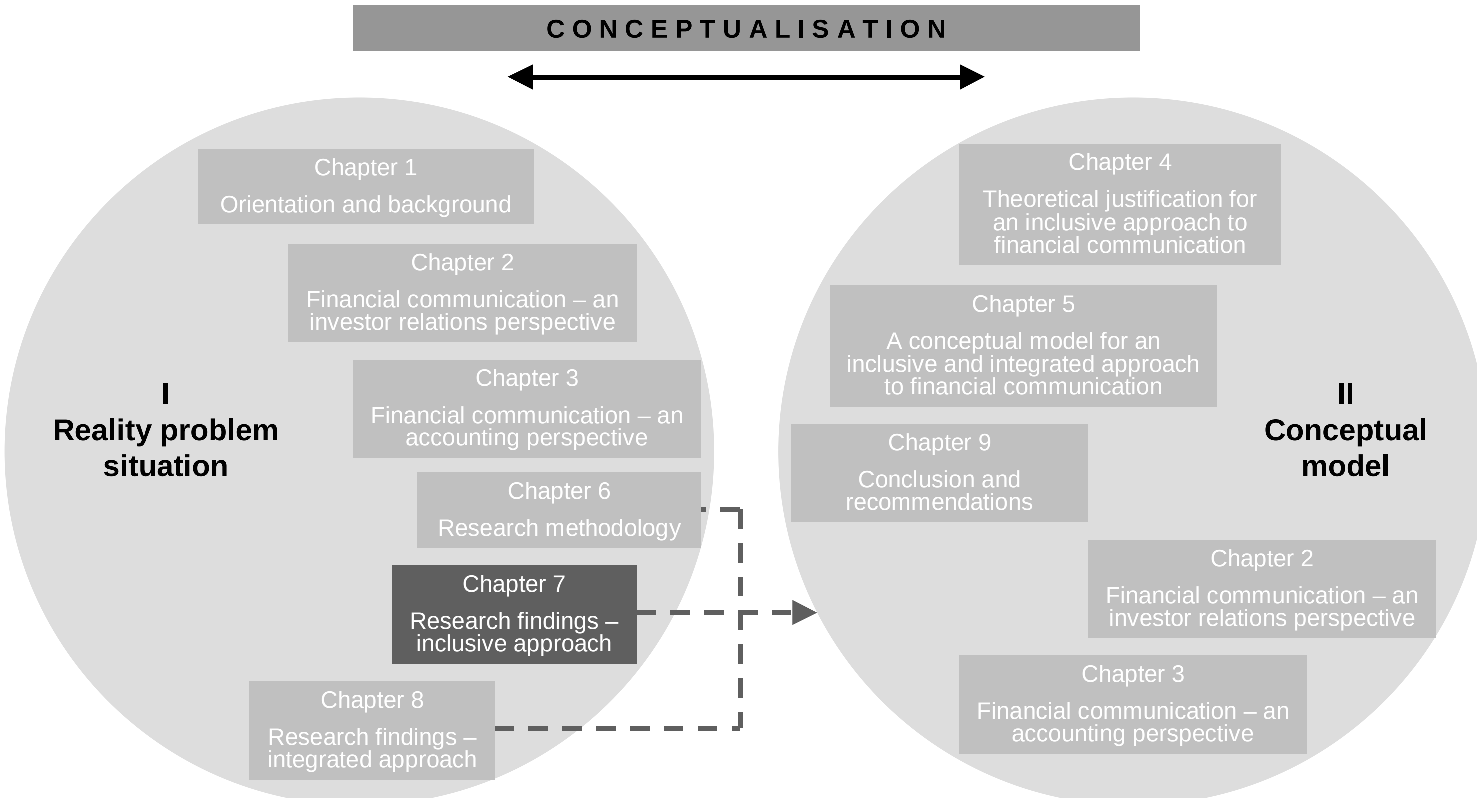


Research objective:

5. To use empirical research to establish whether a number of South African companies listed on the Johannesburg Stock Exchange (JSE):
   - follow an *inclusive* (stakeholder) approach to financial communication

CHAPTER 7

Research findings - an inclusive approach to financial communication

It is therefore more important than ever to keep open the channels of communication between science and society. - Prigogine

7.1 Introduction

In Chapter 1, the conceptual framework underlying this study is set out. The framework consists of one concept (approach to financial communication) and two related constructs (*inclusive* approach and *integrated* approach to financial communication). The purpose of this chapter is to report the findings of the empirical component of the study, related to the first construct (inclusive approach). Findings related to the second construct (integrated approach) are reported in Chapter 8. In terms of the study as a whole, the content of this chapter is guided by the following objective:

5. To use empirical research to establish whether a number of South African companies listed on the Johannesburg Stock Exchange (JSE):
   - follow an *inclusive* (stakeholder) approach to financial communication

The chapter consists of two main sections. In the first section, background information that is needed to put the research results into context, is provided. This includes information about the response rate, the profile of the companies surveyed and the profile of the respondents (individuals). In the second section, findings related to the first construct (inclusive approach to financial communication) are reported. The chapter concludes with a number of general conclusions that can be drawn from the results.

7.2 General background

Every research project is characterised by a certain research strategy and design, as well as specific research methods and techniques. As a result, every research project is set within a particular context. It is important to always take this context into account when analysing the data obtained and interpreting the results. For example, this study is exploratory in nature, but nevertheless uses a quantitative research strategy. However, the purpose is not to generalise the findings to the population, but to gather a wide range of perspectives on financial communication. Furthermore, information about the sampling frame and response rate, as well as the profile of the units of analysis and data sources, help to build the context of the study.

7.2.1 Response rate

The sampling frame for this study consisted of 300 South African companies, listed on the JSE. The sampling frame is based on the 2002 Financial Mail Special Survey of Top Companies. The 300 largest companies, based on market capitalisation, were included in the sampling frame. The following companies were excluded from the list:

- companies with headquarters outside South Africa; and
- companies listed or delisted after the last trading day of February 2002.

Companies ranked beyond 300 were therefore included to ensure that the sampling frame consisted of 300 companies.

Questionnaires were sent to all 300 companies in the sampling frame during July and August 2003. Forty two responses were received, of which 38 could be used. This constitutes a response rate of 12,7%. The three responses received during the pilot test are included in the total of 38. There are two reasons for this. In the first place, only minor changes were made to the questionnaire after the pilot test. Secondly, one of the companies was ranked in the Top 50, according to the Financial Mail Special Survey. Another was ranked between 100 and 150. It was therefore important to use the data obtained from these companies.

Unfortunately, the data of four respondents was lost, as the e-mail servers of their companies did not allow for data, submitted by means of the html-based questionnaire, to be transmitted via e-mail. The researcher only received blank e-mails from these respondents. The problem was immediately followed up, by sending the questionnaire in MS Word format to these respondents. However, none of the respondents were willing to complete the questionnaire again. To prevent this problem from occurring again, the MS Word format questionnaire was attached to all subsequent e-mails that were sent to respondents.

7.2.2 Profile of companies

Companies included in the sampling frame are ranked according to market capitalisation. Table 7.1 provides a distribution, according to ranking, of the companies from which questionnaires were received.

Table 7.1 Distribution of companies in terms of ranking (based on market capitalisation)

RANKING INTERVAL	FREQUENCY	PERCENTAGE
1-50	14	36,8
51-100	9	23,7
101-150	3	7,9
151-200	5	13,2
201-250	5	13,2
251-300	1	2,6
301-350	1	2,6
	n = 38	**100**

The fact that 36,8% of the companies from which responses were received are “market heavy weights”, is very positive. Actually, 60,5% of the companies are ranked amongst the Top 100. Due to the size of their market capital, they are likely to view financial communication as very important.

Companies listed on the JSE are grouped according to 78 sectors. In some cases, a sector only consists of one or two companies. In the Business Day (2001:16), a newspaper distributed in Gauteng, these sectors are grouped into six main categories, namely 1) Mining Resources, 2) Non-Mining Resources, 3) Financial, 4) Insurance, 5) Industrial and 6) Real Estate. Table 7.2 represents the distribution of companies according to these groups. No responses were received from companies in the Real Estate group.

Table 7.2 Distribution of companies in terms of sector

SECTOR	FREQUENCY		PERCENTAGE
Mining resources		**3**	**7,9**
▪ Gold	2		
▪ Mining Holdings & Houses	1		
Non-mining resources		**2**	**5,3**
▪ Chemicals, oils & plastics	1		
▪ Steel	1		
Financial		**5**	**13,2**
▪ Banks	2		
▪ Financial services	3		
Insurance		**3**	**7,9**
Industrial		**25**	**65,7**
▪ Food	3		
▪ Retail	6		
▪ Information technology	4		
▪ Telecommunications	2		
▪ Education & staffing	2		
▪ Other	8		
		n = 38	**100**

In the Industrial group, single responses were received in eight sectors (referred to as “Other” in Table 7.2, namely Transport, Furniture and Appliances, Hotels and Leisure, Healthcare, Electronics and Electrical, Packaging and Printing, Beverages and Diversified Industrials. The Industrial group is by far the largest group. It is therefore not surprising that the most questionnaires were received from this group.

It is evident from Table 7.2 that responses were received from a wide range of sectors. Thus, one of the goals of this study - to gather a wide range of perspectives - has been achieved in part. It stands to reason that companies in different sectors will probably not approach financial communication in exactly the same way. For example, companies in the Banking sector have to deal with different issues than companies in the Retail sector.

7.2.3 Profile of respondents

The decision to collect data in phases, and from respondents from different organisational functions, is explained in Chapter 6. During the first phase, questionnaires were sent to Chief Executive Officers (CEOs) and Managing Directors (MDs). In the second phase questionnaires were sent to Financial Directors. During the final phase, e-mails were sent to Company Secretaries or the Information Helpdesk, requesting recipients to forward the message to the person in charge of their company's financial communication efforts. See Appendix 1 and 2 for examples of these e-mails.

Responses were received from managers of various departments and of varying degrees of seniority. Table 7.3 depicts the distribution of respondents in terms of their position and functional affiliation in the company.

Table 7.3 Distribution of respondents in terms of position/functional affiliation

POSITION	FREQUENCY		PERCENTAGE
Top Management		**10**	**26,3**
▪ Executive Chairman	1		
▪ Managing Director	1		
▪ Chief Executive Officer	3		
▪ Director (not specified)	4		
▪ Executive Assistant to CEO	1		
Financial		**13**	**34,2**
▪ Financial Director	8		
▪ Financial Manager	2		
▪ General Manager: Finance	1		
▪ General Manager: Corporate Finance & Head of IR	1		
▪ Group Accountant	1		
Communication		**7**	**18,4**
▪ Director: Corporate Communication	1		
▪ Head: Corporate Communication	2		
▪ Communication Manager	1		
▪ Public Relations & Communication Manager	1		
▪ Public Relations Officer	1		
▪ General Manager: Grp Comm. & Public Affairs	1		
Investor Relations		**5**	**13,2**
▪ Senior Manager: Investor Relations	1		
▪ Manager: Investor Relations	2		
▪ General Manager: Investor Relations	2		
Marketing		**3**	**7,9**
▪ Head: Group Marketing & Communication	1		
▪ Director: Marketing	1		
▪ Marketing Coordinator	1		
		n = 38	**100**

As with the profile of companies, questionnaires were received from diverse groups of respondents. This means that a broad range of views was obtained, which is one of the goals of this study. In contrast to more conventional exploratory research, this study aims to establish a *broad* framework within which future research can be conducted. The purpose is neither to obtain in-depth information, nor to generalise the findings to the population (as in the case of formal, quantitative research).

7.3 Findings regarding an inclusive approach to financial communication

The questionnaire consisted of 19 questions (see Appendix 3). The first two questions recorded respondent and company details, while the last question provided respondents with the opportunity to request a report of the research results. Of the remaining 16 questions, four were used to determine whether there are indications of an inclusive approach to financial communication (Questions 7, 8, 9 and 10). In Question 7 (an open-ended question), respondents were asked to provide a definition of financial communication in their own words. In Question 8, respondents had to indicate on a seven point scale how important, or unimportant, it is to engage in financial communication with various stakeholder groups. Question 9 investigated whether JSE and statutory requirements are regarded as adequate to satisfy the information needs of stakeholders. Question 10 was a follow-up question to Question 9 and was open-ended.

7.3.1 Definition of financial communication

Responses to Question 7 were obtained from 33 of the 38 respondents. Content analysis was used to code and analyse the responses. Syntactical units of analysis were used to identify nine categories. These categories reflect different aspects of the definitions of financial communication, provided by respondents. The categories are listed in Table 7.4.

Table 7.4 Categories derived from the content analysis of respondents' definitions of financial communication

CATEGORY	NUMBER OF CASES
1. Descriptors of action or process	30
2. Purpose of financial communication	9
3. Type of information referred to ▪ Financial information ▪ Non-financial information	237
4. Format of information	4
5. Characteristics of information	8
6. Impact of information	6
7. Financial reports	3
8. Regulatory requirements	3
9. Target audiences/publics/stakeholders	29
	n = 122 *

* Responses included multiple categories

Although only 33 respondents answered this question, a wealth of information was obtained from their responses. Unfortunately it is not possible to discuss every category in detail. Thus, only the most significant responses in each category are discussed. Complete lists of responses in each category are provided in Appendix 5.

- **Descriptors of action or process**

  Thirteen different syntactical units (words and phrases) were identified that belong to this category. Seven respondents referred to financial communication as the "transfer or provision of information". At a manifest level, this does not seem significant. However, when one considers the respondents' position in their companies, a latent dimension can be identified. Five of the seven respondents were Financial Directors or Managers. In Chapter 3, it is mentioned that accountability (stewardship) is seen as the traditional objective of accounting - providing information to owners in order to account for the utilisation of their resources. In Chapter 5, it is indicated that, from an accountability (stewardship) perspective, the provision of financial information is a one-way process. One respondent (background unknown) directly referred to external one-way communication.

However, there are also those respondents that acknowledge that financial communication is a two-way process. For example, one respondent (background unknown) was of the opinion that financial communication entails “responding to stakeholders’ and potential stakeholders’ requirements”. This strongly relates to the decision-usefulness objective of accounting, as well as the two-way symmetrical model of public relations. Furthermore, a Corporate Communication Manager explicitly referred to financial communication as a two-way process, while an Investor Relations Manager defined it as the “management of interaction between the company and the financial community”. The latter reminds one of the definition of public relations in terms of relationship management.

It is evident that there are still mixed perceptions regarding the process of financial communication. Some respondents (mostly those with a financial background) merely regarded it as the one-way transfer of financial information, while others (from various backgrounds) recognised the two-way nature of financial communication.

- **The purpose of financial communication**

This category included responses that are related to responses included in the previous category, especially those regarding the two-way nature of financial communication. Two respondents wrote that the purpose of financial communication is to enable various stakeholders to make informed economic decisions. One of the respondents is a Financial

Manager, while the background of the other respondent is unknown. In Chapter 5, it is suggested that when the decision-usefulness objective underlies the accounting information system, it becomes a two-way process.

Four respondents described the purpose of financial communication as facilitating proper assessment or evaluation of the company in terms of performance and potential. In Chapter 2, this is listed as one of the objectives of investor relations (see Section 2.4).

Three respondents used the words "understand" or "understanding". One referred to improving the market's understanding of the company's performance, in terms of the industry it operates in. Another referred to stakeholders' understanding of the company's business. A third respondent described the role of financial communication as "enabling investors to comprehensively understand and/or interpret the results and financial implications of company strategy". Information is needed to create this understanding. There were respondents that specifically referred to the role of financial and non-financial information.

- **Type of information**

  The third category identified from the responses to Question 7 entails references to the type of information provided through financial communication. Two subcategories, financial and non-financial information, were also identified. In the first sub-category, seven respondents mentioned information about the company's financial performance, while four referred to information about the company's financial position. Six respondents indicated that only relevant or salient financial information should be provided. One respondent referred to the price sensitive nature of financial information.

In the subcategory, non-financial information, five respondents referred to information related to company strategy, while two mentioned corporate governance issues. Positioning of the company, key operational indicators, labour relations and environmental issues were some of the observations made by single respondents.

Referring back to Table 7.4, 23 respondents referred to financial information, while only seven referred to non-financial information. Obviously, financial communication is first and foremost concerned with the provision of financial information. However, there are some indications of a “triple bottom line” approach - corporate governance is mentioned twice and environmental issues once.

- **Format, characteristics and impact of information**

A small number of respondents referred to the format, characteristics and impact of information in their definitions of financial communication (see Table 7.4). In terms of format, one respondent indicated that information must be provided in an easy-to-access format. Another remarked that financial communication includes explanation and analysis, over and above the sharing of information.

The following four characteristics of information were mentioned by more than one respondent: timeliness, transparency, reliability and accuracy. Single respondents mentioned comprehensiveness, understandability, meaningfulness and consistency. Most importantly, three respondents made reference to the impact of information on a company’s share price. The controversy surrounding the objectives of investor relations and share price movement is discussed in Chapter 2. On the one side there are those that believe that the purpose of investor relations is to increase the share price (McBride & McBride, 2001), while others strongly oppose this view (Smith, 1989:13). The latter group is concerned that a fixation with share price levels might lead to a short-term and narrow orientation to company performance.

The information included in this category is far too limited to support or refute the claim that the purpose of financial communication is to increase the share price. The fact that the impact of information on a company's share price was mentioned, only *suggests* that a number of South African companies *might* follow a rather narrow-minded approach to financial communication.

- **Financial reports and regulatory requirements**

  Although a distinction is made between these two categories, it makes sense to discuss them in conjunction with each other. The reason is that the format and content of financial reports are, to a large extent, determined by regulatory requirements. One respondent actually referred directly to this connection. The role of the annual report in financial communication is mentioned twice. The same applies to the importance of adhering to regulatory requirements. Questions 9 and 10 investigated the role of regulatory requirements in more detail (see Section 7.3.3).

- **Target audiences / publics / stakeholders**

  This is the second largest category in terms of the number of cases (see Table 7.4), and also the most important in terms of Construct 1 (inclusive approach to financial communication). The most significant aspect of this category is that 16 respondents referred to *stakeholders* (relevant, identified, interested, external and internal) in their definitions of financial communication. This clearly shows that there are indications of an inclusive approach to financial communication amongst the companies surveyed. This is not totally surprising, when one considers the emphasis that the 2002 King Report on Corporate Governance places on an inclusive approach. What is more, a survey conducted in 1999 revealed that business leaders in South Africa have the highest awareness of the stakeholder concept in the world (Wah, 1999).

Several respondents referred to specific stakeholder groups. Table 7.5 provides a list of these groups, together with the frequencies of each.

Table 7.5 Frequency distribution of the stakeholder groups referred to in respondents' definitions of financial communication

STAKEHOLDER GROUP	FREQUENCY	PERCENTAGE
Financial community	6	13,6
Investors	9	20,5
Analysts	5	11,4
The (financial) media	4	9,1
Asset/Portfolio Managers	3	6,8
Banks	3	6,8
Employees	5	11,4
Customers/Clients	3	6,8
Government/Regulators	2	4,5
General public	4	9,1
	n = 44 *	**100**

* Multiple responses

What is very interesting, is that employees are mentioned five times (11,4%), only one time less than the financial community. The general public also obtained a relatively high number of counts in comparison with the other stakeholder groups. Other than these, the results reflect the tendency to favour financial stakeholders. It is noted in Chapter 2 that most definitions of investor relations only refer to financial stakeholders.

In conclusion, analysis of the responses to Question 7 reveals that there are indications of an inclusive approach to financial communication. However, it is difficult, if not impossible, to determine to what extent. This problem is addressed by Question 8, which investigated the importance of engaging in financial communication with various stakeholder groups.

7.3.2 The importance of financial communication with various stakeholder groups

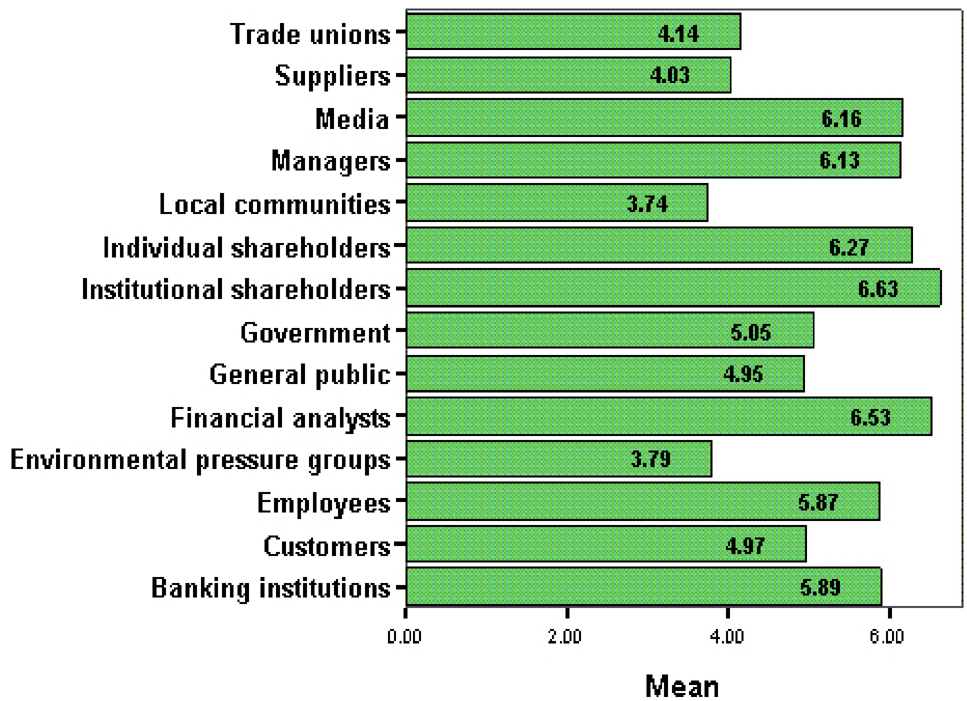
In Question 8 respondents were asked to indicate, on a seven point scale, how important or unimportant it is to engage in financial communication with various stakeholder groups. The stakeholder groups (variables) were listed in alphabetical order. This was done to prevent bias. For example, if financial stakeholder groups were mentioned first and grouped together, responses might have been influenced. To ensure exhaustiveness, an “Other” category was added to the list, accompanied by a space where details could be provided. However, only three respondents selected this option. In addition, none of the respondents provided any details. The “Other” category was therefore not taken into account during data analysis.

In the sections that follow, the analysis of the results is discussed with reference to one measure of location (the mean) and one measure of spread (standard deviation). These measures are the most commonly used descriptive statistical measures.

Please note: The respondents in this survey are highly diverse in terms of position and functional affiliation in the company. As a precautionary measure, the means and standard deviations of each stakeholder group were also calculated in terms of the different categories of respondents (Top Management, Financial, Communication, Investor Relations and Marketing). Interestingly enough, it was found that the ratings of respondents in these categories did not differ significantly. See Appendix 6 for the statistical analysis.

The mean values for each variable (stakeholder group) are depicted in Figure 7.1.

Figure 7.1 Importance of financial communication with various stakeholders



In the previous section (results of the content analysis of Question 7 responses), it was noted that stakeholders belonging to the financial community were mentioned more often than other stakeholders. The same tendency is apparent from the results of Question 8. Three of the four financial stakeholders included in the list (institutional shareholders, financial analysts and individual shareholders) obtained mean values of higher than six. The fourth financial stakeholder, banking institutions, obtained a value of just below six. Other stakeholder groups that had high means are managers and the media (both above six). In other words, respondents rated financial communication with institutional shareholders, financial analysts, individual shareholders, the media, managers and banking institutions as extremely important. This is consistent with theoretical perspectives surrounding financial communication.

Stakeholders that were rated as moderately to very important (mean values between four and six) include customers, employees, the general public and government. The results regarding suppliers and trade unions are inconclusive. Both obtained mean values of just above four (the centre of the scale).

The only two groups that were rated as relatively unimportant (means values of below four) are environmental pressure groups and local communities. In the context of corporate governance and related issues such as corporate social responsibility ("triple bottom line") and corporate social reporting (notably "green" reporting), this is quite interesting. However, neither of these stakeholder groups were rated as totally unimportant, but obtained mean values of 3,79 and 3,74, respectively. This might indicate that respondents are not 100% sure about the importance of financial communication with these groups, although the awareness of its importance might be increasing.

Besides the arithmetic mean, the standard deviation was also calculated for each variable in Question 8. The standard deviation, as well as the mean for each variable, are indicated in Table 7.6.

Table 7.6 Importance of financial communication with various stakeholders - mean and standard deviation values

VARIABLE	n	$\bar{x}$	s
Banking institutions	38	5,89	1,226
Customers	37	4,97	1,443
Employees	38	5,87	1,095
Environmental pressure groups	38	3,79	1,711
Financial analysts	38	6,53	0,951
General public	38	4,95	1,659
Government	38	5,05	1,559
Institutional shareholders	38	6,63	1,125
Individual shareholders	37	6,27	1,262
Local communities	38	3,74	1,688
Managers	38	6,13	0,704
Media	38	6,16	1,027
Suppliers	37	4,03	1,443
Trade unions	36	4,14	1,710

The standard deviation values for all the variables are relatively low. This indicates that respondents did not differ much in their opinions regarding the importance of financial communication with various stakeholders. However, the variables with the highest standard deviation warrant further discussion. For example, the variable “Environmental pressure groups” was rated as less important, according to the mean value. It also has the highest standard deviation, which indicates that opinions regarding its importance differed to a certain extent. Similarly, the variables “Trade unions” and “Local communities” yielded relatively low means and relatively high standard deviations. In Tables 7.7 and 7.8 the frequency distribution of the data values for environmental pressure groups and trade unions are indicated. A similar table for local communities is included in Appendix 7.

Table 7.7 Frequency distribution of data values for the environmental pressure groups variable

DESCRIPTOR	SCALE VALUE	FREQUENCY	%	CUM. %
Not important at all	1	4	10,5	10,5
	2	8	21,1	31,6
	3	2	5,3	36,8
	4	10	26,3	63,2
	5	7	18,4	81,6
	6	6	15,8	97,4
	7	1	2,6	100
Very important	**Total**	**n = 38**	**100**	

One conclusion that can be drawn from Table 7.7 is that many respondents were not sure how important it is to engage in financial communication with environmental pressure groups, and therefore chose the option in the middle (4). What is also interesting is that the number of respondents who rated this variable as important were almost equal to the number of respondents who rated it as not important.

The frequency distribution of data values for the trade union variable (Table 7.8) follows a similar pattern. The mean calculated for this variable (4,14) does not reveal much about its importance. However, when studying the standard deviation, as well as the frequencies for this variable, it is evident that respondents had different opinions regarding its importance. The reason for this might be that some companies had to cope with more or bigger labour related issues than others, and are therefore more sensitive to the financial information needs of trade unions. It can also indicate that some companies follow a more inclusive approach to financial communication than others. The results also indicate that a valuable contribution can be made by doing research that focuses specifically on financial communication with trade unions.

Table 7.8 Frequency distribution of data values for the trade unions variable

DESCRIPTOR	SCALE VALUE	FREQUENCY	%	VALID %	CUM. %
Not important at all	1	3	7,9	8,3	8,3
	2	4	10,5	11,1	19,4
	3	6	15,8	16,7	36,1
	4	5	13,2	13,9	50,0
	5	11	28,9	30,6	80,6
	6	4	10,5	11,1	91,7
Very important	7	3	7,9	8,3	100
	Total	36	94,7	100	
Missing (No response)		2	5,3		
Total		**n = 38**	**100**		

In conclusion, it can be said that there are definite indications of an inclusive approach to financial communication amongst the companies surveyed. Of the fourteen stakeholder groups, eight yielded a mean value of five or more, while two obtained a mean value of very close to five. If one takes into account that only four of the stakeholder groups listed are obvious members of the financial community, this is significant.

7.3.3 JSE/statutory requirements and stakeholder information needs

In Question 9, a different strategy was followed to determine whether there is evidence of an inclusive approach to financial communication. Respondents had to indicate whether they agree or disagree with the statement that JSE and statutory requirements for the disclosure of financial information is adequate to meet the needs of stakeholders. It is important to note that these requirements stipulate the *minimum* of what is expected in terms of financial disclosure.

Question 9 consisted of only one variable. Both the mean and the standard deviation were calculated. The results of these analyses are summarised in Tables 7.9 and 7.10. Please note that the three missing values are those of the three pilot test respondents, as this question was not included in the original questionnaire.

Table 7.9 Descriptive statistical analysis of responses concerning the adequacy of JSE/statutory requirements

MEASURE	VALUE
Valid	35
Missing	3
Mean	3,94
Standard Deviation	1,999
Minimum	1
Maximum	7

Table 7.10 Frequency distribution of data values concerning the adequacy of JSE/statutory requirements

DESCRIPTOR	SCALE VALUE	FREQUENCY	%	VALID %	CUM. %
Strongly disagree	1	5	13,2	14,3	14,3
	2	5	13,2	14,3	28,6
	3	6	15,8	17,1	45,7
	4	4	10,5	11,4	57,1
	5	5	13,2	14,3	71,4
	6	6	15,8	17,1	88,6
Strongly agree	7	4	10,5	11,4	100
Total		35	92,1	100	
Missing (No response)		3	7,9		
Total		**n = 38**	**100**		

It is obvious from the two tables above, that respondents differed significantly in their opinions regarding the adequacy of JSE and statutory disclosure requirements. However, one has to take into account that the respondents were very diverse in terms of position or functional affiliation in the company. It is thus necessary to determine whether these categories of respondents differed in their responses. Table 7.11 provides a summary of the mean and standard deviation values for each category.

Table 7.11 Adequacy of JSE/statutory requirements - mean and standard deviation values according to position/functional affiliation in company

TOP MANAGEMENT		FINANCIAL		COMMUNICATION		INVESTOR RELATIONS		MARKETING	
$\bar{x}$	s	$\bar{x}$	s	$\bar{x}$	s	$\bar{x}$	s	$\bar{x}$	s
3,14	2,193	4,77	2,127	2,43	1,134	4,40	1,517	5,00	1,000

It is obvious that position or functional affiliation in the company played a role in this question. Not surprisingly, respondents in the financial category rated the adequacy of JSE and statutory requirements higher than, for example, those in the communication category. However, it is also obvious from the standard deviation values, that respondents in the same category had different opinions (see Appendix 8 for a frequency distribution of data values according to position / functional affiliation in company).

Why did respondents' opinions about the adequacy of JSE and statutory disclosure requirements differ so much? Related to the diversity of respondents, one reason might be that respondents' understanding of the concept "stakeholder" differed. It is possible, for instance, that respondents in the financial category thought only of financial stakeholders, when answering the question. In that case, JSE and statutory requirements might have been regarded as adequate to meet the financial information needs of these stakeholders. Similarly, respondents in the communication category might have interpreted "stakeholder" in broader terms. This might explain why a mean value of only 2.43 was obtained in this category.

In Question 10, respondents who disagreed with the statement in Question 9 were asked to explain why. Because it was an open-ended question, content analysis was used to analyse the responses in the same way as the responses to Question 7. Syntactical units were again used to identify main categories of responses. Three such categories were identified, namely 1) opinions about JSE and statutory requirements, 2) concern with stakeholder needs and 3) communication issues.

In general, respondents that answered this question thought that JSE and statutory requirements are very limited/limiting. One referred to the fact that they are only the minimum requirements. The majority of respondents referred to the need for additional information to meet the needs of stakeholders. Practical examples of other types of communication with stakeholders were given, for example personal interaction, analyst and employee presentations and the use of the Internet. What is important in terms of future research, is that one respondent referred to a lack of financial literacy, while another referred to the need for investor education. In the South African context, this is extremely important. The majority of the South African population lives in the utmost poverty. One way to improve this situation is to empower people to make the best possible decisions regarding the allocation of their scarce resources.

Table 7.12 is a summary of the responses to Question 10, according to the three categories identified during the content analysis. Most of the respondents who answered this question expressed opinions about stakeholder needs and communication issues. This was probably because the term “stakeholder” was typed in bold in the question.

Table 7.12 Opinions regarding the inadequacy of JSE/statutory requirements

RESPONSE
JSE AND STATUTORY REQUIREMENTS
... are the basic or minimum requirement ...
... are hard to understand ... ... need clarification ...
... are focussed on avoiding preference and othe [sic] legal issues.
CONCERN WITH STAKEHOLDER NEEDS
.. do not consider all stakeholders ...
Stakeholders require different or more comprehensive information.
Stakeholders need to know more ... an explanation of the state of the economy, key events in the company's sector and other issues impacting on a company's prospects.
Stakeholders need a holistic understanding of your company.
... need to be supplemented by selective and intelligent aditional [sic] communication.
Not all stakeholders are financially literate or have easy access to statutory information.
... the first-time investor demands more personal attention. Since most investment concepts are foreign, investor education is key.
COMMUNICATION ISSUES
... a very limited view of communication
... are extensive but do not automatically entail communication of factors which drive the business and financial performance.
... don't ... have any practical application in creating transparency or providing value added communication.
Face-to-face communication is essential - interested parties must be given the opportunity to have their questions answered.
Regular anlalyst [sic] and employee presentations need to be made as well as regular press and radio updates. An internet site ... is a good way of keeping the public informed.
Regulatory info is not necessarly [sic] qualitative.
A more proactive strategy is required.

The results from Questions 9 and 10 do not provide such strong evidence of an inclusive approach to financial communication as the results from Questions 7 and 8. However, when studying the responses of the two role players this study focuses on (respondents in the financial and communication categories), two observations can be made. Firstly, none of the respondents in the communication category (public relations, corporate communication and public affairs) viewed JSE and statutory requirements as adequate. This makes sense, as their role is to manage a company's interactions with a wide range of stakeholders, not only financial stakeholders.

Secondly, respondents in the financial category had very diverse opinions on the topic. This might be explained by considering the role and influence of the 2002 King Report on Corporate Governance. In Chapter 4 it is noted that codes of corporate governance are sometimes seen as being restrictive and a source of irritation. The real purpose or "spirit" of corporate governance is not recognised. In South Africa, companies listed on the JSE have to adhere to the guidelines in the King Report. Therefore, all the respondents in the financial category would be familiar with its contents. However, their interpretations of the guidelines might differ. This might explain why some of the respondents in this category displayed an inclusive stakeholder orientation and others not.

7.4 Conclusion

The aim of this chapter was to address the following research objective:

5. To use empirical research to establish whether a number of South African companies listed on the Johannesburg Stock Exchange (JSE):
    - follow an *inclusive* (stakeholder) approach to financial communication

Are there indications of an inclusive approach to financial communication amongst the companies surveyed? Based on the results of Question 7 and 8, there are. In their definitions of financial communication, 16 of the 33 respondents that answered Question 7, used the term “stakeholder”. A large number also referred to specific stakeholders by name, for example employees, customers and the general public. This is in addition to the references to financial stakeholders such as investors, analysts and banks. In Question 8, financial communication with only two of the fourteen stakeholder groups on the list was rated as relatively unimportant (environmental pressure groups and local communities).

However, the results of Question 9 (adequacy of JSE and statutory requirements) are inconclusive. Data values are widely dispersed around the overall mean of 3,94 (which is very close to four, the centre of the seven point scale). This dispersion of opinions can be attributed to the diversity of respondents in terms of position / functional affiliation in the company. Respondents that answered Question 10 (opinions about the *inadequacy* of JSE and statutory requirements) referred to the fact that these requirements are the basic minimum, that stakeholders need more or different types of information and that there are other channels of financial communication, besides financial disclosure processes.

It must be kept in mind that this study is exploratory and the goal is not to generalise these findings to the whole population of South African companies. More formal and extensive research should therefore be considered, in order to establish whether South African companies in general, follow an inclusive approach to financial communication.