

Bridging the gap between public relations and investor relations: a survey among management students

A.F. Grobler, M. Landman & M. Parreira

In today's competitive and challenging South African organisational environment, investor relations (IR) is delegated to either the accounting or the corporate communication (Public Relations) department. Do accountants have the necessary communication skills, however? Conversely, few communication practitioners have a working knowledge of accounting. This indicates a definite gap in the market place for IR practitioners with an academic background in both these fields. The main objectives of this study were to understand the theoretical definitions of public relations (PR), financial communication, accounting and IR; to determine the perceptions of accounting and communication students regarding whose responsibility IR is; and to determine these students' opinions as to whether IR practitioners should have both accounting and communication knowledge. The study was a quantitative, formal, descriptive study conducted under field conditions. A self-administered questionnaire was distributed among accounting sciences and communication management students to determine the differences in their opinions regarding whose responsibility IR should be and what knowledge and skills an IR practitioner should have. Using a k-sample chi-square test, it was determined that there was a significant difference in the perceptions of students regarding whose responsibility IR is. A one-way ANOVA test indicated that students' opinions do not differ significantly on the need for IR practitioners to have knowledge of both Accounting Sciences and Communication Management.

Key words: investor relations, financial communication, public relations, corporate communication, accounting

Introduction

Investor relations (IR) in the organisation of today is generally either left to the accounting department or to the corporate communication department. The first problem with this approach is that many accountants do not have public relations (PR) or communication knowledge; likewise, few communication practitioners have a financial background. Incumbents in both positions therefore lack the necessary knowledge and skills. The second problem is that this situation leads to confusion and misunderstanding as to whose responsibility financial communication is. Is IR an accounting function or a communication function? Students preparing themselves for future occupations in both these fields are equally unsure. Most accounting sciences students do not understand why they should study communication; likewise, communica-

tion management students do not always see the value of studying accounting, or at least financial management.

Results of empirical studies conducted during the past 15 years in the UK, Europe and the USA (McGrath 1974; Marston 1996; Marston & Straker 2001; Petersen & Martin 1996) indicate that the accounting function dominates financial communication. It is also important to assess the situation in South Africa. Schoonraad (2003) undertook exploratory survey research to establish how the 300 largest South African companies listed on the Johannesburg Securities Exchange (JSE) ap-

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proached the management of financial communication. The respondents were chief executive officers (CEOs), managing directors (MDs), financial directors, PR/corporate communication managers and IR managers. Further to this study, and in order to make a contribution to the South African body of knowledge, it is necessary to establish what the opinions of future company executives are on this issue. The current study was the first in South Africa to investigate the perceptions of accounting and communication students regarding whose responsibility IR is, and whether IR practitioners should have a knowledge of accounting and communication.

The purpose of the research was to establish whether, in the opinion of management students, both accounting and communication knowledge are necessary for IR practitioners. The study was undertaken within the stakeholder theory and stakeholder management approach (Carroll 1996; Freeman 1984; Freeman & Reed 1983; Grunig & Hunt 1984; Havenga 1997; Mitchell, Agle & Wood 1997; Post, Preston & Sachs 2002; Woodward, Edwards & Birkin 1996) and in the light of the 2002 King Report on Corporate Governance in South Africa (King Committee on Corporate Governance 2002: 98). It could be argued that practitioners should ideally have knowledge as well as skills in both these areas. The question is how often this is the case. To address this issue, organisations that seek excellence in the future could integrate the finance and communication functions. This study also aimed to establish whether an organisation's IR function should be consolidated into a single department that manages relationships with potential and existing investors and other stakeholders alike.

Problem statement

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IR has a direct effect on an organisation's bottom line, and in past years, debate has raged over whose job it is to manage IR. The problem is that uncertainty exists about whether IR is an accounting or a communication function. According to Arfin (1994: 4), the financial PR function has developed over the past two decades from a generalised communication activity to a range of more specifically targeted services. Despite the evolution of IR as a function, there is also still a lack of integration between the accounting and communication departments because of a lack of knowledge of the respective fields.

This leads to the problem statement: Too little emphasis is placed on accounting and communication as an integrated function for successful IR in the training of university students.

Research objectives

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The objectives of the study were:

- To determine accounting sciences, communication management and marketing management students' perceptions regarding whose responsibility IR is (that is, whether it is an accounting function or a communication function)
- To determine accounting sciences, communication management and marketing management students' opinions as to whether IR practitioners should have knowledge of both accounting sciences and communication management.

In order to understand the relevant theoretical definitions, the first part of the article reviews current IR literature. An overview of the theoretical underpinnings of PR is given, after which financial communication is discussed from both a PR and an accounting (financial) perspective. The importance, advantages and disadvantages of integrating PR and IR (that is the communication and the accounting function) are explored, and Schoonraad's (2003) conceptual model for an inclusive and integrated approach is explained. The two empirical research objectives are met through a survey using self-administered questionnaires that were distributed to the target population. The methodology followed is briefly explained, followed by the main findings. Finally, recommendations are made to managers on how to achieve excellence in IR, and further research guidelines on this topic are suggested.

Understanding public relations

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Definitions of public relations

According to Rensburg & Cant (2003: 36), PR is the management through communication of perceptions and strategic relationships between an organisation and its internal and external stakeholders. For the purposes of this study, however, the definition of Lubbe & Puth (1994: 6) is the most appropriate, as it focuses on the essence of PR, namely, the relationships between organisations and their publics. They state that PR is "the management function that identifies, establishes

and maintains mutually beneficial relationships between the organisation and the various publics on whom its success or failure depends”.

Evolution of public relations

According to Newsom, Turk & Kruckeberg (2000: 31), PR probably has no single ‘founder’, but many PR practitioners in the US regard Ivy Lee as the first practitioner of modern-style PR. Cutlip, Center & Broom (1994: 91) note that the tools and techniques of PR have long been an important part of political weaponry. Sustained campaigns to move and manipulate public opinion date back to the revolutionary war. Rensburg & Cant (2003: 40) point out that PR has evolved over many years to become a discipline, but only recently – in the last century – has it received more prominence in the corporate world. PR is thus an evolving concept, and its status is continually improving in organisations all over the globe.

The publics of public relations

PR publics can be classified into several overlapping categories. Rensburg & Cant (2003: 50) indicate the following, and add that no organisation can afford to become complacent in dealing with these changing publics:

- Internal and external: Internal publics are inside the organisation (for example, employees, managers). External publics are those not directly connected with the organisations (for example, the media, government).
- Primary, secondary and marginal: Primary publics are those that can make a major contribution towards an organisation’s efforts, or hinder them. Secondary publics are less important, and marginal publics are the least important of all.
- Traditional and future: Employees and current customers are traditional publics, while students and potential customers are future ones.
- Proponents, opponents and the uncommitted: An institution must deal differently with those that support it and those that oppose it. For supporters, communication that reinforces beliefs may be in order, but changing the opinion of sceptics calls for strong, persuasive communication.

Further expanding on this, Grunig & Grunig (1992: 170) indicate how any of the first three categories mentioned can become latent, aware and active:

- When an organisation’s consequences create a problem that the public are not aware of, they are latent publics (that is, ‘a potential PR problem waiting to happen’).
- When the public recognise that a problem exists, they become aware publics.
- When the public communicate about the problem and decide to do something about it, they become active publics.

Since PR/corporate communication practitioners do not have the resources to communicate to all publics, they must identify which publics generate the most important and/or serious consequences for the organisation.

Understanding financial communication

In an attempt to understand financial communication, this concept is first discussed from a PR perspective (financial PR) and then from an accounting perspective.

Financial communication: a public relations perspective

The role of public relations in the financial sector

PR is a staff function and essentially acts as a support for all other management functions in the organisation. According to Steyn & Puth (2000: 10), PR is the only function in an organisation, apart from management, that interacts with all the publics of the organisation either directly (by direct communication with stakeholders), or indirectly (by assisting the other organisational functions). For this reason, the role of PR should be clarified in the organisational dynamics to prevent it from overlapping with other functions, causing confusion, ineffectiveness and unnecessary battles over organisational domains, namely turf wars.

Most functions of the organisation interact primarily with a specific public, for example, the marketing function communicates with customers, and the purchasing function communicates with suppliers. In the same way, financial PR traditionally communicated with shareholders and other ‘financial’ stakeholders.

Definition of financial public relations

Buchner (1994: 231) defines financial PR as “the science of communicating with specific target

audiences, respectively or generally, about a company's trading activities and conditions, financial status, strategy, and values, on a consistent basis, so that they may accurately evaluate their investment". Financial PR falls under the umbrella of PR, but it becomes unique because of the target publics and consequently, the tools used, the media staff it interacts with, the timing of the message and the message itself.

Elements of uniqueness of financial public relations

Buchner (1994: 232) further states that what is needed to set financial PR on the road to effective communication is an understanding of the following elements, which make it unique:

- The target publics: The target audience have specific financial information needs. (See the later discussion of the accounting perspective of financial communication.)
- The tools used: Although some common tools are used in PR and financial PR, there are certain tools that are unique to financial PR, including annual reports, interim reports and preliminary profit statements, annual and general meetings, opportunities to address specific interest groups, employee reports and circulars to shareholders.
- The media staff: Staff members in media organisations connected to financial PR usually do not deal with any other topic. They are usually specifically assigned to this task, because of the necessary knowledge and skills required for financial PR.
- The timing of the communication: With financial communication, the timing of the release of the communication is usually governed by statute and regulations. This is different from PR communication. When PR communication is sent out, it is usually to the advantage of the company, whereas in the case of financial communication, companies are obliged to communicate irrespective of whether the timing favours them or not.
- The message: What makes the message unique in financial PR is that the message may not always be in the best interest of the company.

Evolution of financial public relations

According to Buchner (1994), since early history, people have traded either to obtain goods and services or for financial gain. Whether such initiatives were successful or not depended on the

relationships cultivated with customers, suppliers and other parties. Financial PR has developed from this generalised communication activity to a range of more specifically targeted services during the past two decades. Arfin (1994: 6) states that the period of mergers and acquisitions, hostile bids and takeovers during the 1980s in the USA and UK put management under pressure. This led to in-depth, strategic communication with investors. The problem was that former journalists, who held a low status in the company hierarchy, dominated financial PR during this period. These so-called PR/corporate communication practitioners often had little understanding of the financial market.

Haywood (1991: 147) notes that PR advisors in major corporations found that financial relations for their companies had become an important part of their work in the early 1990s. PR practitioners working in the financial area therefore needed to be close to corporate policy-makers, and financial communicators started using the phrase 'managing the interface' to describe the flow between the company, its investors and those who influence the investors, such as the media (Arfin 1994: 7). Unfortunately, there are not many practitioners who can offer an innovative and successful financial communication or financial PR service. The reasons include the lack of a thorough understanding of the basic financial elements.

Financial communication: an accounting perspective

What is accounting?

Accounting theory, like most other academic disciplines, has evolved over time. In an attempt to describe this process, Davis, Menon & Morgan (1982: 309) present four distinct 'images' of accounting, namely, accounting as a historical record; a descriptor of current economic reality; an information system; and a commodity. Belkaoui & Jones (1996: 66) add two more: accounting as ideology and accounting as a language.

Accounting as an information system is important for the present discussion, as it addresses the needs or wants of the specific public that financial communication targets, and it also explains the term 'accountability' in accounting.

Laughlin & Lowe (1990: 18) point out that an accounting information system should be designed to accommodate the decision needs of its users. Gouws (1997: 62–63) identifies seven such needs, (which are also central to an understanding of

accounting): the need to record in order to report; the need to audit in order to trust; the need to analyse in order to assimilate; the need to relate in order to synthesise; the need to compare in order to discriminate; the need to decide in order to allocate resources; and the need to respond in order to create change.

Related to the informational need of accounting is the accountability of accounting. Stanton (1997: 684–685) points out that accountability in this sense refers to the interests of individuals, and more specifically, the right to receive information from a reporting entity. This right can be a legal or a moral right. The shareholders of a company can usually claim legal rights to be informed, whereas other stakeholders can only claim a moral right to information from the same company. Shareholders would use accounting information for assessing management performance as well as making decisions, hence the decision needs already discussed. Wolk, Tearnly & Dodd (2001: 3) define this as financial accounting, while Imam (2000: 133) declares that financial reporting should provide information that is useful for stakeholders to make rational investment, credit and other related decisions.

Shifting expectations lead to expansions in the accounting profession

As a result of the dramatic shift in expectations that has occurred in the accounting profession in the last twenty years, the profession has expanded its role not only within organisations, but also within society (Williams 1993: 76). This expansion has resulted in accounting services firstly becoming broader in scope, which requires an extremely high level of professional competence from accountants; and secondly, various types of decisions and decision-makers require, and are provided with, accounting services (including information) that need to be more creative and innovative than traditional financial reporting processes (Bedford & Shenkir 1987: 90; Schoonraad 2003: 58). The expanding role of the accountant has obviously impacted on the training content and methodology of the profession.

Changes in accounting education

In 1984, the executive committee of the American Accounting Association (AAA) appointed a study committee to investigate and report on the future structure, content and scope of accounting education. The committee realised that accounting education had not made significant efforts to

improve its teaching methods over the previous sixty years. Despite complaints that accounting graduates did not know how to communicate, did not reason logically, were deficient in interpersonal skills, and could not think creatively and responsibly, university accounting education persisted in teaching the content of textbooks rather than developing students' capabilities and skills (Bedford & Shenkir 1987: 86). In general, the committee concluded that:

- The expanded role of the accounting profession had resulted in a new era, with new functions within organisations and within society, and with new expectations of those who enter it.
- Most professional accounting education programmes were inadequate to meet the needs of this expanding profession.
- Accounting education had to be reassessed and redirected to meet the needs of the growing profession and of the future accounting professional.

The report emphasised that accounting educators should treat accounting as an information development and distribution function, and, accordingly, university education for future accountants should focus on the central theme of information identification, measurement, analysis and the communication of this information. In the late 1980s, Bedford & Shenkir (1987: 84–91) contended that the increased demand for higher quality information was becoming one of the most significant characteristics of the society then evolving, and further argued that it was equally evident that the accounting profession was ideally situated to provide that information.

Understanding investor relations as a unique concept

Financial public relations or investor relations?

Although the terms 'financial PR' and 'investor relations' are both used in PR textbooks, more recent publications favour the latter. Schoonraad (2003: 17) points out that it is important to note that most definitions of both financial PR and IR only refer to communication with the financial community. For example, Baskin, Aronoff & Lattimore (1997: 317) define financial PR as the building of positive relationships with the financial community. Cutlip, Center & Broom (1994: 101) provide a very similar definition, but use the terms 'investor

relations' and 'financial PR' interchangeably. Andrew (1990: 22) describes financial PR as communication with key groups such as financial institutions, investment analysts, shareholders and the financial press. Marston (1996: 477) defines IR as the link between a company and the financial community. Schoonraad (2003: 17) therefore agrees with Marcus & Wallace (1997: 2, 313) that the reason for this might be a growing recognition internationally that financial communication is not merely PR directed at the financial community and that it is indeed a highly specialised and interdisciplinary field, but she also warns that "what exactly is meant by the term is [still] subject to debate, and mostly depends on who uses it". Schoonraad (2003: 17) points out that there are still mainly two schools of thought regarding IR: one still regards it as a PR function, and the other as a separate and distinct discipline, the difference being that it now often falls under the finance director's department.

Davis (1995: 73) lists the following activities, which have resulted in the growth of IR as a separate profession since the mid-1990s:

- The financial press globally has increased in both scope and influence, with a resulting increase in the numbers of newspapers and magazines that report on business and also an increasing amount of space devoted to financial news within the wider mass media.
- Deregulation, globalisation and the impact of electronic trading and more sophisticated information systems result in information being distributed to a wider audience more promptly and equitably.
- Increasing numbers of rules have been introduced governing the disclosure of financial information, with a resulting emphasis on the growing importance of IR
- Marston (1996: 479) adds: "Increasing sophistication of the world's capital markets, which results in increasingly sophisticated information being needed to facilitate investment decisions."

The publics of investor relations

According to Jones, Erickson & Hargittay (2001: 2), investors nowadays need more information on companies than was traditionally the case. They want to know about an organisation's customers, partners and employees. Jones et al. therefore refer to the publics of IR as audiences that can be divided into customers, partners, employees and investors.

Whose responsibility should investor relations be?

Schoonraad (2003: 27) has found that previous research concerning the responsibility for IR has concentrated mainly on two areas: firstly, which department takes charge of the execution of IR; and secondly, the position to which the department responsible for the execution of IR reports.

According to White & Mazur (1996: 219), some companies place IR in the financial director's department, while others place it in the communication, PR or public affairs department. (The former authors, for example, regard IR as the most challenging area of corporate communication in the new millennium.) The question to ask is whether IR forms part of the accounting function or of the communication function. This leads to the first hypothesis:

H1: There is a significant difference in the perceptions of accounting sciences, communication management and marketing management students regarding whose responsibility investor relations is.

Knowledge and skills required for investor relations

Baskin et al. (1997: 324) conclude that IR is a highly specialised field, which requires knowledge of corporate finance, law, economics, PR as well as marketing communication skills. In fact, Marcus & Wallace (1997: 311, 316) state that IR is no longer a purview of PR, as a PR practitioner with no financial background is not qualified for the IR function. They also note that a financial executive with no communication training will not be qualified either. Dilenschneider (2000: 33) agrees and states that, because IR entails communication, it is still considered as part of a corporation's overall PR. It is evident that any IR specialist needs both accounting as well as communication knowledge and skills within a broader understanding of corporate structure, corporate activities and organisational dynamics.

This leads to the second hypothesis:

H2: There is a significant difference in the opinions of accounting sciences, communication management and marketing management students as to whether IR practitioners should have knowledge of both accounting sciences and communication management.

The importance of integrating public relations and investor relations

The question that should be asked is why companies need to integrate their communication function with their investor relation function. Johnson & Neilson (1990: 26) warn that many senior managers remain unaware of the pitfalls lying in wait for a company that does not coordinate these functions. For example, the most clever community relations project or product publicity programme has little value if the corporation cannot attain the capital it needs for survival because of a poor corporate image on the street. Haywood (1991: 150) adds to this by saying that professional investment specialists are still influenced by attitudes towards organisations, and effective external corporate communication might enable a company's share to stand out from a thousand others. The problem is further compounded by the fact that most investors today are professional people. Before they make an investment, they try to learn as much as possible about a company, and investors will be discouraged from investing in a company if IR speaks one way and PR sends out a different message. There should be one message, and companies should be consistent in this regard to ensure loyalty and trust from both customers (the sell side) and investors (the buy side) (see Jones, Erickson & Hargittay 2001: 2).

The conclusion drawn from this discussion could be that PR is an essential part of IR, and that communication is one of the most important aspects of successful companies. Stock (2002: 23) presents findings from a recent shareholder.com webcast in the journal *Investor Relations Business*. Panellists from this study said that while PR and IR do not always see eye-to-eye, direct marketing conditions combined with investors' lack of faith in the credibility of corporate communication is forcing them to create a unified message. Moreover, JoAnn Killeen, president of the PR Society of America, is quoted in Stock (2002: 4) as saying: "I know that in the past IR has been on the one side of the hall and PR is traditionally on the other side. But now we all realise that it's in the best interest of the company to make sure we come together and understand the significance of what we are trying to do."

Furthermore, in an earlier article also published in *Investor Relations Business* (Galaza 2002), it is argued that with so many high profile scandals rocking the market, PR and IR will have to find a way to pull their companies out of the firing line, although differences in opinion as to who should

take the lead are slowing the process down. For example, the Enron scandal was a shock to many, but widespread panic could have been averted if all the departments had acted in unison, especially the communication and accounting departments. The article, authored by the Vice-President of Aston Partners LLC, Bryan Galaza, states: "Despite the need to work together there is a fair amount of mutual wariness. Some IRO's view PRO's as either unfamiliar or uninterested in the role of IR. Conversely PR officers see IRO's as speaking a different language and serving a different role." Another problem is 'the balance of power' – who should be in control and who should lead. Despite these differences in PR and IR, there is an essential need for the two to consolidate. Galaza (2002: 1–2) says: "The goal of both disciplines should be to benefit the overall company. While IR might have a more financial focus and PR a marketing and product focus, they all strive to gain market share in their respective area. Ultimately the bottom-line for both PR and IR is about communicating well with their respective audiences – that is why companies integrate communications."

Advantages and disadvantages of integrating public relations and investor relations

Advantages

By integrating PR and IR, many advantages can be observed. Johnson & Neilson (1990: 26) mention the following:

- If the communication programme is effective, it will support the IR effort.
- If relationships with investors are good, they will support the communication efforts of the organisation.
- If information being sent out by an organisation is consistent from both IR and PR, this can support the overall image of the organisation.
- A good public image emanating from strong PR efforts adds value to a company's stock (in other words, IR related) by promoting corporate awareness and increasing shareholder confidence.
- By integrating PR and IR, the role of each will be clarified, thereby minimising confusion and ineffectiveness regarding the overlapping of roles.

Disadvantages

The biggest disadvantages mentioned by Johnson & Neilson (1990: 27) relate to overlapping of functions in large organisations and lack in knowledge and skills in small companies:

- In larger companies, where there are numerous professionals handling various communication functions and a separate IR department exists, turf wars over who should be handling which responsibility occur.
- In smaller companies, where a single communication officer is usually responsible for all PR activities, the challenge is more difficult: How can investor and other PR programmes/plans be simultaneously managed by a small staff when IR and other functions are becoming increasingly demanding?

A conceptual model for an inclusive and integrated approach to financial communication

How can one bridge the gap between PR and IR? According to Schoonraad (2003: 116, 118), a lack of integration has been identified as one of the shortcomings of the current IR approach to financial communication: investor relations traditionally concentrates only on communicating with the financial community. As already stated, in most cases, the financial director (an accountant) assumes final responsibility for the IR function.

Using Mitroff, Betz, Pondy & Sagasti's systems model of problem solving (1974: 46–58), Schoonraad (2003) developed a conceptual model for integrating some of the functions in financial communication. Schoonraad (2003: 116–117) advises that the first step to be taken is to identify the stakeholders. To ensure an inclusive approach to financial communication, PR should also be actively involved in identifying all potential stakeholders, beyond the traditional and obvious financial stakeholders, as was the case in the past. However, she proposes that the distinction between active (strategic) and passive (less strategic) publics (see a previous section on the publics of PR) should not be made by PR alone. The expertise of a cross-functional team is needed. The second step (represented by the rounded arrows in Figure 1) is to determine the financial information needs of the relevant stakeholders. "This step is vital to ensure that the financial communication is a dynamic two-way process and not merely a one-way financial disclosure exercise" Schoonraad (2003: 118). The information needs of

the stakeholders influence the design of the accounting information system. Next, external intermediaries will have to interpret the information and advise stakeholders accordingly. Lastly, the cross-functional team will have to monitor the company's relationships with the various stakeholders. This leads to a model of an inclusive approach to IR and PR.

In Figure 1, financial communication is portrayed as an interface between PR, IR and accounting. It may seem as if the financial communication process is conceptualised as being linear, with different managers and functions assuming responsibility for different stages. This is not the intention of the conceptual model, however. "The model rather suggests that the entire financial communication process should be managed and organised in an interdisciplinary or cross-functional manner. In other words, the Public Relations Manager, Investor Relations Manager (as specialist), Financial Director and their respective departments should be involved in all the steps" (Schoonraad 2003: 119). Figure 2 indicates how this process should be managed and organised in an integrated way.

It should be borne in mind that this conceptual model is restricted to Circles I and II (the identification of a reality problem situation and the development of a conceptual model) of the Mitroff et al. (1974: 51) model. To complete the process of scientific problem-solving, the activities in the remaining two circles of the complete model (Circle III, the solution of the a reality problem, and Circle IV, the formulation of a scientific model) should also be included. The heuristic value of Schoonraad's (2003) model is of importance here, as it can lead to further investigation.

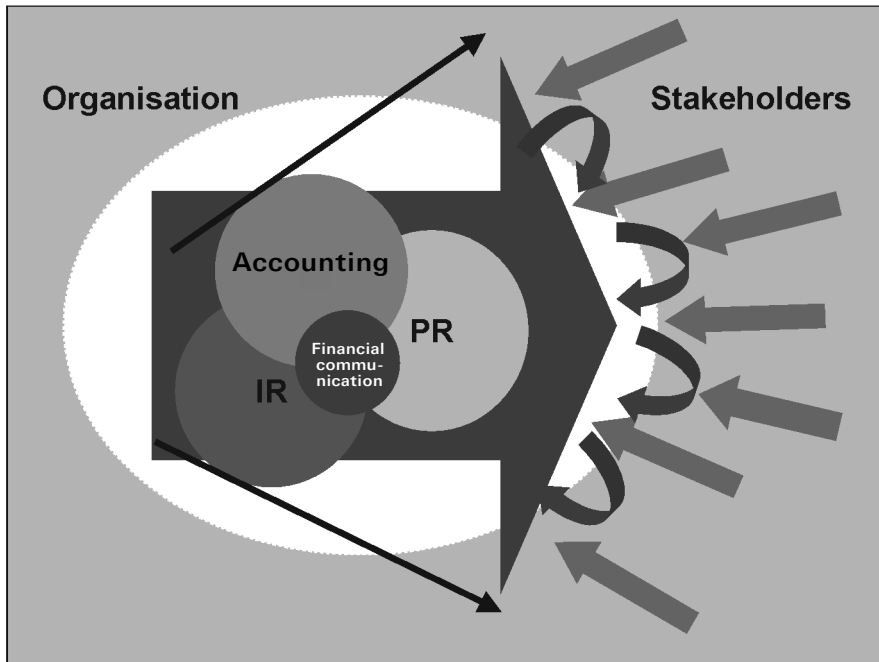
Methodology

Research design

This study was a quantitative, formal, descriptive, cross-sectional study, following an *ex post facto* design by testing hypotheses through self-administered questionnaires under field conditions.

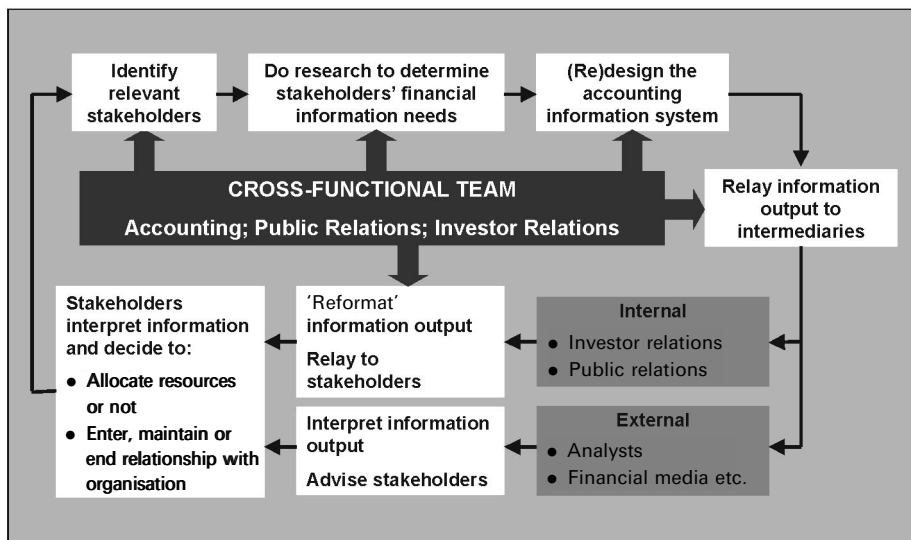
Sampling

Students in management sciences were the unit of analysis. The sampling frame consisted of students currently enrolled at the University of Pretoria. Students registered for the following three degrees were targeted: BCom Accounting Sciences, BCom Communication Management and BCom Marketing



Source: Schoonraad (2003: 118)

Figure 1: An inclusive approach to financial communication



Source: Schoonraad (2003: 120)

Figure 2: A model for the integrated management and organisation of financial communication

Management. It should be noted that the number of students that specialise in communication management is small in relation to the other two groups. However, as all students that major in Marketing Management also take Communication Management up to final year level, it was deemed in order to include BCom Marketing Management students as it can be assumed that they have the same level

of subject expertise as BCom Communication Management students and, moreover, the literature reviewed made mention of marketing skills as well.

Students from four year groups (first year to honours) were approached. A convenience-sampling basis was used by handing questionnaires out to respondents who attended lectures.

Data collection

A self-administered questionnaire consisting of 11 questions (both close-ended and open-ended) was used as the measuring instrument. Nominal (category) questions, four questions with 7-point Likert scales and three open-ended questions to test students' definition of 'investor relations' among other concepts were included.

The self-administered questionnaires were given to students to complete during lectures in August and September 2004. This was considered the best way to reach the target audience, for the following reasons:

- If the students need assistance, the researchers would be present to answer questions.
- Students are more likely to answer the questionnaire under these conditions (compared with being intercepted at random on campus).
- Not all students have access to the Internet, making e-mail surveys impractical.

A total of 279 questionnaires were completed. After entering the data into the SPSS programme, five of the questionnaires were less than 75% completed and were deleted from the data set (Pallant 2001). The remaining 274 questionnaires were used to conduct data analysis to test the hypotheses.

Pre-testing

The draft questionnaire was pre-tested by also using university students as respondents. All respondents came from the first year Communication Management class. Five were chosen from among the English BCom Accounting Sciences students and the remaining five from among the Afrikaans students (not all these respondents were BCom Accounting Sciences students).

Pre-testing was conducted to check that questions were understood correctly; that the layout and the so-called 'skip questions' made sense; that all response options had been included; that there were no redundant questions; and to check the length of time needed to complete the questionnaire. The questionnaire was modified to make provision for problems that emerged during pre-testing.

Data analysis

Two types of hypotheses tests were conducted: the one-way ANOVA test (as a parametric test), and the k-sample chi-square test (as a non-parametric test). The SPSS Levene test was used to test for equality of variances.

Special care was taken with the data editing by checking for compliance with screening requirements, 'skip instructions', individual question instructions, completeness, legibility and consistency of answers, comprehensibility of open-questions and sample quotas.

Findings

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Descriptive statistics

Profile of respondents

Of the total respondents, 42% were studying Accounting Sciences and 44% had Communication Management as an academic subject up to third year level (of the latter, 30.8% were enrolled for BCom Marketing Management and 13.6% for BCom Communication Management). Ten students did not fall into any of these categories; of these, two were students of Business Management, and two were students of Economics, which means that they were still from the same faculty, namely the Faculty of Economic and Management Sciences. The balance were from the Faculty of Humanities.

The students were split into their separate year groups to ensure effective analysis and comparison. The largest component was second year students (34.9%), then first years (33.2%), and then third years (22.4%). Only 2% were honours students, and 7.5% of the respondents did not indicate their year of study.

Definition of investor relations

Respondents were required to provide their own definition of IR.

A definition was deemed 'correct' if it mentioned that IR was the building and/or maintaining of relationships with investors and also included mention of communicating with investors. A definition was deemed 'somewhat correct' if it lacked one of these key elements, and was deemed 'incorrect' if it mentioned none of the key elements. The results show that the majority of the respondents (43.7%) provided a correct definition of IR, indicating that awareness and understanding of IR is average.

Table 1 shows a cross-tabulation between the degrees studied by the respondents and how correct the definition of IR was.

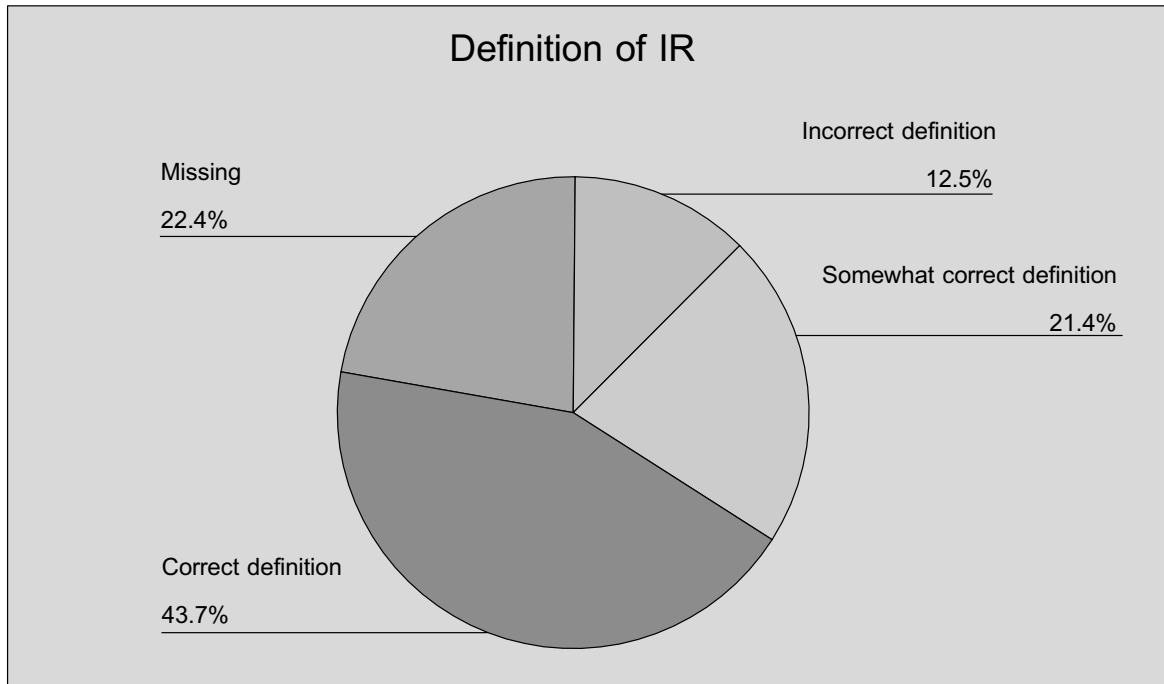


Figure 3: Definition of investor relations

Table 1: Cross-tabulation of definition of investor relations and degree enrolled for (N = 213)

Definition of investor relations				
		Incorrect definition	Somewhat correct definition	Correct definition
Accounting Sciences	Count	23	27	48
	%	62.2	46.6	40.7
Communication Management	Count	3	10	26
	%	8.1	17.2	22.0
Marketing Management	Count	11	21	44
	%	29.7	36.2	37.3

Importance of communicating with various stakeholders

Respondents had to indicate the importance, on a Likert scale of 1 (not important) to 7 (very important), of communicating with each of the stakeholders listed. The means and standard deviation of this analysis are portrayed in Table 2.

Respondents rated the importance of engaging in IR with the three financial stakeholders – shareholders (6.43), banks (5.99) and financial analysts (5.90) – higher than other stakeholders. The lowest means were for environmental pressure groups (4.73) and local communities (4.70). In the study conducted by Schoonraad (2003), these two

stakeholders were also rated the lowest. According to Schoonraad (2003: 180), this might indicate that respondents are not completely sure about the importance of communication with these groups, although awareness of its importance may be increasing as a result of concepts such as corporate governance and corporate social responsibility.

All the variables in Table 2 have a relatively low standard deviation, indicating similarity in respondents' opinions. In the case of a 7-point scale, standard deviation values of 0–1.5 could be considered as relatively low, while values above 1.5 could be considered as relatively high. How-

Table 2: Importance of communicating with various stakeholder groups

	N	Mean	Std. deviation
Banks	273	5.99	1.17
Customers	273	5.87	1.35
Employees	270	5.40	1.48
Pressure groups	271	4.73	1.54
Financial analysts	271	5.90	1.20
Public	273	4.93	1.39
Government	274	5.35	1.39
Shareholders	271	6.43	.90
Community	272	4.70	1.45
Managers	269	5.78	1.24
Media	272	5.23	1.4
Suppliers	274	5.47	1.39
Trade unions	274	5.06	1.62

ever, the variable ‘trade unions’ had the highest standard deviation (1.62), which could mean that opinions of the respondents may differ to a certain extent.

Reasons for further communication with investors

Respondents had to indicate their agreement or disagreement on the following statement: “After financial statements have been published there is **NO** further need to communicate with investors.” This question was used to determine whether respondents felt that the minimum amount of interaction with stakeholders was sufficient in building relationships.

The majority of respondents (82.4%) felt that relationship building included more than just communicating the financial performance of organisations. The next question then asked respondents that disagreed with the statement to explain why they disagreed. A variety of explanations were given, and are shown in Table 3, which also indicates the number of respondents that gave that explanation in order of frequency. The explanations could not be grouped more closely together, because they were deemed too different for similarities to be found.

Figure 4 is a graphical representation of Table 3, showing the number of respondents that indicated

each of the reasons suggested for disagreeing with the statement on the need for further communication with investors.

Responsibility for investor relations activities

The next two questions were adapted from the study conducted by Schoonraad (2003) in order to draw a comparison between practitioners’ and students’ answers as to whose responsibility IR is. Typical IR responsibilities were listed, and respondents were asked in two separate questions to indicate on a 7-point Likert scale the extent to which the financial manager and the PR/corporate communication manager respectively should take responsibility for these aspects (with 1 = 0% responsibility and 7 = 100% responsibility). The same variables were used as in Schoonraad’s study, representing different aspects of the IR process.

The means and standard deviations of this analysis are shown in Tables 4 and 5. Table 4 shows the perceptions of respondents regarding the responsibility of the Financial manager. Table 5 shows the perceptions of respondents regarding the responsibility of the PR/corporate communication manager.

When studying the standard deviation values for all the variables of these two questions, it becomes clear that there is some consensus with respect to

Table 3: Reasons for further communication with investors

Explanation no.	Explanation	No. of responses
4	Communication should be an on-going process.	38
1	Investors need to be kept up-to-date, constantly informed, follow-up reports, feedback.	30
5	Maintain relationships, keep investors happy.	25
2	Investors need additional/updated information, need to be made aware of changes in the company.	16
6	Investors need to know the financial position and performance of the organisation, environmental and social position of the organisation.	13
14	Investors may have queries about financial statements.	11
18	Organisation may need to explain and analyse the information contained within financial statements.	11
7	Investors need to have additional information about the organisation.	8
10	Investors need to know of any future projects, plans or investments of the organisation.	8
20	Investors are an important stakeholder group.	8
23	Investors need to understand financial statements.	7
19	Communication is essential.	6
13	Financial statements do not answer all the questions that stakeholders have.	5
15	Investors need to understand and keep up-to-date with their investments.	5
22	Material changes or errors to financial statements must be communicated.	4
27	Investors may wish to verify that the information received is correct.	4
9	Investors could identify areas of concern, communication can dispel uncertainty.	3
17	Investors may wish to know how the organisation puts money back into the community and the environment and the perceptions of employees.	3
12	Investors need to know prevailing and changing economic conditions.	2
3	Communication promotes the good image of the company.	2
16	Investors may lose interest.	2
24	Results of audits should be communicated.	2
28	Investors may want to increase their shareholding or to identify other investment opportunities.	2
8	Investors should be able to view the financial statements before they have been published.	1
21	Investors may wish to know that their money is being put to correct use.	1
25	The market is continuously changing.	1
26	Organisations need to be able to present their work.	1
11	Accountability of organisation to investors.	0

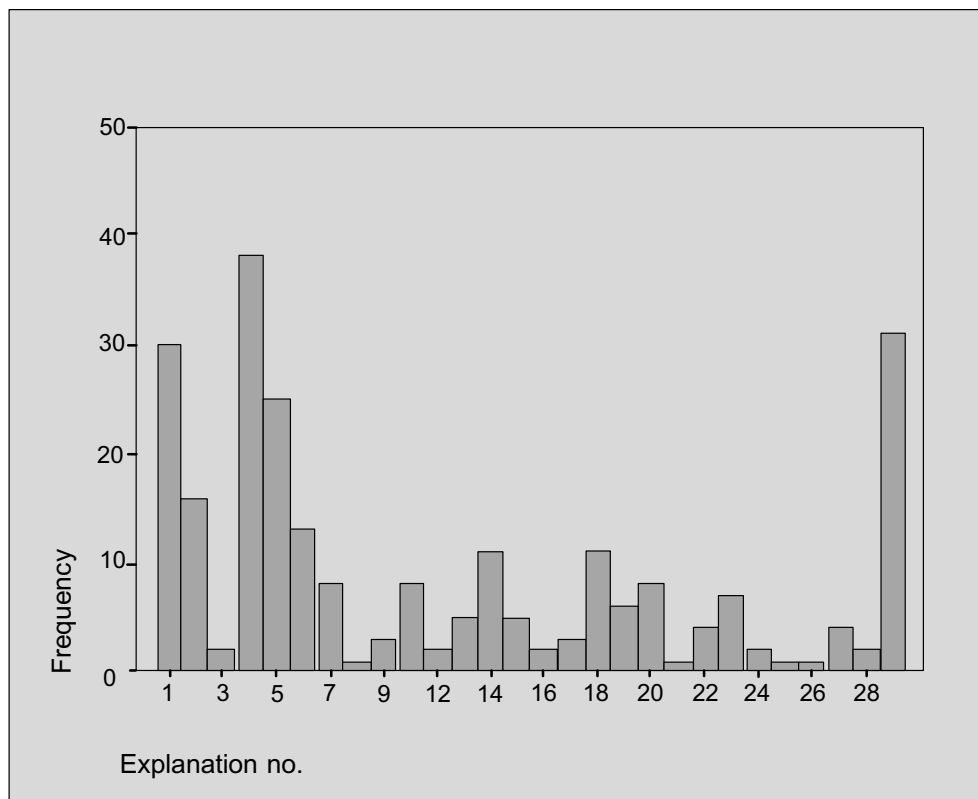


Figure 4: Reasons for disagreeing on no need for further communication

Table 4: Financial manager’s responsibilities

Responsibility	N	Mean	Std. deviation
Identify needs of stakeholders	263	5.76	1.26
Formulate strategies	258	5.62	1.42
Formulate messages	258	5.53	1.36
Evaluate campaigns	260	5.37	1.56
Plan campaigns	261	5.21	1.51
Implement campaigns	257	5.16	1.51
Conduct environmental scanning	249	4.90	1.50

Table 5: PR/corporate communication manager’s responsibilities

Responsibility	N	Mean	Std. deviation
Implement campaigns	263	5.94	1.31
Conduct environmental scanning	256	5.89	1.33
Plan campaigns	264	5.78	1.27
Evaluate campaigns	263	5.70	1.50
Formulate messages	262	4.61	1.72
Formulate strategies	262	5.47	1.45
Identify needs of stakeholders	265	5.20	1.53

the degree of involvement of the most senior financial manager and the most senior communication manager in the IR process.

These findings closely correlate with the study conducted by Schoonraad (2003). Schoonraad's (2003: 204–205) findings were as follows for the financial manager:

- Formulation of messages (mean = 4.93)
- Research to identify needs of stakeholders (mean = 4.71)
- Formulation of strategy (mean = 4.74).

Schoonraad's (2003: 204–205) findings were as follows for the PR/corporate communication manager:

- Implementing campaigns/programmes (mean = 5.37)
- Planning campaigns/programmes (mean = 5.13)
- Environmental scanning (mean = 5.07).

The top three categories for both this study and Schoonraad's (2003) study are the same. This shows a correlation between the perceptions of university students and the perceptions of organisational managers.

These two questions relate specifically to the second objective of the study, namely, to determine accounting sciences and communication management students' perceptions regarding whose responsibility IR is (that is, whether it is an accounting function or a communication function). From the

means depicted in Tables 4 and 5, it would be possible to rank the activities according to their means in order to determine whether they should fall under the accounting function or the communication function. Table 6 shows this ranking process, with a comparison of the corresponding means.

As can be seen, the PR or corporate communication manager should, according to the perceptions of the respondents, be in charge of most of the activities (five out of the seven activities) related to IR. However, two activities (identifying the needs of the stakeholders and the formulation of messages) should be the responsibility of the financial manager.

Accounting and communication knowledge

The last two questions in the questionnaire relate specifically to the last objective of the research, regarding the perceptions of students as to whether IR practitioners should have knowledge of both accounting sciences and communication management. The penultimate question required respondents to rate the importance of practitioners having knowledge of these two academic fields on a 7-point scale (with 1 = unimportant and 7 = very important). The mean and standard deviation are depicted in Table 7.

The majority of the respondents felt that it was important for IR practitioners to have knowledge of both accounting and communication. The last question then asked those respondents who felt that it was unimportant to explain their reasoning. Only three respondents indicated that they felt that

Table 6: Role player in charge of investor relations activities

Aspects of investor relations	Means of financial manager	Means of PR/corporate communication manager	Roleplayer in charge of aspect of IR
Environmental scanning	4.90	5.89	PR/corporate communication manager
Identify needs of stakeholders	5.76	5.20	Financial manager
Formulation of strategy	5.62	5.47	PR/corporate communication manager
Planning campaigns	5.21	5.78	PR/corporate communication manager
Formulation of messages	5.53	4.61	financial manager
Implementing campaigns	5.16	5.94	PR/corporate communication manager
Evaluating campaigns	5.37	5.70	PR/corporate communication manager

knowledge of both accounting and communication management was unimportant. Two students indicated, "Relationships are more important than financial knowledge" and one respondent replied, "It also requires other skills (e.g. Human Resources)."

Table 7: Importance of having accounting and communication knowledge

	N	Mean	Std. deviation
Important for IR practitioners to have knowledge of accounting and communication	272	5.96	1.09

Inferential statistics

Hypothesis 1: k-sample chi-square test

H1 (Alternative)

There is a significant difference in the perceptions of accounting sciences, communication management and marketing management students regarding whose responsibility investor relations is.

H0 (Null):

There is no significant difference in the perceptions of accounting sciences, communication management and marketing management students regarding whose responsibility investor relations is.

For the purposes of this study, the level of significance was defined as (alpha) = 0.05. The first hypothesis measured the differences between three groups across the same measures.

Table 8: K-sample chi-square test

	Value	df	Asymp. sig. (2-sided)
Pearson chi-square	13.018	4	.011
Likelihood ratio	13.128	4	.011
Linear-by-linear association	3.139	1	.076
N of valid cases	223		

As can be seen from Table 8, the perceptions of accounting, communication management and mar-

keting management students regarding whose responsibility IR is differ significantly, and the null hypothesis can therefore be rejected. This implies that the perceptions of management students specialising in accounting, communication and marketing on whose responsibility IR is differ significantly.

Hypothesis 2: one-way ANOVA

H2 (Alternative):

There is a significant difference in the opinions of accounting sciences, communication management and marketing management students as to whether investor relations practitioners should have knowledge of both accounting sciences and communication management.

H0 (Null):

There is no significant difference in the opinions of accounting sciences, communication management and marketing management students as to whether investor relations practitioners should have knowledge of both accounting sciences and communication management.

This second hypothesis also measured the differences between the three groups across the same measures. Table 9 provides information about each group.

The Levene test for homogeneity of variances tests whether the variance in scores is the same for each of the three groups. As the significance value is larger than 0.05, the assumption of homogeneity of variance has not been violated. This can be seen in Table 10.

Table 11 presents both between-group and within-group sums of squares, degrees of freedom, mean square, the F value and the significance value. The main value of interest is the column marked 'Sig.'.

As the Sig. value was greater than 0.05, there is no significant difference between the mean scores on the dependent variable for the three groups (there is no need, therefore, to conduct *post hoc* comparison tests). The F value is relatively small, indicating that there is little variability between the groups. As a result, the null hypothesis cannot be rejected, indicating that management students specialising in accounting, communication and marketing are of the opinion that incumbents in IR should have knowledge and skills of accounting and communication.

Table 9: Descriptive statistics

	N	Mean	Std. deviation	Std. error	95% confidence interval for mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Accounting Sciences	123	6.01	1.08	.10	5.82	6.20	2	7
Communication Management	40	5.99	1.18	.19	5.61	6.36	3	7
Marketing Management	91	5.85	1.06	.11	5.62	6.07	4	7
TOTAL	254	5.95	1.09	.07	5.81	6.08	2	7

Table 10: Test of homogeneity of variances

Levene statistic	df1	df2	Sig.
.689	2	251	.503

Table 11: ANOVA test

	Sum of squares	Df	Mean square	F	Sig.
Between groups	1.451	2	.725	.613	.543
Within groups	297.082	251	1.184		
TOTAL	298.532	253			

Limitations

The most important limitation of the current study was that although marketing management students were included in the sample population, this study did not further explore the contribution that the marketing function adds to IR. The second limitation is associated with self-administered surveys which, according to Cooper & Schindler (2003: 341), is that the type and amount of information that can be secured is restricted. Large amounts of information are not obtained, and further research is necessary in order to probe the topic more deeply.

Conclusions and recommendations

Conclusions

The following conclusions can be reached:

- The literature reviewed indicates that IR has indeed become part of the corporate vocabulary,

and a large number of students preparing themselves for a position in this field were able to provide a correct definition of the term.

- Students studying towards a degree in accounting sciences or communication and marketing management ranked financial stakeholders (shareholders, banks and financial analysts) as the most important publics in IR. Although this is in line with the traditional view of IR, there is a definite movement toward Schoonraad's (2003) more inclusive approach to IR, as other stakeholders, such as customers, managers, suppliers and employees, were next in order of importance.
- The majority of respondents (83%) indicated that IR implies an ongoing communication process in which the information needs of the relevant publics should be continually addressed in order to maintain healthy relationships between the organisation and its internal and external stakeholders. This result reflects

the decision needs of IR publics as pointed out by Gouws, (1997: 62–63) and Laughlin & Lowe (1990: 18).

- A movement towards an integrated approach to IR (Gazala 2002; Johnson & Neilson 1990; Schoonraad 2003; Stock 2002) could be detected as, although future practitioners in accounting and communication indicated that the PR/corporate communication manager should take responsibility for most of the aspects of IR, they also indicated that the involvement of the financial manager was needed for the remaining aspects to ensure excellence in IR in the future.
- Marcus & Wallace's (1997: 311; 316) view that a PR practitioner with no financial background is not qualified for the IR function in a company, in the same way that a financial executive with no communication training is equally unqualified for the position, is underlined in the opinion of the majority of respondents that an IR practitioner should have knowledge of both accounting sciences and communication management.

Recommendations

Recommendations for future education of investor relations practitioners

Sustained emphasis should be placed on accounting and communication as an integrated function in the training of university students in order to ensure excellence in IR in the future.

Recommendations in terms of managerial action

As an inclusive and integrated approach appears to add value to IR, it is recommended that managers coordinate these organisational functions, ensuring that both the PR and accounting perspective of financial communication work together for the overall benefit of the company. This will ensure that IR entails not only communicating the financial statements, but also building and maintaining mutually beneficial relationships with investors, as well as all the other stakeholders of the organisation.

Recommendations for future research

This study was mainly quantitative in nature. Future research in this field could include a qualitative analysis of why students' perceptions of which department should be in charge of IR differ significantly. Future research could also include

the contributions to IR of other organisational functions, such as legal, marketing, economics and financial management.

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