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Perceptions and attitudes toward corporate website presence and its use in investor relations in the Jordanian context

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ABSTRACT

This study reports the results of semi-structured interviews conducted to explore the factors affecting Jordanian listed firms' decisions on whether or not to have a corporate website and, if so, whether or not to use it in investor relations activities. Corporate interviewees noted that the decision to have an online presence was motivated by a desire to enhance the company's image and reputation, and the need to re-brand the company was often a key event triggering website adoption. Particularly important here were international influences, whether international partners, shareholders or competitors. However, in all cases, top management support was essential and played a key role in influencing the ways in which companies use their website both in general and for investor relations activities in particular. Results also revealed that the key factor explaining the lack of a corporate website was the attitude or belief of management. Of key importance was their belief that stakeholders, including Jordanian stock market participants, are not yet ready or willing to use the internet to acquire information about the company. Some interviewees similarly concluded that there is no demand for investor relations information on corporate websites because the Jordanian Securities Commission publishes all listed companies' annual reports on its own website. Other factors explaining the lack of a corporate website were management change, absence of competition and having been listed on the Jordanian stock exchange for a long period. This research extends our understanding of disclosure on the internet by considering a different research setting, namely Jordan, and also by extending the theoretical framework used.

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1. Introduction

The presence of the internet as a channel for disseminating information enables companies to use this technology in several corporate activities, including investor relations. As a key ingredient of overall strategic management responsibility, investor relations (IR) can be viewed as a link between a company and the financial community, allowing them to, inter alia, reach a fairer valuation of the company's share price (Marston & Straker, 2001). Features of the internet (in particular, timeliness, accessibility and cost) allowed companies to perform IR in a more efficient and cost-effective way (Kuperman, 2000). Moreover, there is open access to the internet, so the use of corporate websites for IR activities should not only increase the information available to current and potential investors, but will also increase public awareness and the market's overall transparency.[2] However, despite an increasingly globalized world and the growth of information and communication technologies (ICT), many developing countries still face restrictions on access and diffusion of technologies when compared with developed countries (Al-Jaghoub & Westrup, 2003). These obstacles can be attributed to political and social conditions as well as corporate-specific features.

Jordan is a developing middle-income country which has few natural resources but highly educated human resources. Recent years have witnessed a number of governmental initiatives motivating individuals and companies to enter the online era. The increasing attention given by the government to building a new ICT foundation led, for example, to the establishment of the Ministry of Information and Communication Technologies in 2002. Jordan also has a well-established and sophisticated financial market that has made information availability and transparency a first priority to keep investors

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[2] This is not to deny the problems of lack of universal access to the internet (Gallhofer, Haslam, Monk, & Roberts, 2006), but individuals with capital to invest in shares are generally not likely to have problems in accessing the internet.

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updated and protected from negative surprises. This has led the level of non-Jordanian investments in the Amman Stock Exchange (ASE) to exceed 40% in the last decade. The potential of the internet to enhance communication with investors has also been seen by the regulators of the Jordanian financial market. As a result, the three arms of the Jordanian financial market, namely, the ASE, the Securities Depository Centre (SDC), and the Jordanian Securities Commission (JSC), have recently utilized their websites to publish information relevant for the financial market participants, and listed companies must make their annual reports available via the ASE website.

The combination of the ICT initiatives of the Jordanian Government and the actions taken by the financial market regulators to keep the financial market transparent makes Jordan an interesting country to examine via interviews the motivations to use, or not use, the internet as an investor relations tool. While the determinants of web-based disclosures have been examined thoroughly in prior studies, most of these were quantitative, focusing only on companies with corporate websites (see for example, Abdelsalam & Street, 2007; Ashbaugh, Johnston, & Warfield, 1999; Bollen, Hassink, & Bozic, 2006; Craven & Marston, 1999; Ettredge, Richardson, & Scholz, 2002; Ezat & El-Masry, 2008; Kelton & Yang, 2008; Marston & Polei, 2004; Oyelere, Laswad, & Fisher, 2003; and Xiao, Yang, & Chow, 2004). The few qualitative studies examining the determinants of organizational innovativeness (including the adoption of websites) were primarily conducted in developed countries where the relevant technologies are well established and markets are highly competitive. As a result, factors influencing the decision to create, or not create, a website presence and to use this for IR activities in a developing country have been very largely ignored in prior studies. Different outcomes might be observed in this study, where cultural, economic, and technological differences may all be important. Internet reporting is viewed in this study as an investor relations tool, and the institutional** and diffusion of innovation theories are employed to help explain corporate behavior.

The remainder of this paper is organized as follows. Section 2 discusses theories explaining internet reporting. Section 3 reviews relevant prior research. Section 4 describes the research methodology employed in this study. Section 5 reports the results, and Section 6 concludes.

2. Theories explaining internet reporting

Prior studies have, with only a few exceptions (see for example, Xiao et al., 2004) viewed internet reporting as part of corporate voluntary disclosure strategies and have applied an approach similar to that used to explain the disclosure of voluntary information in hard copy annual reports. Arguably, this is appropriate when all, or almost all, listed companies use the internet and the use of the internet for IR activities may be considered to be normal or even essential, and not a matter for consideration or debate. In this regard, Marston and Polei (2004: 293) argued that: "…it can be assumed that these theories (Agency, signaling, and cost and benefit theories[3]) explain information disclosure via corporate websites…" However, in a country where companies have very different levels of online presence and a significant number of companies either do not use the internet or use it to a very limited extent, decisions about internet reporting cannot be treated in isolation from decisions about the adoption of the internet as a tool for corporate communication.

The use of the internet as a new medium to disclose information might be viewed in terms of both the innovation diffusion theory and institutional theory, implying that companies' online reporting practices are likely to be influenced by organizational innovativeness and institutional pressures as well as managements' incentives for voluntary disclosure.

In this regard, innovation diffusion theory seeks to explain differences across organizations, or why some organizations have adopted the internet, while others have not. The adoption of an innovation rarely contradicts existing organizational features. Instead, adoption decisions are typically consistent with the experiences and needs of adopters, complementing rather than contradicting existing values and habits (Flanagin, 2000: 622 citing Rogers, 1995). Using this theoretical framework, website adoption may therefore be explained by the particular combinations of organizational features found in specific organizations, in particular the extent of managerial expertise, openness and support, and the perceived attributes and advantages of this evolving medium. According to Rogers (1995: 16): "innovations that are perceived by individuals as having greater relative advantages, compatibility, trialability, and observability and less complexity will be adopted more rapidly than other innovations".

However, decisions to adopt new innovations are likely to also be influenced by social pressures, suggesting that companies may use the web for IR activities largely irrespective of the direct costs and benefits. This suggests that institutional theory may also help explain corporate practices. Institutional theory more generally examines the role of social pressures in shaping a firm's behavior (Ingram & Simons, 1995; Oliver, 1997). In doing this, DiMaggio and Powell (1983: 149) used the concept of isomorphism, citing Hawley's (1968) description of isomorphism as "a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions". DiMaggio and Powell (1983) identified three mechanisms through which institutional isomorphic change occurs: (1) *coercive isomorphism* that stems from political influence, and the problem of legitimacy; (2) *mimetic isomorphism* resulting from standard responses to uncertainty; and (3) *normative isomorphism*, associated with professionalization. Flanagin (2000), for example, used *normative isomorphism* to argue that companies that perceive themselves as leaders in their field will be more flexible and innovative with respect to website adoption. In contrast, *mimetic isomorphism* is more useful in explaining the behavior of followers, where the imitation of other firms' behavior occurs as a result of uncertainty, leading the firm to check competitors' actions and responses and imitate similar, large, and/or successful firms.

3. Prior studies

The determinants of web-based disclosures have been examined thoroughly in prior studies, most of these were quantitative, focusing only on companies with corporate websites (see for example, Abdelsalam & Street, 2007; Ashbaugh et al., 1999; Bollen et al., 2006; Craven & Marston, 1999; Ettredge et al., 2002; Ezat & El-Masry, 2008; Kelton & Yang, 2008; Marston & Polei, 2004; Oyelere et al., 2003; and Xiao et al., 2004). Studies examining the determinants of organizational innovativeness (including the adoption of websites) are primarily qualitative in nature. Typically, they have explored perceptions and attitudes affecting the decision to have, or not have, a website using interviews or questionnaires. While most of these studies are not directly concerned with investor relations activities but have looked at either business communication in general or public relations activities, many of their findings are relevant to this study because of the interdisciplinary nature of IR.

Hill and White (2000) and White and Raman (2000) conducted interviews with US public relations practitioners to examine what motivates companies to introduce a website. Hill and White (2000) found that this decision was often taken to demonstrate competiveness or to show that the company is on top of the technology. Similarly, White and Raman (2000) found that websites were often considered to be status symbols, that they were perceived to be evidence that a company has the latest technological bells and whistles, so that websites served

[3] Craven and Marston (1999: 324) noted that cost–benefit analysis cannot perhaps be termed a theory of disclosure because the costs and benefits themselves can be predicted by theory or theories such as agency theory.

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