Journal of Business Research 64 (2011) 896–903

Contents lists available at ScienceDirect

Journal of Business Research

Relationship marketing's role in managing the firm–investor dyad

Arvid O.I. Hoffmann *, Joost M.E. Pennings, Simone Wies

Maastricht University, The Netherlands

ARTICLE INFO

Article history:
Accepted 4 September 2010
Available online 28 September 2010

Keywords:
Marketing-finance interface
Investor relations
Role of marketing
Market-based assets

ABSTRACT

This paper develops an interdisciplinary conceptual framework demonstrating the role of marketing in managing investor relationships. The framework illustrates how companies can turn investor relationships into market-based assets by analyzing and managing them from a relationship marketing and stakeholder perspective. Marketing can contribute to investor relationship management and increase shareholder value by lowering the cost of equity capital, increasing analyst coverage and stock liquidity, and reducing shareholder activism. An investigation among investor relations professionals working at publicly traded companies in the Euronext 100 stock index demonstrates the framework's empirical validity and provides managerial implications.

1. Introduction

Intangibles under marketing control, like customer equity, constitute an increasing proportion of firm value (Lukas et al., 2005) and empirical studies show a positive link between managing such marketing assets and stock market performance (Srinivasan and Hanssens, 2009). The notion of market-based assets integrates existing but often overlooked linkages between marketing and the firm's financial well-being (Srivastava et al., 1998). By employing internal resources, firms create assets that materialize as value through interactions with entities in the external environment. Market-based assets are either intellectual or relational: This study focuses on the latter type. According to the resource-based view, organizations engage in partner relationships to effectively and efficiently pool scarce resources and create a relation-based competitive advantage (Morgan and Hunt, 1999). Investment capital is one such key resource. Nurturing the relationships with its providers – investors – should therefore receive considerable attention from the corporation in general, and its marketers in specific.

Although marketing's conceptual and methodological approaches are applicable to this exchange relationship (Lovett and MacDonald, 2005), the shareholder as a relational marketing group remains largely neglected. This is surprising, since shareholders ultimately bear the cost of marketing's decisions. As such, they (should) have a significant impact on marketing strategy (Srinivasan and Hanssens, 2009), and be represented amongst marketing's key external stakeholders (cf. Srivastava et al., 1998). Investor relations (IR) initiatives drive shareholder value by enhancing demand for a firm's shares, lowering cost of capital (Botosan, 2006), increasing stock liquidity (Healy et al., 1999), and enhancing analyst following (Francis et al., 1997). Studying their management represents a key research opportunity for the marketing discipline (Hanssens et al., 2009).

As a strategic management responsibility, IR integrates finance, communication, and marketing (NIRI, 2008). Existing literature, however, is scarce and regards IR as either the financial end of the communications function (Regester, 1990) or the communications end of the financial function (Dolphin, 2004). By focusing exclusively on financial communication (Marston and Straker, 2001), current literature ignores the complementary role of marketing, despite its insights and skills relevant for managing investor interactions (Lovett and MacDonald, 2005). Financial information communication is a necessary but not sufficient condition for managing investor relationships. Recent literature, for example, shows that besides expected returns, also non-financial dimensions, like investors' identification with a company, influence their behavior (Aspara and Tikkanen forthcoming).

This study proposes that to analyze and manage investor relationships successfully, marketing insights must complement existing management and IR literature. This study shows how the relationship between a company and its shareholders may be analyzed and managed from a relationship marketing and stakeholder perspective, recognizing the "investor community as a customer" (Hanssens et al., 2009, p. 115). Specifically, this study investigates the relationship between IR management quality, depicted by a company's relationship perspective toward its investors, and IR outcomes in the capital market.

2. Investor relations

Traditionally, the IR function and initiatives are a company practitioner-led field trying to give current and potential investors an accurate portrayal of the firm's performance and prospects (Brown,

* Corresponding author. Maastricht University, Tongersestraat 53, 6211 LM, Maastricht, The Netherlands.
E-mail address: a.hoffmann@maastrichtuniversity.nl (A.O.I. Hoffmann).

0148-2963/$ – see front matter © 2010 Elsevier Inc. All rights reserved.
doi:10.1016/j.jbusres.2010.09.005

1995). Although many companies subordinate its tasks to finance or public relations departments (Laskin, 2009), the IR function increases in scope (Rao and Sivakumar, 1999) due to some key developments.

First, expanding equity markets, deregulation, foreign exchange listings, and a global orientation toward shareholder value creation (Marston and Straker, 2001) increase competitive pressures on capital acquirers. This pressure rises during financial crises, making capital a very scarce and valuable resource. In addition, shareholder activism (Gillan and Starks, 2007) prompt questions about managerial conduct, and challenges the IR function as firm–investor mediator. Finally, companies' asset compositions include more off-balance sheet intangibles (Whitwell et al., 2007) while investors increasingly focus on nonfinancial aspects (Aspara and Tikkanen, forthcoming). These developments imply a greater need to inform investors beyond traditional accounting statements and indicate the function's increasing importance.

Moreover, the IR function can drive shareholder value, especially through more accurate valuation of the company's securities. For example, highly-rated IR programs decrease information risk by reducing analysts' earnings forecasts dispersion (Farragher et al., 1994). Effective IR can also increase demand for the firm's shares and lower the cost of capital (Botosan, 2006; Gelb, 2000), and increase the securities' liquidity (Healy et al., 1999; Hong and Huang, 2005). Corporate presentations to analysts increase analyst following, the number of earnings forecasts, and stock recommendations (Francis et al., 1997). IR also positively influences corporate reputation and credibility (e.g., Ellis, 1985).

All these benefits materialize and endure in the long-term. Therefore, IR can constitute a strategic tool to build a sustainable competitive advantage. To be successful, IR requires companies to expand their activities to more "frequent, extensive, proactive and diversified two-way interaction and communication" (Tuominen, 1997, p. 53), taking into account variation in behavior and preferences of different investor types (MacGregor et al., 2000; Aspara and Tikkanen, 2010). Current IR practice, however, focuses on reactive management of financial stakeholders' requests (Laskin, 2009) instead of establishing proactive and strategic interaction flows. Acknowledging the latter, the next section presents a relationship marketing approach to IR.

3. Marketing and investor relations

Marketing is changing considerably during the last two decades. Leaving the realm of single transactions towards new dynamic types of relationships shapes the way marketing is seen and expected to perform (Webster, 1992). A key definition of marketing's reconceptualization describes its purpose as to "identify and establish, maintain and enhance, and when necessary terminate relationships with customers and other parties so that the objectives regarding economic and other variables of all parties are met" (Grönroos, 2007, p. 5).

Together with this new relationship perspective, marketing is expected to visibly contribute to shareholder value creation (Day and Fahey, 1988), implying a radical change from traditional consumer welfare maximization to firm value maximization. As a result of this reconceptualization, literature on the marketing–finance interface (Zinkhan and Verbrugge, 2000) and the impact of marketing actions on firm value develops (Srinivasan and Hanssens, 2009; Stewart, 2009). Srivastava et al. (1998) describe the role of marketing as developing and managing market-based assets, which arise when the firm interacts with external entities. They increase shareholder value by accelerating and enhancing cash flows, lowering their volatility and vulnerability, and increasing their residual value. Market-based assets are either intellectual or relational. The former entail unique knowledge a firm accumulates about its environment that enables it to achieve a competitive advantage. The latter comprise valuable outcomes of the relationship between the firm and key external stakeholder groups, and are this study's focus.

Although investor relationships can constitute an equipollent market-based asset (Coyne and Witter, 2002), marketing–finance literature does not explicitly deal with the firm–investor dyad in this way. Neglecting shareholders as an important stakeholder group is unfortunate as the marketing literature and profession offer valuable insights for managing interactions with investors. According to communications scholars, IR is inherently a marketing responsibility, constituting a neglected "core element of a coordinated marketing communications strategy" (Dolphin, 2004, p. 27). This encompasses interpreting investors as customers of the firm's "most important product, namely the company itself" (Ferris, 1988, p. 173). Economic actors link experiences obtained in consumption and financial markets (Aspara and Tikkanen, 2008, 2010). Since consumption market attitudes are primarily controlled by marketing, it seems meaningful to use this discipline's insights to simultaneously shape investment market impressions. Lovett and MacDonald (2005) support this conjecture, stressing that the firm can and should directly market to both consumption and financial markets.

In brief, marketing as successful management of relational exchanges (Morgan and Hunt, 1994) is naturally designated to support stakeholder relationships, including those with investors (Dolphin, 2004; Lovett and MacDonald, 2005). Tuominen (1997, p. 47) coins the term "investor relationship marketing" to refer to "the continuous, planned, purposeful, and sustained management activity which identifies, establishes, maintains, and enhances mutually beneficial long-term relationships between the company and their current and potential investors, and the investment experts serving them." Bhagat et al. (2004) and Ayres and Cramton (1994) discuss how "relational investors", defined as committed outside investors who hold large stakes of a company's shares for longer time periods, may improve firm performance. Extending these notions, this study presents a conceptual framework that moves IR beyond the financial communication domain.

4. Conceptual framework

Fig. 1 depicts the conceptual framework and the role of relationship marketing in managing the firm–investor dyad. It extends Srivastava et al. (1998) and explicitly includes investor relationships as market-based assets. Because of their intangible, firm-specific nature, market-based assets are rare, difficult to imitate, without perfect substitutes, and of great value by their ability to generate a competitive advantage. Effective stakeholder management offers intangible resources that enhance the firm's ability to outperform its competitors in long-term value creation (Hillman and Keim, 2001).

The conceptual framework shows several ways that managing investor relationships according to relationship marketing principles contributes to shareholder value. The five relational dimensions reflect IR management: Scoring highly on these attributes indicates greater IR management quality. Given the presumption that investor relationships are market-based assets, IR management quality should materialize in improved financial market performance (IR outcomes), and, ultimately, shareholder value.

4.1. IR management quality

The five relational dimensions that together compose IR management quality stem from extant, general relationship marketing research, and are particularly relevant for the firm–investor dyad. These dimensions influence how firm–investor relationships evolve, and point to companies' strategic options to manage them. The following sections elaborate on the relational dimensions and their respective impact on IR management quality.

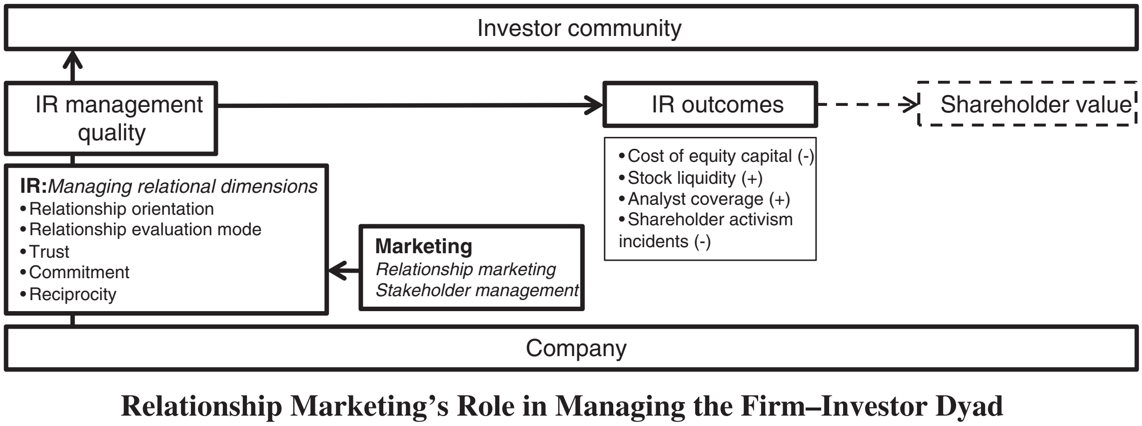

Fig. 1. Relationship marketing's role in managing the firm–investor dyad.

4.1.1. Relationship orientation

Relationship orientation defines and guides a relationship party's behavior (Hosseini and Brenner, 1992). A company's relationship orientation toward shareholders can be cooperative, individualistic, or competitive (Deutsch, 1982). With a cooperative orientation, the firm takes the welfare of both parties into account, maximizes joint outcomes, and pursues positively linked goals (Olekalns and Smith, 2002). A cooperative orientation activates an integration mindset that leads to assimilation in points without congruence yet established (Stapel and Koomen, 2005), which reduces the likelihood of conflicts. With an individualistic orientation, the company strives to maximize individual success without considering the well-being of its investors (Olekalns and Smith, 2002). This approach might induce share sales, share price decreases, and increased volatility. Finally, entities with a competitive orientation aim to prevail and influence shareholders by employing dominance or pressure. Goals link negatively; attaining one partner's goals interferes with others' goals. In the framework, more cooperative forms of relationship orientation lead to a higher score on the company's overall IR management quality.

4.1.2. Relationship evaluation mode

During the course of a relationship, parties evaluate their interactions, guided by their relationship evaluation mode, which may be operational or strategic. When a company focuses only on short-term cost-benefit evaluations, it uses an operative evaluation mode. In contrast, the strategic evaluation mode focuses on long-term opportunities from the firm–investor relationship, with the relationship as a strategic resource, emphasizing its investment character (Hall, 1993). The company's adoption of a more strategic form of relationship evaluation therefore prompts a higher score on the company's overall IR management quality.

4.1.3. Trust

Trust, or the willingness of one party to be vulnerable to the actions of another (Mayer et al., 1995), is useful for analyzing the firm–investor dyad. The risk and vulnerability of investor relations relate to the danger of granting shares to unfriendly partners (Mikkelson and Partch, 1997). Trust generates positive outcomes, including reduced decision making uncertainty, enhanced cooperation, effective delegation, and shared responsibility (e.g., Gundlach et al., 1995; Morgan and Hunt, 1994). These favorable consequences depend on different forms of trust. Several taxonomies exist (e.g., Rousseau et al., 1998). All share a progressing nature, from mere economic cost–benefit calculations to being able to predict the counterparty's behavior to a total understanding, agreement, and endorsement of each other's intentions. In these situations, companies can engage in more deliberate and long-term exchanges with shareholders, such that the parties understand the need to invest in a relationship before reaping profits. Hence, in the framework, a company that adopts higher forms of trust toward the investor base scores higher on overall IR management quality.

4.1.4. Commitment

Commitment is “an implicit or explicit pledge of relational continuity between exchange partners” (Dwyer et al., 1987, p. 19). Exchange partners believe an ongoing relationship is important enough to warrant maximum efforts to maintain it. Commitment is essential to long-term relational bonds between a company and investors (Tuominen, 1997) and may lead to enhanced motivation and involvement, simpler governance structures, and loyalty (e.g., Gundlach et al., 1995). These positive effects might increase successful market performance in the form of less perceived risk, cash flow stability, or favorable stock recommendations. Ultimately, creating positive affect towards a company stimulates investors' willingness to invest in its shares (Aspara and Tikkanen forthcoming). The company's adoption of higher forms of commitment toward its investor base leads to a higher score on the company's overall IR management quality.

4.1.5. Reciprocity

In social exchange, reciprocity describes the shared understanding of repaying giving and taking in equivalent measures (Gouldner, 1960). Reciprocal strength determines how relationships evolve (Polonsky et al., 2002). With strong form reciprocity, interactions take the form of equivalent and synchronized quid pro quo exchanges, ensuring the parties are even at every point in time. Parties cannot develop potentially highly profitable, but long-term, strategic initiatives that require trust. Weak form reciprocity makes the equivalence and timing of returns less important and is more common for a long-term-oriented relationship, in which parties trust each other and know they will not be exploited if they occasionally contribute more resources than their counterparts. In the framework, a company's adoption of weaker forms of reciprocity toward the investor base earns higher scores on overall IR management quality.

4.2. IR outcomes

Managing relational dimensions to increase IR management quality should result in favorable capital market outcomes. Prior literature indicates that relational investors can be associated with higher stock market returns (Bhagat et al., 2004) and reduced agency costs (Ayres and Cramton, 1994). Accounting literature notes the economic benefits of voluntary disclosure, which forms a substantial element of IR activities (Graham et al., 2005), and public relations literature indicates potential ways IR contributes to the organizational bottom line (Laskin, 2007). Integrating this literature, this study includes four capital market outcomes: Reduced cost of equity capital, improved stock liquidity, increased analyst coverage, and less shareholder activism.

Providing more relevant information to investors reduces information asymmetries between the investor community and the company and hence information risk (Botosan, 2006; Laskin, 2007). If information risk represents a non-diversifiable risk factor, asset pricing theory predicts that investors employ a lower discount rate when valuing the company's future cash flows (Healy and Palepu, 2001). Higher IR management quality is supposed to facilitate information transfer and therewith reduce information risk.

H1a. The company's investor relations management quality comprising the five relational dimensions relates negatively to its cost of equity capital.

Reduced information asymmetries and proactive IR management also increase investors' confidence about finding fair price transactions, which should increase trading and stock liquidity (Healy and Palepu, 2001). Liquidity refers to an investor's ability to buy and sell assets quickly and transact many shares without affecting the security's price. Michaelson and Gilfeather (2003) refer to increased trading volume as a positive outcome of IR.

H1b. The company's investor relations management quality comprising the five relational dimensions relates positively to its stock liquidity.

Another favorable IR outcome is increased analyst coverage. Information disclosure and active IR management lowers analyst' information acquisition cost and thus induces more coverage (Healy and Palepu, 2001; Michaelson and Gilfeather, 2003).

H1c. The company's investor relations management quality comprising the five relational dimensions relates positively to its analyst coverage.

Finally, shareholder activism represents shareholders' responses when delegated decision-making to company management is perceived as unsatisfactory. Activism attempts to increase shareholder value, but no strong empirical evidence supports this effect (Karpoff, 2001). Rather, investor activists may distract management from actual tasks (Admati et al., 1994), focusing on short-term results at the expense of long-term projects (Karpoff et al., 1996). By building a better relationship with investors (Laskin, 2007), IR management may reduce shareholder activism. Hence, this study regards reduced shareholder activism as a favorable IR outcome.

H1d. The company's investor relations management quality comprising the five relational dimensions relates negatively to the number of shareholder activism incidents the company encounters.

4.3. Shareholder value

Ultimately, through impacts on a firm's market performance, market-based assets are valuable if they increase shareholder value. Studies show the positive impact of market-based assets on shareholder value creation (Srinivasan and Hanssens, 2009), but a direct investigation of this link is beyond this study's scope.

5. Method

The research design distinguishes two variable sets: The relational dimensions comprising IR management quality and the IR outcomes in the capital market.

5.1. IR management quality

5.1.1. Data collection

An online questionnaire measures IR management quality. A pretest verified if respondents understood the questionnaire procedure, items, and language. After some revisions, an expert panel of marketing and finance academicians and IR practitioners confirmed the items closely resembled the intended constructs.

The sample frame consists of publicly traded companies listed in the Euronext 100 stock index. Target survey recipients were IR officers. Preliminary telephone contacts confirmed willingness to participate and provided contact details. With company permission, an e-mail invitation went to the prospective participants. The ultimate response rate was 26%.

5.1.2. Measurement development

This study uses established and validated scales to measure the constructs, rewriting the individual items of each scale to make them applicable to the firm–investor dyad. As no established measure exists for relationship evaluation mode, new items are created based on the relevant theory. Relationship orientation consists of six items, adapted from Johnsen et al. (2008) and Meyer et al. (1993). This study assesses relationship evaluation mode with four new items inspired by Palmatier et al. (2008) and Bordonaba-Juste and Polo-Redondo (2008). Five trust items come from Tax et al. (1998) and MacMillan et al. (2005). The commitment measure with six items is adapted from Meyer et al. (1993) and Morgan and Hunt (1994). Reciprocity features five items based on Pervan et al. (2009) and Moorman et al. (1993).

5.1.3. Measurement purification

Factor and reliability analyses based on the pretest data ensure the questionnaire's measurement quality. Poorly fitting items that have low factor loadings or reduce the scale's reliability are deleted (Netemeyer et al., 2003). The reliability of the final measurement instrument is good, as all constructs' Cronbach's alphas are above .70. Table 1 shows the constructs' items, factor loadings and reliability.

This study tests for convergent validity by analyzing the correlations among the individual items of a single construct. All correlations exceed .34, and are significant at the 5% level. One-factor solutions of exploratory factor analyses confirm the final scales' convergent validity. The study measures discriminant validity by proposing substantially lower correlations between one dimension's items with a different dimension's items than with its own items. The *t*-statistics are highly significant, supporting discriminant validity. Additional factor analyses show that when factoring all items for all constructs, the respective items of the different constructs load highest on their own constructs while cross-loadings with other constructs are low or insignificant.

Finally, this study determines an overall IR management quality score (IRMQ) as the unweighted average of the relational dimensions. IRMQ is conceptualized as a higher-order, formative construct since (1) it is complex and has multiple dimensions, each representing an important aspect of the construct, and (2) these aspects are unique, distinguishable and not interchangeable (Ruiz et al., 2008).

5.2. IR outcomes in the capital market

5.2.1. Data collection

Cost of equity, stock liquidity, and analyst coverage come from Compustat and I/B/E/S. The most tangible form of shareholder activism data are the proposals submitted by shareholders. Commercial databases monitor these events in the U.S., but do not cover Europe. Therefore, this study takes a two-source approach to collect activism data. First, the newspaper database of LexisNexis is used. Second, this study examines voting results at annual general meetings

Table 1
Measurement items, factor loadings, and construct reliability.

Construct	Item wording [a]	Factor loadings [c]	Cronbach's alpha
Relationship orientation	We feel a sense of responsibility for our investors	.85	.77
	We are willing to share additional information and material with our investors even if it does not translate into a visible advantage for us	.80	
	We are willing to make sacrifices for the sake of a sound relationship with our investors	.76	
	Our investors pursue the same goals or interests as our company	– [b]	
	The one and only aim with regard to investor management is to raise capital (reversed)	– [b]	
	When talking to our investors, we would consider framing our objectives in such a way that we can achieve our goals (reversed)	– [b]	
Relationship evaluation mode	We are convinced that a good relationship with our investors will pay off for our company in the future	.95	.89
	A successful relationship with our shareholders constitutes a sustainable competitive advantage for us	.94	
	It is impossible to have a successful relationship between a company and a particular investor in the very long term	– [b]	
	When evaluating how fair and successful the relationship with our investors is, we primarily make short-term cost and benefit trade-offs	– [b]	
Trust	We can expect our investors to remain reliable partners in the future	.95	.86
	We feel we can depend on our investors to negotiate with us honestly	.90	
	Our investors can be relied upon to act in the very best interest of our company	.82	
	We think that our investors may use confidential information to their own advantage and our disadvantage (reversed)	– [b]	
	We intend to share information cautiously with our investors to avoid having them use it to their own advantage and our disadvantage (reversed)	– [b]	
Commitment	We feel very little loyalty to our investors	.85	.82
	Keeping our current investors is rather a matter of necessity than desire	.85	
	Given that capital conditions remain equal, it does not matter for us if we would substitute our current investors with others	– [b]	
	We find that our values and our investors' values are very similar	– [b]	
	Our investors' characteristics portray an image of us to others	– [b]	
	Maintaining the relationship with our investors deserves our maximum effort	– [b]	
Reciprocity	When things go wrong, both our investors and we respond sympathetically to any problem we may have caused each other	.83	.73
	The benefits that we as a company provide to and receive from our investors even out over time	.79	
	We aim to remain very flexible in meeting our investors' needs, even if we will not receive contributions at present	.68	
	When our investors make a valuable contribution to our company, it is important that we show our appreciation right away	– [b]	
	If we do something extra for our investors, there is an expectation that they will do something extra in return	– [b]	

[a] Note. All items use seven-point Likert scales (1 = strongly disagree; 7 = strongly agree).
[b] Note. Eliminated item.
[c] Note. Factor loadings of items included in final measurement scales.

(AGMs). These data appear in reports on corporate Web pages or came in response to specific requests.

5.2.2. Measurement development

Following Botosan (2006), this study estimates the cost of equity capital as the risk-adjusted discount rate that investors apply to the firm's future cash flows to arrive at the current share price. As a proxy for future cash flows, this study collects dividend forecasts for the next fiscal year from I/B/E/S. To complete the cost of equity calculation, Compustat provides the current year's share price. Average daily trading volume of the companies' stock between January and September 2009 reported by Compustat represents stock liquidity. The number of analyst estimations and recommendations published per month in I/B/E/S from January until September 2009 defines analyst coverage. Shareholder activism is the combined number of activism incidents that a company encounters between January 2005 and September 2009, according to the newspaper data and voting results. Two experienced and independent experts coded the incidents. Interrater reliability was good: Kappa = 0.91 ($p < .0.001$). Relevant news events included word combinations with the company name and typical expressions, such as “angry investors”, “activism”, or “resolution”. This study screens AGM reports for resolutions that did not receive approval, including voting results that did not cross the 75% boundary.

5.3. Sample description

The sample consists of 26 companies listed on the Euronext stock exchange whose IR professionals responded to the online survey. At the time of the survey, these companies have in total €184 billion of common stock outstanding, or 18% of the index's total market capitalization. The average market capitalization is €7.18 billion (SD = €4.64 billion). The firms are French ($N = 13$), Dutch ($N = 6$), Belgian ($N = 5$), and Portuguese ($N = 1$). Industry sectors are divergent, including base materials, consumer goods, and financial services.

6. Results

Table 2 presents the mean scores and related statistics about the distribution of the five relational dimensions. The spectrum of possible answers is widely employed and considerable variation marks the relationship perspective employed toward the investor population. Overall, the results confirm a favorable and forward-looking attitude toward investors.

Table 2
Relational dimension perceptions.

Dimension	Mean	Std. deviation	Minimum	Maximum	Mode [b]
Relationship orientation	5.2	.97	3.0	7.0	5.7
Relationship evaluation mode	6.4	.56	5.5	7.0	6.0 / 7.0
Trust	4.4	.98	3.0	6.0	4.0
Commitment [a]	5.7	1.28	2.5	7.0	7.0
Reciprocity	4.8	.69	4.0	6.0	4.7 / 5.0

[a] Note. Reversed score.
[b] Note. If two values are reported this means they both had the highest frequency.

Table 3 examines the correlations among the five relational factors. As expected, all are positive, although not all are statistically significant, which is likely because of this exploratory study's limited sample size. The nomological network amongst the constructs, however, confirms all expected relations. For instance, trust and commitment correlate highly, and relationship orientation correlates significantly with trust and commitment.

Table 4 shows the results of correlation analyses between IRMQ and the IR outcomes. All relations are as expected. In line with H1b, IRMQ significantly and positively relates to stock liquidity. As predicted by H1c, IRMQ also positively relates to analyst coverage, but the effect is not statistically significant. Moreover, IRMQ relates negatively in a marginally significant way to the cost of equity capital and shareholder activism, in line with H1a and H1d. To check whether the previous effects are indeed driven by IRMQ rather than other company differences, this study examines whether firms scoring high or low on IRMQ differ with regard to headquarter location, market capitalization, industry, and financial performance. No significant differences regarding these control variables were found.

In further analyses, this study divides the sample companies into terciles using univariate sorting of the companies' IRMQ score, resulting in a group comprising the 33% of companies with the lowest scores ("worst" practice), a group encompassing the 33% with the highest scores ("best" practice), and a group comprising the 33% in between ("medium" practice). The groups do not differ significantly with regard to the prior control variables. Fig. 2a–d shows the mean plots of the respective IR outcomes and IRMQ groups. Intuitively, these plots confirm the hypotheses: Companies with a high IR management quality perform better in their IR outcomes than do firms with lower IR management quality.

7. Discussion

7.1. Contributions to research

This study presents a framework that describes the role of marketing for analyzing and managing investor relationships. The framework extends Srivastava et al. (1998) by treating investor relationships as market-based assets that can generate favorable IR outcomes in the capital market. Specifically, scoring high on the IR management quality measure correlates positively with increased analyst coverage, enhanced stock liquidity, a lower cost of capital, and reduced shareholder activism. The effect on analyst coverage levels off after an initial plateau is reached (see Fig. 2a), which may cause the statistical insignificance of this specific relationship. The findings recommend a more active marketing approach, extending marketing's tools beyond their compartmentalized isolation to generate shareholder value across functions. The result would be "investor relationship marketing" (Tuominen, 1997).

Table 3
Correlations among relational dimensions.

Construct [a]	Relationship orientation	Relationship evaluation mode	Trust	Commitment [b]	Reciprocity
Relationship orientation	1				
Relationship evaluation mode	−.06 (.40)	1			
Trust	.43* (.02)	.28† (.09)	1		
Commitment [b]	.36* (.04)	.11 (.32)	.38* (.04)	1	
Reciprocity	.27 (.10)	.22 (.16)	.30† (.08)	.15 (.25)	1

[a] Note. * $p<.05$; † $p<.10$.
[b] Note. Reversed score.

Table 4
Correlations between IR management quality and IR outcomes.

Construct [a]	Analyst coverage	Trading volume	Cost of equity capital	Shareholder activism
IR management quality	.15 (.25)	.44* (.02)	−.30† (.09)	−.30† (.08)

[a] Note. * $p<.05$; † $p<.10$.

7.2. Managerial implications

Regarding IR as relationship management and investor relationships as market-based assets changes the way IR is conducted and acknowledges the fact that investors are driven by both economic and affect-based motivations (Statman et al., 2008; Aspara and Tikkanen, 2010). The proposed philosophy moves beyond one-way communication, turning IR management into a dynamic, forward-looking, two-way relational activity.

Because of the high congruency among trust, commitment, and relationship orientation, managers might concentrate on managing these factors simultaneously. Regular meetings with shareholders might enable the firm to express a collaborative relationship orientation, while nurturing trust and commitment during these interactions. Another example is a transparent and reliable contact strategy linking investors and the company. A proper institutional design is important: To be considered trustworthy and honest, relationship marketing efforts should move beyond superficial language (O'Malley and Prothero, 2004).

Finally, taking a relational market-based asset perspective of IR does not imply total dependence of a firm on its existing shareholders. Rather, it implies questioning the investor population's appropriateness, given the company's strategy and the costs of maintaining the relationships. As Srivastava et al. (1998, p. 15) recognize, "the market-based assets an organization possesses may not be those it needs." When a cooperative relationship orientation leads to excessive costs or causes too much dependence, the best thing to do may be to cease or "beautifully exit" the relationship (Alajoutsijärvi et al., 1998).

7.3. Limitations and future research

The previous results and implications should be interpreted within this study's limitations, each providing avenues for further research. First, this study's empirical part is exploratory. A larger sample size would allow using more advanced statistical techniques. Second, an interesting research opportunity would relate (changes in) IR management quality directly to shareholder value creation. For this purpose, additional research may measure investors' responses to a company's IR activities using four-factor financial models or event studies (Srinivasan and Hanssens, 2009). Third, this study focuses on relational market-based assets as one of the two categories of market-based assets Srivastava et al. (1998) identify. Intellectual market-based assets may be equally relevant, but are beyond this study's scope. Investor intelligence (gathering more information about their behavior and segmenting, targeting and positioning based thereon) may also improve IR practice. Fourth, future research may investigate possible interactions among the IR outcomes. Analyst coverage, for example, may also influence cost of equity capital. Overall, this study contributes to a better understanding of IR and the role of (relationship) marketing in this regard. IR merits a systematic management, in which relationship marketing (tools) complement existing knowledge and practice.

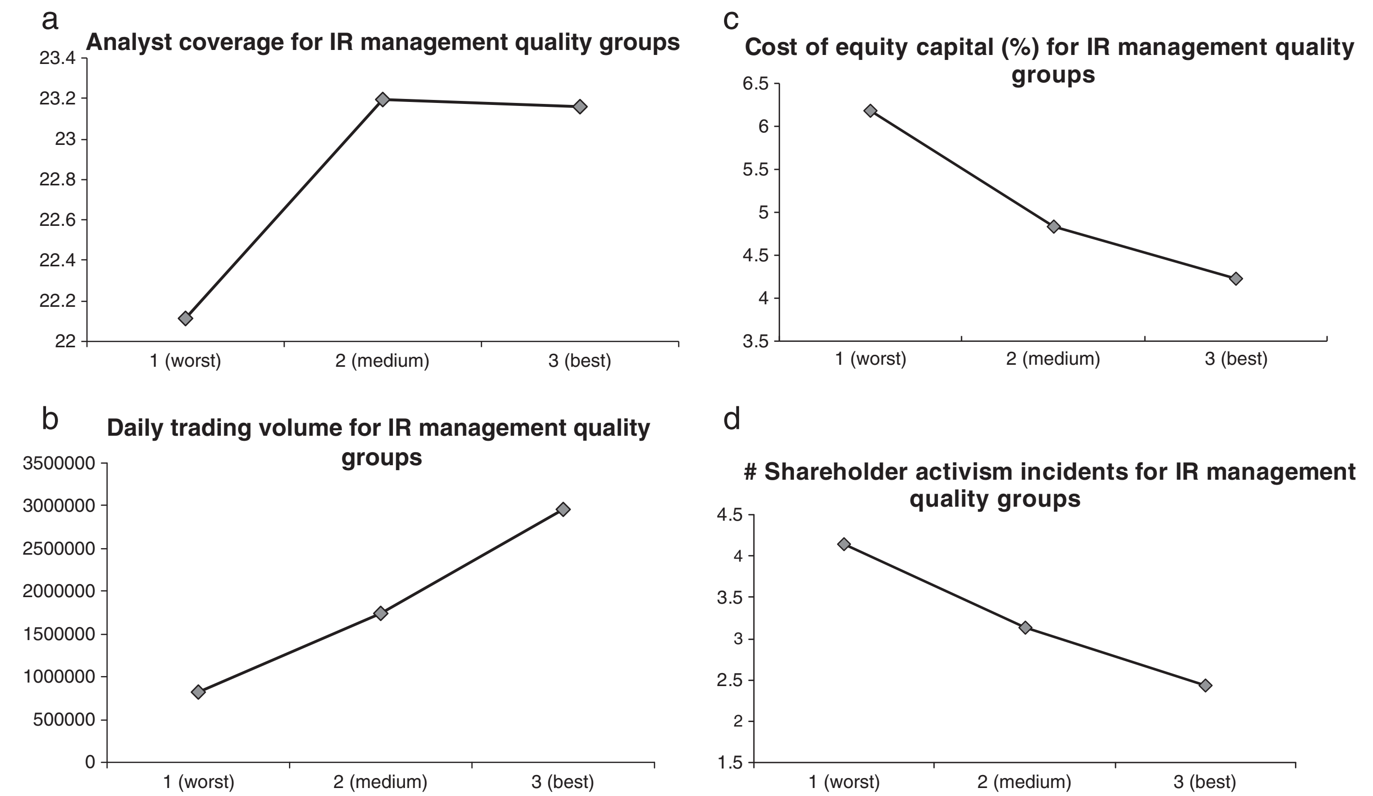

Fig. 2. a) Analyst coverage and IR management quality. b) Trading volume and IR management quality. c) Cost of equity capital and IR management quality. d) Shareholder activism and IR management quality.

Acknowledgements

The authors thank the Associate Editor, David Smith, and anonymous reviewers for their comments that improved the manuscript. They also thank Jeroen Derwall, Daniel Hann, Dominique Hanssens and participants of the 2009 "Marketing Strategy meets Wall Street" and 2010 "Marketing Science" conferences for suggestions.

References

Admati AR, Pfleiderer P, Zechner J. Large shareholder activism, risk sharing, and financial market equilibrium. J Polit Econ 1994;102(6):1097–129.
Alajoutsijärvi K, Möller K, Tähtinen J. Beautiful exit: how to leave your business partner. Eur J Mark 1998;34(11/12):1270–89.
Aspara J, Tikkanen H. Interactions of individuals' company-related attitudes and their buying of companies' stocks and products. J Behav Finance 2008;9(2):85–94.
Aspara J, Tikkanen H. Consumers' stock preferences beyond expected financial returns: the influence of product and brand evaluations. Int J Bank Mark 2010;28(3):193–221.
Aspara J, Tikkanen H. Corporate Marketing in the Stock Market: The Impact of Company Identification on Individuals' Investment Behaviour. European Journal of Marketing forthcoming.
Ayres I, Cramton P. Relational investing and agency theory. Cardozo Law Rev 1994;15(1033):1-18.
Bhagat S, Black B, Blair M. Relational investing and firm performance. J Financ Res 2004;27(1):1-30.
Bordonaba-Juste MV, Polo-Redondo Y. Differences between short and long-term relationships: an empirical analysis in franchise systems. J Strateg Mark 2008;16(4):327–54.
Botosan CA. Disclosure and the cost of capital: what do we know? Acc Bus Res 2006;36:31–40.
Brown LF. Getting a grip on investor relations. Dir Boards 1995;19(2):44–6.
Coyne KR, Witter JW. Taking the mystery out of investor behavior. Harv Bus Rev 2002;80(99):68–78.
Day GS, Fahey L. Valuing market strategies. J Mark 1988;52(3):45–57.
Deutsch M. Interdependence and psychological orientation, cooperation and helping behaviour: Theories and Research New York. NY, USA: Academic Press; 1982.
Dolphin RR. The strategic role of investor relations. Corp Commun Int J 2004;9(1):25–42.
Dwyer FR, Schurr PH, Oh S. Developing buyer–seller relationships. J Mark 1987;51(2):11–27.
Ellis CD. How to manage investor relations. Financ Analysts J 1985;41(2):34–41.
Farragher EJ, Kleinman RT, Bazaz MS. Do investor relations make a difference? Q Rev Econ Finance 1994;34(4):403–12.
Ferris R. Why it's important to understand who owns stock. In: Nichols DR, editor. The Handbook of Investor Relations. Homewood, IL, USA: McGraw-Hill Education; 1988.
Francis J, Hanna D, Philbrick D. Management communications with securities analysts. J Acc Econ 1997;24(3):363–94.
Gelb DS. Managerial ownership and accounting disclosures: an empirical study. Rev Quant Finance Acc 2000;15(2):169–85.
Gillan SL, Starks LT. The evolution of shareholder activism in the United States. J Appl Corp Finance 2007;19(1):55–73.
Gouldner AW. The norm of reciprocity: a preliminary statement. Am Sociol Rev 1960;25(2):161–78.
Graham JR, Harvey CR, Rajgopal S. The economic implications of corporate financial reporting. J Acc Econ 2005;40(1–3):3-73.
Grönroos C. Service Management and Marketing3rd ed. . Chichester, UK: John Wiley & Sons; 2007.
Gundlach GT, Achrol RS, Mentzer JT. The structure of commitment in exchange. J Mark 1995;59(1):78–92.
Hall RH. A Framework linking intangible resources and capabilities to sustainable competitive advantage. Strateg Manage J 1993;14(8):607–18.
Hanssens DM, Rust RT, Srivastava RK. Marketing strategy and Wall Street: nailing down marketing's impact. J Mark 2009;73(6):115–8.
Healy PM, Palepu KG. Information asymmetry, corporate disclosure, and the capital markets: a review of the empirical disclosure literature. J Acc Econ 2001;31(1–3):405–40.
Healy P, Hutton A, Palepu KG. Stock Performance and intermediation changes surrounding sustained increases in disclosure. Contemp Acc Res 1999;16(3):485–520.
Hillman AJ, Keim GD. Shareholder value, stakeholder management, and social issues: what's the bottom line? Strateg Manage J 2001;22(2):125–39.
Hong H, Huang M. Talking up liquidity: insider trading and investor relations. J Financ Intermediation 2005;14(1):1-31.
Hosseini JC, Brenner SN. The stakeholder theory of the firm: a methodology to generate value matrix weights. Bus Ethics Q 1992;2(2):99-119.
Johnsen TE, Johnsen RE, Lamming RC. Supply relationship evaluation: the relationship assessment process (rap) and beyond. Eur J Manage 2008;26(4):274–87.
Karpoff JM. The Impact of Shareholder Activism on Target Companies: A Survey of Empirical Findings, Working Paper. University of Washington; 2001.
Karpoff JM, Malatesta PH, Walkling RA. Corporate governance and shareholder initiatives: empirical evidence. J Financ Econ 1996;42(3):365–95.
Laskin AV. The value of investor relations: a Delphi panel investigation. Institute for Public Relations; 2007.

Laskin AV. A descriptive account of the investor relations profession. J Bus Commun 2009;46(2):208–33.
Lovett MJ, MacDonald JB. How does financial performance affect marketing? Studying the marketing–finance relationship from a dynamic perspective. J Acad Mark Sci 2005;33(4):476–85.
Lukas BA, Whitwell GJ, Doyle P. How can a shareholder value approach improve marketing's strategic influence? J Bus Res 2005;58(4):414–22.
MacGregor DG, Slovic P, Dreman D, Berry M. Imagery, affect, and financial judgment. J Psychol Financ Mark 2000;1(2):104–10.
MacMillan K, Money K, Money A, Downing S. Relationship marketing in the not-for-profit sector: an extension and application of the commitment–trust theory. J Bus Res 2005;58(6):806–18.
Marston CL, Straker M. Investor relations: a European survey. Corp Commun Int J 2001;6(2):82–93.
Mayer RC, Davis JH, Schoorman FD. An integrative model of organizational trust. Acad Manage Rev 1995;20(3):709–34.
Meyer JP, Allen NJ, Smith CA. Commitment to organizations and occupations: extension and test of a three-component conceptualization. J Appl Psychol 1993;78(4): 538–51.
Michaelson D, Gilfeather J. What you need to know to measure investor relations. Institute for Public Relations; 2003.
Mikkelson WH, Partch MM. The decline of takeovers and disciplinary management turnover. J Financ Econ 1997;44(2):205–28.
Moorman C, Deshpande R, Zaltman G. Factors affecting trust in market research relationships. J Mark 1993;57(1):81-101.
Morgan RM, Hunt SD. The commitment–trust theory of relationship marketing. J Mark 1994;58(3):20–8.
Morgan RM, Hunt SD. Relationships-based competitive advantage: the role of relationship marketing in marketing strategy. J Bus Res 1999;46(3):281–90.
National Investor Relations Institute (NIRI. About NIRI: NIRI Mission and Goals; 2008. NIRI webpage, www.niri.org.
Netemeyer RG, Bearden WO, Sharma S. Scaling procedures: issues and applications. Thousand Oaks, CA, USA: Sage Publications; 2003.
Olekalns M, Smith PL. Testing the relationships among negotiators' motivational orientations, strategy choices, and outcomes. J Exp Soc Psychol 2002;39(2):101–17.
O'Malley L, Prothero A. Beyond the frills of relationship marketing. J Bus Res 2004;57(11): 1286–94.
Palmatier RW, Scheer LK, Evans KR, Arnold TJ. Achieving relationship marketing effectiveness in business-to-business exchanges. J Acad Mark Sci 2008;36(2): 174–90.
Pervan SJ, Bove LL, Johnson LW. Reciprocity as a key stabilizing norm of interpersonal marketing relationships: scale development and validation. Ind Mark Manage 2009;38(1):60–70.
Polonsky MJ, Schuppisser S, Beldona S. A stakeholder perspective for analyzing marketing relationships. J Market Focus Manage 2002;5(2):109–26.
Rao H, Sivakumar K. Institutional sources of boundary-spanning structures: the establishment of investor relations departments in the Fortune 500 industrials. Organ Sci 1999;10(1):27–42.
Regester M. Why investor relations is growing in importance and requires special skills. Int Public Relat Rev 1990;13(1):4–7.
Rousseau DM, Sitkin SB, Burt RS, Camerer C. Not so different after all: a cross-discipline view of trust. Acad Manage Rev 1998;23(3):393–404.
Ruiz DM, Gremler DD, Washburn JH, Carrión GC. Service value revisited: specifying a higher-order, formative measure. J Bus Res 2008;61(12):1278–91.
Srinivasan S, Hanssens DM. Marketing and firm value: metrics, methods, findings, and future directions. J Mark Res 2009;46(3):293–312.
Srivastava RK, Shervani TA, Fahey L. Market-based assets and shareholder value: a framework for analysis. J Mark 1998;62(1):2-18.
Stapel DA, Koomen W. Competition, cooperation, and the effects of others on me. J Pers Soc Psychol 2005;88(6):1029–38.
Statman M, Fisher KL, Anginer D. Affect in a behavioral asset pricing model. Financ Analysts J 2008;64(2):20–9.
Stewart DW. Marketing accountability: linking marketing actions to financial results. J Bus Res 2009;62(6):636–43.
Tax SS, Brown SW, Chandrashekaran M. Customer evaluations of service complaint experiences: implications for relationship marketing. J Mark 1998;62(2):60–76.
Tuominen P. Investor relations: a Nordic school approach. Corp Commun 1997;2(1): 46–55.
Webster FE. The changing role of marketing in the corporation. J Mark 1992;56(4): 1-17.
Whitwell GJ, Lukas BA, Hill P. Stock analysts' assessments of the shareholder value of intangible assets. J Bus Res 2007;60(1):84–90.
Zinkhan GM, Verbrugge JA. The marketing/finance interface: two divergent and complementary views of the firm. J Bus Res 2000;50(2):143–8.