are revised close to announcement dates.

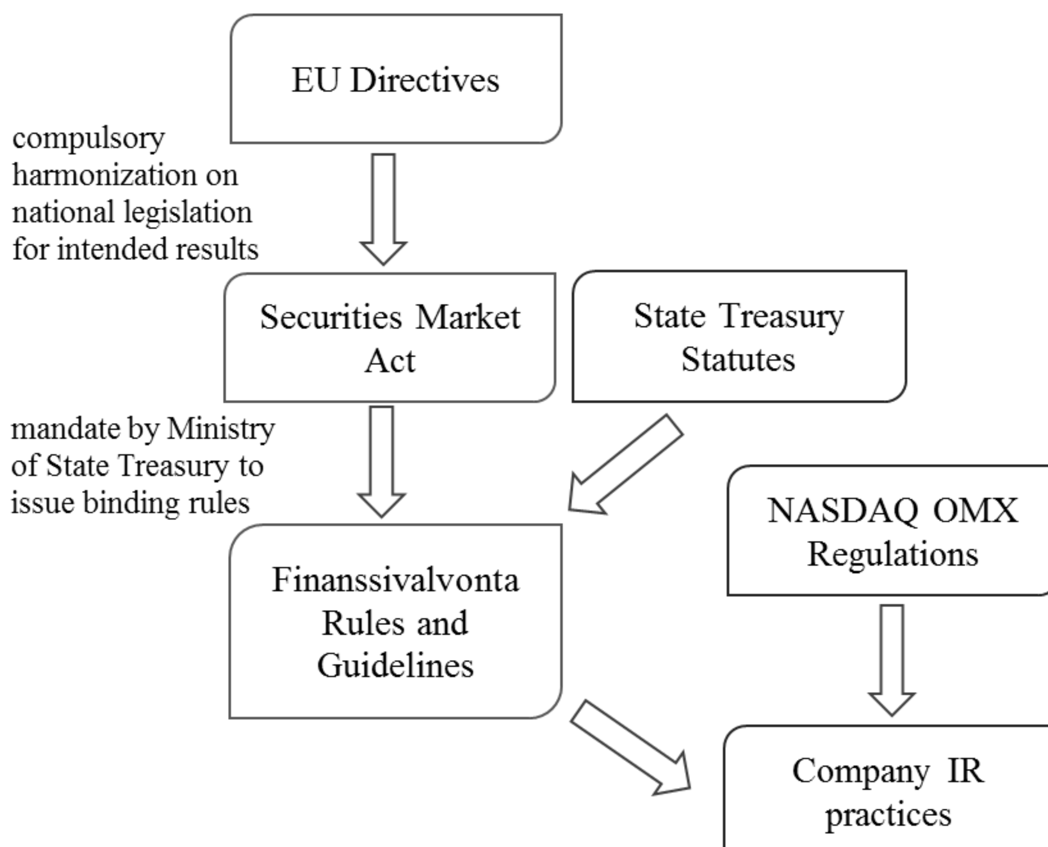
A very important empirical distinction is made regarding the information sets analysts use in forecasting and setting target prices. Information set of earnings forecasts is not assumed to incorporate expectations of a price discovery failure, but the target set of investment

recommendations is allowed to. Thus the information set used when forecasting earnings is a subset to that used in setting target prices. This assumption is verified in Gleason et al (2006) who find that more accurate earnings forecasters respectively set more accurate target prices. In this study, a clear line on the scope of study is drawn in between analyst' labor and its above illustrated implications to forecasting biases and market price discovery, and to information system used by management to assess the likely impact of IR activities. Although it is likely that managers are to some degree aware of these biases, the active study of arising conditions and implications to price discovery failure are left unaddressed, although their impact might in some cases offset the impact of improper conduct of IR activities.

4.4 Regulatory framework

In this Section I introduce the relevant regulatory framework. I start off with a notion on the general hierarchy of legislative regulation (see Picture 1 below). Picture 1 represents the hierarchy and intermediation of regulations related to and surrounding Ongoing Disclosure Obligation (ODO), the focus of this study. As explained later in more detail, all Finnish legislation should exist and be practices in harmony with respective EU legislation, Finanssivalvonta having a particularly substantial mandate by the Ministry of State Treasury to update and oversee the compliance of guidelines and rules, which should be adapted by Finnish publicly listed companies. The reader should take careful note that – although the top managements and analysts' feedback on the performance of the regulatory authorities is included in the agenda of this study - the assessment of this regulatory structure and its functioning is omitted for brevity, and the following chapters are to be read only as structural introductory, not as an introduction on the present state of regulatory affairs on domestic and EU level.

Picture 3. Hierarchy and intermediation of regulations



4.4.1 Directive 2003/6/EC

Directive 2003/6/EC, more commonly known as Market Abuse Directive (MAD), was to be implemented by all member states October 2004. Its aim was to harmonize the market abuse regime across in order to facilitate the creation of single European financial market. Directives are flexible legal instruments, i.e. only binding to the results to be achieved by them, leaving room for national diversity in implementation.

With regards to the focus of our study - the responsibility of the company to continuously inform the investors of events likely material to its stock price - Directive 2003/6/EC very little of anything controversial to the Securities Market Act of 1989. Thus much of the old text was left untouched in recent reform.

4.4.2 Securities Market Act 14.12.2012/746, Chapter 7

The Securities Market Act was to large part reformed during the 2000's and the finished text came in to force on 14.12.2012. The motivation of the reform was to increase the internal consistency of the text, and consistency with EU legislation and regulations. The sections relevant to this study - Chapter 7 - were however largely sustained in the form they are written in Securities Market Act 26.5.1989/495. As no official English is available to my best knowledge, the translations are my own.

The bulk of the Chapter 7 is uninteresting for the focus of this study as it mostly describes the way in which company should communicate with the stock market and shareholders, and the nature of events that trigger the responsibility of the company to inform its shareholders, as the primary interest of the law is to protect the investors. However, the interesting notions to be made are on the fact that the law views the communication between the company and its shareholders clearly as one-way communication, where the company is responsible of continuously providing the investors with sufficient information about the company's whereabouts. Nothing is said about the upper extent of communication, i.e. there is no upper limit on how much the company can communicate with the investors. Also, there are no formal requirements of documentation for continuous communication, expect for maintaining a library of stock exchange releases and keeping it available to investors at all times.

The forms of communication with the investors are not limited. Only notion regarding this is in Chapter 6 6§, which states that if the company expresses some information to a party - for example an individual investor – it should without unnecessary delay issue this information to the entire public, given that it is material for the company's stock price.

Lastly, the law does not abide the company of informing the public that its assumed future prospects regarding a company are totally inconsistent with those of the management. The interpretation of the law might necessitate that the market as a whole - e.g. consensus forecasts of independent stock analysts - is materially inconsistent with the management's view. This is an important notion regarding the empirical section of this study.

4.4.3 Fiva MOK 7/2013, Chapter 5

Finanssivalvonta is a regulative authority set to protect the rights of insurance holders and maintain the atmosphere of general trust and stability in the Finnish financial and insurance markets. 95% of its financing comes from the organizations under supervision. Finanssivalvonta has the right to issue Rules and Guidelines for the participants of the respective markets, and also issue fines if Rules are not abided. The Department of the Treasury which is responsible for supervising Finanssivalvonta necessitates that the Rules and Guidelines are consistent with those of European Securities and Markets Authority.

The Rules and Guidelines relevant for this study are found in the Chapter 5 of Määräysten ja Ohjeiden Kokoelma (MOK) 7/2013. Largely these elaborate on and give concrete examples regarding the contents of Securities Market Act 14.12.2012/746, Chapter 7. Guideline (49) states an interesting notion, as it says that "If analyst forecasts and estimates differ materially from those published by the issuer, Finanssivalvonta recommends that the issuer evaluates the cause of this. If the cause turns out to be for example that the issuer has not provided the markets sufficient or definite information for the purposes of making reasonable investment decisions, issuer may elaborate on the information it has previously given, by either issuing a separate release or along with the next interim report." Although the guideline says nothing about the investors overvaluing or undervaluing the company *per se* – i.e. assuming that over- or undervaluation, hype etc. is conditional on the intermediation of the actors in the financial markets, rather than being conditional to the information issued by the company itself – it does not also forbid the company on commenting the investor sentiment.

4.4.4 Regulations of NASDAQ OMX Helsinki

In addition to the law and implied Rules and Guidelines laid out by Finanssivalvonta, NASDAQ OMX Helsinki imposes also some supplementary regulations. The motivation of these is at least partly due to the fact that Securities Market Act 14.12.2012/746, Chapter 6 4§ necessitates the market place to inform the market with any material company-related information that comes to its knowledge, if it finds out that the company has not done it already.

The regulations relevant to this study are found in NASDAQ OMX Helsinki “Yhtenäiset Tiedottamissäännöt 1.9.2011”, Section 3, and “Arvopaperipörssin säännöt 31.1.2013”, Section 3.3. These replicate the contents of the Securities Market Act 14.12.2012/746, Chapter 7 and Fiva MOK 7/2013, Chapter 5, added with notions and disclaimers on the roles and responsibilities of the market place.

5. Empirical treatment

In this Section I will assess the empirical results based on the interviews conducted by the principles introduced in Chapter 3.2 of this study. The empirical treatment is iterative in the sense that after the first round of interviews with the present and past CEO’s, CFO’s and IR Directors of publicly listed companies the research questions are revisited before conducting interviews with other relevant stakeholders.

Before initiating the discussion around the research topics, a few notions are to be made. The first one is that the most common reaction the first round interviewees had was a slight explicit nervousness when asked direct questions about the motivation and purposes of company’s IR activities. This manifested most clearly in statements like “I don’t want the authorities calling me because I gave this this interview.” and “This is of course a grey area we are discussing.” and further confirms the sensitive nature of the topic, and the difficulties in obtaining unambiguous data in a systematic manner. However some respondents felt free in discussing their practices either directly or indirectly. As I rephrased my questions from subjective to passive grammar and asked more indirect questions that would imply some practices without the interviewee having to state them directly, I was able to obtain much more out of the sessions. The second notion is about the overall tone of voice the investors were spoken about. A great deal of the first round interviewees mentioned they felt uncomfortable and defensive when meeting investors in public events like the Capital Market Day, and on the contrary mentioned that one on one discussions with investors were mostly inspirational sessions where they did not have to defend their arguments as aggressively and got a lot of good feedback and ideas in return. Regarding the second round of interviews, an explicit atmosphere of cautiousness was to be acknowledged especially when interviewing the regulatory authorities, but with independent equity analysts this notion was found relaxed.

5.1 First round of interviews

The first round of interviews consisted of six (6) sixty (60) minute one on one sessions with present and past CEO's CFO's and IR Directors of publicly listed companies. The interviewees were picked to represent kinds of situations where the application of law and regulations was stressed, like when experiencing a period of very high growth where investor sentiment is likely to be toned down for managerial concerns, or experiencing an investment period with concurrent short-term losses. Most of the interviewees were ex-CEO's or ex-CFO's. Furthermore, some interviewees were chosen represent the same company to assess the static and temporal consistency of IR activities. The idea behind this was that they could speak more freely about the topic, given they did not have as much as career concerns and could take some distance to their own past performance when assessing it. The intention of these interviews was twofold in consisting of a "hard" agenda and a "soft" agenda. The soft agenda was to explore the personal fears, motivations and appreciations etc. of allocating time to investors. This was much done by encouraging story-telling and free speech of the interviewees. Out of these, an initial set of personal level categories for IR conduct emerged.

In addition, regarding the "soft" agenda, I asked the interviewees to engage in telling stories about investor seminars, road shows, Capital Market Days and alike events they attended and kept asking about how they perceived their importance and usefulness to the company and to their own managerial agenda, and kept making notes on things like the tone of voice and the attributes the interviewees chose when they told the stories. I also kept urging about any informal communication they engaged in with investors.

5.1.1 Hard agenda

The hard agenda was to ask directly, whether the company had any explicit means to monitor the investor sentiment around the company's stock, and whether they had any explicit means of influencing that. Thus, I asked the interviewees the following:

1. What is time average monthly time you spend/spent with investors?

2. Is/was the IR department in your company marketing-oriented or regulatory-oriented?
3. Do you have an explicit long-term IR strategy?
4. Do you by e.g. analysing analyst consensus forecasts or otherwise monitor the investor sentiment regarding your company?
5. What explicit communicational means do you use in influencing the investor sentiment?

5.1.1.1 Management time spent on IR

The time spent with investors ranged a lot from half a day a month, given the company announced quarterly or annual figures in that month, to multiple days a month. Two of the respondents gave comments in the form of free speech about the very situational nature of IR, the other stating that

"You have to look at IR as a product of its own time and company situation."

This gave an idea that the two interviewees thought of IR as a function that lacks a consistent strategy of its own, further underlining the impression that IR is thought of as a reactive function by the managers.

5.1.1.2 Orientation of IR

When asked about the orientation of IR department, 4/6 respondents replied it was regulatory-oriented, and only one interviewee told they have an explicit IR strategy with long-term goals regarding e.g. the ownership structure of the company, the other replying that IR strategy had no long-term goals other than those derived from the overall strategy of the company. This interviewee also told they used stock exchange releases to notify investors about ongoing changes in company strategy, in the style of e.g. informing about a major role and briefly discussing that it is a major step forward in the implementation of company's new strategic initiatives, or smoothening investor responses to ongoing losses that were due to significant investments according to new strategic initiatives. More common responses were reactively-oriented, as expressed by a statement such as

"When the investors in UK and US expressed interest in our company, we had to start thinking about engaging with them."

Two of the respondents mentioned the companies they run have an explicitly defined IR strategy, but only one of these had explicitly long-term goals regarding things like ownership structure.

5.1.1.3 Managerial assessment of market valuation

Almost all of the respondents told they took a look on consensus forecasts in periods of times before and after the issuance of quarterly or annual earnings reports, but only one of the interviewees told they assess these systematically in groups. Also, all of the respondents said they kept a close eye on the company's stock price and liquidity and changes in ownership structure, especially after issuing stock exchange releases or hosting investor conferences or such events. This seemed more to be a personal feedback gathering method for managers, as many interviewees said they assessed this information privately on an ongoing basis, and more formally only after issuance of quarterly or annual reports. None of the respondents said they had any explicitly defined means to influence the investor sentiment, but practically all of them had some personal level comments regarding this. Also, two of the respondents said they remembered having had meetings where the implementation of such a practice was discussed but neglected. Furthermore, I took note of the fact that practically all of the respondents more or less explicitly let understand that they thought such a practice was against the regulations. When I asked about any additional comments regarding assessment of market valuation, one interviewee told that she was significantly bothered by *"hedge funds and short sellers"* who were targeting to increase the volatility of the company, as she could not think of anything to do about it, allowing a hypothesis that the management may also place a significant attention on things outside their zone of influence regarding the market valuation.

5.1.2 Soft agenda

Regarding the soft agenda, the intention was to gather information that allowed for the generation of categories that illustrate the self-interest as of anticipated by agency theory of managers when communicating with the investors. It was found out that, although the interviewees expressed the companies they run/ran had scarce explicit means of conducting IR in addition to its regulatory function, when engaging with investors on a personal level, a very wide set of personal level motivations, fears, aspirations, protective measures etc. arose.

In general, all of the interviewees recognized the IR as an act of selling the company, but implied very different views on what's valid salesmanship, as some chose a very high level of professional composure in communicating only the "official" pitch, and some allowed themselves more personal disclosure. Also, regarding the general sentiment that underlies more subtle forms of communication, almost all of the interviewees explicitly said that management is always more optimistic than the investor as they want to believe in the strategy and that the investors commonly discount for this factor.

Although outside the focus of this study, a complementary note from the point of view of corporate governance is added. One of the interviewees who had a distinguished background in corporate governance summarized the information asymmetry from the perspective of governing body by the following quote:

"Investors react according to their expectations. Overvaluation is as harmful to the company as undervaluation. This is because CEO may feel the need to keep up the overvaluation not to go under the expectations and lose his or her job. In Company xxx (where interviewee acts as Vice Chairman of the Board), *we keep a very close eye on possible overvaluation."* (Ex-CEO).

The above comment added a valuable side note, although further treatment on the role of the corporate governance is omitted. The next chapters introduce empirical findings regarding the underlying personal level fears, motivations, aspirations and alike of top management when conducting IR, and their practical implications.

5.1.2.1 Attitudes towards investors

The interviewees gave comments which – regarding the attitudes towards investors and conduct of IR activities - gave the impression that some played by-the-book and just offered the investors with explicitly defined information without any personal influence, and some seemed to have engaged in something that was more of a sales mode, placing a lot of consideration on their personal influence and their influential aims of communication, also allowing also a great deal of personal level motivations to influence the outcomes. The previous points were expressed in comments, like

"*You had to very careful when assessing the content of especially negative stock exchange releases. If the intention was to tone down the decreasing of stock price before the upcoming issuance date of annual reports, one word could make a ton of difference in its impact."* (Ex-CEO),"

"It was clear that especially the foreign investors did not understand the company's business model and the market properly, but there was nothing I could do about it. I only kept repeating the same value drivers meeting after meeting." (Ex-CFO).

"The language I spoke in the US had to be different from the language I spoke to Finnish investors. If I was to spoke to US investors similarly as I spoke to Finnish investors, the road show would not have succeeded."

On the other hand, a very different overall personal stance towards the investors was taken by an ex-CFO, who spent a lot of time in telling a long story of a road show he did in US. I got the impression that he thought of the occasion as a kind of adventure on a personal level, where he felt a lot of freedom in being out there, representing his company to perhaps the first significant US shareholders of the company.

When I brought out the general empirical notion that investors tend to look at too short time horizons when assessing companies, and wait results in e.g. potential turnaround stocks too soon, all of the interviewees took a passive stance in giving comments like *"That's just the way it is."* or *"...but there was nothing we could do except keep telling them that we are proceeding with the advancements in strategy."*, even though many explicitly or implicitly signaled frustration and increased stress levels due to this tendency of the investors.

5.1.2.2 Young and old finance professionals

In general, the interviewees tended to view all public events like road shows, seminars and Capital Market Days as stressful events where they had to defend themselves against investors who were asking difficult questions. It seemed that the interviewees quickly adapted the explicitly defined company story and its core points in those situations. One interviewee stated that

"The first seminar I did in London was an all-day event with back-to-back meetings with investors who had made only a little acquaintance to our company. With no time for even to eat, I kept repeating the same core points of our strategy over and over again." (Ex-CEO)

The notions of age and professional experience kept repeating. Especially the younger financial professionals were regarded as aggressive and even unprofessional, as the interviewees often got a sense that they relied a lot on their own analysis, and often asked very detailed questions about some marginal items in financial reports. To this, one interviewee commented that

"The younger the representative, the less they knew about the business and the more aggressive they were with their questions."

Another interviewee said that

"Especially in UK, you can't be neutral about a stock [as an analyst]. Oftentimes when the analyst from London called you could sense that they had already made up their mind about being bullish or bearish on our stock, and did call just to get confirmation for their views. This was true especially when the caller was a younger analyst."

Furthermore, another interviewee commented that

"The meetings with senior portfolio managers were often very good [discussions]. I often got a lot of perspective to our business from these sessions."

, which allows to hypothesize that the senior analysts might use a different set of attributes when assessing the non-financial information about a company, striving for discussion rather one-way communication of getting answers to predefined questions.

5.1.2.3 Direct discussions with individual investors

When asked more explicitly about private discussions with investors, one interviewee commented that

"In the UK for example, it is more common that significant stock owners reserve the right to call directly to management and ask how the company is doing."

Also, one interviewee told that every now and then they would call some most significant analysts following the company, and, without offering any exclusive information, tried to make sure the analyst really understood some information regarding the company. This manifested in a comment

"We could not directly tell the analyst that his/her analysis is not on the right track, but we could call and discuss the topic in more detail and hope he/she took note accordingly."

The same interviewee said they had on a few occasions thought about informing the investors at large, but had never done it. It is questionable, should the company inform all investors of the information presented or found in private discussions. The difficulty here is that the nature of information is not exact, but interpretative and discussion-like as mere conclusions on the explicit information given to all investors. If Securities Market Act 14.12.2012/746 and Fiva MOK 7/2013, Chapter 5 are interpreted very strictly, the company should reserve the right not to engage in any discussions with any individual investor, but only to answer their questions according to an internally prepared guidelines document, where the information given to investors is explicitly defined. It should be noted though that this kind of behavior is clearly contradictory to the ultimate goals of the IR and for the steady development of company's stock price.

5.1.3 Summary of first round interviews

In order to draw conclusions from the first round of interviews, it seems that most of the interviewees didn't have a very strategic eye on the IR, and took mostly passive and reactive

explicit measures when interacting with investors. On the other hand, when attending meetings and events, the interviewees' personal motivations came upfront very clearly. For the purposes of generating theory, the following concepts are found to represent the nature of personal-level communication and thus the nature of managers' information set that conditions IR activities.

1. Personal security
2. Professional composure
3. Managers' personal aspirations and motivations in conducting IR
4. Counterparties' age/experience/expertise/sensitivity
5. Differences in analysts' data acquisition strategies
6. Influence of investors' cultural background
7. Pessimism/optimism towards investors
8. Marketing/Informing as a stance of IR

Personal security and professional composure were clearly related to style of communication, and expertise the investors approached the management with, as it was found out that the interviewees quickly retreated to explicitly defined company story and its core points, when having to defend their personal security and professional composure. Also, the conscious activity of maintaining optimism about company's strategy might be related to the necessary sensation of being secure and maintaining professional composure. The interviewees who expressed a defensive stance towards investors were most often CEO's, who also tended to have a pessimistic view on the investors and chose the style of passive information sharing rather than active influence. This CEO-pessimism manifested clearly in comments like "The CEO and CFO try to make the numbers so, that EPS is minimally higher than the forecasted level. The intention of this is to ensure management can do their work without too many questions from the investors." On the other hand, the interviewees who spoke more about inspirational one-on-one discussions with investors or otherwise communicated that they mostly felt safe and confident about their professional composure when interacting with investors, tended to view investors more optimistically and gave an impression that they sought to actively influence them. Investors' cultural background was also relational to interviewees' optimism/skepticism, as some viewed it as something that gives them more freedom to express themselves and even their personal views, while others were distressed with proper code of conduct. Lastly, the notion of trade is to be made, as the senior financial

professionals, with likely more subject matter expertise about the company's business, who sought to engage in one-on-one discussions with top management, were likely doing that to get access to deeper levels of information and a more thorough assessment of top management's characteristics.

Going back to building blocks of grounded theory, the generation of concepts and propositions is omitted at this stage. This is due to the fact that the concepts and categories should regard the concrete *application* of Securities Market Act and its implied regulations, not management attitudes towards the application. A reader may note that management attitude is actually a category of the application of Securities Market Act, the discussion of which is spared for later.

5.2 Second round of interviews

The second round of interviews were held with two regulatory authorities of Finanssivalvonta, one representative of the Surveillance department of the OMX Nordic Helsinki office and three representatives of independent equity market analysts. The intention of these interviews was to develop knowledge on the stance these stakeholders placed in the idea that company management could and should monitor the investor sentiment more closely and comment on overvaluation, undervaluation or liquidity of company's stock. The possibly interesting study of dissonance between management communication and investors' perception about this communication is assessed briefly, but left outside the scope of this study. A careful consideration was placed on the notion of these stakeholders viewing such an idea as material in their effects and something that the management would more likely either use for their own self-interest in pursuit of e.g. career protection or excess compensation, or for the benefit of these stakeholders. Also, these stakeholders were assessed before the first round of interviews with top management due to the fact that it is likely easier to get substantial data out of these interviews by the ability to present some empirical information about managerial assessment of the functioning of these groups, although it is acknowledged that such a practice might violate the neutral stance towards research, following the guidelines for good quality conduct of empirical research. Also, in this round of interviews I embed explicitly the questions about company value being created or destroyed by the appliance of

regulations on continuous responsibility of informing the investors about the company's whereabouts.

At this point the questionnaire format adapted is as follows, "A" implying a question presented for analysts and "B" implying a question presented for market regulators and/or supervisors:

(the interviewer introduces the theoretical proposition of company value creation by reflective IR)

1. How do you see the value of reflective IR in general? Is there any material value created in applying such a practice? (A&R)

2. What could be the positive and negative implications of such a practice to effectivity of stock markets, if applied more broadly? Would the magnitude of these implications be material?

3. If such a practice would gain popularity, would there be any pressure to update Finanssivalvonta's rules and guidelines?

4. Is the current general practice of management in general not assessing the issues like price of the company stock ok?

5. How would you assess the nature of this kind of reflective information given some company would start to publish it? Would you be compelled to discount its relevance as opposed to other sources of information?

6. How do you see the difference between the natures of information about the company that analysts are able to produce based on public and private sources, as compared to the information that the management possesses?

7. How do you regard management IR communication in general? Is it more often optimistic than realistic? By how large a magnitude?

8. Do you think reduced guidance levels are good or bad in general? Would you as an analyst/regulator opt for bringing those back in?

9. Do the representatives of company management or IR ever contact you directly?

Once again, the interviews are semi-structured, as the interviewees are encouraged to speak freely of the topic. The interview questions are to a great degree modified based on the findings of the first round of interviews. As the interviewees were once again found to be slightly uncomfortable with the use of recorder or the publication of their name in the thesis, I decided to agree on the use of pen and paper as a recording format, and to conduct interviews anonymously. In practice, the hesitance of interviewees manifested in comments like "It is OK for me that you use the recorder, but I might be more careful in the choice of my words if this discussion is recorded", and "I can of course speak more freely about the topic if my name is not mentioned in the study."

5.2.1 Large versus small companies

As the Finnish stock markets is *"clearly divided to small and large companies"*, it was noted by all analysts that the material value of reflective IR practices is an entirely different question, when addressed from the point of view of either large or small public companies. This is because top management's IR activities are much more informal and direct amongst smaller companies, whereas large companies tend to place IR department as a barrier in between top management and the investor community. One of the implications of reflective IR as stated by analysts were for smaller companies that, should it gain popularity, top management would likely outsource the execution of valuation to some external or internal third party; an activity that might impose new inefficiencies to the marker although it was to reduce those. Also, as small companies often have insufficient analyst following, company's own valuation would easily and likely have too large impacts for the price of stock, and would potentially also introduce excessive fluctuation to the course, as liquidity of small companies' stocks is smaller and has a higher standard deviation than that of large companies. Furthermore, it was noted by analysts that small companies do not often have CFO's (or CEO's) who are capable of executing a stock valuation, let alone even understand its constituents from theoretical perspective. One analyst also noted that, from theoretical perspective, excessive liquidity should always mean under- or overvaluation.

Large companies were thought by analysts to maybe benefit more of reflective IR practices, due to the fact that the first-hand information the top management of large companies possesses more seldom reaches sufficient investor audience, and because the top management of larger companies is more pressured by the regulators, supervisors and the investor

community to stick with the formal and less personal story about the company's business prospects. In this situation, it was speculated that the necessitation for top management's disclosure on the company valuation (most preferably by the CFO) might – as a last resort - help stabilize the company's stock price and reduce market price discovery failures. Also, as large companies more often have sufficient analyst following but on the other hand are also more prone to the causes of ineffective analyst labor markets, as illustrated in Chapter 4.4., reflective IR practices were speculated as instruments that would have a material and positive effect for correct market valuation, although the analysts stated that only those CEO's or CFO's who have a very good personal reputation are able to disagree with an analyst consensus, and would take a big risk in doing so.

5.2.2 First impressions about material value of reflective IR

The comments of the regulatory and supervisory bodies (RS) were conservative in the way that all three interviewees started commenting on the idea from the perspective of increased risks, given the company habitually comments on the valuation. Also, issues like moral hazard and managerial overconfidence were regarded as possible threats given management agenda would include regular comments about company valuation. Furthermore, the RS bodies pondered whether the investors would be confused in a situation where valuation executed by top management differs a lot from that of the markets. In general, the RS bodies found it difficult to address the idea that the management would somehow attempt to correct the investor sentiment or market price discovery failure, as the regulations should necessitate the companies to publish all information necessary for correct valuation. It was although acknowledged by RS bodies that in some rare cases e.g. hedge funds seek to cause excessive volatility to a stock of a certain company, but even in those situations it might more likely than not be more advisable that top management would not interfere with the market valuation. These views manifested in comments like:

"I am against this idea ... because it signals that all price sensitive information has not been disclosed to the market by the company."

"We do not wish the management of companies to introduce such practices."

"It is the market's job to value the stock."

"All price sensitive information should be disclosed in stock market reports. The markets should follow signals like purchases of own stock and insider trades in order to address the valuation of top management."

The first impressions of the analysts were twofold in the sense that one interviewee estimated that reflective IR has a modest potential value in correcting the stock price or drawing analyst attention to stock, as the markets might not have noticed some events regarding a company's business prospects, and further as this might result in especially lost opportunity costs. One interviewee discussed that such reflective IR practices are already to some degree embedded to markets, as some top managers have significantly more credibility in the eyes of the investors than others, and in rare cases have used that credibility to impact the stock price. All analysts regarded top management as seldom being competent for conducting a valuation.

"I know that some managers have such a trustworthy reputation [in the investors community] *that they can tilt the price of company's stock if they want to, without explicitly commenting on the market valuation."*

"I recall only individual events such as these, especially during the financial crisis ... as a kind of last resort. It has a direct effect, if credible managers comment on the valuation."

"As most CEO's come from the operational, not financial, side of the business, they do not understand even the basics of valuation."

5.2.3 Negative and positive implications and material value of reflective IR

The analysts thought of reflective IR as a "distant and operationally complicated" practice as a standard procedure, and potentially a cause of excessive market inefficiencies, rather than a cure for those, but to possess some material value given it would somehow be executed properly. On the other hand, it was thought that the reflective practices could carefully be used – preferably indirectly - in extreme cases, but in general management communication should be and is to a great degree expected to be more optimistic than realistic. One analyst interviewee also commented on the possible negative leadership implications, as one of the

top management's functions and value additions can be thought as that of boosting the effort of company personnel. Even in extreme cases – i.e. in cases of significant over- or undervaluation – the top management might be "tempted to use reflective practices as a short cut for IR, rather than making a more compelling effort to correct the market valuation." Also, the analysts regarded investors being able to well understand the silent messages and inderct messages of top management perceptions about market valuation, as companies "*seldom draw attention and come out to present something to the investors, if they don't have anything positive to tell.*"

The mixed feelings of the analysts manifested in comments like:

"I recall a case of Uponor's CEO commenting that they cannot execute any Acquisitions as the price of their own stock that the markets will use as a benchmark is so high overvalued that the acquisition price would grow too big."

"The attention of the markets should not be drawn from analyst following to management following. Especially in smaller companies, the management's comments would likely gain a too large weighting [in investors' decision making]*."*

"Management's comment can be effectively used to calm down the markets."

"In large companies, the management cannot override analyst consensus. They would also easily lose credibility if they attempt something like that."

RS bodies were found to a certain degree not being aware of the inefficiencies of the analyst and investor labor markets as a cause of market price discovery failure, but kept thinking that these are a result of insufficient IR practice. This manifested in comments like:

"If company starts to comment the valuation, the danger is that the company admits that all price sensitive information has not been disclosed to the market."

"I find it hard to comment on the likely positive implications without seeing one example case of this practice beforehand."

"The issuance of profit warning is in practice the way to comment the analyst consensus regarding the stock price and its future levels."

5.2.4 Management information vs. public information and information of the analysts

The analysts regarded the potential value of first-hand management information as highly people dependent, as some managers are thought of as highly credible and trustworthy in the eyes of the investors, and some are not. The analysts regarded themselves as focusing more on the markets as a whole and on a specific company's competitors' position on the markets, and oftentimes discount some information that the management seems to think as valuable:

"*For example top prizes in industry fairs that management seems to be proud of are not very worthy and interesting, if the macro level of industry is in troubles.*"

"*Oftentimes the management does not understand the big picture and might wonder why company stock came down on particular day of good news, when at the same day the whole market had come down.*"

"*On the other hand, sometimes this happens the other way around too. For example, if a tech company announces an insignificant partnership, but with a company like Facebook, the stock price might gain momentum over nothing.*"

"*The longer you have followed a certain top manager, the better you are informed to assess his/her communicational style.*"

"*In some cases, when the financial report published in the morning was a disappointment* [and set the price of company stock downhill], *the CEO was able to turn the stock price back uphill during a conference call in the afternoon, simply because his/her status in the investor community is so strong and trustworthy. .. On the other hand, some managers have not been able to earn such a reputation and they cannot influence the company's stock price, even if they tried any rhetoric*."

"Some managers are such that markets believe anything they say, and some are such that markets don't believe anything they say."

One analyst explicitly questioned one of the main hypotheses to which this study is founded, when answering the question about management information:

"I strongly question the claim that the management would have better information about their company's fair value [than the analysts]*; they don't."*

5.2.5 Present-day IR and level of managerial optimism

All interviewees agreed that the IR practices as of today have gone to a more conservative direction. Some also estimated that this trend will continue as long as the economic growth remains stagnant. Managerial optimism was regarded by all interviewees as a natural and humane stance towards running a company. These perceptions manifested in comments like:

"The managers are fairly careful in these days not to say anything [of material value] *outside press releases."*

"In general IR has gone to a more passive and careful track since the financial crisis, and this track will likely continue."

"IR is slightly biased, which can be seen from the fact that negative profit warnings are larger in volume than positive ones."

"Negative profit warning is sometimes a result of necessary managerial optimism."

The analysts stated that management's conservatism in conducting IR activities is not a good thing, but the RS bodies thought present IR practices are mostly ok:

"If the company follows our rules and guidelines, the present practices are ok."

"The top management should not manage the stock price. It is the function of the IR."

5.2.6 Implications of reduced guidance disclosure obligations

"Managers are always better off to forecast their companies financial than the investors. If they are not obliged to issue proper guidance, the stock price will be more volatile." All three analysts interviewed were very clear on the negative effects of reduced guidance obligations, and preferred an obligation to issue a range for key financial indicators at the beginning of a

financial year, and then be obliged to narrow or review this range in quarterly reports. Also, the RS bodies stated that they would prefer such a practice.

“The increased extremely vague guidance practices of for example stating that business landscapes will remain stable during the next year create absolutely no value to investors.”

All analysts stated explicit criticism against regulatory decisions that have allowed companies to omit the issuance of numerical guidance in the form of e.g. Earnings Per Share (EPS) forecasts. The logic was that given a company does not issue such forecasts the investor will use something much worse as a proxy for these. The criticism manifested in comments such as:

“Guidance is one of the most effective management tools for impacting the stock price.”

“Fiva has made a bad favor to the markets by imposing more strict guidance obligations. Much poor guidance is due to the fact that manager’s don’t want to argue with Fiva.”

“The updated guidance obligations have made companies more careful.”

The RS bodies’ thoughts were mostly aligned with those of the analysts regarding numerical guidance and range to be elaborated regarding those, but also noted that some companies experience much more difficulties in forecasting these than others. RS bodies also reminded that guidance does not eliminate the obligation to issue a profit warning as necessary. In general, the RS bodies also felt that reduction of numerical forecasts in the form of ranges to be elaborated during the financial year is a bad thing and makes markets more ineffective. This was explicitly stated by the below comment:

“We feel that exact numerical guidance would best serve the investors. ... Issuing guidance is an act of balancing that the company may decide themselves.”

Also one interviewee noted that the update on guidance issuance obligations was simply an act of harmonizing domestic regulation with that of the EU, and should have only a marginal effect to the effectivity of the financial markets.

5.2.7 Direct communication in between top management and analysts

The analysts regarded private discussions in between top management and IR as a natural and persistent part of their agenda of valuing companies. The analysts also commented that, in general the IR and top management approaches them in a very collaborative style or may even ask analysts to educate company management by presenting and discussing their work with them. These perceptions manifested in comments like:

"It is normal that analysts seek to create relationships with company management to gain competitive edge over other analysts."

"It is regular and ok that company representatives and IR contact analysts regarding valuation. Most often they just want to hear the logic you followed."

"Sometimes analysts are used as a sparring partner for management, especially in smaller companies."

"Larger companies seek to reduce the spread of consensus. IR can contact you if your forecast deviates from consensus largely. It is their job."

"In general, the management and IR well respects analyst's publications."

"Right valuation is in the interest of all market participants."

The analysts reported only a few cases where their views were directly attacked, or cases where company IR or management made explicit effort in trying to impact the analyst's valuation:

"It is very rare that top management or IR call directly and criticize published reports. In rare cases, some larger companies have attacked against analyst reports and tried to argue against them."

"[IR department of company XXX] *for example, when we once took a stance about their dividends, sent a direct invitation for a conference call ... where the intention clearly was to try and educate us to change our views to be more aligned with those of their own."*

"I have sometimes been told [by representatives of the IR] *that my notions were corrects, but we don't agree on the conclusions."*

"I have heard that some IR's have sometimes invited analysts for lunches to e.g. go through a specific investment case."

5.2.8 Summary of second round interviews

The preliminary research question was to discuss reflective IR practices among Finnish public listed companies. It was found in the first round of interviews that the managers balance in between the official company story and their personal aspirations, motives and assertions when conducting IR, and were found to choose a more formal approach to protect their professional composure and personal security as necessary. In this section, the findings from the second round of interviews are reflected back to the preliminary research question and to findings from the first round of interviews. In order to draw conclusions from the second round of interviews and to formulate a selective third phase for the data gathering process, the following concepts were found emerging from the data, given the idea that top management of a publicly listed company was obliged to maintain and communicate a valuation of their own:

1. Management unprofessionalism with regards to valuation.
2. Existence of proxies for communicating the management's valuation indirectly
3. Expectations of excessive fluctuation to company's stock price
4. Collaboration of stakeholders in maintaining "correct" market valuation
5. Analyst criticism towards updated guidance regulations
6. Management conservatism regarding IR in general
7. The weighting of company-specific information and industry & macroeconomic information in valuation

All interviewees, and analysts more clearly than RS bodies, questioned management's competence in understanding equity valuation. Although all interviewees acknowledged that management knows more about the company-specific business prospects than the markets in general, the company was thought as not having an ability to address this information properly in order to conduct a valuation of their own that would materially supplement the

valuations of independent equity analysts. Thus the idea of management commenting on the market valuation was not very much welcomed. Also, all interviewees estimated that the markets are well equipped to follow and understand the indirect signals of top management's valuation, like the purchase of own stock or changes in the insiders' ownership. Also, the general feel amongst the interviewees was that if management starts to comment on the market valuation, it may mislead and confuse the investor, especially with regards to smaller companies. Furthermore, such a practice may negatively affect the management agenda, as managers may start to manage the stock price instead of managing the company, as the analyst felt that they to some vague degree already do that. Even further, the people dependent nature of top management IR might, given reflective practices were introduced to the management agenda at large, make top management labor market more ineffective, as some managers would be hired to e.g. buff the market value of company equity. All interviewees, including the top management representatives from the first round, more or less clearly acknowledged that a justified market valuation and minimal fluctuations to market value is in the best interest of everyone. Analysts were found to express explicit criticism for the updated guidance regulations, which have along with the general stagnant economic development made managers very careful in their IR communication. None of the interviewees expressed their recommendations for top management to start habitually issuing comments (in the form stock market releases) about market valuation. Relationship building and discussions with the top management and IR was found to be a result of the competitive analyst labor market.

6. Conclusions

In this section, all gathered and analysed data is found to present constituents for generation of theoretical propositions about top management's conduct of IR and, in particular, for the lack of reflective practices in it. Thus, a generation of theoretical propositions as per top level abstractions emergent from the data are presented. Following that, the main research motif is revisited, and the economic and academic implications of generated propositions are discussed. The reader should take careful note that the economic implications are discussed in the fashion of the generated propositions' ability to fulfil the requirements for sound grounded theory – enabling the prediction of social behaviour etc. etc. - as illustrated in Chapter 3.2

6.1 Generation of propositions

The primary motif of this research was to study a question

What factors constitute the absence of reflective IR practices among Finnish publicly listed companies?

The study was initiated by a set of auxiliary research questions regarding the practical nature of IR function, information set of top management, regulatory pressures and alike, as illustrated in Chapter 2.

As per the primary means of studying this topic was chosen to be the generation of theoretical propositions as found emergent from data and following the principles of grounded theory generation, this chapter presents a set of top level abstractions in the form of arguable propositions of all data gathered and analyzed in this study, as laid out in Chapter 5. The propositions are then reflected to relevant existing theory and previous academic studies, and their economic implications discussed in the following subchapters. Also, the limitations of this study and its contributions are stated and discussed.

The constituents for the absence of reflective IR practices can be categorized to originate from the following abstract entities:

1. Professional specialization and labor markets of the managers
2. Professional specialization and labor markets of the equity analysts
3. Professional specialization and the labor markets of regulatory authorities

From these constituents – as per the primary means of approaching the research motif was the generation of grounded theory – a following set of top level abstractions are found emergent from the data

Proposition 1: In conducting IR activities, representatives of top management balance in between strict professional composure and personal exposure.

> *Proposition 1.1: Managers emphasize professional composure in public events and in communication with younger and/or less experienced equity analysts, and vice versa*

Proposition 1.2 Personal sensation of security is negatively correlated with the emphasis of professional composure

Proposition 1.3: Regarding communicational means with top management, equity analysts have differing strategies of information acquisition. More senior and/or experienced analysts more often seek to engage in two-way private communication, as younger and/or less experienced equity analysts emphasize public one-way communication.

Proposition 1.4: Regarding communicational means with top management, regulatory authorities most often engage in one-way communication of advisory nature.

As quoted and discussed in Chapter 5.1.2, the managers had very differing personal motivations, fears and aspirations regarding the conduct of IR. The clearest common factor among these was the implied balancing in between a strict professional composure and a formal conduct, and personally motivated, even free-spirited agenda which became apparent in situations where the management felt secure on a personal level.

Proposition 2: The value addition of IR activities experienced a negative shock by the regulatory updates regarding obligations to issue guidance.

As introduced in Chapter 5, the interviewees from top management and equity analysis profession explicitly criticized the recent regulatory updates regarding obligations to issue guidance. Top management stated that they have increased arbitrary carefulness and decreased the magnitude of IR communication due to recent regulatory updates regarding guidance issuance, and analysts confirmed they have also observed such a phenomenon.

Proposition 3: Top management, regulatory authorities and equity analysts are satisfied with the existence of incentive misalignment in between people responsible of running a company, and the people responsible of maintaining a valuation of the company's equity.

Proposition 3.1: The risks of narrowing the aforementioned incentive misalignment by explicit IR activities of top management addressed in this study are probably larger than the possible gains.

Proposition 3.2: The equity analysts and IR departments of large public companies are found to exhibit a subtle, collaborative information system, the motives of its existence being the correct market valuation of respective company's equity.

Proposition 3 underlines the notions that none of the interviewees expressed much interest towards reflective IR activities, the management being reluctant and implying increased stress levels as a response to such obligation, and other interviewees outweighing the risks to gains. The many times aforementioned incentive misalignment is thus of highly persistent nature, and not to change without e.g. regulatory shocks, which are not expected to happen.

Proposition 4: Representatives of top management of publicly listed companies maintain a personal valuation, and engage at varying degrees in more subtle forms of communication with financial community to ease the personal distress caused by the differences of this personal valuation and market valuation, although not willing to directly and systematically comment on the market valuation.

Proposition 4.1: Representatives of top management of publicly listed companies are discouraged by the regulatory authorities to engage in such activities

Proposition 4.2: The members of the Finnish investor community account significantly for the personal credibility of a member of top management of a publicly listed company. This personal credibility more significantly than means or intended effects of communication accounts for the market valuation effects of IR activities

Proposition 4 argues that although none of the managers expressed interest towards reflective IR practices and responded that they didn't systematically use any, they much regarded the changes in market valuation. All of the interviewees implied they felt pressured to varying degrees by regulatory authorities. The interviewees with the analysts offered further support for the managers' tendency to protect their reputability in the eyes of the financial community.

6.2 Constituents for the lack of reflective IR practices

Propositions 1…4 and their siblings constitute an overall illustration of the landscape for the lack of reflective IR practices amongst Finnish publicly listed companies. From these propositions, four main factors are found emergent as main constituents

1. The top management of a publicly listed company lacks on average professionalism regarding valuation and regulatory treatment of a public company's equity
2. The top management's attitudes towards regulatory authorities and recent regulatory updates significantly discourage any proactively oriented IR activities
3. The equity analysis profession is able to satisfy the investor community regarding the information asymmetry arising from the incentive misalignment in between the representatives of top management and investors
4. The representatives of the top management of Finnish publicly listed companies aim to develop long term credibility in the eyes of the investor community and their respective shareholders, and are reluctant to risk this asset.

6.3 Economic implications of propositions

The set of constituents found emergent from top level abstractions of the research data are found to illustrate characteristics of a small economy with stiff labor markets. As the existence of the aforementioned incentive misalignment was widely acknowledged amongst investors and of being of significant magnitude, it is likely to exhibit a persistent market price discovery failure. However, the direct and explicit means introduced for the accountancy of this gap were evaluated as containing more potential risks than gains, and the interviewed members of the top management were also reluctant to engage in them.

The existence of incentive misalignment addressed in this study was found to provide a significant stimuli for the competitiveness of analyst labor markets, as analysts were found to engage in differing strategies of information acquisition for competitive advantage and career progression. Yet, as these differing information acquisition strategies and more subtle forms of communication implied by them present also an information system that is somewhere in between private and public information, it may also add to the persistent phenomenon of market price discovery failure.

Furthermore, as members of the top management profession were regarded as not capable of maintaining a professionally sound market valuation or even understanding its constituents, it implies a very specific business branch originating from the informational needs of the investors interested in small cap stocks of the Finnish stock market. This branch was found to exist in the Finnish stock market, and be likely correlated with the relative size and growth of the small cap stocks of the Finnish stock market.

6.4 Generated propositions and previous research

Regarding the intentions of this study, the scarce relevant previous academic research was found in the fields of managerial research on agency theory and of herding and labor markets of the analysts. The empirical assessment was found to contribute to both fields of research.

Regarding agency theory, the empirical assessment provided support for it offering a valid set of theoretical notions to act as a basis for managerial research, as managers were found to occupy a personal agenda alongside serving the best interests of respective shareholders, even in a highly regulated and supervised function such as IR of publicly listed company. It was anticipated that functions like IR and regulatory authorities are empirically found to verify the theoretical expectations for the motives of their existence, as per Proposition 2 of Chapter 4.2. However, conducted empirical assessment was not found to provide feedback for this proposition, as IR departments were found to be more collaborative with the analyst community - being responsible of maintaining a valuation of a company’s equity - than anticipated, and not placing much emphasis on the supervisory tasks regarding the activities of the top management. Also, the influence of regulatory authorities in their aims to increase transparency was found not provide support for Proposition 2 of Chapter 4.2., as their actions tended to make top management more passive, instead of facilitating to align the interests of investors and top management. The empirical assessment of Proposition 1 of Chapter 4.2 was restricted outside the scope of this study. Also the role of corporate governance was restricted outside the scope of this study.

Regarding herding and other imperfections of the analyst labor market as introduced in Chapter 4.4 and its subchapters, this study contributed to existing theory by finding the existence of varying information acquisition strategies the analyst profession exhibits. As previous research on this field has also been almost exclusively quantitative and data-

intensive in nature, the empirical assessment conducted in this study was found to enrich the present methodological toolkit of this field of research, and in the field of financial studies in general.

As per modern academic look on IR as a strategic function introduced in Chapter 4.2.1, the empirical assessment conducted in this study offered very scarce empirical support from the Finnish stock market, as the managers and all other interviewees explicitly treated IR as a reactive function of the corporate landscape. On the other hand, although not being strategic in nature, it was found to exhibit a collaborative character - especially amongst large publicly listed companies - in communication with the analysts, as analysts were found even to educate members of the IR department.

6.5 Limitations of the study

As stated numerous times throughout the study, the choice of grounded theory generation as the research method introduced in itself a number of limitations for the study. From these, the following are found most relevant:

1. Previous research by grounded theory generation is to my best knowledge non-existent amongst financial studies. Thus no best practices and practices or practical considerations were found exhibited.
2. Grounded theory is most often quoted as an advanced research method not suitable for inexperienced researchers, being somewhat contradictory to the average academic experience of Master's thesis writer.

The argued limitations can be reflected on the theoretical *density* regarding the iterative process of data analysis, gathering and abstraction, i.e. the primary vehicles of grounded theory research conduct. Density was first used by Glaser and Strauss (1967) as a term to illustrate the overall quality of research conduct and the arising generated theory. It refers to the researcher ability to exhaust qualitative data by analysis, to make choices regarding theoretical sampling in data gathering, and to craft transparent and exhaustive abstract classes of *concepts, categories* and *propositions* from *slices of data* – the constituents of grounded theory, as introduced in Chapter 3.2. In addition to density, the researcher's ability to maintain a neutral stance in the conduct of research can be argued, as per the semi-structured interview

format and the sensitive nature of the research topic. Furthermore, the limitations of the sample size can be argued to propose limitations to the consistency of the results of this study, as the interviewees arguably suffer from varying degrees of personal bias when addressing the highly abstract research topic. For example, in some cases, even after repeating the same question, an interviewee might had had difficulties in focusing his/her answer.

6.6 Implications for further research

The main implications of this study refer to the generalization of some results of this study, as they might suffer from varying degrees of personal bias of the interviewees. For example, an interview study regarding the practitioners' assessment of the regulatory updates might be conducted to account for and omit the magnitude of personal bias of the interviewees interviewed in the conduct of this study. Further, as the informational gap in between the top management and the independent equity analysts was acknowledged and of being of significant magnitude by all interviewees, and as the reflective IR practices addressed in this study were found as inadequate means to narrow this gap as they were evaluated to propose of more risks than gains, more practically oriented empirical research on the means of narrowing this gap is proposed. Furthermore, as grounded theory - being a very distinguished research practice in general - is practically non-existent in the field of academic financial studies and the methodological toolkit of financial studies is found very narrow in general, an addition of qualitative means of research to this field is encouraged in future studies.

As per the research questions were found of being of profoundly different nature regarding the size - as the Finnish stock market is clearly divided by turnover to small and large companies - of companies addressed, more extensive research on the collaborative system of IR departments of large publicly listed companies and independent equity analysts might offer some practical cues for ideas of narrowing the aforementioned incentive misalignment, and to provide interesting insights on different data acquisition strategies analysts use with larger companies, with which it is more difficult for analysts to communicate directly with top management. Also, a more detailed study on the differing information acquisition strategies of the analysts would likely be more fertile in the small cap segment of a stock market, as some of these companies might not have even one full time employee responsible of IR.

Future research might also widen the scope of this study by modifying the research questions to take account the investors' informational needs and concerns of *residual loss* introduced in Chapter 4.1. This group of stakeholders was restricted outside the scope of this study by the fact that this study was both methodologically and topically a pioneering research in its field, but they should be addressed in future research as "end customers" of IR.

7. REFERENCES

Andrea Devenow and I. Welch. *Rational herding in financial economics.* European Economic Review 40, 603-615

Barney G. Glaser, 1978. *Theoretical Sensitivity.* Mill Valley, CA: Sociology Press.

Barney G Glaser, & A.L. Strauss, 1967. *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Chicago, Aldine Publishing Company

Benjamin E. Hermalin and M.L. Katz, 2003. *Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature.* Economic Policy Review, April 2003, 9 (1), 7–26.

Bob Dick. *What can grounded theorists and action researchers learn from each other?* In A. Bryant & K. Charmaz (Eds.). *The SAGE handbook of grounded theory* (pp. 398–416). London: Sage Publications, 2007.

Cristi A. Gleason and Charles M. Glee. *Analyst Forecast Revisions and Market Price Discovery.* The Accounting Review, 78, 193-225

Cristi A. Gleason, W.B. Johnson and H. Li. *The Earnings Forecast Accuracy, Valuation Model Use, and Price Target Performance of Sell-Side Equity Analysts.* Unpublished, available at
http://www.nd.edu/~carecob/Paper%20Links/Su'06%20Conf/Gleason%206-06.pdf

Dominic Deller, M. Stubenrath & C. Weber (1999). *A survey on the use of the Internet for investor relations in the USA, the UK and Germany.* European Accounting Review, 8:2, 351-364

David Hirshleifer and S.H. Teoh. *Herd Behavior and Cascading in Capital Markets: A Review and Synthesis.* European Financial Management 9, No. 1, 25–66.

Douglas W. Diamond and P.D. Dybvig. *Bank runs, deposit insurance, and liquidity.* Journal of Political Economy, 91, 401–419

Eero Kasanen and V. Puttonen (1994). *Suomalaisten pörssiyritysten sijoittajaviestintä.* Publications of the Helsinki School of Economics and Business Administration. Working Papers 101. Helsinki.

Inaam Idrees, A.C Vasconcelos and A.M. Cox. *The use of Grounded Theory in PhD research in knowledge management. A model four-stage research design.* Aslib Proceedings: New Information Perspectives, Vol. 63 No. 2/3, 2011, pp. 188-203

Jorn Geerings, L. H. H. Bollen & H. F. D. Hassink (2003). *Investor relations on the Internet: a survey of the Euronext zone.* European Accounting Review, 12:3, 567-579

Kai Hockets and L. Moir. *Communicating Corporate Responsibility to Investors: The Changing Role of the Investor Relations Function.* Journal of Business Ethics 52: 85–98, 2004.

Karen D. Locke. *Grounded Theory in Management Research.* Sage Publications, 2001

Kathleen M. Eisenhardt (1989a). *Making fast strategic decisions in high velocity environments.* Academy of Management Journal, 32, 543-76.

Kenneth W. Parry (1998). *Grounded theory and social process: a new direction for leadership research.* Leadership Quarterly, 9, 85-106.

Lynn A. Isabella (1990). *Evolving interpretations as a change unfolds: how managers construe key organizational events.* Academy of Management Journal, 33, 7-41.

Marjorie A. Lyles, and I.I. Mitroff (1980). *Organizational problem formulation: an empirical study.* Administrative Science Quarterly, 25, 1 02-19.

Mark Easterby-Smith, R. Thorpe and A. Lowe. *Management Research: An introduction.* London: Sage Publications, 1991.

Martin Bulmer. *Some reflections upon research in organizations.* In Alan Bryman (ed.). *Doing Research in Organizations*. London: Routledge, 1988. pp. 151- 6l.

Mary Dean Lee, S.M. MacDermid, and M.L. Buck. *Organizational Paradigms of Reduced-Load Work: Accommodation, Elaboration, and Transformation.* Academy of Management Journal, December 1, 2000 43:6 1211-1226;

Michael J.Brennan. *Latent assets.* The Journal of Finance, 45, 709-730

Millicent Chang, G. D'Anna, I. Watson and M. Wee. *Does Disclosure Quality via Investor Relations Affect Information Asymmetry?* Australian Journal of Management 2008 33, 375

Naresh R. Pandit. *The Creation of Theory: A Recent Application of Grounded Theory Method.* The Qualitative Report, Volume 2, Number 4, December, 1996

Rebecca Cooper, T. Day, and C. Lewis. 2001. *Following the leader: a study of individual analysts' earnings forecasts.* Journal of Financial Economics 61 (3): 383-416.

Renee B. Adams & B.E. Hermalin & M.S. Weisbach, 2010. *The Role of Boards of Directors in Corporate Governance: A Conceptual Framework and Survey.* Journal of Economic Literature, American Economic Association, vol. 48(1), pages 58-107, March.

Roy Suddaby (2006). *From the editors: What grounded theory is not.* Academy of Management Journal, 49(4), 633–642.

Russ Wermers. *Mutual Fund Herding and the Impact on Stock Prices.* The Journal of Finance, 54, 581-622

Stephen R. Barley. (1990) *Images of imaging: notes on doing longitudinal fieldwork.* Organization Science, 1, 220-47.

Vesa Puttonen and E. Kasanen (1995). *Pörssiyritysten sijoittajaviestintä 1995.* Publications of the Helsinki School of Economics and Business Administration. Working Papers 128. Helsinki.

Vesa Puttonen and E. Sarkki (1996). *Pörssiyritysten sijoittajaviestintä 1996.* Publications of the Helsinki School of Economics and Business Administration. Working Papers 166. Helsinki