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Gordon Institute
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The role of social media in enhancing investor relations in South Africa

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ABSTRACT

The purpose of this research has been to understand the profession and discipline of investor relations in publicly listed entities in South Africa, and their response to the opportunities and threats of using social media as another channel of communication. These responses include the rationale, and strategies pursued and practised in order to enhance investor relations.

To gain an understanding of whether the investor relations practitioners see the role of social media to enhance their programmes, a qualitative research with an exploratory design was conducted on thirteen organisations listed on the Johannesburg Securities Exchange main board with a market capitalisation amount exceeding R4.5 billion per annum. It was discovered that investor relations was formalised in the form of strategies formulated and the internal and JSE-regulated practices performed suggest that they take pursuit of investor relations seriously. Furthermore, despite the widespread usage or social media for customer engagement purpose, investor relations practitioners do not yet regard social media as a tool that could supplement disclosure requirements as well provide non financial information about companies. This purpose is currently being served by the dedicated investor relations websites only.

Based on findings made, investor willingness will also drive the use of social media. Some of the recommendations made include engaging the JSE for the endorsement of social media, implementation of maturity models and engaging investors on their information needs when making investment decisions.

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I declare that I have obtained the necessary authorisation and consent to carry out this research.

Signed: Date:

KEYWORDS

Investor Relations

Social Media

Internet Disclosure

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1. CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

"*Through the years, we have taken a number of steps to encourage the dissemination of information electronically via the Internet, as we believe that widespread access to company information is a key component of our integrated disclosure obligations, the efficient functioning of the markets, and investor protection" **SEC, USA***

1.1. Introduction to Problem

The United States of America signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010. At the heart of the Dodd-Frank Act is a push by legislators and regulators to forge closer relationships between investors, boards, and C-Suites (Wolfson et al, 2010). The stated purpose of the Act is to "restore responsibility and accountability in our financial system to give Americans confidence that there is a system in place that works for and protects them" (Barack Obama, 2008).

According to Sheer (2008), the leading cause of the US financial crisis was the lack of information and proper disclosure. It was the systemic failure of lenders to disclose information about the risks of the mortgage loans being made to thousands of borrowers, whose homes have since plummeted in value, resulting in the unprecedented rates of default, which was the subprime crisis. Social media represent a revolutionary new trend that should be of interest to companies operating in online space, or any space for that matter. The idea behind social media is participation, sharing and collaboration, rather than straightforward advertising and selling (Kaplan and Haenlein, 2009). The spirit of the abovementioned legislation leans towards consumer and investor empowerment and engagement. Public companies in the US have to listen to investors with greater frequency and attention than they have in the past. A question that can be asked is therefore: can social media play a role in enhancing investor relations in South Africa?

1.2. Definition of Investor Relations and Social Media

The most relevant and definitive description of the discipline and profession of investor relations is the management of the relationship between a company with publicly traded securities and the holders or potential holders of such securities (Marston, 1996). According to Rao and Sivakumar (1999), investor relations are a strategic corporate marketing activity combining the discipline of finance and communication.

Social media are described as a group of internet-based applications that build on the ideological and technological foundations of the World Wide Web and that allow the creation and exchange of user-generated content (Kaplan and Haenlein, 2009). The research that has been undertaken so far has focused on these two concepts separately.

1.3. Research Purpose

The purpose of this research has been to understand the profession and discipline of investor relations in publicly listed entities in South Africa, and their response to the opportunities and threats of using social media as another channel of communication. These responses include the rationale, and strategies pursued and practised in order to enhance investor relations.

1.4. Relevance of Research

The failures that led to the global financial crisis require bold action (Wolfson et al, 2010). The United States of America signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act in July 2010. At the heart of Dodd-Frank Act is a push by legislators and regulators to forge closer relationships between investors, boards, and C-Suites (Wolfson et al, 2010). The stated purpose of the act is to “restore responsibility and accountability in our financial system to give Americans confidence that there is a system in place that works for and protects them” (Barack Obama, 2008).

The financial crisis created a burning platform in the US especially for such (Dodd-Frank) legislation to combat reckless consumer/business lending by banks etc., malicious investor advice, false corporate reporting and high bank charges, amongst others, only in 2010. However, in South Africa, a combination of the National Credit Act (2006), the Consumer Protection Act (2011), the Banks Act and the Competition Act, amongst others, already started creating this burning platform as early as 2006 in terms of overall financial consumer empowerment, protection from abuse and transparency. The act gives the SEC the authority to impose a fiduciary duty on brokers who give investment advice (Wolfson et al, 2010). Through the establishment of several regulatory bodies (e.g. the Investment Advisory Committee), this fiduciary duty then requires this advice to be in the best interest of the customer at all times.

In the US, some of the changes happening in listed companies are to create avenues for meaningful and ongoing dialogue with shareholders and all relevant stakeholders. The spirit of the Act is about shareholder empowerment and engagement (Wolfson et al, 2010). Companies listed on the Malaysian stock market are considered by the international business community to have the best corporate governance practices. The companies listed on this exchange consider the internet as a key method of disseminating investor information and communication (Hamid, 2005).

In South Africa, the economic policy of Broad-based Black Economic Empowerment has allowed small businesses, as well as individual investors, to be included in the economy. While the use of financial services – measured as having deposit accounts with banks – reaches over 90% in most high-income countries, in many low- and even middle-income countries the use of formal financial services is still restricted to a small number of firms and households (Peachey and Roe, 2004; Beck, Demirguc-Kunt and Martinez Peria, 2007; Honohan, 2006). In 2003, the South African government unveiled the Financial Sector Charter, which contained specific targets for South African businesses in this sector, chief amongst them being that historically disadvantaged populations[1] shall have access to affordable financial services (Financial Services Charter, 2006). Therefore, the inclusion and emancipation of everyone in South Africa is important.

1.5. Research Objectives

This research aims to gain an understanding of whether the investor relations programmes of publicly listed companies in South Africa see the role of social media to enhance their programmes and is thus exploratory in nature. Specifically, the research expects to:

[1] Historically Disadvantaged Populations are Black, Asian and Coloured populations

- Identify the strategic approach adopted by listed companies in pursuing investor relations (IR)
- Identify what practices are adopted in pursuing IR strategies
- Identify the drivers promoting the pursuit of a social media strategy

1.6. Purpose of Study

The purpose of this study was to explore whether social media can play a role in fulfilling some of the goals of investor relations and enhancing them. Kaplan and Haenlein (2009) say that this is based on the assumptions that the goal of any communication is the resolution of ambiguity and the reduction of uncertainty. Communication (voluntary or regulated) is a fundamental part of investor relations.

2. CHAPTER 2: THEORY AND LITERATURE REVIEW

2.1. Foreword to Literature Review

For the literature review, three core themes were identified within the sphere of investor relations being enhanced by the use of social media as a channel and strategy to achieve enhanced communication. These include:

- The strategic role and purpose of investor relations
- The practices and activities that support IR strategies
- The drivers promoting the use of social media as a communication channel

2.2. The Strategic Role of Investor Relations

There is no single theory that explains all aspects of investor relations as practised by various companies. To expand on the strategic role of investor relations, a definition by the National Investor Relations Institute (NIRI) defines investor relations as a strategic management responsibility that integrates finance, communication, marketing, securities law and compliance to enable the most effective two-way communication between a company, the financial community and other constituencies, which ultimately contributes to a company's securities achieving fair value (National Investor Relations Institute, 2004). Therefore, it is important to provide information to the financial community and public investors so that they are able to evaluate a company (Marston, 1996). In turn, the ongoing information to shareholders of the company assists in minimising negative impacts on share prices (Hamid, 2005).

2.2.1. Minimising Uncertainty and Information Asymmetry

As the goal of any communication is the resolution of ambiguity and the reduction of uncertainty, Lev (1992) suggests that ongoing information to shareholders on a company's activities minimises uncertainty among investors, thus minimising negative impacts on share prices. Therefore, investor relations can be seen as a key influence in restoring investor confidence, especially in periods of financial collapse and uncertainty. Such uncertainty can be due to perceptions of a company's performance being below public expectations (negative news or rumour), or due to unpredictable economic conditions that are beyond the firm's control (Gruner, 2005). These factors then require a company to keep investors and the general public informed of their strategies to address such adverse situations. Furthermore, rational investors interpret any piece of withheld information that can be credibly disclosed as conveying bad news, and this induces firms to fully disclose their private information, however unfavourable it is, in order to distinguish themselves from firms possessing even worse information and thus to prevent share prices falling and other reputational damage from occurring (Einhorn and Ziv, 2007). The timely dissemination of accurate information can therefore stabilise share prices, reduce uncertainty and enhance investor confidence (Hamid, 2005). The Enron collapse is recorded as an investor relations disaster, explained by Harts et al (1981) as the theory of the unravelling, which utilises the adverse selection argument to show how withheld information is unravelled by the rational behaviour of market participants (Einhorn and Ziv, 2007). From an investor relations perspective, the Enron collapse is a microcosm of the global economic crisis that happened on a wider scale.

In conclusion, investor relations activities are used as an instrument to reduce information asymmetry between the firm and market participants by providing information that may be relevant for the pricing of the company shares (Bollen, Hassink, de Lange and Buijl, 2008).

2.2.2. Corporate Governance: Disclosure

The Agency Theory, which was later expanded on by Jensen and Meckling (1976), posited that the role of accounting information was to supervise managers' behaviour within the firm to reduce agency cost. It is also understood that companies report on financial information to avoid regulatory punishment by government bodies and stakeholders (Watts and Zimmerman, 1978). Therefore, IR is centred on communication, as economic theory has recognised that, without active disclosure, the truth never comes out and a general information gap generally exists between insiders and outsiders (Hamid, 2005). Another reason cited for active disclosure is that corporations can actively influence the market by presenting new information to their participants on an ongoing, real-time basis; this defines internet financial reporting as the distribution of corporate information using internet technology, such as the World Wide Web (Marston, 2005). Thompson (2002) concludes that IR has a strategic role to play in minimising investors' risk by providing clear and understandable information with the aim of full and fair disclosure. This makes IR a part of corporate governance. The Institute of Directors South Africa (2007, p. 11) argue that "corporate governance and investor relations as the process of and structure used to direct and manage the business affairs of the company with a view to enhancing business prosperity and corporate accountability through structured communication with the ultimate aim of realising long-term shareholder value whilst taking account of the interest of other stakeholders".

In South Africa, all companies listed on the Johannesburg Securities Exchange are required to conform to further reporting standards set by the King Code of Governance Principles (King III) of the Institute of Directors, South Africa (IoD).

2.3. Practises and Activities that Support Investor Relations

2.3.1. Methods of Engaging with Investors

Investor relations communication can be formal and informal. Formal communication includes annual reports, interim reports and shareholder meetings (Brennan and Kelley, 2006). According to Marston (2000), informal activities can be classified as private or public. Private activities include mailing information to analysts and fund managers, answering queries, providing feedback on analysts' reports, and private company meetings. Public disclosure activities mainly relate to printing and issuing information by way of press releases (Hamid, 2005)

2.3.2. Utilising the Internet for Investor Relations

Given the increasing use of the internet for worldwide communication, the role of this medium has extended beyond financial reporting to becoming an instrument for investor-related communication (Gruner, 2005). As such, according to Bollen, Hassink and Bozic (2006), the internet will reduce the information advantage previously enjoyed by institutional investors and information intermediaries.

Currently, most listed companies in Western economies have a dedicated website to communicate with investors (Lymer and Debreceny, 2003). The concepts of internet investor relations (IIR) and internet financial reporting (IFR) are commonly understood as the provision of financial information in order to make capital allocation decisions and the public reporting of operating and financial data by a business enterprise, respectively, both via the World Wide Web or a related internet-based communications medium. As a result, IR websites provide a broad set of information concerning the financial performance of the company, as well as non-financial information that may be relevant for financial markets (Bollen et al, 2008).

Hamid (2005) conducted a study of Malaysian-listed companies for investor information and communication. The primary objective of the study was to investigate the utilisation of the internet by a sample of 100 listed companies on the Kuala Lumpur Stock Exchange for investor communication. The results found that 74 companies (74%) had websites. Seventy companies with websites had investor-related materials, but only 23 companies (33%) used the internet as a medium specifically for investor relations.

Interest in IIR was triggered by cost savings, i.e. replacing hard-copy publications with electronic versions to eliminate printing and distribution costs. The growth has been further encouraged by the increased information requirements of stakeholders as they demand fast, transparent and easy-to-understand information. In the process of adapting to these changes, companies have increasingly used internet technology for IR activities, as the internet enables organisations to disclose information on a real-time basis and increases the accessibility of financial and nonfinancial information to both institutional and individual investors (Allen, 2004).

2.3.3. Internet Access and Usage

Individuals use the internet for a wide range of purposes, such as finding general information, exchanging information, buying products and services, and looking for work. According to Bollen et al (2006), corporates develop websites for a wide range of activities, such as electronic commerce, creating a corporate image, disclosing information and reducing communication expenses. The results of their study suggest that supporting stakeholder relations and information disclosure are the two major functions of corporate websites (Bollen et al, 2006). This study would be most applicable to institutional investors.

In South Africa, individuals do not have formal structures to access companies and therefore rely on information disseminated to them by the listed company. The internet then plays an important role in ensuring that people can get information on their own.

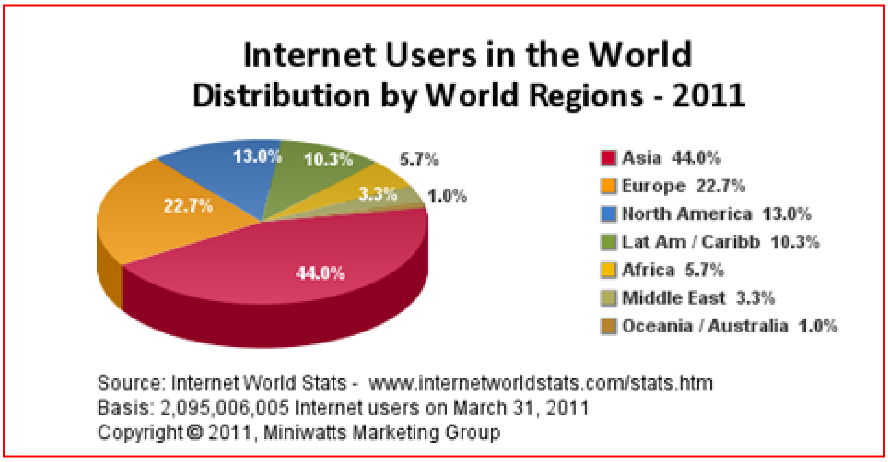


Figure A: Illustrations of internet Usage

In terms of usage, Asia has the highest rate of internet usage in the world, with 44% of their population using the internet. Even though the US has a penetration or access rate of 78.3%, Asia, specifically China (52%), India (10.6%) and Japan (10.7%), have overtaken the US, which has 13% internet users. South Africa is classified amongst the emerging countries in terms of access to and penetration by the world wide web, with 13.9% of the SA population (49 million) having access to the internet, and only 5.7% of the population who use the internet. Also, 8.4% of the SA population uses the popular social networking website, Facebook (Internet World Stats, 2011).

In South Africa, the first fixed line operator, Telkom, has the majority market share in terms of ADSL, with their subscribers placed at 592 000. However, the issue of access to international capacity was considerably improved in 2009, as Telkom's monopoly and control over access to the submarine cable and prices were ended when the SEACOM cable went live. This arrival of competition has already spurred operators and service providers to pass savings on to the consumers of the internet. The mobile market in SA is nearing saturation, with access and penetration at over 110%. Growth for the sector is at 2% per year, with the number of active SIM cards reaching 49.6 million by the end of 2010. Therefore, it can be assumed that every single household in South Africa has access to and uses a cellular device. BMI stated that, at the end of 2010, South Africa had 7.17 million mobile customers with 3G-enabled devices; this is equal to 14.2% of the total mobile customer base (BMI-T, 2010).

2.4. From the Internet Investor Relations to Social Media

Evidently we are in an era of ever-increasing globalisation and in an age when capital flows electronically between financial centres around the world at the touch of a button (Dolphin, 2004). Dolphin (2004) conducted research on 24 top publicly listed companies on the London Stock Exchange and the objective of his paper was to posit that investor communication has been recognised as a strategic tool to provide present and potential investors with an accurate portrayal of a company's performance and prospects. Empirical evidence from the British organisations suggested that using IIR (financial data on website, share prices, press releases, presentations and online investor details, etc.) had come of age and had developed into a significant tool of corporate communication. However, the study noted that it was not easy to engage [financial] stakeholders or get the stakeholder engaged.

Thus evidence suggests that it is not clear whether the IIR efforts are enough to engage stakeholders sufficiently to gauge their opinion and support any more (Dolphin, 2004). Therefore, the principles of two-way communication are not instantaneously achievable if the internet is used in the same way as traditional media, as a one-way communication channel.

The internet held much promise for facilitating the development of relationships between organisations and the public. Since then, online public relations research has moved relationship theory beyond examining the website content of organisations and active publics to experiments investigating conditions and mediums that impact relationships (Sweetser et al, 2007).

Social media are described as a group of internet-based applications that build on the ideological and technological foundations of the World Wide Web and that allow the creation and exchange of user-generated content (Kaplan and Haenlein, 2009). Within this general definition, the following categories of social media are known, namely:

1. Collaborative projects, e.g. Wikipedia
2. Content communities, e.g. YouTube
3. Blogs, e.g. personal web pages
4. Social networking, e.g. Facebook
5. Virtual game worlds, e.g. WarLords
6. Virtual social worlds, e.g. Second Life

There is no systematic way in which different social media applications can be categorised, as new sites appear in cyberspace regularly. To systematically classify the abovementioned categories, Kaplan and Haenlein (2009) use a set of theories in the field of *media research* (social presence, media richness) and *social processes* (self-presentation, self-disclosure), which are the two key elements of social media. Regarding the media-related component of social media, social presence is influenced by the interpersonal nature and immediacy of the medium, and can be lower for mediated (e.g. telephone conversation), interpersonal and asynchronous (e.g. email) than synchronous (e.g. live chat) communications. Also, media differ in the degree of richness they possess, that is, the amount of information they allow to be transmitted in a given time interval. Therefore some media are more effective than others in resolving ambiguity and uncertainty (Kaplan and Haenlein, 2009).

A relationship is a key component to effective public relations (Ledingham et al, 2003). Bruning (2000) asserts that, like interpersonal relationships, organisation-investor public relationships should satisfy the needs of the public and their expectations.

2.4.1. Social Media and the Concept of Self-disclosure

The key reason why people decide to create a personal webpage is the wish to present themselves in cyberspace. This presentation is done through self-disclosure, which is the revelation of personal information that is consistent with the image. Self-disclosure is a critical step in the development of relationships, but can also occur between complete strangers. It is assumed that, in the context of social media, a second classification can be made based on the degree of self-disclosure it requires and the type of self-presentation it allows.

2.4.2. Social Media in the Business-to-Business Community

Research has indicated that social networks determine economic action, particularly where search and deliberation are important or complex (Dotson, 2004). Firstly, users over the age of 35 are the fastest growing demographic group of Facebook, and over 50% of Facebook users and 44% of MySpace users are over age 35; the majority of users of the micro-blog site Twitter, on which users broadcast short messages to a group of subscribers, are over the age of 35. Secondly, there is a shift in usage from strictly personal use to a mixture of personal and professional use. These two points have prompted the use of social media by business-to-business (B2B) companies (Young and Ramos, 2009). The benefits of social media as a platform for B2B companies are summarised in Table 1 below.

To manage uncertainty and information asymmetry, it is common to form exchange relationships, which typically track information flow within a network to determine who interacts with whom and who sits at key information nodes. Once the network is understood, linkages can be exploited for competitive advantage, identifying and rectifying gaps in the network for the financial benefit of the firm. At the firm level, data comprising the flow of materials or cash can indicate opinion leaders and lead users who affect the adoption of an innovation.

Table 1: The benefits and costs associated with using social media in a B2B context

Costs	Benefits
▪ Unpredictable nature – free comments can be a risk in terms of negative feedback (unfair and exaggerated) ▪ Banding like-minded people (destructive dissidents)	▪ Information seekers perceive social media as a less biased, more objective source of information ▪ Gives the company an opportunity to monitor and address negative complaints or perceptions/rumours

▪ Reputational damage that could diminish share price ▪ Paucity of reliable metrics to measure success in social media	posted on the social network ▪ Stages of sales cycle - generating sales leads ▪ Generates positive curiosity and hype around company ▪ Prospective buyers move faster through sales “funnel” ▪ Identify key decision maker in prospective companies in business community ▪ Improve relationships with existing business customers (new and personalised ways) ▪ Get feedback on products and services ▪ Build customer loyalty and ‘humanise’ large companies ▪ Share information with others in similar business or industry ▪ Positioning of company as thought leader amongst peers ▪ It’s free if using existing platforms ▪ Marketing efforts more targeted and customised or broadened to reach individual outside target audience ▪ Online marketing is more targetable,

	addressable, measurable than conventional ▪ Increased company information, product research (testimonials from current clients) ▪ Increased loyalty when marketers commit to uncensored, two-way communications via social media

Source: Dotson (2004)

2.4.3. The Role of Social Media in a Company's Promotion Mix

The use of social media by an entity like General Electric (General Electric, 2008) demonstrates that these media have two interrelated promotional roles; firstly, they enable companies to talk to stakeholders and, secondly, they enable stakeholders to talk to one another. The first role is consistent with the use of traditional communication tools that push information to consumers. The second role of social media is unique, as consumers of information can use these media to communicate with one another. This is an extension of traditional word-of-mouth communication, except that consumers now have the ability to tell millions of other people via this medium (Mangold and Faulds, 2009). It therefore makes sense that managers should ask themselves, *"How can this power be harnessed for the benefit of the organisation?"*

Nuttavuthisit (2010) suggests that companies should seek a way of letting consumers join in the process of value co-creation. From an investor relations perspective, this thinking advocates a stakeholder-oriented perspective to enhance deeper investor involvement, yielding the possibility to attain continual and inter-connected benefits for a company. Mangold and Faulds (2009) further suggest that the organisation and managers must learn to shape consumer discussions in a manner that is consistent with the organisation's mission and performance goals. This includes providing stakeholders with networking platforms, and using blogs, social media tools and promotional tools to engage stakeholders.

2.5. Integrating Social Media into the Organisation's Marketing Communication Strategy

"...markets are not about messages, but about conversations..." (Cluetrain Manifesto; Levine, Locke, Searle and Weinberger, 2001). The rise of social media has catapulted company and consumer contact from the traditional Web 1.0 model to the highly interactive Web 2.0 world, where consumers are dictating the nature, extent and context of marketing exchanges (Hanna, Rohm and Crittenden, 2011). Berthon et al (2007) suggest that consumers are taking an increasingly active role in co-creating everything and are no longer merely passive recipients in the traditional marketing exchange process. In turn, companies are looking to online marketing programmes and campaigns in an effort to reach consumers where they 'live' online. Hanna et al (2010) advocate a systematic method of understanding and conceptualising social media by suggesting that it is an ecosystem of related elements involving both digital and traditional media that provide an experience that is not about websites. While the use of traditional media constitutes a trade-off between reach and consumer engagement, social media enable both reach and engagement through the judicious use of all formats and platforms. Marketers need both people and community platforms in order to create experiences that achieve the overarching goal of attention and influence. Therefore, marketers need to operate within this systematic approach of understanding their company's social media strategy, or they risk merely chasing the latest application and treating elements as standalone platforms rather than understanding the fundamentals. The concept of a social media ecosystem enables marketers to think firstly in terms of overall strategy, not tactics (Hanna et al, 2010). Therefore, marketers can ask critical questions, such as:

- Who is / are the target(s)?
- On which traditional and social media platforms do the targets live?
- What marketing content (story) does the company want to tell?
- How can marketers propagate or feed this content throughout the ecosystem?

3. CHAPTER 3 – THE RESEARCH QUESTIONS

In the literature review, the strategic role of investor relations and practices and activities that support these strategies, leading to companies using the internet for communicating with investors and stakeholders, and the drivers promoting the use of social media were broadly identified. However, the extent to which these objectives can be applied to South African listed companies needs to be understood.

To understand the response of the listed companies using social media to enhance their investor relations efforts, the following research questions were formulated and the subsequent research to be undertaken will attempt to answer these research questions:

- Research question 1: Has an investor relations strategy been formulated?
- Research question 2: What has been the purpose of and rationale, if any, for actively pursuing investor relations?
- Research question 3: What practices, if any, have been adopted to support the investor relations strategies?
- Research question 4: Has a social media strategy been formulated?
- Research question 5: Does the IR strategy incorporate the use of the internet and social media?

4. CHAPTER 4 – RESEARCH METHODOLOGY AND DESIGN

4.1. Methodology Followed

A qualitative study will be undertaken, with an exploratory design. The choice of the study is based on the literature findings. The undertaking of exploratory research provides the necessary information to answer the research questions, as well as to diagnose potential problems for further research. The emphasis of the exploratory research is on obtaining deep and insightful information (Zikmund, 2003).

The research will be carried out in the form of semi-structured interviews with practitioners representing organisations that are listed on the South African Johannesburg Securities Exchange (SA JSE) within a communication and investor relations role.

4.2. Unit of Analysis

The unit of analysis will be the responses from the organisations listed on the JSE.

4.3. Population and Sample

The identified population is medium to large South African companies representing the majority in terms of market capitalisation on the JSE. Company size is used as an explanatory variable in many of the general studies on financial disclosure, as well as in those on financial reporting on the internet. In some cases total assets are used as a measure of company size. Other proxies for company size include turnover, number of employees, total assets, etc. (Bollen et al, 2006). For the purpose of completing the current study, market capitalisation was used as the indicator of company size.

Medium companies are defined as those where:

- Market capitalisation exceeds R4.5 billion per year

Large companies are defined as those where:

- Market capitalisation exceeds R18.5 billion per year.

Only medium to large companies located in South Africa will be selected, as they constitute the majority of the market capitalisation (more than 70%) of the listed companies on the JSE main board. It is also assumed that these organisations are more likely to use the internet for investor relations and would therefore have an understanding thereof.

4.4. Data Gathering Approach

Data will be gathered by means of semi-structured interviews. The rationale for using semi-structured interviews is as follows (Gilham, 2005):

- The same questions can be asked of all those involved
- The questions used will ensure topic focus
- Equivalent coverage can be ensured. In other words, interviewees cold be prompted with supplementary questions
- The time for each interview can be approximately the same
- Open questions coupled with structured questions can be asked to introduce flexibility into the interviewing process and ensure that rich data can be obtained
- A strong element of discovery is allowed, while the structured focus allows an analysis in terms of commonalities

The interviews will be conducted face to face with the persons identified in the sample. The use of an interview guideline will also ensure that the interviews are consistent and that the interviewer is neutral, thus improving the overall quality of the research process (Denzin and Lincoln, 2005)

A copy of the interview guideline was given to the interviewee at the start of the interview.

4.5. Analysis

The analysis of qualitative data, particularly in unstructured interviews, often can result in the findings of the research being the output of the researcher's interpretation of the data (Denzin and Lincoln, 2005). Furthermore, unless the interviewer takes a high-level approach to analysing the interview data, he or she could subjectively interpret what the interviewee says (Gilham, 2005). The analysis techniques below could be used to counteract this, where applicable.

Method of analysis	Rationale
Content analysis	The use of content analysis to ensure that an objective, systematic and quantitative description of the manifested data will take place (Zikmund, 2003)
Comparative analysis	Comparative analysis to enable the findings of each interview to be compared against those of respondents from the other organisations (Gilham, 2005).

4.6. Limitations of Methodology

Interviewer and respondent bias may have an impact on the results. Awareness of this possibility from the interviewer's perspective may moderate this outcome if the interviewer focuses on remaining objective.

As the sample is not fully representative of the population, a sampling or systematic error may result in a finding that is not representative of the population (Zikmund, 2003). Therefore it may be inappropriate to project the research findings beyond this sample without additional research.

5. CHAPTER 5 – RESEARCH RESULTS

5.1. Description of Sample

A total of twelve interviews were conducted with thirteen selected companies from the Johannesburg Securities Exchange (JSE) main board of listed companies. All interviews involved the individual accountable for investor relations and, where possible, representatives from the corporate communication and finance functions. The particulars of the sample are illustrated in Table 2 below.

Table 2: Details of Interview Sample

COMPANY	Functions interviewed	Management level
Vodacom Group Ltd	Investor Relations	Executive
Nedbank Group Ltd	Corporate Communication	Executive
Woolworths Holdings	Group Secretary Governance	Executive
Liberty Holdings	Investor Relations	Senior
Pick n Pay Stores Ltd	Investor Relations Finance	Senior
Telkom SA Ltd	Investor Relations	Executive
Capitec Bank	Corporate Communication	Senior
Barloworld Ltd	Communication Marketing	Senior
Sun International Ltd	Group Secretary Governance	Executive
Royal Bafokeng Platinum	Investor Relations	Senior
Murray and Roberts Ltd	Communication Investor Relations	Executive
Lewis Group	Investor Relations	External Consultant
Blue Label Telecoms	Investor Relations	Senior

In the further discussions of the research findings, the identity of the organisation in which the interviews took place has intentionally not been disclosed for the purposes of confidentiality. This is in line with the research methodology outlined in Chapter 4. It is not only deemed as ethically responsible, but also assists in obtaining unbiased and informative responses from the interviewees.

Confidentiality has been ensured by coding actual company names from the sample with fictional names, as well presenting the research findings in a manner that the companies could not be identified. The individual participants were also ensured of confidentiality, therefore their names are not quoted in the findings.

Depending on their location, the interviews were conducted either face to face or telephonically for the duration of one hour. Access to these key individuals proved to be a challenge in the time frames set out in the proposed plan. A number of companies that were approached declined to participate due to time constraints, as well as other reasons not known to the researcher.

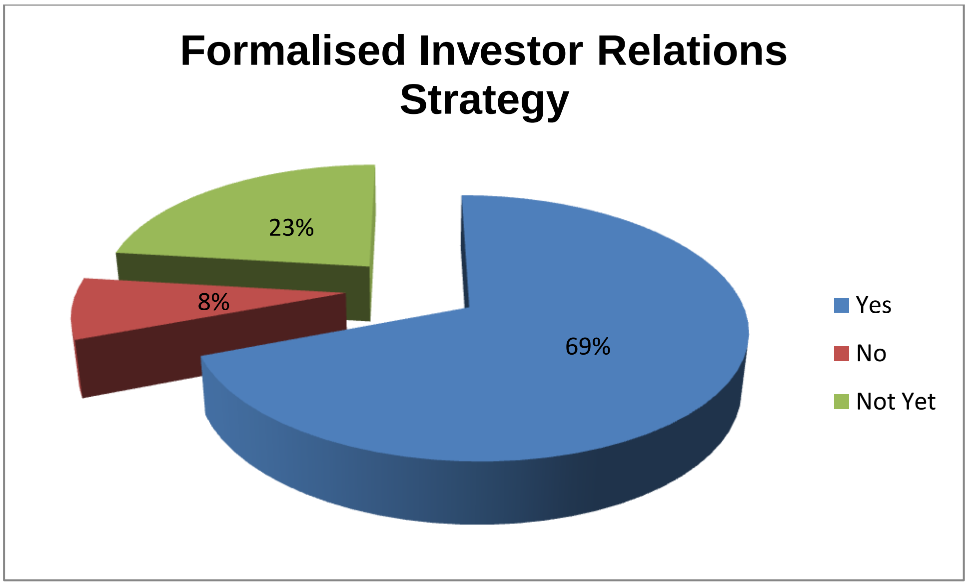
However, the sample obtained and the input received has enabled each of the research questions to be answered and therefore satisfied the research objectives.

5.2. Results of Research Question 1: Has an investor relations strategy been formulated?

The aim was for each organisation to outline the vision and thinking that would determine their actions where investor relations were concerned. The objectives covered in this question include:

- Identifying if investor relations have been defined and the formality of this definition
- Likewise, also establishing if a disconnection exists between the definition adopted, the rationale and the practices
- Understanding what the key challenges have been in pursuing investor relations
- Understanding how that organisation's investor relations strategy supports the overall organisation's strategy.

Figure B: Formalised Investor Relations Strategy



Most of the respondents outlined their strategy by giving three to four general pillars that underpinned their investor relations strategy and, although these were the correct pillars for the organisations for the current relevant financial year, they may be changed in the following financial year or as required. The general pillars shared between the organisations included:

- Ensuring that the cost of equity is reduced. The only way to reduce the cost of capital is to ensure that the share price is valued fairly on the market
- Ensuring that they effectively manage communication between management and investors
- Focussed investor targeting by understanding investment styles, in order to get the investor on their shareholder register
- Providing information on company financial performance, business strategy and operations in an accurate, honest and quick manner
- Being accessible to the investor community (investors, analysts, sponsors, etc.)
- Complying with JSE regulations and other reporting requirements imposed by King 3 and the Companies Act

5.2.1. Individual Company Findings for Research Question 1

Company C

"We have a well-developed investor relations strategy that is underpinned by clear investor targeting objectives. We focus on who we want and make plans to get those investors on our shareholder register. The investors that approach us that aren't on our target list are usually a bonus." A key differentiator of this organisation is that their targets are based on specific investors.

Company I

"Our investor relations strategy is mainly focused on complying with the statutory requirements and the JSE regulations only. All our communication and activities only focus on the must-haves and nothing else." This is the only company in which investor relations were embedded in other regular corporate communications functions and therefore their aim was to do the minimum required in order to comply with the statutory requirements as well as the JSE requirements.

Company E

"We have our strategy, but it is in the infancy stages as it has just only recently been formalised and ratified by the board. We didn't have a formal investor relations division until 2011. Our CEO and CFO are under constant pressure and cannot dedicate time to IR, but it is crucial to our growth as a listed company. So, for now, our underlying pillars are very basic, we have an open door policy to all; we want to remain accessible, transparent and communicative at all times."

Company K

"We don't have a formal strategy yet. So we tend to over-communicate and over-disclose."

Company D

"Our objective is to manage the relationship between our shareholders and the management team of the organisation. We also have an obligation to engage with shareholders and the investor community as per King III."

Company A

"SA competes for capital with all emerging market organisations in our cluster (Turkey, Russia, Brazil, India, etc.). We always compare and rank ourselves relative to this universe and not just locally. Therefore, part of our strategy includes being ahead and by being abreast with market intelligence this ensures that the organisation and the management can act proactively."

Company B

This organisation has received accolades and has been awarded the highest award for best disclosure practices by the JSE. "We are always at forefront of disclosure and running a good investor relations practice. We do this by sticking to our objectives that include getting stable long-term shareholders and forging deep relationships with them."

5.3. Results of Research Question 2: What has been the purpose and rationale, if any, for actively pursuing investor relations?

The objectives encompassed in this question were to establish if the organisation had more reasons for actively pursuing investor relations and whether it took the pursuit of investor relations seriously or not.

5.3.1. Rationale for Pursuing Investor Relations

All the organisations highlighted that investor relations were a matter of importance and that they wanted to be proactive about it. According to one organisation, “Time spent with investors is money for our company”.

Most organisations also highlighted that proactively pursuing investor relations meant that they were listening and responding to their current investors’ needs. Company L have a different model in pursuing investor relations. They utilise the services of an external investor relations consultant company for most of their IR function. The external consultant highlighted: “Company L realise they have no specialised investor relations skills and with the competitive forces for capital they would be shooting themselves in the leg without the proper expertise. The CFO is also adamant that he does not want to miss anything as the regulatory environment is also stringent.”

The other individual reasons acknowledged by some of the listed organisations are highlighted below.

Company J

“Pursuing investor relations is costly, can you imagine a team of four to five executives travelling on business class to about five countries every quarter. You have to have a formal plan for pursuing potential investors and also a plan of how to engage with shareholders in an effective way and get the investors you do not have on your register else is a waste of time and money."

Company K

"Our rationale is that our shareholders own the company, it's too costly not to communicate with our current and future shareholders....We don't want any of our investors disinvesting in us, our shareholders include our key management that have shares in the company. If they leave, we cannot attract the capital we need. So, investor relations are crucial for the ongoing sustainability of the company."

Company H

"Every single listed company is competing for capital and the aim in a sense is to outdo the other on the markets and get the most capital injection into your business in a cost effective manner. Therefore our approach to pursuing investor relations is very calculated because time wasted is money wasted."

5.3.2. Seriousness in Pursuing Investor Relations

The findings indicated that all of the respondents, with the exception of one organisation, took the pursuit of investor relations seriously. The key theme reflecting the seriousness towards pursuing investor relations is the formalisation of the investor relations functions within the organisation. Formalisation includes the implementation of a suitable strategy, undertaking various practices to achieve good relationships with investors, the appointment of designated individuals and the implementation of proper measures and control systems. Listed companies have obligations to comply with disclosure requirements on the basis of JSE regulations, but they are not obligated to have dedicated investor relations departments, staff and other resources, e.g. investor relations websites, to fulfil and supplement these obligations.

Overall, the companies also emphasised that the expenditure on investor relations activities, e.g. going on international road shows, was also an indicator of their seriousness.

5.3.2.1. Individual Company Findings for Research Question 5.3.2

These are some of the responses from the participants.

Company I

“We’ve invested a substantial amount of money and staff in our Investor Relations Centre on our website as well as on communication.”

Company G

“We do not take IR serious as we are happy with the base we have. We’re not going to expand it and we have no future plans except the JSE reporting as we are required to.”

5.4. Results of Research Question 3: What practices, if any, have been adopted to support the IR strategies?

This question encompassed the following objectives:

- Whether or not an approach to achieving the investor relations strategy has been formalised and the degree to which this approach has been formalised
- The type of regulated and voluntary internal practices pursued as part of this approach
- Whether or not these practices for achieving the investor relations strategy will be scaled up in future

All the organisations interviewed have set up an approach to achieving the goals of their investor relations strategy. All of the companies had investor relations represented by either the Chief Financial Officer or the Chief Executive Officer on their respective board meetings. Company A, Company C and Company I had a board-approved investor relations strategy. Company A, Company D, Company F, Company J, Company K, Company L and Company M had a dedicated investor relations manager and had at least one policy document covering some guidelines for the practice of investor relations.

The count of standard regulated and internal practices highlighted by the interviewees was aggregated and is illustrated in Tables 3 and 4 below. The values illustrated represent what each organisation is pursuing, and not individual responses.

Table 3: Internally Focused Investor Relations Practices

Internal Practices	Count
Website - Investor Relations Centre	13
Teleconference calls with investors and analysts	13
Send communication via email	13
Host post-results meetings and presentations with analyst only	12
Host post-results meetings and presentations with investors only	12
Road shows (local and international)	11
Newspaper publications	10
Publishing in financial publications	10
Communicate telephonically with sell-side analysts (CFO)	10
Investor targeting conferences	9
Governance on communication with investor community	9
Attend broker-side investor conferences	6
Radio and TV appearances, e.g. Summit TV	5
Investor open day with CEO & CFO	5
Mobisite - Investor Relations Centre	1
Conduct independent investor opinion polls	1
Take investors on project site visits	1
Chairman’s Investor Road Show	1

Table 4: Regulated Investor Relations Practices

Regulated Practices	Count
Publish and disseminate annual report of company results	13
Publish and disseminate interim report of company results	13
Communication on JSE SENS Report	13
Observe closed period	13
Annual general meeting	13
Maintain shareholder register	13
Issue market guiding statement	5

5.4.1. Future Investor Relations Practices

Seven of the thirteen organisations interviewed will be scaling up their investor relations practices in the future. The rest highlighted that they would only scale up their efforts when the need arose.

5.4.2. Individual Company Findings for Research Question 3

These are some of the responses from the participants.

Company L

The CFO is committed and states that "We are committed to our investors but there is more that we still do. But we are more involved in business operations as a priority. We are trying to make investor relations as efficient as possible given our time constraints".

Company J

The organisation listed in November 2010 and they are not going to scale up resources for investor relations in the near future. "As the Head of Communications, I do media relations, communication and investor relations for now as we don't have a large team as yet. Want to remain lean and mean."

Company H

"We would like to scale up our internal practices by giving the analysts more time in the form of one-on-one meetings with our top executives. This request comes every quarter and we are looking at making it part of our quarterly calendar. This is because we want to manage analyst access better, be less restrictive and give them more time with us."

5.5. Results of Research Question 4: Has a social media strategy been formulated?

The aim of this question was for each organisation to outline the vision and thinking that would determine their actions where social media were concerned. The objectives covered in this question include:

- Identifying if social media have been defined and the formality of this definition
- Understanding what the key challenges have been in pursuing social media
- Understanding how the organisation's social media strategy supports the organisation's overall strategy.

Upon reaching this section of the research questions, the approach and interview style was adapted to suit the interviewee. This depended on how much knowledge the interviewee had of the concepts of social media. For most organisations, the following definition was provided:

Social media is described as a group of internet-based applications that build on the ideological and technological foundations of the World Wide Web and that allow the creation and exchange of user generated content (Kaplan and Haenlein, 2009).

This definition was used to initiate the discussion of social media in general, in the organisation and, finally, as it relates to investor relations. This part of the interviews was largely unstructured and gave the interviewees the time and opportunity to articulate their individual thoughts as well as their knowledge on their organisation's views of social media. "...my younger colleagues are social media animals but I'd much rather just pick up the phone and call my friends or colleagues... there's an age thing about it as well...I'm old school."

Similarly, other individuals did not need a definition and explanation of the concept of social media, as they had the knowledge and had even experienced one or two forms of social media in their daily lives, either in the form of Twitter, Facebook or YouTube. “We deal with big brands, so we can’t ignore social media.”

5.5.1. The Formalisation of a Social Media Strategy

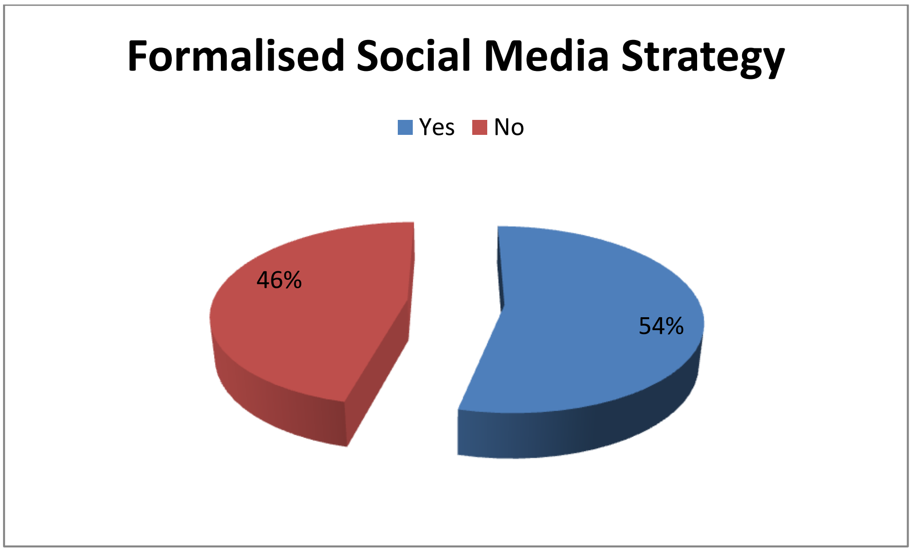


Figure C: Formalised Social Media Strategy

As can be seen from the figure above, 54% of the organisations interviewed had formalised a consumer-facing social media strategy. The primary aim of the strategy was to have a presence on social media platforms from a sales and marketing point of view. The platforms discussed are Twitter, Facebook and YouTube. The other reasons mentioned are to respond to customer queries and complaints and to get the sentiments of what customers are saying about their organisations and, ultimately, their brands. Some mentioned that the social media supplemented and were in line with their organisation’s overall customer retention strategy.

The remaining 46% of the interviewees highlighted that the nature of their business did not create a burning platform for them to have a social media presence.

Company H, Company J, Company K and Company M had a completely business-to-business (B2B) model and reckoned that their efforts would not have yielded any gains by investing in a social media strategy at that stage.

Some of the IR practitioners interviewed did not have knowledge of their organisation's social media strategy and therefore could not articulate whether social media were being used or not.

5.5.1.1. Individual Company Findings for Research Question 4

Company A

They have a very extensive company-wide social media strategy and rollout. They have a large consumer base and the sector/cluster they operate in lends itself to this medium being welcomed and used on a large scale. This organisation does not have a social media strategy defined for investor relations, but they expressed a keen interest to investigate. They were eager at the prospect of pioneering and being the first to lead the market in implementing social media in their investor relations function. "We are seriously going to investigate and implement social media in our IR plans as part of our 2012 objectives...it's a matter of adding it to my staff's KPIs". However, the only concern they had was the time and resources required to maintain such a platform.

Company B

This organisation has a conservative consumer-facing social media platform, but they mentioned that their growth plans were to keep up with the competition and not to be industry leaders.

Company H

"We are thinking about social media from the wrong end, we're thinking about it as a tool rather than a strategy. We have all awakened to thinking about social media but with us it's all about timing." This organisation owns a large subsidiary company that has an established social media presence where they market themselves, although they use it more for branding to consumers. The head of communications also highlighted that their vision going forward is to use social media to identify who the people are who interact with them via their current media, i.e. their website etc. "Thereafter, it we would route them to our story depending on who you are. We want to impress these visitors with our wonderful company story and do public relations for the company but also try to be intimate with the person."

"We have a lot to *tweet* about from a product perspective too, everybody should know about our great products, we aren't there yet but we're getting there, we're going to commit."

Company J

Company J did not have a social media strategy and highlighted that there were no plans to use social media, as they deal with institutions only. They use the internet for their website only.

Company L

The website is the only electronic medium utilised. They have a consumer-facing business that is customer intensive, but after deliberation it was decided that their strategy would not be incorporating social media in the near future. Company L highlighted that their business model relied on return business and customer retention in the emerging market segment of South African consumers. They also believed social media platforms would not be accessible to this segment because of the low internet penetration rates in South Africa; therefore their investment would be misplaced.

Company D

Company D had two participants from two different departments attending the interview, namely the head of Investor Relations (participant A) and a manager from their brand and marketing (participant B) team. Their views on social media were diverse, given their respective backgrounds within the organisation. Their views were:

- Participant A – "I believe we have a strategy and have rolled it out in our consumer space. It is great for the consumer space only. On my side, I deal with large institutions with complicated requirements that require face to face with our executive management."

- Participant B – Participant B highlighted that he noticed a notable difference in the nature of SA companies and their leadership versus the United States of America. Leaders and management in the USA influenced the social media space. For example: "A person like Richard Branson would be on Facebook, MySpace and Twitter; people and even investors would follow him to hear what he was thinking as an extension of their due diligence before they invested, that's because their leaders are so much more a part of their company's brands and make-up, whereas SA seems to have custodians heading up institutions; they are not extensions of their brands. Silence is not the solution."

Company K

They have a formalised social media strategy that was signed off and the intention was to implement it in February 2012. They are now working on resourcing the project to ensure that they are ready, as it is time consuming and resource intensive.

"Social media [are] powerful and we need to have a presence on Twitter and Facebook, etc. I know that our competitors have not done anything in this space and we want to be the first." Company K highlighted that they would not be aiming at any specific audience initially. "Our research tells us that there are people talking about the company all the time and the aim is to create a platform and to give them a voice. Company K is not scared to hear about the bad even on a public forum. Even our employees need a voice – they must not go outside the company and lambaste their own firm."

He gave an example to highlight another cautionary point, namely that the information, publicity and two-way nature of social media come with consequences for all participants.

Company E

Company E have a formalised social media strategy and it is an extensive part of their customer marketing strategy.

The respondent highlighted that social media did not feature on the investor and analyst side of their communication, as they kept that communication in line with traditional practices. However, they were aware of the effectiveness of the platform and would need to apply themselves from an investor relations perspective.

The company's representative then relayed the following story, saying "social media captured our executive management's attention in the previous financial year, when a customer raised on Twitter and Facebook an issue about us being irresponsible by using reams of paper to print our Annual Report for our shareholders yet we as a company when we were calling ourselves an environmentally sustainable company. Our ethics were questioned and many customers were angered by our actions".

Their response: "We used the same platforms i.e. Twitter and Facebook and our website to affirm and also share their concerns. It was liberating for us as a company to explain to those customers and the public that we are bound by JSE rules and that as a listed company we are mandated to print all our annual reports and distribute them to our shareholders and any members of the public who are interested. Again, emphasizing our duty to disclose."

Company I

Company I have a presence on Twitter and Facebook for the customer side, but it is not based on a formalised strategy or monitored implementation plan.

Company F

Company F have not formalised a social media strategy. They have a Facebook page for one of their functions as an organisation and that is managed and run as a separate entity. As a company they rely on and have invested resources in their website and are confident that it is more effective in communicating with the public.

Company C

Company C have a well-planned and implemented social media presence on Twitter and Facebook that focuses only on the customer side. "Our website is evidence of how we use technology, we have a similar view about social media."

Company G

Company G have a social media strategy that is focused on the customer side and specifically the youth in emerging markets. They would not use it in investor relations, given the kind of shareholders they have, as there would be no interest or demand.

5.5.2. The Key Challenges in Pursuing Social Media

Most of the interviewees did not deal with the platform mechanics in their daily function and none of them were on the customer-facing side of their organisations, therefore they did not have knowledge of the challenges faced by their organisations in pursuing social media. Most of the interviewees highlighted that, as investor relations practitioners, the JSE regulated all their communication, as it must be approved and distributed via the JSE SENS reports first, after which they can distribute it via any medium they require. Therefore, to them, communication via social media presented challenges because it was not controlled and censored. Company B highlighted: "Social media is like gossip, bad news travels faster than good news. Good news is not newsworthy, it doesn't get public interest and that's a risk. So that could lead to more of a bearish market if it is not driven by the proper source and that is us."

5.5.3. How the Social Media Strategy Supports the Organisation's Strategy

All of the companies who have a social media strategy are consumer/customer-facing and they highlighted that social media support sales and marketing by:

- Receiving and tracking customer opinions on new products and service
- Receiving complaints and compliments
- Initiating groups for specific campaigns
- Running competitions

The interviewees highlighted that their organisations used social media for marketing only.

5.6. Results of Research Question 5: Does the IR strategy incorporate the use of the internet and social media?

The aim of this question was to understand from the investor relations practitioner:

- Their view of/rationale for presenting their investor relations information on their website
- Finally, the most important question was to find out if they have or would consider integrating social media into their investor relations strategy

This part of the interviews was unstructured and gave the interviewees the freedom and opportunity to articulate their individual thoughts on the integration of social media and investor relations. It is important to note that all the organisations selected had a dedicated investor relations website or had a designated Investor Relations Centre within the organisation-wide web portal.

5.6.1. Rationale for Presenting Investor Relations Information on the Website

Most of the organisations highlighted that they regarded the internet, specifically their websites, as essential tools to support their investor relations strategy, and their reasons for this included:

- It was common practice with all listed companies around the world to have information on the website, as it is publicly accessible
- Potential investors from anywhere in the world could access information and make enquiries based on the information provided on the website
- It was a generally accepted communication practice with the JSE to disclose market information via websites
- It was a quick method of disseminating useful information about investor events and storing documents that investors had been given already

5.6.1.1. Individual Company Findings for Research Question 5

Company B

Company B highlighted that they considered social media platforms to be risky from an investor relations point of view as these were not a regulated channel and they would not participate in them as they had no control of the content as an organisation. “The JSE don’t regulate channels but rather information/material put on channel e.g. the information on SENS. Besides, no investment decisions should be made based on social media communication as it is not a primary source of information that investors can rely on if we did not disseminate it.”

Company B also highlighted that the information access on social media platforms like Twitter would be challenging, as only the 'followers' would get that information. According to the JSE regulations, that would be unbalanced and unfair, as not everybody is participating. All listed companies are required to disclose information to all shareholders and the public at the same time, in a medium that will be publicly accessible by all.

Company B concluded on a cautionary note: "We don't sell shares but rather we're here to provide a fair view (both good and bad) of our shares so that people can make decisions. It's not about marketing, but about communication, which requires fairness, balance and accuracy." Company B agreed that social media could enhance investor relations, but they would only act based on demand from their investors.

Company E

Company E agreed that social media could possibly enhance investor relations, but also conceded that internally, investor relations was still in its infancy stages and integrating social media would not have be the right decision at that time. They also stated that they would not want to push social media if their investors did not agree. They would give investors a choice in terms of what medium they would prefer.

Company M

Company M agreed that social media could enhance their investor relations because "we rarely get feedback from our investors....we do not get the sub-textural responses back and social media would help in providing that informal reaction and response".

Company M also presented what challenged them with social media, namely that they were unregulated and uncontrolled, and stated "when we release results, I need to marshal the investor communities thinking and help them understand the interpretation of the numbers".

"We don't have resources to monitor the communication. There is room for malice and that can tarnish our image and so concern around reputational risk and imbalance also arises."

From an investor perspective, Company M highlighted that it would be more difficult to introduce social media with their institutional investors as it was a structured business relationship.

Company H

Company H highlighted that social media had a role in enhancing any stakeholder engagement initiative, but they were not convinced that it could influence the share price in any manner.

Company J

Company J did not agree that social media could enhance their investor relations function. The respondent highlighted that their industry was conventional in how communication was practised. "There's only one way of doing things." She stated that their investors would not perceive social media positively and it would not inspire confidence in the organisation's management.

Company J made the distinction of the institutional versus the retail investor and highlighted that the use of the internet from an investor relations perspective was probably most relevant for retail investors.

She explained that they had about 12 000 investors on their books and retail investors made up 80% of their shareholder register. “But in reality that minority 20% of our base are institutional investors and they have a 95% stake in capital in our organisation. The reality is that we focus on the high valued investments”

Institutional investors do not use the websites because they get information from analysts in the form of research reports that cover the industries they want to target. “Big institutions don’t Google each other; they get their information directly from analysts or they call me and meet with our CEO and CFO.”

Company L

Company L did not agree that social media could enhance their investor relations function.

Company D

Overall, the investor relations practitioner (Participant A) did not agree that social media could enhance their investor relations function, whereas the marketer (Participant B) disagreed.

- Participant B - “Social media could provide investors that additional texture and colour about an organisation that the financial information that is available on our IR website cannot provide. We need to know what potential investors are looking for in our company because we have many competitors that look just like us.”

  He then quoted Warren Buffet: You need to look at the management team before you even look at the books.

"If I were an investor, I would want to find out about the captains of these ships, what their character and views are and even their personal outlook. As a leader, your views on life represent what you do at work. As investor demographics change, we will see a different take to how they would like to be communicated to. The word 'social media' may not even be adequate, people are now referring more to the term 'new media' and 'connected media'.

"In a connected world more people are connected and in the social media space the CEO and the supervisor's view about how their organisation is performing will be weighted equally because they both offer valid information about the company, from the bottom and the top."

Company K

Company K agreed that social media could enhance their investor relations function, as the investor side needs to be engaged.

Company I

Company I agreed that social media could enhance their investor relations function, as it was an accepted tool within their organisation at that time. However, they also highlighted that there was no demand, as:

- They have a feedback link on their website to accommodate the collation of information from the investor community and they have not received any correspondence. If they were seeing some feedback then the demand would justify it. Not seeing any response tells them that they service information needs sufficiently.
- Social media would require a resource to man the currency and dynamism of the communication; however; the lack of demand would not justify the business.

- Regulation also mitigates the instantaneousness of the communication.

Company F

Company F are only focused on institutional investors and they stated that there were no plans to include social media in their investor relations.

“But investor relations in SA are also behind the times. We realise it’s a platform you can’t ignore but we have an issue about the lack of control... we can’t restrain them; it can get viral in the wrong way.”

Company A

Company A will be implementing their plan in 2012. They also highlighted the matter of controlling the communication, as it would be difficult for the JSE to accept and integrate into it.

They perceived social media as better for public disclosure, as everybody could have sight of what is being discussed, as well as the organisation’s response. They want to pioneer and lead in this space.

“It would mean we could reach more retail investors who may feel intimidated or think they can’t access the organisation and with the ready accessibility of information and applications on smart phones, it would be a better information delivery mechanism.”

Company A highlighted that they were quite engaged with their investors and would welcome another method of two-way communication, as they are transparent.

Company C

Company C said they would consider social media in the future, given their strategy on retaining the current investor profile they have and also the ones they are planning to target. They also highlighted that their current investors do not seem to want more information in electronic form.

They also suggested that if they were to engage with social media, they would segment their investor community. “Investors want their own angle and want to outdo the other investor...analysts – especially the buy side do not want to reveal what they are thinking so they don’t want their insights discovered by their competitors. They want private meetings only.”

“It’s a vision that our chairman has for the future, though. He had a vision of everyone being able to buy our shares in their own capacity over the counter.” The idea was that it would make them truly owned by customers and employees. Social media would facilitate this vision, although it would be very difficult, as the buying of shares is also regulated.

“Social media will be the future of communicating with investors like you and me who are tired of putting their savings in the hands of institutions to invest on their behalf. Very empowering and powerful thought.”

Company G

Company G did not see a role for social media in their investor relations function.

6. CHAPTER 6 – DISCUSSION OF RESULTS

6.1. Analysis of Sample

6.1.1. Quantity of Responses

Of the planned 15 to 20 semi-structured interviews, only thirteen interviews could be conducted. Despite this, four interviews were conducted with the top 40 organisations with the largest market capitalisation on the Johannesburg Securities Exchange (data as at 13 September 2011) and as such represent 10% of the research population. The quantity of responses for this exploratory research is deemed to provide an adequate foundation for the interpretation of the results.

6.1.2. Quality of Responses

As highlighted in Chapter 5, access to key individuals within organisations was a challenge. Four key drivers identified for this are:

- Investor relations are deemed to be a strategic issue for listed organisations. They all compete for investor capital in their organisation and do not want to disclose who they are targeting. Some of the organisations that were approached for interviews thought they would have to disclose these plans and therefore declined.
- Some of the organisations declined, citing that they do not use any social media in their organisation and therefore would not be able to assist.
- Two organisations declined due to their current project to implement a social media platform.
- Similarly, some organisations do not yet warrant social media important enough to formulate an opinion.

Also, the subsequent keen participation of two organisations in the research process was a challenge.

- Investor relations are deemed to be a sensitive strategic function for organisations. The non-disclosure and vagueness of responses to certain questions reinforce this perception. This is also in spite of the guarantee of confidentiality that was presented.
- Because of the overall low levels of maturity in responding to practising investor relations, organisations are concerned with the reputational risks associated with how the results will be interpreted in the investor community domain.

However, despite the challenges, the subsequent willingness of the participants who were interviewed resulted in responses being gained that were deemed to be of an acceptable quality.

6.2. Discussion of Results of Research Question 1: Has an investor relations strategy been formulated?

6.2.1. The Strategic Role of Investor Relations

Most of the respondents outlined their general strategy by giving three to four defining pillars that they believed underpinned their investor relations strategy. Based on the defining pillars or themes shared by the organisations, the defining pillars were aligned in terms of the theory that explains aspects of the strategic role of investor relations in general. The National Investor Relations Institute (NIRI) includes all the listed pillars, as well as others. These pillars are deemed to be the responsibility of strategic and executive management and ultimately contribute to an organisation's securities achieving fair valuation (National Investor Relations Institute, 2004).

Sixty-nine percent of the organisations had defined and formalised an investor relations strategy in line with the strategic role of investor relations defined by the National Investor Relations Institute (2004), 23% were in the process of doing so and 8% did not think it was necessary to define an investor relations strategy. The findings also indicate that the organisations that had defined and formalised an investor relations strategy had aligned the strategy with the organisation's corporate strategy. The lack of a defined strategy by the other four organisations (Company E and Company K) is indicative of the early stages and maturity of their entire IR function.

The definition and formalisation of an investor relations strategy by an organisation is perceived to be important from the perspective of providing direction and purpose for all the activities undertaken to achieve the pillars outlined. If a strategy is formulated, an organisation's efforts will be directed more at improving and innovating their current practices and activities. In addition, the pillars defined also highlight the level of maturity of the organisation's investor relations practices and activities to implement their strategy. Where the maturity levels were low, no pillars were defined, as was the case with Company G. The opposite also was true, as where the maturity levels of the investor relations strategy and practices were higher, it was indicative of the organisation's grasp of the concept of investor relations and also indicative of the acceptance of its importance in supporting the organisation's overall strategy. In addition, the findings indicate that in organisations where the investor relations function did not stand alone but was rather positioned under another department (Company G and Company K), they had not defined an investor relations strategy. Similarly, they also did not have a dedicated investor relations specialist, as in the other organisations. However, this does not apply to Company K, as they have a standalone function with a dedicated IR executive, although they highlighted that, due to organisation-wide strategy and leadership challenges, their investor relations strategy was in a state of fluctuation.

6.2.2. Fair Valuation

The fair valuation of the organisation's share price was mentioned as a fundamental reason for having an investor relations strategy, as well as planning the actions that emanate from it. The fair valuation of their shares was echoed by most of the firms as the reason for and the result of all their strategies and activities. Hamid (2005) highlights that ongoing engagement with the shareholders of the organisation assists in minimising negative impacts on the share price.

6.3. Discussion of Results of Research Question 2: What has been the purpose of and rationale, if any, for actively pursuing investor relations?

6.3.1. Rationale for Pursuing Investor Relations

The definition of communication as the resolution of ambiguity and the reduction of uncertainty (Lev et al, 2002) arose as a reason for pursuing investor relations in most of the organisations. It therefore is communication with the ultimate goal of minimising any negative impacts on the fair valuation of the share price. Negative impacts include any issues that make investors less confident.

Another reason cited for pursuing investor relations was to appeal to the investor communities located outside of South Africa. Company A, Company B, Company K, Company J and Company H also cited the global economic crisis as a reason they needed to reassure their shareholders that their organisations and the SA investment landscape were stable. South Africa already had protective laws in place that shielded investors in terms of overall financial consumer empowerment, protection from abuse and transparency. These laws are the National Credit Act (2006), the Consumer Protection Act, the Banks Act and the Competition Act, which were in place as early as in 2006.

Based on Agency Theory, it is understood that organisations report on financial information to avoid regulatory punishment by government bodies and stakeholders (Watts and Zimmerman (1978). The findings support this theory, as all the organisations agreed with this view, as indicated by all the organisations responding that they reported their performance results two times per annum as required by the JSE, namely in interim and annual final performance results. The publishing of the results constituted the bulk of the duty to disclose to the public and shareholders.

The organisations also quoted the King III report as another guideline that they complied with, because investor relations are a part of governance and all organisations listed on the Johannesburg Securities Exchange are required to conform to further reporting standards set by the IoDSA King Code of Governance Principles (King III).

The regulatory and legislative standards mentioned included:

- The Companies Act of South Africa
- The Financial Intelligence Centre Act
- King III
- South African Reserve Bank requirements
- All JSE listing requirements

Of particular interest going forward is the potential role that globalisation and international listings may play in influencing listed organisations to pursue investor relations. The more South African organisations compete internationally for capital, the more they may have to be responsive in terms of investor relations, given the regulatory and investor requirements internationally. This was reflected in an interview response in which Company F highlighted their view that the investor relations of South African organisations are not of a world-class standard.

6.3.2. Seriousness in Pursuing Investor Relations

Company K and Company D mentioned that they would not want any shareholders disinvesting in their organisation, as that would be lost capital and could have an adverse effect on retaining top management in their organisation.

This is echoed by Gruner (2005), who highlighted that there is a risk of a negative impact on the share price when there is uncertainty surrounding an organisation's performance. Such uncertainty can be due to perceptions of a company's performance being below public expectations (negative news or rumour) or due to unpredictable economic conditions that are beyond the firm's control (Gruner, 2005).

Twelve of the thirteen listed organisations agreed that their organisations took the pursuit of investor relations seriously, and 69% had a formalised investor relations strategy. They understood that investors interpret any piece of withheld information that can be disclosed as conveying bad news. This seriousness and the JSE regulations induce firms to fully disclose their private information, however unfavourable it is (Einhorn and Ziv, 2007).

6.4. Discussion of Results of Research Question 3: What practices, if any, have been adopted to support the investor relations strategies?

6.4.1. Establishment of Approach

The establishment of the approach to IR ultimately correlates with the effort taken by organisations in achieving the goals of their investor relations strategy. This approach includes the strategy followed, the practices pursued and the resources allocated. This observation is based on the strategic emphasis placed on the role of investor relations through executive leadership mandates and the appointments made. Thus, the motivations that drive South African listed organisations to pursue investor relations appear to be present in a majority of the organisations interviewed.

6.4.2. Investor Relations Practices Pursued

The list of practices was collated on the basis of the individual organisations' responses, as there is no catalogued list of investor relations practices except for the regulated list of practices, and those are requirements as well. Four additional internally focussed practices were identified that were unique to the organisations in this study. These practices were aligned to the theory that investor relations communication can be formal and informal. Formal or regulated communication includes annual reports, interim reports and annual general shareholder meetings (Brennan and Kelley, 2006). Disclosure activities are mainly related to printing annual reports and issuing information by way of press releases. Informal activities include mailing information to analysts and fund managers, answering queries, providing feedback on analysts' reports and private company meetings (Hamid, 2005).

6.4.2.1. Internally Focussed Informal Practices

Of the eighteen internally focussed practices identified in Table 3 (page 44), four are being pursued by all of the listed organisations interviewed. These practices include:

- Website – dedicated Investor Relations Centre
- Teleconference calls with investors and analysts
- Email communication with investors and analysts
- Private company meetings

Of interest is that all the practices that were common amongst all the organisations required relatively low levels of strategic organisational investment, were well established and easily understood. Also, most of them facilitated a two-way process of communication quite effectively and easily between the listed organisation and the investor community.

6.4.2.2. Regulated Investor Relations Practices

Similar to the internally focused practices, those regulated or externally focused practices that are common, well established and easily understood are pursued by the listed organisations. They include:

- Publishing and disseminating an annual report of the company results
- Publishing and disseminating an interim report of company results
- Communicating via the SENS Report
- An observed closed period
- An annual general meeting
- Maintaining a shareholder register

6.4.3. Utilising the Internet for Investor Relations

Given the increasing use of the internet for communication worldwide, the role of this medium has extended beyond financial reporting to becoming an instrument for investor-related communication (Gruner, 2005). This was evident in the responses of all the organisations that had a dedicated section on their company website for investor relations communication. Company C also highlighted that they promptly released all information on their website after following the formalised disclosure processes. Ensuring that all investors are equally empowered as well as reducing the advantage previously enjoyed by majority investors and information intermediaries, was were highlighted as the reasons for using the internet, as suggested by the theory (Bollen et al, 2006).

Also, the concepts of internet investor relations (IIR) and internet financial reporting (IFR) were not known to the respondents. However, the respondents highlighted that their aim was to provide a broad set of information concerning the financial performance of the company, as well as non-financial information that may be relevant for potential investors to make decisions or to contact the organisation (Bollen et al, 2008).

As highlighted by Allen (2004), interest in IIR was triggered by cost savings, i.e. replacing hard-copy publications with electronic versions to eliminate printing and distribution costs. This is not the case in South Africa, as the interest in IIR has not triggered or driven any cost-savings, particularly as the JSE regulations require all listed organisations to print hard-copy publications of their annual reports. This was restated by Company E, who recently challenged that JSE requirement and argued that it was not environmentally responsible to print volumes of annual reports on such a large scale. The challenge was not sanctioned by the JSE.

However, the organisations shared the view of Allen (2004) on the additional reasons why the internet is an enabler for investor relations. Most of the respondents agreed that their initial reasons were encouraged by the increased information requirements of stakeholders and the transparency the internet conveyed.

6.4.3.1. Internet Access and Usage

Bollen et al (2006) also highlight that corporates develop websites for a wide range of activities, such as electronic commerce, creating a corporate image, reducing communication costs and disclosing information. It is important to note that all the organisations highlighted their websites as secondary disclosure channels, and that primary disclosure was through the JSE-regulated media, i.e. hard copy, SENS and annual general meetings, etc. Therefore, the website supplemented their disclosure, as they uploaded all announced documents on their websites after disclosures were made to the JSE. The JSE concerns itself primarily with the content of the disclosures to prevent organisations misleading the markets, and the mechanism of disclosure is secondary but still important, as accessibility must not disadvantage the markets.

Only Company A highlighted the challenges of low internet usage and access in South Africa. They highlighted this in conjunction with their vision to implement social media in their investor relations practices to cater for mobile smart phones as a means of providing wider reach and access to the retail investors, who may be intimidated by large institutional investors.

6.4.4. Future Investor Relations Practices

Seven of the thirteen organisations interviewed will be scaling up their investor relations practices in the future. The rest highlighted that they would only scale up their efforts when the need arose.

6.5. Discussion of Results of Research Question 4: Has a Social Media Strategy Been Formulated?

As mentioned in Chapter 5, this part of the interviews was conducted in an unstructured format in terms of which the respondents were allowed to freely share their views. This was deliberate, as the interviewees were all investor relations practitioners and had no expertise in social media. Also, it gave the opportunity to have in-depth discussions and understand what stance their organisation had taken on social media.

6.5.1. The Organisations That Have Formulated a Social Media Strategy

As highlighted earlier, 54% of the organisations interviewed had only formalised a consumer-facing social media strategy. The primary aim of this strategy was to have a presence on social media platforms from a sales and marketing point of view. The platforms discussed are Twitter, Facebook and YouTube. The discussions were steered along the headings highlighted in the literature review, as follows.

6.5.1.1. Social Media and the Concept of Self-disclosure

This was a concept that was well understood by the companies, but purely from an individual perspective. The discussions took an abstract turn when it was posited that corporate websites, and specifically social media, symbolise the self-disclosure and presentation of an organisation. Company A, Company C, Company I, Company K and Company M agreed with this concept, as their underpinning pillars were based on transparency and accessibility on all media. These organisations include some practitioners who were active users of a social media platform in their personal capacity.

6.5.1.2. Social Media in the Business-to-Business Community

As much as research has determined that social networks determine economic action, especially in complex relationships, the remaining 46% of the interviewees highlighted that the nature of their business was not directly consumer facing and did not create a burning platform for them to have a social media presence. Company H, Company J, Company K and Company M have a completely business-to-business (B2B) model. The shift in usage from strictly personal to a mixture of personal and professional use was a contradiction, and these organisations disagreed with this principle. The reasons stated were that shareholders were largely institutions and that the relationship and terms of communications would always be business related. These organisations did not agree with the use of social media for business-to-business communication, and hence also did not agree with the incorporation of social media in investor relations.

6.5.2. Identifying the Key Challenges in Pursuing Social Media

Company A already had a consumer-facing social media presence. From the practitioner's description of the organisational culture and attitude, it can also be determined that an organisation's outlook on innovative and out-of-the-box communication determines their view on social media.

The attitude of the investor relations practitioner towards communication technology and the internet determines their predisposition to the discovery of opportunities in social media tools and strategies to utilise in their investor relations function. It was interesting to note that this group also did not identify with the term "social media", and suggested that the term was unsuitable for business use as it could convey nuances of unprofessionalism and a lax work ethic to investors.

Most of the organisations viewed their investor profiles to be limited to retail and institutional investors only. The introduction of other segments of investor groups into their organisations, for example co-operatives and stokvels, as well as other emerging market groups, was seen as insignificant capital. Similarly, they highlighted that, from an investor relations perspective, social media platforms would not be accessible to these segments because of the low internet penetration rates in South Africa. Company A mentioned that they believed that the solution to the low internet penetration rates would lie in the more viral proliferation of smart phones with smart applications and their accessibility in terms of affordability to the emerging market segments.

6.5.3. How the Social Media Strategy Supports the Organisation's Strategy

From the responses, from a social media standpoint, it seems that the investor relations practitioners separated the IR function from the rest of the organisation. This is the mistake and missing link that only Company A identified. Company A conceded that, as much as social media were utilised on the customer-facing side of their business for marketing purposes, social media would have to be aligned to the organisation's strategy because the reputational and financial rewards reaped on the customer side could engage and attract investor capital to that organisation.

Therefore, investor relations and practices should not be independent of the implementation of the organisation's strategy. Hanna et al (2010) say that marketers need to operate within a systematic approach to understanding their company's social media strategy, or they risk merely chasing the latest application and treating elements as standalone platforms rather than understanding the fundamentals. The concept of social media should enable marketers to think first in terms of overall strategy, and not just in terms of tactics (Hanna et al, 2010).

6.6. Discussion of Results of Question 5: Does the IR Strategy Incorporate the Use of the Internet and Social Media?

6.6.1. From Internet Investor Relations to Social Media

As all of the organisations interviewed had a dedicated investor relations website, an assumption was made based on Dolphin's (2004) empirical studies that using IIR had come of age and had developed and matured into a significant tool of corporate communication in most of the organisations. Therefore a discussion about other developments in the use of the internet would be relevant, given the maturity of the practice. This was disproven, as the concept of social media and the utilising of the World Wide Web was not well developed, and the preconceived ideas and knowledge were based only on Facebook and Twitter.

These organisations still maintained that their website was an essential tool to support their investor relations practices, and the reasons included that it was common practice among all listed companies, which was one of the four reasons stated in Chapter 5. The strategic importance of the internet was mentioned by only one organisation.

During the discussion about the concept and principles of social media, the principle of two-way communication was also discussed. Dolphin's research evidenced that it was not clear whether the IIR efforts were enough to engage stakeholders sufficiently to gauge their opinions (Dolphin, 2004). The practitioners agreed on the concept of two-way communication being practiced, but rather in a closed and controlled environment, e.g. in private meetings and through other traditional media like email communication. Therefore Dolphin's theory was relevant in this instance, as the principles of two-way communication would not be instantaneously achievable if the internet was used in the same manner as the organisation currently uses it, namely to push information to the public with no feedback mechanism.

Furthermore, Sweetser suggested that the internet held much promise for facilitating the development of relationships between organisations and the public. The organisations disagreed that their websites facilitated the development of relationships between them and the public. Company H highlighted that the website did not give them the indication of what kind of profile was visiting it and they were not sure how to be relevant on the investor relations website. It is also interesting to note that the organisations were not thinking about internet investor relations as a medium through which relationships could be built, but rather as a medium for distributing disclosure information. Therefore, the research that states that public relations has moved relationship theory beyond examining website content to investigating conditions and media that have an impact on relationships is not applicable to these organisations, and perhaps to investor relations in South Africa (Sweetser, 2007).

6.6.2. Social Media's Role in the Organisation's Investor Relations Strategy

From the responses it also seemed that the openness and uncontrolled manner of the social media would not be aligned to the culture of the investor community. The reasons are summarised as follows:

- Investors also compete with one another for the best yields from their investments; their interest is a maximum yield from their capital. They do not want to disclose their investment objectives on a public forum.

- The analyst community is divided into two: the buy-side keep high levels of confidentiality as they share their insights and views on share price performance. They sell their research to companies that are interested in buying stock in other companies. The sell-side analysts would probably be more amenable to share on social media websites, as they are constantly looking for investors to whom they can pitch.

The above views are reasons that would deter investor relations practitioners from integrating social media into their investor relations strategy, and would not be consistent with the theory suggested by Nuttavuthisit (2010) for organisations to seek ways of letting consumers of information join in the co-creation of value for the investor community. The practitioners do not advocate a stakeholder-oriented perspective to enhance deeper relationships to attain continual and interconnected benefits for the listed organisation, as suggest by Nuttavuthisit (2010). The concept of co-creation was interpreted as shareholder activism and it was agreed that listed companies aim to avoid such behaviour by personally engaging with all shareholders upfront before the annual general meetings.

One organisation (Company K) welcomed the challenge that social media would present in terms of shareholder activism on a public forum. It was highlighted that the social media tool was not the problem when shareholders had a grievance, but rather that the organisation's handling of the shareholder issues was the problem. This highlighted that shareholders and the entire investor community have always had an opinion about their investments and business, and social media would not be the root cause of malicious behaviour.

The majority of the respondents agreed that they would integrate social media into their investor relations function, but only if their investors demanded it or if the timing allowed it, as the industry trends were moving in that direction. The responses also indicated that the concept of investor empowerment was not an objective, as investors did not need help or want to have their thinking marshalled. This is not aligned with the views of Mangold and Faulds (2009), who suggest that organisations and managers must learn to shape consumer discussions in a manner that is consistent with the organisation's mission and performance goals by providing networking platforms and using social media tools.

7. CHAPTER 7 – RESEARCH CONCLUSION

7.1. Overall Findings

7.1.1. Impact of Global Economic Crisis

The research sample and unit of analysis were focused only on the listed companies on the JSE main board. In South Africa, from an investor relations perspective, the global financial crisis does not appear to have had a negative impact on investor relations practices. In some instances the impact has been positive, from the perspective that investor relations organisations in South Africa have learned valuable lessons from studying companies in the USA that experienced investor relations crises.

7.1.2. Investor Relations in South Africa

The majority of medium to large organisations have formally established investor relations functions to achieve their capital targeting goals. The practices and strategy pillars outlined are indicative of the overall seriousness with which the organisations interviewed regard investor relations, despite some of the organisations having more recently established investor relations functions.

In terms of the individuals who practise investor relations, investor relations in South Africa have been professionalised. However, there is no formal certification to be received or a professional body to which the practitioners must be affiliated. This has had an influence on some organisations that do not have a standalone investor relations function. In turn, this has influence the seriousness with which investor relations are practised.

For some organisations, this seriousness starts and ends with complying with the minimum requirements of the JSE only.

7.1.3. Significance and Power of Social Media Not Grasped

The repercussions of being responsive to social media and the associated impact on the investor community are not yet understood by the companies with medium to large market capitalisations. Some organisations have made great strides in the consumer-facing side by engaging their customers on platforms such as Facebook and Twitter. Social media tools are seen as a lazy practice that slows down the productivity of companies. Generally, the investor relations practitioners see social media as marketing-related tools as opposed to an opportunity for developing competitive advantage in competing for capital or having a positive impact on the investor community.

7.1.4. Integrating Social Media to Enhance Investor Relations

Some organisations have undertaken to adopt social media in their investor relations. These organisations will use social media platforms like Twitter to broadcast previously disclosed information that resides on their websites.

Build It, They Will Come

This is the philosophy that organisations must adopt in order to implement social media in their respective investor relations functions. As more organisations use social media to disseminate information and provide context around their market and business, investors and analysts will come to know that they can access company information and interact with the companies via this channel.

7.2. Recommendations on the Way Forward

The recommendations that are made are based on what has been observed in the organisations interviewed, as well as some new recommendations.

7.2.1. Implementation of Investor Relations Maturity Model

The practices adopted and benefits yielded vary across organisations, and the rationale for the adoption of these practices also varies within the organisations themselves. It is recommended that organisations adopt a maturity model as the foundation for their activities in investor relations. Typically, this model would outline the activities, outcomes, issues, global trends and organisational capabilities that can be encountered on a journey to achieving the strategic goals of their investor relations relative to their typical calendar of activities planned every year.

This would be especially relevant in the informal internal practices, as such a model would assist in gauging the gap between the organisation's current capabilities and the intended outcomes. Understanding the gap will assist the companies to also develop their own catalogue of practices based on what was successful with their investors the previous year.

7.2.2. The JSE must Endorse Social Media

One of the main concerns about the integration of social media into investor relations is the reaction of the regulator, the JSE. The JSE was not included in the sample of interviewees, but their view on social media would greatly influence the direction that listed organisations go. However, a critical success factor is that the JSE must endorse social media as a tool for investor engagement.

7.3. Opportunities for Further Research

7.3.1. Investors' Views on Social Media in Investor Relations

A majority of the organisations were in agreement that the social media could enhance investor relations in their organisations. However, this is subject to their investors agreeing and also utilising such platforms, along with the risks attendant to them. Furthermore, listed organisations would want to understand what information investor's use and what aspects they consider when making investment decisions, over and above the information that is provided on the websites.

The journey to using social media could progress in a phased manner in order to mitigate the risk that illegitimate participants may enter investor discussion by only allowing registered investors to have access. Eventually, this platform could be opened up to non-registered prospective investors, possibly expanding into existing social platforms like Facebook and Twitter, etc. The option of utilising a hybrid of the non-registered and registered users could also be used.

7.3.2. Investor Relations Maturity Model

Throughout the research process, no maturity model detailing the journey of marketing and acquiring investor relations was encountered. It was difficult to assess if an organisation's strategy was well supported by investor relations, or whether or not the investor relations model was weak. Further research should be undertaken with the intent of defining a maturity model of strategic goals and a catalogue of practices for investor relations.

7.3.3. Using Mobile Technology in Investor Relations

The statistics of mobile penetration in South Africa are considerably higher compared to those of internet access and usage. It is recommended that research be conducted on the development of a mobile app or a WAP site (closed or open) to further supplement investor relations practices. This would broaden the spectrum of companies willing to engage with minority and individual shareholder groups.

7.3.4. Brand Sentiments Observed On Social Media Platforms Impact on Share Price

It is also recommended that further research into the relationship between brand sentiment (positive, negative & neutral) that is observed on social media platforms and the share price.

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Appendix A

Sample Interview Questionnaire

Dear Participant

I am conducting research to understand the investor relations profession and discipline in publicly listed entities in South Africa and their response to the opportunities and threats of using social media as another channel of communication. These responses include the rationale, strategies pursued and practised in order to enhance investor relations. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Date: ________________

Signature of researcher: ________________________________

Date: ________________

Appendix B

Interview Questions

1. Research question 1: Investor relations strategy definition?
    1.1. Has an investor relations strategy been formulated?
    1.2. Have investor relations been defined for your organisation?
    1.3. If so, what is the outline of the strategy defined for your organisation?
    1.4. What do you think your organisation should define an IR strategy for your company?
2. Research question 2: Rationale for IR
    2.1. What has been the company's purpose and rationale, if any, for actively pursuing investor relations?
    2.2. Do you think that the company takes IR seriously or not?
    2.3. Why do you think this?
3. Research question 3: IR Practices
    3.1. What practices, if any, have been adopted to support the IR strategies (policies, a manager or role in place, a board representative)
    3.2. If yes, what has been adopted and formulated in your company?
    3.3. Will your company be scaling up the practices for achieving its IR strategy
4. Research question 4: Has a social media strategy been formulated?
    4.1. Has a social media strategy been formulated in your company?
    4.2. If so, what is the outline of the strategy defined for your organisation?
    4.3. What do you think should be a social media strategy for your company?
5. Research question 5:
    5.1. Does the IR strategy incorporate the use of the internet and social media?

5.2. If not, is this a channel that would be considered as part of you IR and corporate communication