Corporate Identity and Its Communication: A Key Component for Investors’ Relation

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Abstract—This study investigates the impact of corporate identity and its communication to investors’ relation. Qualitative research methodology was chosen using a case study of ‘Sociedad Quimicay Minera de Chile S.A.’ The Company’s representatives were interviewed to get empirical result. Study also found that, corporate identity is becoming relatively important in communicating organizational uniqueness for investment decisions through its webcast, financial reports, and investor relations department. Although, study also observed that, wrong messages may be communication to investors in a wrong way through the company’s websites and online forum especially on market stock price. This paper also found that, the company’s values include the following: respect, transparency, collaboration, improvement, innovation, austerity, responsibility and among others. Study conclude that corporate identity and its communication plays a crucial role in building investors relationship, by providing clear information, confidence and security that investors needed for investment decision but also just-in-time (JIT). Based on findings and conclusion, the authors recommend further study to focus on the challenges of uncontrolled communication to investors. Apart from that, future researchers should also explore impact of both controlled and uncontrolled communication to potential investors. Finally, study did not generalize its finding because single case study was adopted to achieve study purpose and answer research questions. Other researchers should look at these problems from different perspective using more than single case to be able to generalize findings or replicate same study to see if similar result can be achieved as compared to previous study.

Keywords—corporate identity, controlled communication, corporate image, symbolism, and investors’ relation.

1. INTRODUCTION

Communication barrier has become a very serious issue nowadays in most business enterprise. Most companies face challenges of their identity from all sides and this is becoming important in today’s business climate to communicate to potential investors and other stakeholders in general. Corporate identity and its communication are considered a key component that can transmit organizational uniqueness to its investors.

According to studies of Melewar, Bassett and Simoes, (2006a) different key components such as; employees, design, mission, values, product, origin, slogan, ownership structure, history, communication and among others plays significant role in transmitting organization’s uniqueness to investors. Due to these problems, majority of firms are motivated to build strong corporate identity for investment decisions.

Recent report by Ceonex (2005) point that corporate identity combines with strategy, culture, and communications to present an excellent image to prospective investors. One of the main objectives of corporate identity is to achieve a favorable image among the company’s investors. According to Dowling (2001), identity is also important to create awareness, trigger recognition of the organization, and activate an already stored image of the organization.

Corporate identity is more than a logo or design (Melewar, Bassett & Simoes, 2006a). It is also the “presentation of an organization to every stakeholder and it is what makes an organization unique” (Melewar & Karaosmanoglu, 2006b, p. 864). According to the authors, it is “an effective strategic instrument to achieve competitive advantage” (Melewar & Karaosmanoglu, 2006b, p. 847).

Although, previous studies integrated corporate identity, corporate communication and investors’ relation together as one study, very little or no just research has been identified on “corporate identity and its communication: a key component for investors’ relation”. The above gap that identified demarcates this study from previous studies thus leading to main objective of research. Based on this, the objective of study is to investigate the impact of corporate identity and its communication, as a key component for investors’ relation using a case study of ‘Sociedad Quimicay Minera de Chile S.A.’ Based on study
objective, the research question that ask is; how does corporate identity communicates its uniqueness for investment decision?

Different researchers have made different views in this area of study, but recent study made by Bolton (2013) point that, most companies communicates its corporate identity to investors basically through the following; websites, blogs, email and newsletters. The aim is to clarify and formulate management goals and objectives to enable investors understand future direction of the organization. According to the author, investors’ communication is not only important but also required by various regulators, such as Securities and Exchange Commission (SEC). Companies are expected to furnish investors with both quarterly and annual reports that contain detailed financial reports. Providing investors with these data is a major part of corporate communications.

In view of this, communication with investor relations should be properly targeted to the focal person by thinking who they are, what is relevant to them and being clear (Radley-Yeldar , 2008a, p. 6). It is also important that a company foresee investors’ information demand and communicate what they need for their investment decision. With respect to this, most firms have different audiences, with different motivations within the company and this should be considered when a company is planning a communication plan (Radley-Yeldar, 2008b).

The information required to be communicated to investor should be different from what the company expects. “Investors should be encouraged to communicate corporate identity, to purchase rather than to sell shares” (Sirower & Lipin, 2003, p.26).

II. THEORETICAL FRAMEWORK

This section discusses corporate identity, corporate communication, corporate identity and investors’ relations, and structural factors for investors.

A. Corporate Identity

Dowling (2001) defines corporate identity as the symbols and nomenclature used by an organization to identify itself from others. The author stresses that, corporate identity helps people especially investors recognize an organization. In view of this, Ind (1997) refers to identity as the outward manifestation of an organization. The most well known examples of corporate identity are; McDonald’s, Disney, Nike, IKEA, body shop and among others.

The concept of corporate identity is different from organizational identity. Hatch and Schultz (2000) point that corporate identity is the idea of the organization and how it is represented to different audiences, most primarily external stakeholders (investors). In contrast, the authors stress that organizational identity is how an organization’s members especially (employees or internal stakeholders) perceive and understand organization and “what it stands for.” The organization’s identity should be seen from the perspective of all members of the organization, who are also the recipients of messages. In view of this, the authors of this paper summarize that, identity is a firm’s distinctiveness over others (that is, competitive advantage).

However corporate identity is similar to corporate image. According to recent publication by Ceonex (2005), the closer the corporate image is to the corporate identity; the closer the public perception of a company is, to how the company defines itself, making for superior corporate communication. As Melewar, Bassett and Simoes, (2006a) put it that, corporate identity is part of graphic design and other forms of symbols used by an organization. The authors’ point that, graphic design or logo represents a firm’s visual statement that sends signals to the world of the company’s identity, and the way the company perceives itself. Studies of Olins (2002) stresses that every organization must develop unique identity which should be managed to all of its stakeholders and outside world at large.

The question that calls to mind is that, why do organizations develops strong corporate identity? The reason is that most firms want to communicate it uniqueness to the outside world; and due to this organizations are forced to change technologies, in order to fit into the nature of their business climate. Secondly, this may be due to need for mergers and acquisitions. Sequel to this, some companies are going abroad acquiring or merging with existing firm, with the purpose to develop strong corporate image as pointed by (Olins, 2002).

Corporate identity model is divided into seven parts in the following: corporate design, corporate culture, corporate behavior, corporate structure, industry identity, corporate communication and corporate strategy (Melewar and Karaosmanoglu, 2006b). Among all these component parts mentioned, study places emphasis on ‘corporate communication’ as key component for investor’s relation. Major reason is that, it is the department that provides necessary information for investment decisions.

Corporate design is the creation of company’s image to align with corporate identity. It is also a representation of corporate philosophy. Corporate behavior is the way corporate’ react in various situations (Karadeniz, 2009). The author further stress that, it is also common behavior, manner of corporate in various decision cases.

Corporate culture is the ‘what’ of a company (Melewar & Karaosmanoglu, 2006b). It is also embedded in; values, missions, principles, guidelines, history, country of origin, sub-cultures and philosophies. With respect to this, Foo (1999) argue that corporate culture link with country of origin of the corporation such as “German efficiency and “Japanese innovation. While corporate structure is simply an essential component of corporate identity. It
is made up of branding structure and organizational structure. Brand structure is when organizations adopt branding strategies with purpose of differentiating themselves from competitors according to (Melewar & Karaosmanoglu, 2006b).

Finally, industrial identity originates from the following attributes such as; size, competitiveness, and rates of change. Firm operating with clear and strong identity in its industry should devise similar strategies on their corporate identity management so as to develop similar identities (Melewar & Karaosmanoglu, 2006b). Invariably, corporate identity of an organization is strongly influenced by the industry in which it operates. In addition, corporate strategy represents the road map where the company is going, and should be communicated effectively to attain organizational goal.

B. Corporate Communication

It is part of corporate identity model. Van Riel (1995) states that corporate communication includes all the ways that organization communicates with its stakeholders. All messages that organization communicates to its stakeholders (investors) will probably influence their perception. The author emphasizes that all form of communication among all stakeholder have interdependent relationship.

Similarly, Balmer and Gray (2000) stress that; it is also the way stakeholders perceive the company’s identity, image and reputation. The components of corporate communication is classified into; uncontrolled and controlled corporate communication (Van Riel, 1992a; Van Riel (1995). Uncontrolled communication is when the perception of stakeholders is influenced without organization’s control as pointed by (Van Riel, 1995). In controlled communication, management controls the perception of the stakeholders with aim of improving relationships. However, this study considers controlled communication over uncontrolled communication because controlled communication emphasizes on building investors’ relationship and it is in line with the researchers’ study question.

Another study by Van Riel (1992a) also notes that, there are three categories of controlled corporate communication such as: management communication, marketing communication and organizational communication. Management communication deals with the way managers communicate their vision and mission statement to their investors. Marketing communication also deals with those forms of communication that support sales of particular goods or services. On the other hand, organizational communication is primarily concern with; public relations, public affairs, labor market, corporate advertising, internal communication, investor relations, and among others.

C. Corporate Identity and Investors’ Relations

Fu and Qiu (2007) point that; the constant development of the global capital market has led to increase in emergence of institutional investors. This impact has made investors to increase their awareness on the firm they are investing in as well as pushing for more protection on their investment rights and interests. Mallin (2004) add that, it depends on the size of shareholders because the power of investors is becoming increasing important. Many firms have established an investment relations management as a strategic activity to integrate company’s finance, communication, marketing and securities law compliance according to Hong and Kid (2007). Investor relations should communicate accurately the performance of the company.

Apart from that, many companies are designating investor relations officers to oversee aspects of company’s incessant communication with shareholders and investors through face-to-face meetings and press conferences (Mallin, 2004, p. 141). On the other hand, Murad (2006) also point that, investor relations professionals could serve as the information linkages between company management and information seekers such as; analysts, specialists and investors’ relation.

Related to this, studies of Topazio (2007) argue that better reporting should also improve the management information available to the board as it assesses the position, performance and prospects of the company. Apart from making information available to the directors of the firm, they should also communicate to investors on the cost and benefit of investing in their firm to give investors confidence, which can motivate them to have a “we” feeling (Van Riel, 1992b; Fu & Qiu, 2007). A purposeful identity communicated with consistent symbols can also inspire confidence among stakeholder especially investors to have a clearer picture of the organization according to (Van Riel, 1992b).

Five factors determine the credibility of investor communication according to Jones (2002). Firstly, communication should be complete, verifiable, familiar, responsive and easy to use. Secondly, the report should include a company’s present business environment, its future strategies, its key performance indicators, its objectives, risk profile, capital employed and any future value creation methods to generate future returns according to Report Leadership Group (2006).

Communication to investors should contain the company’s information that investors’ need in a clear way and also present this information in a manner that the target audience will understand it and to the media for information dissemination.

Sequel to this, Jones (2002) further stress that communication to investors should have the ease of use and should be easily accessible and informative so that investors will get it with easy navigation. Information should also be structured in a manner that
contain the following: clear title, sub-headings, glossary, table of contents and a quick-read summary at the start of main section (Report Leadership Group, 2006). The essence is to give the investors a clear focus and easiness to find the definite information, with high accuracy. This can eliminate the chances of investor getting mixed messages by making the information clear, direct and informative and boosts investors’ confidence, admiration and relation of the company the investor is interested in.

D. Structural factors for investors

Studies of Lee, Shim and Kim (2006) point that investors consider several structural factors for investment decision. This comprises of the following; investment profitability, investment stability, investment liquidity, regulation, investment location and investment ‘well-being’.

Profitability is the return of the invested securities, which is the factor that most investors consider when investing. Investment stability concerns how easy the investor can dispose their investment share and at least recover the principal sum in a risky situation. Investment liquidity is also how easily the investor can dispose his/her investment share at the market price, and how easily it can be turned to cash. Regulations and restrictions depend on the industry where the investment is allocated. Location of an investment is important, since law on: taxation, government policies, labor, social infrastructure, business cycle, inflation, deflation, and local economic background can affect investment decisions, especially for foreign investors. Investment well-being refers to aspects related to life quality (Lee et al., 2006). Investment location and well-being suggest that investors like to invest in a company, which is in good location, trustful and positive development in business.

These factors can increase the satisfaction of both investors and potential investors. Apart from that, it can also increase the rate of re-investments and reduce the rate of investors selling their shares (Lee et al., 2006).

III. RESEARCH METHODOLOGY

This section highlights the details of ‘Sociedad Quimicay Minera de Chile S.A, presentation of data analysis, discussion and findings.

A. Profile information of ‘Sociedad Quimicay Minera de Chile S.A (SQM)

This company was founded in 1968. Initially, it was popularly known as ‘Sociedad Quimicay Minera de Chile S.A.’ According to the company’s official website, the existence of the company’s corporate identity was as a result of its historic process. Their primary activities were mainly agricultural products such as; fertilizers, fruits, vegetables among others. Apart from that, its logotype shows that, the company’s mission was into exploitation and production of natural fertilizer with main purpose of meeting up with the demands of agricultural market. Their market was limited, its target group was mainly small producers, with no market existed for new products. However, their logotype is incorporated with the company’s identity ‘SQM’ with the ear wheat crossing vertically to the central letter ‘Q’, with their complete name on the bottom (SQM, 2008b). The company’s mission and vision was to produce better fruits and vegetables to their target customers.

After many years, the market for its products dropped down, this affected the company to change its ownership structure in order to adjust with the rapid trend of the market. In 1990’s, its identity also changed, the green color was incorporated into the company’s logotype. SQM’s business formula guarantees its growth, and the element ‘Q’ is the heart and warranty seal. The topography was designed with curve elements to suggest movement of the company’s evolution towards a new goal. Also, the graphical metaphor represents the accelerated growth of the company (SQM, 2008b). The slogan, “The Worldwide Business Formula”, reflects and personifies everything the company stands for today. The green color represents nature, life and movement which the company stands for. With respect to this, the company’s name became shorter, and was modified as ‘Soquimich’. Subsequently, the company expanded its market and develops new products not only for the agricultural sector, but also for industrial markets purposes.

Finally the company has established corporate governance for its board of directors, which is committed to improve its corporate governance practices in order to remain an ethically driven organization with focus on equal treatment of all shareholders (SQM, 2008g).

B. Presentation and Interpretation of data Analysis

Qualitative research methodology was adopted using a study of Sociedad Quimicay Minera de Chile S.A (SQM). Empirical data was collected by personal interview with the company’s representatives using audio tape. This section presents the analysis of empirical findings obtained through personal interview with the representatives of SQM and discussed in relation to the theoretical frame of reference. Analysis is categorized in three parts such as; corporate identity, corporate communication and investors’ relation.

Saunders et al. (2007, p.479) emphasize that, qualitative data analysis involves the following activities; data categorization, ‘unitizing’ data, recognizing relationships and developing the categories and lastly developing and testing theories to reach conclusions. Data categorization refers to classification of data derived from theoretical
framework or empirical sources into meaningful categories in order to create a fit or a well structured and analytical framework to pursue analysis.

The authors repeat that, the choice of categories is derived from research questions and objectives. ‘Unitizing’ data refers to attaching relevant ‘bits’ or ‘chunks’ of data to the appropriate categories developed. Recognizing relationships and developing categories refers to designing suitable matrix and assigning data within its cell (Yin, 2003b).

According to author, there is need to identify or recognize key themes and patterns between categories. Developing and testing theories refers to testing of apparent relationship or connections between theories to make conclusion.

This study presents and analyzes data according to the process of categorization indentified by the work of Saunders et al. (2007). Data is organized into categories in the following step;

i. First, identify ‘Key words’ and ‘Key terms’ from the theories.

ii. ‘Key words’ or ‘key terms’ extracted from empirical source/ interview.

iii. ‘Key words’ or ‘key terms’ extracted from the theories was related with empirical source.

iv. From the extracted information between theories and empirical source, an outcome was established.

v. Established outcome between theories and empirical source was analyzed in two categories such as: impact of power on organizational productivity and impact of politics on organizational productivity.

vi. Finally, with the information analyzed above, a conclusion was drawn at a point where organized data from the empirical data/interview) converge or diverge with the theoretical frame work or literature review (Ugwu et al., 2008).

C. Discussion and Findings

As mentioned above, analysis of result is discussed in three parts in the following: corporate identity, corporate communication and investors’ relation.

1) Corporate Identity: Corporate identity is a mix of component such as; corporate design, corporate behavior, corporate culture and corporate strategy (Melewar and Karaosmanoglu, 2006b).

2) Corporate Design: According to Karadeniz (2009), corporate design is the creation of company’s image to align with corporate identity. It is also a representation of corporate philosophy.

In the case of SQM, one of the respondent of the company interviewed stress that the company used different names in the past, which affected the strength and image of the company. The second respondent added that, this gave an impression of the company being small. Also, the third respondent argued that, the companies that transmit their corporate identity through their name differentiate themselves from the rest of other companies and the information that the investors need should be the newest or most current, what investors get from other sources.

Related to this, the authors of this paper found that, a company with strong name and sustainable growth is attractive for professionals. The authors also recognized that SQM has unified its name, using the same name for most of the subsidiaries, which has probably given the company a strong image. The company’s website also includes different aspects of the company, such as investor relations, human resources, among others. Based on this, there is a strong indication that information given by theoretical frame of reference agrees with the empirical findings/case study.

3) Corporate Behavior: Corporate behaviour is the way corporate’ react in various situations (Karadeniz, 2009). The author further stress that, it is also common behavior, manner of corporate in various decision cases.

Related to the case of SQM, one of the respondent interviewed also recognized the importance of behavior, emphasized that, there is a growing trend in today’s financial community for certain investors to analyze not only financial and strategic fundamentals, but other, less concrete variables such as; corporate social responsibility, sustainable development, and corporate governance practices.

According to the company’s website (SQM, 2008g), the firm has established corporate governance for its board of directors, which is committed to improving its corporate governance practices in order to remain an ethically driven organization with focused on equal treatment of all shareholders. The
second respondent maintains that, the company is also committed to future investments, project developments and future business, necessary for an investment decision by investors.

4) Corporate Culture: Corporate culture is the ‘what’ of a company. It comprises of; values, missions, principles, guidelines, history, country of origin, sub-cultures and philosophies (Melewar & Karaosmanoglu, 2006b).

Concerning SQM, one of the respondent interviewed recognized that corporate identity is linked to the company’s values, its strategy, and business objectives, relationship with employees or customers, among others. The same participant argued that, companies also share the same values and objectives. Study also found that, SQM’s values include; respect, transparency, collaboration, improvement or self-criticism, innovation, austerity, responsibility, and flexibility (SQM, 2008d). The company has also developed a Code of business conduct to its employees, shareholders, customers, suppliers and the community; they are also committed to deliver reasonable financial returns for the benefit of its shareholders (SQM, 2008e).

5) Corporate Strategy: Corporate strategy is the firm’s objective and strategy for competing in the industry according to (Melewar & Karaosmanoglu, 2006b). In the case of SQM, one of the company’s respondent stated that strategy is one of the main factors for their competitive advantage which differentiate them from other companies. The respondent stresses that strategy is also one of the main factors within corporate identity.

According to SQM (2008h) in the Chairman’s letter, addressed to shareholders, this study found that strategy is one of strongest tool to strengthen the company’s leadership position in its core business activity. The Chairman further stressed that the company’s high commitment with its shareholders is as a result of its strategy. Therefore, it is considered that SQM’s corporate strategies and corporate identity are closely associated with identity that the company strives for, and also is being communicated to shareholders for investment decision.

6) Corporate Communication: Discussion of this section is categorized into; uncontrolled communication and controlled communication. According to Van Riel (1992a) uncontrolled communication is the influence of stakeholders’ perceptions without organization’s intention. Study also found that the perception of investors and other stakeholders of SQM are influenced by the company’s websites and open forums through stock markets. The information shared by these modes of communication cannot be controlled by the company. In relation to this, one of company’s respondent emphasized that, “messages given in the wrong way, may give the opposite reaction that you least expected”. Relation to this, research also found that this is a real consequence of communicating a message in the wrong direction to the public, which influences the perception of the investors on corporate identity without direct intention of the company.

Concerning controlled communication, Van Riel (1992a) also point that it is management intention of improving stakeholders’ relationships. According to one of the company’s respondent, “if we don’t inform and communicate our investors about the company’s effort, the message will not reach the target market and the result will be a consequence of low return obtained”.

Another respondent also mentioned that communication should be “on time and efficient”. The same respondent further stress that to obtain the desired outcome of communication, “it is important to deliver a coherent message about corporate identity consistently both internally and externally; and by having a well-defined corporate ‘look-and-feel’, to be able to reinforce our corporate identity and values”.

Study also found that the company achieved controlled communication through its webcast, financial reports, and investor relations department.

D. Corporate identity and Investors’ Relation

Mallin (2004, p.141) make the point that many companies are designating investor relations officers to oversee aspects of company’s incessant communication with shareholders and investors through face-to-face meetings and press conferences. Fu and Qiu (2007) point that this has caused investors to increase their awareness on the firm they are investing in and pushing for more protection on their investment rights and interests. Related to this, studies of Topazio (2007) argue that better reporting should improve the management information available to the board as it assesses the position, performance and prospects of the company. Apart from making information available to the directors of the firm, they should also communicate to investors on the cost and benefit of investing in their firm to give investors confidence, which can motivate them to have a “we” feeling (Van Riel, 1992b).

Concerning the case study, one of the participants interviewed also point that investor relations division is an “essential element to achieve growth by providing better information of the company’s message to third parties (especially investors) with high level of credibility”. The participant stated that it is hard to achieve a “centralized communication; the communication that investors receives must be well-focused, clear, fulfill the requirements and consider a high-level presentation”. Another participant also emphasize that, “the investors provide financial support to keep the growth of the company and concluded that the message given to the investor
should be interesting and homogenous; so that information can reach the potential party interested in a unique way”.

This research also found that controlled communication is also important in building SQM’s investors relationship, by providing clear information not only on time, but also in a credible manner because investors expect information that can support their decisions with objective of creating value for their investment.

IV. CONCLUSION

This study draws conclusion from the analysis of findings. As mentioned earlier, previous studies integrated corporate identity, corporate communication and investors’ relation together as one study, very little or no just research has been identified on “corporate identity and its communication: a key component for investors’ relation”. The above gap in this research has motivated the authors of paper to carry out research to investigate the impact of corporate identity and its communication, as a key component for investors’ relation using a case study of Sociedad Química y Minera de Chile S.A (SQM).

Research from this area is important so as to bring up clearly theoretical perspective or demarcation of this study. This study is de-limited to a single case study of SQM with emphasis on investors’ relation as a key component for corporate communication without consideration of other stakeholder. Based on this, theoretical framework to breach in this study is “investors’ relation” and theoretical problem of discussion is “corporate identity and its communication.” One of the reasons for choice of case study is to make observation and contribute to existing knowledge in this field of study. Another reason is to gain insight about the behavior of organization to be able to compare theory and real life situation (practice). Thirdly, case study is also valuable in answering exploratory questions and achieve study objective.

This study noted that most firms face great challenges of their identity from different sides of business climate, therefore corporate identity is becoming relatively important in communicating organizational uniqueness or exceptionality for investment decisions through its webcast, financial reports, and investor relations department; this is not different from a case of SQM. Although, study also observed that, wrong messages may be communicated to investors in a wrong way through the company’s websites and online forum especially on market stock price. This situation is called “uncontrolled communication”. However, in controlled communication, firms’ pay special attention building investors’ relationship through corporate identity.

The authors also found that, organization with strong corporate identity is attractive for professionals such as investors. The authors also recognized that SQM has unified its name, using the same name for most of its subsidiaries, which has probably given the company a strong image as well as establishing corporate governance for its board of directors, which is committed to improving corporate social responsibility practices in order to remain an ethically driven organization with focused on equal treatment of its shareholders and investors.

In view of this, this paper also found that, the company’s values include the followings; respect, transparency, collaboration, improvement, innovation, austerity, responsibility and among others. The company has also developed a code of business conduct for its employees, shareholders, customers, suppliers and the community; they are also committed to deliver reasonable financial returns for the benefit of its shareholders.

Finally, study conclude that corporate identity and its communication plays a crucial role in building investors relationship, by providing clear information, confidence and security that investors needed for investment decision but also just- in- time (JIT).

a) Recommendations: Based on findings and conclusion, the authors recommend further research to focus on the challenges of uncontrolled communication to investors. The reason is based on the fact that, most times investors could be biased or failed from making good investment decisions due to wrong messages they perceived from company’s websites and online forum about market stock price, thus putting the firm in an unfavorable situation. Unlike in a situation, where by management can control the level of communication and relationship with investors.

Apart from that, future researchers should also explore impact of both controlled and uncontrolled communication to potential investors.

Finally, study did not generalize its finding because single case study was adopted to achieve study purpose using qualitative research method. Other researchers should look at these problems from different perspective using more than single case to be able to generalize findings or replicate same study to see if similar result can be achieved as compared to previous study.

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