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Mediating Markets: Financial News Media and Reputation Risk Management

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For Dr W.E. Masie (29.7.1948 – 7.12.2013)

Never Doubt

Abstract

The increase of interest in financial culture following the financial crisis, which started in 2008, as well as the proliferation of financial data, have sparked an emerging research agenda into the role of financial news media. Moreover, financial news media is an important research topic in finance because information released through the media has a wider audience than other information intermediating systems in the financial market.

This thesis defines the financial journalist as a significant actor in the intermediation of financial information. It also contributes to understanding how the relationships between intermediaries in firms' information environments affect financial markets, and in particular whether claims for professionalization can be made by financial journalists and public relations practitioners for their interrelating activities. The further contribution of the thesis is its integration of an interdisciplinary and mixed methods approach. The thesis investigates the research problem through three independent empirical studies that are linked to the research aim of the thesis, and each other, but can be read independently.

The first study uses the quantitative, event-study method and tests how 100 small-cap US stocks are affected by different types of carefully-selected information, namely analysts' recommendations, corporate filings, news media, public relations wires and stock tips received over five years from 1 January 2006 to 31 December 2010. Its first contribution is a problematisation of firms' information environments from an information intermediation perspective. It therefore finds that news media has the largest negative and absolute effect on stock prices, trading volumes and volatility. The intuitions for this are news media's wide dissemination; its attraction to reporting bad news, as well as to interpreting events negatively. Further, its independence from firms and role in corporate governance are thought to make bad news especially surprising.

The second and third studies form two halves of a qualitative symmetrical study that tests for the intuitions and findings of the quantitative study. They do so through structured and semi-structured interviews with experienced journalists and corporate public relations practitioners about their own perceptions of their respective self-constitutions and ethics; their relationships to each other; their understandings about how their own work and other information intermediaries' work in firms' information environments affect financial information; and to determine if and how these factors affect the manner in which they go about doing work. Study 2 considers journalists as actors in the financial market by problematizing them as information intermediaries who disseminate financial information and contribute to corporate governance. It finds they have a professional ethic biased towards reporting bad news and contributes to understanding the professional constitutions and knowledge construction activities of journalists through demonstrating how their beliefs, motivation and self-awareness influence reporting choices and actions. Their level of expertise and credibility in these activities is linked to the relative performativity of news stories. Study 3 studies the expansion of public relations' reputation risk management activities in relation to journalists and evaluates the industry's claim for professionalism using Gieryn's (1983) analytical framework of boundary-work. It considers public relations practitioners as actors in financial markets in the context of globalised, high-speed financial markets and increased demands for corporate social responsibility. It finds that public relations is increasing its monopoly over the dissemination and intermediation of financial information but cannot yet make a claim for professional jurisdiction over these activities.

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Declaration

I certify that this thesis does not incorporate any material previously submitted for a degree or diploma in any University; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person where due reference is not made in the text. I also certify that the thesis has been composed by myself and that all the work is my own.

Desné Masie, February 2014

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List of Abbreviations

CEO	Chief Executive Officer
EMH	Efficient Markets Hypothesis
IPO	Initial Public Offering
IR	Investor Relations
CSR	Corporate Social Responsibility
ESG	Environment Social & Governance
FT	Financial Times
HOTS	Heard on the Street
PR	Public Relations
PR	Public Relations Practitioner
PRs	Public Relations Practitioners
SEC	Securities and Exchanges Commission
UK	United Kingdom
US	United States of America
WSJ	Wall Street Journal

List of Legislation and Soft Law

European Council Market Abuse Directive (“MAD”) (2003/6/EC)

European Markets in Financial Instruments Directive (“MiFID”) (2004/39/EC)

Financial Services and Markets Act (“FSMA”) 2000

“Rule 10b-5” Securities and Exchange Commission 2013 Title 17 - Commodity and Securities Exchanges. Chapter II. Part 240 - general Rules and Regulations, Securities Exchange Act of 1934. Subpart A - Rules and Regulations Under the Securities Exchange Act of 1934. - Manipulative and Deceptive Devices and Contrivances: Rule 10b-5

Chapter 1

Introduction

1.1 Importance of Topic and Development of Research Questions

This thesis explores the effects of financial news media in financial markets using mixed methods and a multidisciplinary approach.

Financial news media has become an increasingly important area of study in financial markets. This is particularly salient in view of the efficient market hypothesis, a cornerstone of financial theory that asserts an efficient market of the semi-strong form[1] reflects all publicly available information in its prices (Fama, 1970, 1991). According to (Davis, 2007: 163), the media now provides over a third of "serious news space" in financial markets. In addition, the combination of the internet and smart personal technology means that financial news is now accessible 24 hours a day, 7 days a week, across time zones in real time at unprecedented speed. Further, the provision of financial news and information counts for the majority of revenue of broadsheet newspapers (Davis, 2005). Hence, if media can reach the widest audiences it would follow that this could have significant implications for financial markets.

The media are regarded as a form of price-sensitive information but enjoy protections of their journalistic freedom especially in relation to their sources (UK *Financial Services and Markets Act 2000* and EU Markets in *Financial Instruments Directive 2004/39/EC).* Financial journalists' role as information intermediaries in financial markets therefore warrants further attention. This intermediation of financial information by the financial news media is therefore one of the main issues this thesis investigates.

[1] The semi-strong form of market efficiency is thought to be the form that markets take in reality

One of main reasons for the growth of interest in financial news was the popularization of mainstream investing under Thatcher and Reagan in the UK and US (Davis 2002). The ongoing financial crisis, which began in 2008, and other corporate and regulatory scandals such as Savings and Loans and Enron have also brought the financial market firmly into popular culture. The economy and the financial market now regularly feature on the front page of mainstream newspapers and magazines.

The financial crisis made stars of financial journalists such as the *Financial Times'* Gillian Tett and the BBC's Robert Peston. The Keynesian economist Paul Krugman's column for the *New York Times* saw him reach superstar status with his three-day lecture series on his book about the ongoing 2008 crisis, *Depression Economics,* at the London School of Economics (2009) selling out on all three days.

Films and books too, have seen the financial market capture the popular imagination.

Films such as *Wall Street* (1987); *Blue Jasmine* (2013); *The Wolf of Wall Street* (2014); *Bonfire of the Vanities* (1990); and *American Psycho* (2000) explored themes such as sociopathy; materialism; Ponzi schemes, excess and greed in financial culture. *Inside Job* (2010) and *The Last Days of Lehman Brothers* (2009) looked at the financial crisis and *Enron: The Smartest Guys in the Room* (2005) looked at the eponymous corporate scandal.

Meanwhile books such as Robert Shiller's *Irrational Exuberance* (2000) and *Animal Spirits* (2008) (with Akerlof) look at the role of the media in herding behavior and hype in the dot.com and subprime real-estate bubbles. *The Barbarians at the Gate* (1990) looked at CEO hubris, corporate raiders, and media hype during the KKR leveraged buyout of Nabisco and Matt Taibbi's *Griftopia: Bubble Machines, Vampire Squids, and the Long Con That Is Breaking America* (2010) did a Galbraithesque chronicling of the ongoing 2008 financial crisis with a particular emphasis of the role of Wall Street stalwarts Goldman Sachs and AIG.

The ongoing financial crisis and prominence of the financial market has led to a number of studies asking how it is that the majority of financial journalists missed the biggest story of the

decade by not seeing the financial crisis coming, and hence, indeed what financial journalism itself is then for? (See Tambini (2009); Schecter, 2010, and Stiglitz (2011)))

Popular culture's interest in finance, as with all aspects of human experience, is skewed towards malfeasance, drama and crisis, and the mass media appeals to these public appetites in all genres of news (McNair, 1998). This thesis therefore investigates whether reporting bad news forms a core part of journalists' news values, and if so, whether companies respond to journalists' news values as part of their reputation management activities

But it is not just the blockbuster financial news stories such as crises, mergers and acquisitions, CEO sackings, corporate fraud and regulatory malfeasance that have made the financial market popular or significant in the public imagination. The fact is that financial news media, in being a form of price-sensitive information, provides information on the day-to-day routine disclosures about corporations' financial positions and so are an important contributor to the democratization of market information, and provides visibility and exposure for firms (Bushee and Miller, 2011).

However, wide dissemination of the news media means the smallest issue can snowball into something much bigger, and negatively impact corporate value and reputation, which creates more opportunities for financial PR (Power, 2004). In addition, these factors have seen traditional news media platforms resources' decline (Doyle, 2006), which makes quality journalism ever more important. Social media has been a particular contributor to financial momentum and activism (Bollen, Mao and Zeng., 2011) The media and social media in particular is therefore often perceived to have a negative bias and regarded with suspicion by blue chip corporates in particular (*IR Magazine,* 2011).

With the increase of computer-authored and -traded financial stories, it will become increasingly important to regulate quality and ascertain who or what a financial journalist is or if accreditation is required to practice as one (Tambini, 2011 and Kleinnijenhuis, Schultz, Oegama and Van Atteveldt. (2013)). These issues, against the backdrop of increasingly efficient high-speed financial markets, make the role of the financial news media increasingly salient. Not least,

because they delimit and change the opportunities for financial journalists to bring genuinely new information to the financial market.

The impacts of the digitalization and the democratision of the internet therefore also require the attention of accounting and finance research on market efficiency and price discovery into financial news media and its effect on capital markets. This thesis therefore explores how the modern financial information environment, particularly the rise of PR and computerisation affect traditional forms of financial journalism and corporate disclosure.

Until recently, financial news media in its traditional and emerging forms has largely been ignored as a serious object of study in the accounting and finance literature. However, the developments highlighted above have seen the media begin to catch the attention of accounting and finance academics in the past five years or so, and an emerging research programme assessing the role of journalists as financial information intermediaries is being established.

For example, some of the seminal papers in this area have built on the media's well-known role in media theory for maintaining democracy in its role of the "fourth estate" (Curran, 2011). This role has been applied by some accounting and finance researchers to explore the media's role in corporate governance, such as: Dyck Volchkova, and Zingales 2006); Miller (2006); Borden (2007); and Dai et al (2013). Others have explored the media's role in ameliorating information asymmetry as information intermediaries such as Chan (2003) and Bushee, Core, Guay and Hamm (2010). Some have contributed findings in relation to the directional causality of the media's information intermediation function such as Dougal (2012) who use linear regression to test the effects of individual *Wall Street Journal* columnists on the *Dow Jones Industrial Average* and find the journalists' fixed characteristics to be a significant predictor of future *Dow Jones Industrial Average* returns up to 40%.

However, all the research to date has found, with quantitative analysis, that the media has an overall negative effect on returns and a positive effect on volumes (See Fang and Peress (2009); Tetlock (2007) and (2010). While some of these studies vary across countries, firm-size and some use more than one information source, only one paper, Taffler and Ryan (2004), in the literature has categorized a pluralistic universe of information intermediaries in the firm's

environment and considered how they act in concert but this has been done ex post and not *a priori*. This is a gap in the research for a more pluralistic categorization of information intermediaries will facilitate a more comprehensive typology of these actors, and in turn make comparison and contrast more meaningful.

None of the accounting and finance studies have explored their intuitions for the observed results using qualitative methods, or interviewing the journalists themselves about their understandings of the work they do (for example, Solomon and Sosyura (2011) who provide explanations based on secondary data). This is another gap in the prior research. This thesis makes a contribution by exploring these gaps in the prior research, articulated explicitly below in the research questions and accompanying contributions.

The financial information intermediation role of the media is also largely absent from the sociology of the professions and the social studies of finance and accounting research. This thesis hence makes a multidisciplinary contribution by including these literatures to increase understanding of what financial journalists contribute to information intermediation in financial markets and the areas of financial knowledge over which they claim jurisdiction in the orthodox accounting and finance literature.

There are some seminal papers on the role of financial journalists in the market in the social studies of accounting finance, such as Kennedy, 2007 who looks at how media coverage facilitates the "counting" of firms by investors, and Clark, Thrift and Tickell (2004) who look at how the media is performative[2] in financial markets.

In the sociology of accounting and finance, Preda (2007) has looked at the case of financial chartists through the lens of the sociology of professions in relation to the financial markets and Abbott (1988) has looked at the information professions more generally in the sociology of professions literature. This is though the first study, to my knowledge, to look at journalists and PRs (as discussed below) through the lens of the sociology of professions in relation to the

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[2] To say that something is performative, is to say that it induces action, and does not merely describe something. (See MacKenzie, 2008 for example.)

financial market. By looking at the sociology of professions, the claims of journalists and PR as financial information intermediaries can be investigated particularly with regard to their relationship to each other and claims to expertise in financial markets. The thesis makes a contribution to the gap in this literature.

There is not much research on the role of investor relations in financial information intermediation, and virtually nothing on the role of financial public relations. However, some seminal papers such as Marston (2001) and Bushee and Miller (2011) look at the role of IR in increasing firm following, and a small emerging research cluster has looked at the role of press releases (normally written by PR or IR about the firm) such as Greene et al (2011); Solomon (2012); Ahern and Sosyura (2013); and Neuhierl et al (2013). This literature, which looks at investor relations and press releases, has focused on the relationship of the firms with its shareholders and financial analysts and is at times conflated with the voluntary disclosure literature. This explains why the firms' management of its relationship with its stakeholders through reputation risk management or public relations is largely absent from the orthodox accounting and finance literature. Corporate reputation risk management has been acknowledged within the corporate social responsibility literature by Bebbington (2008) as have press releases for impression management in the context of environmental reporting (Merkl-Davies, 2013).

However, public relations has not been viewed from the perspective of information intermediation and how the increase of CSR has subsumed investor relations into the public relations function. Power (2004) asserts that reputation risk management represents an opportunity for public relations firms to expand their activities into risk management particularly in light of media's amplification role of news events. This thesis hence makes a contribution to looking at the importance of reputation risk management through public relations as an important aspect of corporate valuation.

The thesis also contributes to the literature by doing this research through interviews with public relations practitioners as well as considering the increasing jurisdiction of public relations over activities of corporate reporting, information intermediation and reputation risk management by drawing on the sociology of professions literature as one of its multidisciplinary contributions in this regard.

None of the extant literatures have interviewed financial PRs or vigorously researched the reputation risk management function from the perspective of its effects on corporate valuation. This study also makes a further multidisciplinary contribution to the literature by looking at the corporate reputation management and public relations literature. The intermediation role of financial public relations is largely absent from the social studies of finance and accounting.

There is a small body of research in the literature on public relations that considers these actors in the sociology of professions and in relation to financial markets (See Davis: 2002) but more research is needed on this in accounting and finance research due to the increasing pervasiveness of financial PR and the declining resources of financial journalism (See Doyle, 2006).

The influence of the changing topography of financial information due to high-speed financial markets; bubble and crisis-prone financial markets and social media has been looked at in the journalism literature Tambini (2009); Shiffrin (2010) and Kleinnejinhuis et al (2013). Economists and accounting researchers such as Shiller (2000); Kindleberger and Aliber (2005); Bhattarcharya et al (2009); and Stiglitz (2010) but not much is known about how this will change the role of information intermediaries and the role this may have on corporate reputation. This is another important and relevant gap in the literature to which the thesis makes a contribution.

In sum, when this research project began in 2008, there was hardly any research in this area, and even though the growing importance of it was recognized, it was a persistent worry if the research topic would find a home in the literature in those early days. Ironically, the financial crisis and the growth of media platforms through the internet have brought into question the manner in which we consider financial problems and there is now a rapidly growing strand of literature in accounting and finance to which this thesis makes a contribution.

The sections which follow discuss the more specific research questions and the subsequent empirical, methodological and theoretical contribution of the findings to subsequent empirical, methodological and theoretical contributions in relation to this research question. This sets out the research objectives of the thesis.

1.2 Research Questions

RQ1: Overarching Research Question

In light of the preceding discussion, the overarching research question for this thesis is therefore: "How does the news media affect financial markets?"

Empirical Research Questions

This thesis has some core empirical questions that are explored in each of the empirical studies:

RQ2 How are financial market movements associated with news media in comparison to other types of financial information? (Explored in Chapter 4);

RQ3 How do financial journalists understand their professional constitution and related effects of their activities in financial markets? (Explored in Chapter 5); and

RQ4 Do companies see news media as a reputation risk and is this managed through a formalized reputation risk management programme? Can financial public relations therefore be regarded as a profession? (Explored in Chapter 6).

RQ5 Conceptual Research Question:

The research that has looked into financial news media in the accounting and finance literature has predominantly measured the quantitative effects of media in financial markets. The conceptual research question thus asks:

"How is this research inadequate and limited and how can it be improved upon to get a more complete picture of the underlying institutional factors that influenced the relationship between financial journalists and corporate disclosure?"

RQ6 Methodological Research Question

It did not seem reasonable to approach the subject matter of the thesis in a wholly quantitative/positivist manner or wholly qualitative manner. Some of the exploratory pilot studies of the research indicated the assertions of the thesis would certainly benefit from

quantitative measurement, but the thesis also deals with some "big picture", subjective ideological concepts and social trends which can be difficult to measure or speculate about with quantitative methods alone. Hence the methodological research question asks:

How can qualitative and quantitative methodological approaches be integrated to capture subjective and objective factors relating to media's effects on financial markets?

RQ7 Theoretical Research Question

The core theoretical research question explored in this thesis is informed by the overarching research question and influenced by the gaps in the literature and the subsidiary research question it thus asks: "Why can the professional constitution of the financial journalist be problematized to define a new type of information intermediary in the financial market in relation to their effects and activities in financial markets?"

These research questions were integrated in order to provide a more holistic insight into the overarching research question and to consolidate the theoretical contribution of the thesis to the literatures concerned.

1.3 Structure of the Thesis

The thesis comprises this introduction, which summarises the development of the research questions empirical, methodological and theoretical; and the contribution made of each of the chapters in answering them; a literature review, which critically surveys and organises the relevant prior research; a methodological chapter, which exposits the philosophical underpinnings of the thesis and describes its design and methods, and three empirical chapters, Study 1, 2 and 3.

Empirical study 1 is a quantitative event study that measures the effects of media on the returns and volumes of US small caps from 2006 to 2010.

Empirical study 2 is a qualitative study using the analytical tools of the sociology of the professions and reflexivity with the data collected from interviews with financial journalists and discourse analysis to assess journalists' understanding of their own news values, performativity and professional status.

Empirical study 3 is a qualitative study using the analytical tools of the sociology of the professions and boundary-work with the data collected form interviews and using discourse analysis to assess financial public relations' understanding of their own news values, reputational risk management activity and professional status.

The empirical studies are three separate but linked empirical studies, that may be read independently, and therefore have their own literature reviews, empirical frameworks, and methodological sections. These three chapters are linked to the overarching research question and also to each other. The thesis ends with a conclusion that synthesises the empirical discussions for the thesis overall by looking at the way in which the 3 empirical chapters interlink and contribute to accounting and finance research.

The thesis chapters are specifically structured as follows. Chapter 1, this introduction – which sets out the importance of the study and the manner in which the thesis hopes to explore the research opportunities identified. Chapter 2 is the literature review and also sets out the research framework in this regard. Chapter 3; the methodology section sets out the mixed-methods methodology by surveying the literature and the rationale for its adoption in accounting and finance research. Chapter 4; which comprises the first empirical study, 'Market Reactions to News Media' is quantitative as described above. Chapter 5, which comprises the second empirical study, 'Knowledge Construction and Reflexivity in Financial Journalism' is qualitative as described above. Chapter 6, which comprises the third empirical study 'Reputational Risk as Boundary-Work in Markets for Financial Information' is also qualitative as described above. The thesis concludes with Chapter 7, which sets out the overview of the thesis, the summary of its empirical findings, the contribution of the thesis through the integration of its methods and findings, as well as the limitations and directions for future research.

Chapter 2

Literature Review and Research Framework

2.1 Introduction

2.1.1 Overview of Chapter

The research on the role of the effects of the financial news media on the stock market in the accounting and finance literature is a still nascent but rapidly-growing into a fertile research area. There are one or two papers from late 1980 and 1990, but the research theme was only again picked up with any degree of seriousness in the literature around the time of the 2008-2013 financial crisis, when the role of financial journalists in society and markets was interrogated and financial themes became more prominent in popular culture (Schecter, 2009 and Tambini, 2010) in several disciplines.

The past decade in particular has seen a proliferation of interest in the topic and the majority of peer-reviewed and working papers in this area have emerged during this period. Yet, the total number of peer-reviewed, published articles included in this review is still small, with the majority of the research in the accounting and finance literature, but still indicating good potential for research and publication in this area.

The purpose of this literature review is to survey the accounting and finance literature with regard to why and how the news media affects financial markets and how this has seen financial journalists emerge as a new actor in information intermediation, which is the main research problem of the thesis – as set out in the previous chapter. In addition, it includes the social studies of finance literature, and literature in other disciplines relevant to the topic, particularly in media studies and public relations. Because this research area is still developing in the accounting and finance literature, it is helpful to draw on other literatures, which have considered this problem in more detail.

2.1.2 Structure of the Chapter

This introduction, Section 2.1, is followed by Section 2.2, which is the discussion of the institutional setting, and thus looks at the conceptual issues in accounting and finance that are related to the media and the stock market. The institutional discussion is, however, delimited to market efficiency, the desirability of information intermediation in achieving this, and hence, the claim that journalists can make in relation to information intermediation as a news actor in the financial market.

The institutional setting discussion is followed by Section 2.3., which surveys literature that specifically looks at the relationship between the financial media and the stock market in four dimensions. First, it looks at the literature that asserts that financial journalism constitutes the financial market. Second, it looks at the literature in accounting and finance, which has specifically measured the information content of financial journalism in stock markets by considering its effects on stock prices and other financial market metrics such as bid-ask spreads and trading volumes. Third, it looks at the role of bad news and its impact on financial market anomalies and its amplification through its attention-grabbing effects and human behavioural biases. Fourth, this section looks at the role of financial journalism in corporate governance and market regulation.

Next, Section 2.4 looks at literature that contemplates the manner in which corporations make voluntary disclosures and represents its mandatory disclosures. This is done by a survey of the voluntary disclosure literature, and the closely related, and sometimes conflated investor relations literature. The rationale for doing this is as these corporate disclosures form a part of the information sources with which financial journalists do their reporting and analysis, and some of these disclosures will be crafted with financial journalists in mind, as well as the firm's investors and analysts. It also discusses the manner in which this literature could evolve in consideration of the increased pervasiveness of the media highlighted in Section 2.3.

Finally, Section 2.5 comprises the summary of the chapter and the main potential research contributions that could be made by addressing the gaps in the literature identified in each of the preceding sections. This synthesizes and concludes the literature review section.

Due to the fact that this is an emerging area, albeit a rapidly-growing one, the approach to the literature review is to survey multidisciplinary literature to date on media, and delimit the research around the institutional setting by only looking at key papers with regard to fundamental related concepts of market efficiency, corporate disclosure and governance.

It is hoped that one of the contributions of the thesis will be the scope of the literature review, which at the time of writing, was the most comprehensive on the topic.

2.2 Institutional Setting

The literature on financial journalists overlaps with several fundamental areas of accounting and finance research. The institutional setting section sets out how journalists fit into the stock market as actors by examining their role and effects on the financial market.

The section therefore comprises four applicable areas. First, it sets out briefly the issues related to market efficiency, and next why information intermediation is important for ensuring market efficiency, and third, it considers the literature on information intermediaries as financial experts; and fourth, how journalists fit into this literature in their role as information intermediaries.

2.2.1 Market (In)Efficiency

2.2.1.1 The Efficient Market Hypothesis (EMH)

The thesis, in evaluating the determinants and effects of the disclosure of financial information, is predicated on a seminal theory in finance that market prices generally reflect the amount of information that is known about an asset. In exploring the effects of media in financial markets, the thesis is interested to establish how the financial news media contributes to what is known about an asset, and how the market forms a consensus in relation to it. These attributes of the financial market with regard to its relationship to information, are based on the Efficient Market Hypothesis (EMH) I and II set out by Eugene Fama (1970, 1991) and the related Random Walk Theory of security prices (Fama, 1965), which will now be described respectively . According to Fama (1970: 383), an ideal market is one in which "prices provide accurate signals for resource allocation" ... that is, where "security prices "fully reflect" all available information. [Hence] a

market in which prices always "fully reflect" available information is called "efficient". This is, of course, with the proviso that agents hold rational expectations, despite long-run anomalies and that such information is costless in frictionless markets (Fama, 1970, 1991). Further, according to Fama (1965), the actual prices of securities will wander randomly around their intrinsic values on receipt of new information, to which they are expected to instantaneously adjust - this is the random walk theory.

Further, Fama (1970) contended that there are three different forms of market efficiency which are asserted to be the following:

i) the weak form (where prices display all past information and follow a random walk);
ii) the semi-strong form, (which is the form of market efficiency to which markets in practice are thought to correspond, and also includes the weak form because prices reflect all publicly available information); and
iii) The strong form (which includes the two prior forms because prices reflect all available information, both public and private).

Fama (1991) updated the three forms of market efficiency categories to accommodate the expanding literature as follows:

i) *Tests for return probability* (formerly the weak form);
ii) *Event studies* (formerly the semi-strong form) enabled by powerful computing techniques; and
iii) *Tests for private information* (formerly the strong form)enabled by research such as Jaffee (1974 cited in Fama 1991) who observed abnormal returns from insider trading.

The revised categories broadly correspond to their former descriptions but the tests for return predictability says Fama (1991: 1576) were intended to include research on anomalies.

2.2.1.2 The EMH and Its Discontents

The EMH, however, like several economic theories, functions on the basis of many (perfect-world) assumptions, which often involves no frictions or other inconveniences, as the provisos to the EMH above indicate. Fama (1970: 387) admitted the limitations of the theory and

concedes that: "A frictionless market in which all information is freely available, and investors agree on its implications is, of course, not descriptive of markets in practice".

Despite its continued dominance in financial theory, and recent evidence that increased computerisation and high-frequency trading has made financial markets more efficient by aiding price discovery (Brogaard et al 2013), the EMH is not without its critics (Kleinnejinhuisen et al 2013).

Some economists such as DeBondt and Thaler (1985) have cited market anomalies as evidence of market inefficiency. However, Fama (1997: 284) riposted that a critique of market efficiency that merely states market inefficiency as its premise is wholly insufficient, unscientific, and a "faulty description of price formation" because market efficiency can only be replaced by a "better specific model of price formation, itself potentially rejectable by empirical tests." In addition, Fama (1997) offered a more robust alternative explanation for supposed "inefficiency" in proposing *underreaction* and *overreaction* by investors as alternative theories instead.

Other economists, again, believe that market inefficiency is the result of human irrationality and behavioural biases. For example, Andrei Shleifer, (2000) provides three explanations: rationality, independent deviations from rationality and, hence, arbitrage from this. Barberis, Shleifer, and Vishny (1998); Daniel, Hirshleifer, and Subramanyan (1997) look at the role of judgment biases. Robert Shiller (2000, 2002) asserts psychological factors such as herding, heuristics and overconfidence to be a primary contributor to investors' decision-making processes and market movements resulting in pronounced momentum, bubbles and ultimately, crisis. [See also Kahneman and Tversky (1982), Kindleberger (2005); Binnswanger (1999); and Shiller with Akerlof (2009).]

2.2.1.3 Why is market (in)efficiency important for the effects of media in financial markets?

Market efficiency or lack thereof is relevant to the main stream of enquiry of this thesis, because testing for media's effect on financial markets is also a test of market efficiency. If the news

media were releasing only publicly available information, it should not affect the financial market (Kleinnijenhuis, 2013). However, there is a lot of research extant - discussed in more detail in Section 2.3 that evidences media's effect on the market, so Kleinnijenhuis' (2013) assertion requires further explanation and research. Either the market has attributes that mean it may not be totally efficient, or the media has qualities that contribute to an effect in the market by revealing new information or producing a secondary effect on a repeated dissemination of the same information.

According to Schuster (2003a), it has been shown that the EMH is too simplistic for a complex system such as the financial market. Schuster (2003a) maintains this because under certain conditions, dynamic disequilibria can remain sticky in financial markets and that the media are a significant contributor to this, as well as to herding behaviour amongst investors. This, he says, demonstrates that markets can be "efficient and inefficient at the same time".

Kleinnijenhuisen (2013) says the EMH's assertion that prices follow a random walk – that there is no dependence in a series of successive price changes of stocks – is brought about precisely by the eagerness of stock market traders to make use of unreliable prophesying knowledge, and the fact that analysts spend hours studying the latest newspapers, with the result that forex rates are also affected by news media stories. In addition, Kleinnijenhuisen (2013) asserts that recent studies on the impact of news media on markets clearly violate the EMH, by showing that it affects financial markets (See, for example, discussed below – Bollen et al., 2011; Engelberg and Parsons, 2011; Fang and Peress, 2009; Mitra and Mitra, 2011; Tetlock et al., 2008).

Another reason that the EMH is questionable is due to the nature of financial news itself. Says Kleinnijenhuisen (2013: 277): the EMH would "presumably hold in the case of completely *reliable* news that told the full story at once, but financial news as we know it is often partly unreliable, one-sided, unbalanced, inconsistent with prior knowledge, preliminary, outdated, PR spin and at the very least incomplete." Due to the existence of such anecdotal views about financial journalism - of which this quote is just one example of many that will be highlighted in this review - this thesis deems it important to establish how financial news affects financial markets in relation to other categories of financial information, as well as the knowledge-

construction practices of journalists that accompany news-production; and finally the role of the corporate reputation managers that attempt to manage the image and news for the corporations they represent.

Further, according to Kleinnijenhuisen (2013: 278), the EMH would also not be expected to hold on the basis of a variety of communication theories. The first of these is that the effects of financial news will not show up immediately, but also in the longer run, and hence traders will wait for follow up news before making decisions. Communication theories also show that in terms of "the third person effect", in general, news consumers believe that news has a stronger effect on others than on themselves. In addition, the two-step flow theory of communication means that news consumers need interpersonal communication – such as opinion leadership in social media – in addition to new information to convince them.

These issues are particularly pertinent in contemporary markets, which in the past decade have also ushered in the advent of online dissemination and participation; high-frequency trading algorithms in news analytics as well as computer generated news; and real-time financial information terminals such as those provided by the firms Bloomberg and Thomson Reuters. Recent research, such as that by Brogaard et al (2013) has shown that these developments make markets super-efficient, yet, at the same time, the puzzle remains that media continues to affect these hyper-efficient financial markets, in often unexpected and amplified ways. More research is clearly needed to investigate the effects of news media in financial markets particularly under contemporary conditions where high-speed trading has created demands for high-speed information (Harford, *Financial Times*, 2013). Not least because this area of research is still in its infancy but because the literature shows that news media as well as other information intermediaries exhibit an impact on returns and volumes despite computer-aided efficiency. This is an obvious space for development in the literature, but this thesis has not extensively explored computerisation as one of my research problems, but rather delimited to describing the changing information environment and how it might constitute a risk to the reputation management activities of firms. There is still much work to be done in understanding the fundamental building blocks of the financial news media's role in the financial market, as well as how financial journalists fit into the financial information environment as a new type of financial market actor. Chapter 4 thus deals with the research of information content and the adjustment of stock prices on receipt of news media and provides explanations for why the media produces

a secondary effect in financial markets - this is mainly, due to its wide dissemination and attention-grabbing qualities. Chapter 5 looks at the professional values of financial journalists as well as their knowledge construction and reflexivity in relation to the effects of their work in financial markets. Chapter 6 therefore interviews public relations practitioners how they think this and other future trends in news dissemination such as the dwindling resources of journalists will affect their reputation risk management activities in relation to the effects of financial news on their reputation and valuation.

2.2.2 The Importance of Information Intermediation

The premise of market efficiency means that financial markets require information to function. However, the previous section has provided evidence that the market is often inefficient and almost certainly imperfect. Information therefore has economic value in financial markets because they enable transactions and lower risk. Information can hence affect the price of assets and therefore certain types of information are classified as price-sensitive in the securities law. (See UK Financial Services and Markets Acts (FSMA) 2000 s 119 c(2) and the US SEC Rule 10b-5). FSMA defines price-sensitive information as information of a specific nature related to a financial asset that is not generally available, that, if it were to become available would likely have a significant effect on the price of the asset.'

According to Barker (1998: 4) the consequence of characterising the market as efficient in terms of the availability of information necessarily assumes the existence of a "conceptually distinct" "market for information" the significance of which implies that "if the market for information fails to make information available to the stock market" or incorrectly processes information, then an "informationally efficient stock market would fail in its primary function of efficient resource allocation".

Prices in financial markets do not, however, only affect information, but also the expectations of market actors in relation to information. Beaver (1968) asserts that share prices reflect the expectations of the market as a whole (and trading volumes the expectations of individual investors). Hence a divergence in prices attributed to assets by buyers and sellers can create illiquidity because price dispersion is a key indicator of the level of ignorance about an asset in a market (Stigler, 1961). Financial markets can therefore become risky if information is not

properly disclosed. The accounting and finance literature that discusses the value of information content to investors is discussed in more detail in Section 4.2.1 of Chapter 4 of the thesis.

Information asymmetry also creates agency problems between insiders and outsiders of firms (See Fama and Jensen, 1983 and Healy and Palepu, 2002). In the extreme case, information asymmetry can result in market failure if those without a private information advantage about an asset believe the market to be so unfair that they cease to transact (Akerlof, 1990). Proper corporate disclosure is therefore a seminal research problem in financial markets and corporate finance and a desirable aim for both (Frankel and Li, 2002).

Corporate disclosure may be voluntary; mandatory by regulation; or intermediated (Healy and Palepu, 2001). There are hence several actors in the financial market that can participate in the interpretation of news events or making private information public. Intermediaries, in particular, can enhance corporate disclosure as an extra check and balance on the system thereby contributing to corporate governance and market regulation (Forker, 1992). Womack (2002) hence asserts that information intermediation is a sensible approach to managing information asymmetry. Information intermediaries assist in bringing and disseminating new information to the market.

Bushee (et al) 2010 defines an information intermediary as an agent that provides information that is new and useful to other parties, either because it has not previously been publicly released or because it has not been widely disseminated. In addition, Leyens (2011) says intermediaries serve to increase the credibility of corporate disclosures and reduce investor uncertainty.

The accounting and finance literature and the corporate and securities law have traditionally contemplated intermediaries in financial markets as being one of the following three actors: analysts, ratings agencies and auditors. However, as the following diagram illustrates, these are not the only actors in the firm's information environment who intermediate financial information, and the rise of journalists and public relations practitioners as information intermediaries have largely been absent from the literature.

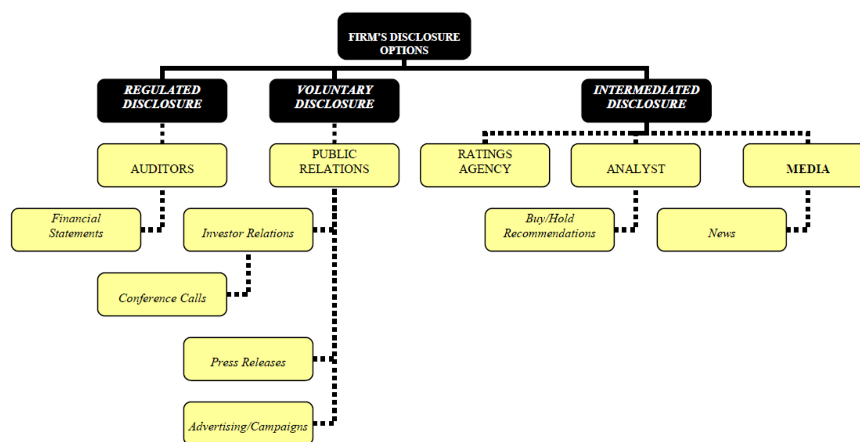

Figure 2.1 Model of the Firm's Information Environment

Financial journalists, whilst beginning to be acknowledged as intermediaries in the literature, have not yet been robustly problematized in the literature as an actor in information intermediation. This is despite increasing evidence that that the news media significantly affects share prices and captures investors' attention (such evidence is discussed in more detail below). Healy and Palepu (2001), Bushee et al (2010) and Solomon and Soltes (2011) in the accounting and finance literature contemplate explicitly the financial journalist as a potential financial market information intermediary but have not fleshed out the areas of expertise and professional jurisdiction over activities relating to financial market activities. The conceptualisation of the market for information in Barker (1998) contemplates a market for financial reporting, and a market for financial analysis, in a tripartite relationship between companies with analysts and fund managers, who both consume financial reporting data. Barker (1998: 4), however, concedes that this is a "stylised version of the market for information and it ignores other participants such as the financial media and the government". The model of the firm's information environment in Figure 1 thus contributes to a more complete problematisation of information flows in the market for information. The model, however, excludes fund managers because it contemplates a production model of information as opposed to a consumption model. While the intermediaries categorised here, namely news media, ratings agencies and analysts, do consume financial reporting data in order to do their work, their function is to *produce* intermediated information, namely: financial analysis, news, and financial ratings, whereas fund managers are consumptive in relation to financial information.

The journalist as financial intermediary is discussed in Section 2.2.3 below. This thesis thus extends on the literature mentioned in this section by demonstrating how the jurisdiction of the financial journalist over activities of financial information intermediation, which have not been explicitly and coherently been formulated in the literature.

2.2.3 Information Intermediaries as Financial Experts

As Section 2.2.2 discussed, the professionalization project of financial journalism has not been dealt with robustly in the literature, and so it is useful to examine the treatment of analysts and information intermediaries in general in their claim to expert knowledge to perform this function in relation to financial markets[3]. The professionalization project of financial journalism is hence significant in determining the financial journalists' authority over certain activities in the financial market. It is also relevant because it facilitates an understanding as to what determines the actions of journalists and what their purpose in markets is in relation to other, more fully articulated and legitimised actors. Chapter 5 hence looks into the knowledge construction processes of financial journalists using the literature of the sociology of professions as an analytical framework.

The literature which looks at information intermediaries' claim for expert knowledge specifically is limited. However, Preda's (2007) work on financial chartists is particularly helpful in this regard as it also considers intermediaries more generally as experts. Preda (2007) builds on Beunza and Garud's (2006) work on the analyst's contribution to making value calculable. Preda (2007: 41-42) asserts that this not only responds to the market's needs for calculating assets, but it also implies that "financial analysis becomes legitimised and accepted as economic expertise therefore highlighting the constitution of financial analysts as quasi professionals due to its internal differentiation" and the sharing of academic assumptions about economic value. Further, the claim to expert knowledge of information intermediaries in financial markets has to struggle with confronting:

> [C]laims of authority that extend to forms of economic knowledge which are quasi-professionalized but do not enjoy the same epistemic status with academic economics [.] …

[3] The literature relating to the professionalization project of journalism generally is dealt with in Chapter 5 which looks more specifically at the knowledge construction processes of financial journalists in relation to the market, and sets out how financial journalism makes a claim to expert knowledge.

> What counts, then, is the group's successful, legitimate monopolization of a domain of knowledge rather than it responding to a pre-existing functional need for that domain. This monopolization requires not only control over access to knowledge production but also the successful persuasion of users that they need a special form of knowledge in their activities.
>
> Preda, 2007: 43-44

Preda (2007) goes on to demonstrate how financial chartists make such claims through the production of knowledge that shapes and is shaped by the agenda of user groups for its consumption. The sections that follow below go into more detail, first, of the literature that shows how financial journalists might make a similar claim for expert knowledge by having a status of information intermediaries in the financial market, and, second, by surveying the literature that provides quantitative evidence justifying such a claim.

2.3 Financial Journalism and its effects on the Stock Market

2.3.1 Journalists as Information Intermediaries

The historiography of financial journalism is discussed in more detail in Chapter 5, but it is also important to note here in terms of the themes and contexts explored in the literature review and the gaps in the prior research that inform the research framework of the thesis as a whole. Poovey's (2002) research on the historical trajectory of financial journalism shows how it developed from rows of lists and numbers of shipping prices for the merchants of Lombard Street, and how narratives and advice were added over time (Poovey, 2002). This explains why in terms of information intermediaries, the professional constitution of financial journalists is most similar to that of sell-side analysts, who are regarded as information intermediaries in the accounting and finance literature.

Bushee et al (2010) contend that although the "business press is the broadest and most widely disseminated information intermediary", if it "does not add new material information" beyond the firm's disclosures it disseminates or reach a wider audience of investors than other intermediaries then it will not meaningfully enrich a firm's information environment. They

therefore test whether the press has an effect on firms incremental to firm-initiated disclosure and other intermediaries, namely financial analysts and institutional investors and find that press coverage reduces information asymmetry with broad dissemination having a bigger impact than quantity or quality of press-generated information.

Generally the limited accounting and finance literature that has explored the relationship of the media to the financial market has remained speculative as regards the institutional setting, professional constitution and knowledge construction of financial journalists, with an emphasis on the quantitative outcomes of financial journalism in relation to financial market metrics of interest. However, there is acknowledgement in the literature that an improved understanding of the constitution and motivation of journalists is desirable. For example, Solomon and Soltes (2011: 5) say "by understanding the press' choices we can begin to understand how the press complements other information intermediaries … as compared to the literature on analysts, our understanding of the determinants of what journalists choose to study is very limited". Solomon and Soltes (2011: 1) do not however undertake an empirical investigation of this issue by speaking to journalists, this particular study being concerned with the "variables which influence whether a firm receives press coverage and if so, how much". In the journalism studies literature, however, researchers such as Doyle (2006), Davis (2007) and Tambini (2010) have begun to investigate these determinants, particularly in relation to the increased demand for quality, quantity and speed in financial news, as well as the impact of corporate interests in relation to this. (Section 2.3.5 and Section 2.4 below respectively survey the literature in relation to corporate governance and how this is balanced by corporate interests in financial journalism.) Doyle's (2006) study is the most explicit in this regard, in exploring "where reporters get their ideas for stories from and how they approach their work [and] the particular circumstances in which production of financial and economic news takes place". However, Doyle (2006) also says there has been relatively little discussion in the academic literature about issues and features that are specific to this kind of journalism.

This thesis therefore builds on these studies. Chapter 5 of the thesis therefore extends this work by setting out these issues in the context of the historiography of financial journalism and the professional project of journalism per se in order to clarify the areas of professional jurisdiction and authority they have in the financial market in relation to the financial information. This builds on the work of Poovey (2002), Preda (2007) and Bushee et al (2010) by developing the constitution of the financial journalist as information intermediary, and hence as having a claim

to expert knowledge in Chapters 4 and 5. This thesis also develops the work of Doyle (2006), Davis (2007) and Tambini into the trends in financial journalism amidst the information demands, corporate interests and technological infrastructure of the modern financial market in Chapters 6.

2.3.2 Financial Journalism and the Constitution of the Market

The news media, in continuously watching over the financial market and recording its activities, has a legitimating effect on the market for several reasons. Preda (2010) says that actors which observe the activities in the capital market such as regulators, legitimate the activities of the market because the market has opened itself up to scrutiny. Hence, the media similarly serves to reify the financial market by giving its activities legitimacy through observation and reporting of those observations.

Other studies, such as those by Kennedy (2008) assert that the media allow firms to be counted by enabling a census of market entrance and legitimating them by opening up for investor following. Further, this role can be seen as sense-making by making the unfamiliar more familiar and organizing market typologies as the following quote evidences:

> The media's role in defining new markets can be conceived as market sensemaking … [which allows for] an unexpected or unfamiliar thing to be more plausible … news stories do this in two ways. First, media coverage brings visibility and "cognitive" legitimation and second, news stories position not-yet-legitimate firms as constituting an increasingly coherent category … making firms countable… Market sense-making contributes to shared interpretations through cognitive embedding, the process of building a shared mental map of associations that make up a new category or concept.
>
> Kennedy (2008: 272)

This is supported by the work of Tarim (2011) on narrative dynamics of legitimacy in financial markets, and who demonstrates how narratives contribute to sense making in the Istanbul Stock Market.

In addition, the media's activities in financial markets may also be described as performative. That is to say, the media is performative because it does not merely describe things in the

market; it also does things in the market and initiates action in financial markets. (See MacKenzie et al (2006) and Caliskan and Callon, 2009). Hence, the performativity of the news media in the financial market is therefore relatively straightforward to justify particularly in the light of the performativity of narratives through speech acts and utterances (See Austin, 1962 on performative writing).

In addition, Merton's (1948) formulation of the self-fulfilling prophecy supports the reification of market structure and legitimacy through confidence, because the beliefs of market actors are reflected in the news and those interpretations elicit action, making those ideas manifest in reality. For example, evidence in research by Pollock and Rindova (2003) show that publicly available information about initial public offerings (IPOs) not only reflects IPOs' legitimacy, but also adds to their legitimacy and influences investor behaviour. Pollock and Rindova's work is congruent with the case study by Davis (2000) on the Granada takeover of Forte, which Davis asserts saw media hype play an instrumental part in pumping up the share price. (See also Staikouras and Tsatsanis (2009) who find a systematic relationship between the variables capturing the market sentiment surrounding an IPO and its first day returns.) Section 2.3.4 below looks at why sentiment is such a strong force in markets due to its attention-grabbing effects and the cognitive biases of market actors. This also contributes to the amplification and distortion of the interpretation of financial events, and hence the realities of the financial market.

Preda's (2001) and Poovey's (2002) work on the rise and legitimation of investing is also important in understanding how financial journalism contributes to market legitimation and construction. In Victorian times, when stock markets emerged in society, they were confronted with a popular view of investing as a morally reprehensible activity. Preda (2001: 205) examines the "knowledge frame in which investing became a popular, socially legitimate, and desirable activity in England and France in the nineteenth century [through] investor manuals, newspaper reports, advice brochures, stock price lists, financial charts, and novels from the period, and hence made possible a financial knowledge that could be legitimately acquired and utilized by separate, unrelated, individual actors." Poovey's work (2002) shows how the rise of financial journalism as an economic genre contributed to the legitimacy of the stock market at the time by appearing in fiction and adopting narrative devices from economic writing genres as accounting.

Other researchers such as Clark, Thrift and Tickell (2004) look at how the media contribute to the social construction of the market by providing the platform upon which finance performs itself. Clark et al (2004) assert not only is finance "a never-ending series of daily events [but finance itself] has become a media event … [which financial institutions] take very seriously indeed". Hence, in this view, financial news media does not only promote financial action, but also sees finance consumed as a form of entertainment.

The permeation of finance in everyday life has seen its prominence increase in popular culture, as well as in the provision of financial news production both as information and entertainment. While presenting several opportunities, this has not been without its challenges; the thesis therefore explores the effects of financial journalism in Chapter 4 relative to other information intermediaries, and the response from financial journalists and corporations in Chapters 5 and 6 in relation to its effects on financial markets.

2.3.3 Market movements and News Media

This section looks at the quantitative empirical evidence in the accounting and finance literature that considers the effects and the value of information content of financial journalism on the stock market.

Early work in the accounting and finance literature

Early work by Boyd and Schonfeld (1977) showed that discussions with corporate advertising officers and media representatives are motivated to influence security prices. One of the seminal studies on news media and its effects on capital markets, is Lloyd-Davies and Canes' (1978) who looked at the *Wall Street Journal*'s[4] (*WSJ*) 'Heard on the Street' ('HOTS') column and found that low-cost recommendations by its analysts generated statistically significant abnormal returns.

Later research in the 1980s by Dopuch, Holthausen and Leftwich (1986) evidenced a significant negative stock price reaction to media disclosures of 'subject to' qualified audit opinions[5]. Cutler, Poterba, and Summers (1989) explored the relationship between news coverage and stock prices and casted doubt on the view that stock price movements are fully explicable by news about future cash flows and discount rates. Liu et al (1990) extended the Lloyd-Davies and Canes (1978) study by using single-company instead of multi-company data. Liu et al (1990) also examined the impact of the "Heard-on-the-Street" (HOTS) column of *The Wall Street Journal* on stock prices and found it had an impact on stock prices on the publication day; as well as a smaller, but statistically significant, impact on two days preceding the publication. Liu et al (1990) present a puzzle in relation to their research: if the market is efficient, then the management of portfolios based on these recommendations should not consistently outperform the market and therefore investors should not logically want to pay for this information. The fact that investors do pay for this information, according to Liu et al (1990), suggests that investment advice has economic value as discussed above. Liu et al (1990) further theorise that the cost for investors to produce the information themselves would be higher, which is supported by empirical evidence that recommendations by advisors, brokerages and ratings agencies do have the ability to move market prices (See especially, for example, Millon and Thakor (1985), Holthausen and Leftwich (1986), and Groth, Lewellen, Schlarbaum, and Lease (1979).)

In the 1990s, Pound and Zeckhauser (1990) also examined the 'HOTS' column, but looked at the impact of takeover rumours on stock prices published in the column and found that the market reacted efficiently to rumours. Stice (1991) investigated whether price and volume reactions to these earnings announcements occur at the SEC filing dates or at the subsequent *WSJ* announcement date and find on average no significant market reaction at the SEC filing date but evidence of the existence of a significant market reaction to the subsequent *WSJ* earnings announcement. Han and Suk (1996) also found that a separate reaction to publication in the media and other forms of intermediation subsequent to the first publication date with the interpretation that media coverage is responsible for wider dissemination of information due to the lower cost of acquiring information through the media.

[5] According to the Financial Reporting Council for the UK and Ireland, this is an audit opinion that is given "subject to" uncertainty about certain outcomes and events (FRC, 2013).

Ferreira and Smith (1999) examined the information content of the "Small Stock Focus" column in the *Wall Street Journal* but find mixed results, the explanation for this may be that small firms enjoy different analyst coverage and investor following than larger firms.

Dyck and Zingales (2003) found that stock prices were most reactive to the type of earnings emphasized by the press; that the effect was stronger for companies with fewer analysts and when the media outlet is more credible; and that media spin tends to follow the spin promoted by the company.

In summary, this strand of research evidences that cost of obtaining the information for readers, the extent of dissemination, and the size of the firms about which information is being disclosed are all factors that contribute to the quality and quantity of the relative information content in corporate disclosures.

The media and mutual funds

The growth of interest in the media and its relationship to stock markets in this century has also resulted in a strand of research papers that study the problem with specific reference to mutual funds. Fang and Peress (2011) study the relationship between mutual fund trades and mass-media coverage of stocks and find that those stocks receiving media coverage are more heavily bought by funds in the aggregate. Their results suggest that professional investors are subject to limited attention, and moreover, that such behaviour harms their investment performance. Comer et al (2011) examine the mutual funds that appeared in the *Wall Street Journal's* SmartMoney Fund Screen column from September 2004 through July 2009 and find that the majority of funds listed do not have Morningstar's highest five star rating. However, regardless of Morningstar rating, the average prepublication performance of the funds is significantly higher than the benchmarks used to measure performance. Post publication, fund performance declines, and the decline is statistically significant across our performance measures. Solomon, Soltes and Sosyura (2011) show that media coverage of mutual fund holdings affects how investors allocate money to funds, and controlling for fund performance, fund holdings with high past returns attract extra flows *only* for stocks recently featured in the media. In contrast, holdings that were not covered in major newspapers do not affect flows.

2.3.4 The Media, Bad News, Attention, and Behavioural Biases

2.3.4.1 Bad News

This section of the review will look first at the literature that is mainly observational in relation to bad news, and secondly looks at the explanatory literature in the behavioural tradition that asserts the reasons for the attention-grabbing effects of bad news can be explained by human cognitive and emotional biases. (See for example, Thaler (1999) and Nofsinger (2008).) In general, the research leads to the overall conclusion that bad news has greater effects and longer-lasting effects than good news, and that companies will therefore aim to manage the release of bad news.

Patell and Wolfson (1982) found evidence that good news is more likely to be released when the security markets are open, whereas bad news normally appears after the close of trading. A later important work by Chan (2003) presented strong evidence of drift after bad news and reversal after extreme price movements unaccompanied by public news, mainly in smaller, more illiquid stocks, thereby supporting theories of investor over- and under-reaction. Skinner (2004) finds reactions to bad news announcements are larger than reactions to good news announcements. Similar in spirit to the Patell and Wolfson (1982) paper is research by Bagnoli *et al* (2005) who found that the continued dominance of bad news in Friday announcements is strongly suggestive of managers' desire to take advantage of limited media coverage of companies on Fridays and weekends and indicates the management of firm-initiated disclosure of bad news. Schmitz (2007) finds only a very short-term post-event drift after good news, whereas prices tend to drift for several days after bad and that stock-recommendations published in the media. Tetlock (2007: 1139) finds "high media pessimism predicts downward pressure on market prices followed by a reversion to fundamentals, and unusually high or low pessimism predicts high market trading volume". Habegger and Pace (2008) document positive (negative) abnormal returns and volume associated with long (short) recommendations published in *The Wall Street Journal's* 'Smart Money Stock Screen'. Kothari et al (2009) find evidence consistent with their prediction that if managers delay the disclosure of bad news, but leak or immediately reveal good news to investors, then the reaction to bad news should be greater than the reaction to good news. Gurun (2010) shows that good news is endogenous, which may lead to a further explanation for the attention grabbing and often surprising effects of bad news. Li et al (2011) examine the role of newswires in identifying and conveying market-moving information in periodic SEC reports to capital market participants and find that newswires are more likely to

send alerts on firms that do not release preliminary earnings, have credit ratings, are included in major market indices, have litigation exposure, or report losses. Solomon and Soltes (2011) found evidence that more surprising and very negative news will receive more coverage by wires and an increase in the likelihood and amount of coverage by papers.

2.3.4.2 Attention and behavioural biases

Green, Hand and Penn (2011) report that while a number of good-news events reported in the business press exceed the number of bad news events, the bad news events are more broadly disseminated, especially for small firms and less newsworthy events. Their explanation offered for the dissemination bias is that bad news grabs journalists' "limited attention". Another important work on investor attention is by Barber and Odean (2008), wherein they test and confirm the hypothesis that individual investors are net buyers of attention-grabbing stocks, which are mainly defined by them as stocks in the news or receiving abnormal changes in price or trading volume. A related study to this is that by Mullainathan and Andrei Shleifer (2005), which finds that newspapers tend to report on stories that would interest readers and accordingly, that "one should not expect accuracy even from competitive media: and in the aggregate, a reader with access to all news sources could get an unbiased perspective". Generally speaking, they say, reader heterogeneity is more important for accuracy in media than competition *per se*. Fengler and Ruß-Mohl (2008) describe journalists as rational actors seeking to maximize materialistic as well as non-materialistic rewards, which includes attention. Veldkamp (2009) finds that emerging equity markets witness occasional surges in prices (frenzies) and cross- market price dispersion (herds), accompanied by abundant media coverage. Shiller and Akerlof (2009: 54) have the following to say about such animal spirits in capital markets and how they contribute to drastic market movements not explainable by fundamentals: "But what if the [news] stories themselves move markets? … What if they themselves are a real part of how the economy functions? Then economists have gone overboard. The stories no longer merely *explain* the facts; they *are* the facts."

Bhattacharya et al (2009) find that the media were more positive for Internet IPOs in the period of the dramatic rise in share prices and more negative for Internet IPOs in the period of the dramatic fall in share prices, but are unable to confirm if media hype is totally explains the Internet bubble.

Bollen et al (2011) look at the influence of social media in influencing the public mood and find that Twitter has a large effect on sentiment. Boulland (2013) find that improving the dissemination of company news raises investors' attention. Gurun & Butler (2011) find that when local media report news about local companies, they use fewer negative words compared to the same media reporting about non-local companies and explain this positive slant by firms "local media advertising expenditures. This shows, they say, that news content varies systematically with the characteristics and conflicts of interest of the source.

One strand of the behavioural research is predicated on theories of irrationality to unpack this attention puzzle. One of the most seminal works on unexplained attention cascades is Kindleberger and Aliber's (2006) work on manias, panics and crashes in which they speculate that the media may play a role in such unexplained dynamics. The work of Charles MacKay (2003) in *Extraordinary Popular Delusions and the Madness of Crowds* in relation to economic bubbles has also been enormously influential in this regard. The recent financial crisis has rekindled an interest in the aforementioned work of Kindleberger and Aliber (2006) and MacKay (2009). The credit bubble in the overacquisition and evaluation of sub-prime assets that were a feature of the crisis are reminiscent of the South Sea and Tulip bubbles[6] in these works. Recent subsequent studies in this vein have considered the effect of the media in the recent subprime crisis, particularly in swaying mass-opinion and obscuring the dangers of overhyped assets (See Schecter, 2009; Tambini, 2010, and Kleinnijenhuis et al (2013). Davis (2006) believes that the self-referentiality between elite audiences is a major factor in information risk, which supports. Davis (2005) says that news is slanted towards elite audiences with high levels of media consumption, and hence media and communications, audiences and mass behaviour are all linked.

[6] The South Sea Bubble refers to an episode of manic speculation in the joint stock South Sea Company in Britain around 1711, the shares became inflated (a bubble) in value only for investors in it to lose money due to the hyped-up valuation (See Kindleberger and Aliber, 2006). Tulip mania refers to a speculative bubble in tulip bulbs in The Netherlands in the 1600s, which saw the bulbs fetch outrageous prices only to crash spectacularly (See Kindleberger and Aliber, 2006).

However, individuals do not have to be ignorant nor act irrationally to contribute to media-instigated, collective irrationality. Says Dougal et al (2012): "The media is often modelled as a faceless institution, but its main product— news content—is generated by people. …. and we present direct evidence that the writing of specific journalists has a *causal* effect on aggregate market outcomes. …. Thus, any persistent return predictability related to specific authors must arise from their "sentiment" or spin of public events". This statement again emphasises the need to interview journalists and the companies whose stocks they affect about their knowledge construction processes, particularly with regard to bias and whether they are attracted to bad news in particular. This is explored in Chapters 5 and 6 by respectively looking at the news values of journalists, and how they are perceived by the financial market, particularly the reputation managers of corporations.

2.3.5 Journalists and Corporate Governance

The relationship between information intermediation and corporate governance was made explicit in the section above in relation to their attraction and incentives for reporting bad news, as well as in the capacity of intermediaries to reduce agency problems and market risk. Their professional duty as whistle-blowers also contributes to the unmasking of bad news as discussed in more detail in Chapter 5, which looks at the professional constitution of journalists. The attention-grabbing and substantive effects discussed above means that their effective disclosure of malfeasance means that the news media can impact substantially on corporate reputation (See Power, 2004). This section will look at the papers in the literature that have explored this.

Dyck and Zingales (2002) discussed the role of the media in pressuring corporate managers and directors to behave in ways that are "socially acceptable" and found that this can coincide with shareholders' value maximization and evidence that media affect companies' environmental policy.

Doyle (2006) found that reporters are generally highly sceptical about 'spin' and strongly inclined towards highlighting instances of corporate underperformance and mismanagement. However, she asserted that the circumstances and constraints they work within nonetheless make it unlikely that financial irregularities will be picked up on a regular basis. (See also Davis

(2002); Dreier (1982) Habermas (1989)[7] and Galbraith who discuss the constraining influence of corporate interests on financial journalism in the socio-political context). Moreover, the way in which the commercial sector is organised means that in general the public does not have a sound grasp over the significance of financial and economic developments (Doyle, 2006).

Dyck et al (2006) consider the case of Russian capital management firm Hermitage and found its lobbying is effective in increasing the coverage of corporate governance violations in the Anglo-American press and, hence, the reversal of such violations. Miller (2006: 1001) investigates the press's role as a monitor or "watchdog" for accounting fraud and finds that the "press fulfils this role by rebroadcasting information from other information intermediaries (analysts, auditors, and lawsuits) and by undertaking original investigation and analysis …. [with the] business-oriented press more likely to undertake original analysis [.…] and that the press covers firms and frauds that will be of interest to a broad set of readers and situations that are lower cost to identify and investigate.

Borden (2007: 314) asserted that the role of financial journalists in corporate governance has been "almost entirely overlooked" by corporate and securities law scholars. Borden (2007: 314) further speculated that this omission is perhaps due to the fact that journalists do not fit easily into a legal discussion "because they are largely unregulated… [Nonetheless] journalists contribute in many ways to the legal system at large and the system of corporate governance in particular". Borden (2007) highlights in particular the conflicts of interest that afflict virtually every actor in the system of corporate governance, and argue that financial journalists enjoy a convergence of their public and self-interests, and their role as information intermediaries in particular aids disclosure and market fairness, and to assist other intermediaries who may have a conflict of interest.

Brickey (2009), however, questioned why the media was so late in reporting on the Enron[8] and Martha Stewart[9] scandals, but nonetheless credited them for wide coverage once the facts of

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[7] Habermas (1989) asserts that the rise of public relations constitutes "corporate refeudalisation of the public sphere".

[8] The Enron corporate scandal is one of the largest in living memory. Enron was a US energy company, which was one of the country's apparently most profitable and innovative companies until it was revealed

those cases became known. Gorman et al (2009) looked at newspaper media influences the boards of directors of Irish listed plcs who had previously committed a corporate governance violation, because subsequent articles reported the reforming of the behaviour of the companies as well as an improvement in the governing mechanisms of regulators and investors.

The quality and nature of financial news and the perceived bias of journalists is discussed by Bignon and Miscio (2009: 1) discuss the development of the financial market in France after World War 1 and the several available newspapers that provided information to investors. The financial press at the time were "faulted" for "inaccuracy and biases, which they linked to the existence of payments made by companies for coverage in the editorial section and hence test whether the payment scheme induced a systematic bias in the coverage of companies listed on the Paris stock exchanges by newspapers". Their results show that, although firms' media coverage was affected, the performance of firms actually touted by the press was good. Joe et al. (2009), however, found that media releases of (noisy) information, and media exposure of board ineffectiveness in particular, forces corrective actions and enhances shareholder wealth.

Tambini (2010) has all looked at why financial journalists did not see the crisis coming due speed and complexity in the financial market in the context of the increase in corporate resources as constraints on the corporate governance capabilities of financial journalism. Schechter (2009) also berates financial journalists for not seeing the crisis coming, but other financial journalists such as Gillian Tett and Robert Peston, were lauded for their coverage of the financial crisis. Tett is often credited alongside the academic Nouriel Roubini for being amongst the few market commentators who predicted the crisis when regulators, economists, and academics did not. Tambini (2010) asserts that there is a lack of consensus amongst financial journalists about their watchdog function and the challenges they face from an increasingly complex and fast financial information market and the rise of PR with the decrease in journalists' resources, and the strictures faced by both journalists and their audiences in understanding financial market developments. Tambini (2010) therefore concludes that more

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in 2001 that its extremely unsound financial position had been disguised by gross corporate malfeasance and accounting fraud. (See Doyle (2006), as well as Healy and Palepu's (2003) paper 'The Fall of Enron').)

[9] Martha Stewart is a successful US businesswoman and television personality in the lifestyle industry. In 2001, she was charged and convicted for conspiring to commit insider trading in relation to one of her companies ImClone Systems. (Seigel and Slobogin, 2004).

attention needs to be paid to who is allowed to practice as a financial journalist especially when their effects on the financial markets in terms of contributing to bubbles or failing to report malfeasance. Tambini (2010) does not, however, specifically develop the professionalization project of financial journalists and in the literature regarding the sociology of the professions. A reference is made by Tambini (2010) about the "hard-won rights and privileges of journalists that are granted in recognition of the social role that financial and business journalists are seen to play" by drawing on Osiel's (1986) study of the professionalism of journalism in general and finds that financial journalists in the United Kingdom reject the notion that they have institutionalised professional responsibilities. Nor does Tambini flesh out financial journalists as experts within the rubric of factors that determine what a profession is. He also does not check with PRs the various assertions made against them with regard to their alleged capture of the media and the attendant corporate project of news subsidisation he asserts with reference to Doyle (2006) and Davis (2002).

Tetlock (2010) tested if a public news story eliminates information asymmetry between two groups of traders and found the news story informs the relatively uninformed investor group, making them more willing to provide liquidity to the informed traders. This underscores the media's role in corporate governance particularly with regard to insider trading. This is supported by Dai et al (2013), who found that news coverage attenuates insider's profits. The financial journalist as information intermediary can therefore play an important role in corporate governance and impact corporate reputation. However, the latter effect has not been properly investigated as a risk factor as Chapter 6 of the thesis asserts.

It is as Ausubel (1990: 1022) says with regard to the legislation of the financial crime of insider trading:

> It is often argued that efficiency considerations require society to freely permit insider trading. … [But if] "outsiders" expect "insiders" to take advantage of them in trading, outsiders will reduce their investment. The insiders' loss from this diminished investor confidence may more than offset their trading gains. Consequently, a prohibition on insider trading may effect a Pareto improvement. Insiders are made better off if they can precommit not to trade on their privileged information; government regulation accomplishes exactly this.

It also supports Preda's (2010) assertion that observational boundaries such as media laminate and legitimate the financial market. The financial journalist as information intermediary can therefore play an important role in corporate governance and impact corporate reputation. However, the latter effect has not been properly investigated as a risk factor as the section below and the conclusion below asserts.

This part of the review paints a mixed picture of the actual contribution of journalists in corporate governance and market regulation in relation to the ideal. Despite mixed evidence in the literature about the commitment and ability of financial news in maintaining corporate governance, it remains pervasive and popular. It is precisely because evidence on the overall quality of financial journalism and its efficacy in corporate governance is inconsistent, that it is worth studying its processes of production as well as the level of quality, reflexivity and professionalism in relation to a journalists' claim to be experts in relation to financial information knowledge. This is fleshed out in Chapter 5. Further, it is also worth studying the reputation managers of firms to establish the extent to which they are encroaching on the professional jurisdiction of journalism or attempting to manage it as the literature claims. This theme is picked up in Section 2.4 below and examined in detail in Chapter 6 of the thesis.

2.4 Investor Relations and Voluntary Firm-Initiated Disclosures

This part of the literature review surveys the investor relations and voluntary disclosure literature and looks at the ways in which they are related and different. It also identifies how the oscillation between these terms to stand in for the same types of activities, have also created a gap in the literature.

The investor relations literature is closely related to a branch of literature in accounting and finance concerned with voluntary, firm-initiated disclosure. Most of these studies are concerned with the incentives for voluntary disclosure for managers from the earnings management, corporate governance and liquidity risk and of cost of capital perspective, in particular, see important papers by Penman (1980) Lang and Lundholm (2000). It is evident from the review of the prior research that investor relations as a formalised activity is, at times, conflated with public relations, and also included in the voluntary disclosure literature in the accounting and finance literature. It is normally referred to as "investor relations" in the corporate

communications, journalism studies and public relations literature. This section touches on how this conflation with public relations has at times seen corporate preoccupation with the media enter this literature, but this is argued in Chapter 6 as justification for a new emphasis on reputation management as a more holistic way of understanding the firm's communication's activity.

Previously, the investor relations function proper had only taken into account shareholders, financial journalists and financial analysts and not the public at large. (Chapter 5 will shed more light on why this was the case since financial journalists and sell-side analysts were most similar in terms of the constitution as financial market actors.) The purpose of this section is to give coherence to investor relations as a formalised activity of the firm and to explain how the incentives and requirements for voluntary disclosure fit into such a conceptualisation. This is because investor relations is characterised by the voluntary disclosure of information. Hence, the focus of this section is to understand how firm-initiated disclosure in the literature should be articulated as part of a formalised investor relations programme and philosophy. In addition to developing a coherent framework for this distinct activity, it is shown how the gaps and debate in this literature open up for more research into the contemporary disclosure and reputation management issues of the firm which are dealt with in Chapter 6, and is one of the contributions of this thesis. Hence, a research question raised by this thesis is whether, in a stakeholder society, investor relations will increasingly have to take both the mainstream and financial media into account, thereby also responding to suggestions in the existing literature that looks at the investor relations activities and advocates for it to become a public relations function instead.

2.4.1 The investor relations focus on shareholders and its distinction from public relations

According to Kennedy (1980), a financial analysis researcher, literature on investment relations (IR) was sparse in the 80s despite IR's importance to investors, corporate managers and regulators. IR specialists and sell-side analysts interviewed in his research asserted that corporate investor relations programs should furnish timely and reliable information to the capital markets. Investor relations personnel thought that stock price performance should be one of the primary goals of investor relations, but analysts did not. Both groups, however, agreed that investor relations cultivated analysts and impacted market prices favourably (Kennedy, 1980). Analysts

found the information provided to them by IR practitioners useful although they did not think it enabled them to estimate future earnings and valuations whereas the investor relations specialists thought the analysts did a good job of interpreting the information (Kennedy, 1980).

According to Ellis (1985), another financial analysis researcher, the retail (individual) investor is becoming less common, and most investors are now institutional investors who are generally well-informed and knowledgeable about financial markets influencing them therefore requires investor relations specialists to use techniques associated with industrial marketing. Ellis (2006) says that an effective IR program can help companies gain appropriate recognition and credibility within the business community, which can in turn, improve the morale of employees; boost sales; improve relations with government officials, regulators and the press; help corporate executives to fulfil their fiduciary responsibility to investors; and lessen their cost of capital to raise debt or issue equity.

Marston (1996: 477), an interdisciplinary accounting researcher, defines "investor relations as the link between a company and the financial community and the investigating public to evaluate a company … one method of providing information is via printed material such as the annual report and accounts - UK companies, however, go further than this by allowing other groups, typically analysts and fund managers, access to the company's directors". Marston (2006) looked at the organization of the investor relations function in large UK companies and found that the chief executive officer and financial director are most often involved with the most common organizational arrangement was for investor relations to be part of the finance director's department.

Petersen (1996), a public relations researcher, looks into CEO perceptions of IR and finds that they do not perceive investor relations as being part of the public relations function and prefer financial affairs executives to supervise and conduct investor relations. Petersen (1996) argues that this raises the larger question as to whether public relations practitioners could be trained in a way to get CEO support for conducting the investor relations function. Petersen (1996) also contends that investor relations encroaches into those areas that were traditionally regarded as public relations – this is supported by research by Hutton (1999: 199) who advocates in the *Public Relations Review* that public relations has left itself vulnerable because it has both developed "a widely accepted definition and a central organizing principle or paradigm". This has left to

other fields of practice "making inroads into public relations' traditional domain" and room for critics who are filling in their own definitions of public relations (Hutton, 1999: 199). Hence, despite the opportunities, says Hutton (1999) public relations' potential is limited until it can and will identify its nature and scope.

This lack of incoherence around the status of public relations particularly in relation to investor relations and other forms of corporate reporting in the various applicable literatures is unpacked in Chapter 6, which looks at the potential for public relations to stake a claim in reputation management as the issues that could financially affect a firm have now become more complex in the context of the stakeholder society and the pervasiveness of media. However, traditionally, the generally accepted rule in all the literature is that *investor relations* is primarily focused on the firm's relationship with its shareholders, whereas *public relations* focuses on the firm's stakeholders, which may include shareholders. Clarke and Murray (2000), writing in the corporate communications literature, analyses the chairman's statement in the annual report and asserts its purpose with individual shareholders to create good impressions and build confidence, and primarily takes the form of a one-way exchange. Dolphin (2004: 25), also writing from the vantage point of corporate communications, says investor relations is a "greatly neglected research area" and focuses on its role as part of a "co-ordinated marketing communications strategy" and "involves the management of relationships between national and international organisations and both investors and those others who might consider themselves significant financial stakeholders".

Davis (2006), a media sociologist who concentrates on financial markets, looks into the relationship between investor relations and the mass media. In particular, he considers the changing role of the financial news markets and three sets of the stages of the communication process in relation to investment activities: financial public/IR and the IR function, financial journalists and news reporting; and professional investors and their evaluation processes and finds the suggestion of a slow decline in the importance of financial news media in the investment process through interview data. However, he concludes that financial news also continues to play a significant role in trading and at times still have a powerful impact on investment patterns and "consequently all sides, IR practitioners, analysts and investment managers continue to target and consume it". Davis (2006) provides a useful perspective on the manner in which news media influence the two-way activities of fund managers and investor relations practitioners. In his study, most of the fund managers said they don't rely on news, but

they all read the *Financial Times* because the news amplifies things, and gives an important indicator of trends – it does not tell people what to think but what they ought to be thinking about (Davis, 2006). Davis (2007) says "most assessments of corporate PR [IR] tend to support traditional radical media accounts of strong corporate influence over media production and public opinion. All either argue or assume that PR is an effective form of 'mind control' with which to influence 'the masses' [however] corporate PR has been more frequently used to gain a competitive advantage over rivals and has been primarily targeted at other corporate elites."

Hong and Ki (2007) investigate in the corporate communications literature how public relations practitioners perceive investor relations itself and find that practitioners conceived that counselling with top management the most important investor relations activity and that earning a reputation for honesty was highly significant. Further, Hong and Ki (2007: 1999) say that they contribute to the "current consensus that investor relations and public relations should be convergent" – this issue is also developed in more detail in Chapter 6. Laskin (2009), writing in the *Journal of Business Communication*, looks at the development of the investor relations industry, and compares investor relations with public relations. Laskin (2009) also asserts as does the rest of the prior research, that investor relations is primarily aimed at analysts and shareholders. Laskin (2009) categorises IR as a "profession" but does not provide an explanation on how this is formulated – that is to say, it does not give a coherent formulation of the sociology of professions or how IR may be situated. This claim is made with reference to IR, but not PR. Significantly, she also discusses the disagreement about the definitions of IR and PR and which should be subsumed into which industry. But such unstable categorisations highlighted in the same paper indicate that it would be a large claim to say that IR can thus be regarded as a profession. It also highlights the dispute as to whether IR is a standalone area of practice – Laskin (2009) ultimately seems to lean in this direction – or whether it is a PR function. But Laskin (2009) asserts that IR involves lots of technical financial skill and thus is a profession. There is no clarity in other literature as regards the professional status of the investor relations practitioner, however, there is coherent evidence in the literature that PR cannot be regarded as a profession (this is developed and evidenced in Chapter 6 of this thesis). Thus, if IR is to be seen as a subset of PR, the majority of prior research would dispute its status as a profession since PR is not a profession.

Bushee et al (2012), in the accounting and finance literature, consider investor relations (IR) programs in smaller, less-visible firms, and through interviews with IR practitioners, learn that

IR strategies have a common goal of attracting institutional investors and that direct access to management, rather than increased disclosure, is viewed as the key driver of the strategy's success. In general, their results indicate that IR activities successfully improve visibility, investor following, and market value. This thesis also extends the work of Bushee and Miller (2012) by considering and interviewing IRs in the contemporary setting of PR for large FTSE 100 firms that face a more detailed set of challenges, and further, investigates how they see themselves as information intermediaries in this regard in Chapter 6. It also looks into the types of firm-initiated disclosures that have the greatest effect in stock prices as this in an area in the literature that requires much more investigation.

2.4.2 Investor Relations: voluntary disclosure and financial performance

The financial and managerial advantages for voluntary disclosure is sometimes classified in the literature as characterised by sets of distinct activities that is referred to as investor relations, and at other times the voluntary disclosure literature is a standalone as an issue to do with corporate disclosure. This section combines under one section the relevant prior research that relates to the incentives and consequences of voluntary disclosure under the rubric of an investor relations programme as it is interested in articulating what the rationale for the activities under an investor relations programme might be from a corporate finance perspective. Most of this literature is situated in the traditional accounting and finance literature, particularly in corporate finance and applied corporate finance.

Firth (1979) analysed voluntary disclosure in annual reports and found companies with stock market listings released significantly more information than companies that were unlisted. Wagenhofer (1990) analysed voluntary disclosure strategies of a privately incorporated firm when the information is relevant for the market price of the firm and also for an opponent. Favourable information increases the market price but might induce the opponent to take a discrete action that imposes proprietary costs on the firm. Firth (1979) shows that there is always full-disclosure equilibrium. Farragher et al. (1994) investigate the relationship between the quality of corporate investor relations and the dispersion and accuracy of security analysts' earnings per share forecasts. Investor relations contributes to more consistency in security analysts' forecasts, but does not significantly increase their accuracy. This is supported by a study by Lang and Lundholm (1996) who also examine the relationship between the disclosure practices of firms and the quality of analysts' forecasts; their findings concur with that of Farrahger et al (1994) in that they find more consistency between analysts' earnings forecasts

and less volatility in forecast revisions. Kaznik (1999) finds evidence of a relationship between earnings management and voluntary disclosure.

Lang and Lundholm (2000) examine corporate disclosure activity around season equity offerings and consider their relationship to stock prices and observe a dramatic increase in disclosure activity 6 months prior to the offering as well as an increase in price prior to the offering that can be associated with a consistent level of disclosure experience. Frankel et al. (1999) looked at the increasing use of the conference call as a means of voluntary disclosure and find that conference calls convey material information. See also Tasker (1999) who contends that conference calls bridge an information gap in voluntary disclosure in the firm's financial statements. Further, robust firm-initiated disclosures should result in increased investor following and reduced information asymmetry, ultimately leading to a more efficient cost of capital for the firm. Stocken (2000) used game theory to reason why, over time, voluntary disclosure of private information by managers are credible – if the manager did not release credible private information the firm performance would reveal this. See also Brennan and Tamarowski (2000) who consider the relationship between investor relations and analyst following and of investor relations with disclosure and liquidity. Gelb (2000: 169) examines the effect of managerial ownership on firms' disclosures. He posits that managerial ownership "mitigates agency costs and therefore should reduce investors' information needs" that would otherwise arise from agency costs if there was no managerial ownership. Gelb (2000) finds that firms with "lower levels of managerial ownership are more likely to receive higher ratings for the disclosures provided in their annual and quarterly reports" Gelb's (2000) results are hence "consistent with prior research that predicts that firms lower their costs of capital by signalling a commitment to maintain a more open disclosure policy". Gelb and Strawswer (2001: 1) investigate firms' policies regarding discretionary disclosures and besides from the traditional incentives discussed in this section, firms also firms also increase voluntary disclosure is because it is the "socially responsible thing to do". This dimension of the CSR reporting and its influence on public relations subsuming investor relations as stakeholder issues become more important for firms is explored in Chapter 6 where the prior research in this regard to CSR reporting and reputation management is surveyed comprehensively. Lundholm and Van Winkle (2002) posit that the primary goal of voluntary disclosure is reduction of information asymmetry (between managers and investors) and thereby cost of capital. Chen et al (2002) found that managers voluntarily disclosed balance sheets when current earnings were relatively less informative, or when future earnings are relatively more uncertain.

Bassen et al (2010) review the literature on investor relations they assert its purpose to be the consistent provision of relevant mandatory and voluntary information to market participants. They find a "causation chain between investor relations and stock prices is established through the liquidity hypothesis with respect to the depth of analyst coverage" (Bassen et al, 2010: 49). Watson et al (2002) investigated whether the voluntary disclosure of ratios in corporate annual reports can be explained by agency and signalling theory and found some evidence of an association between ratio disclosure and company performance, size and industry. Gelb (2002: 459) report evidence on how intangible assets affect firms' disclosures and find that firms that "obtain significantly higher analysts' ratings for their investor relations programs or voluntary publications than for their annual reports tend to have greater levels of R&D and advertising expenditures", suggesting that "firms with higher levels of intangible assets perceive accounting disclosures as a relatively ineffective means of communicating with investors and therefore are more likely to emphasize supplementary disclosures, such as voluntary publications and investor relations".

Hong and Huang (2005) investigate the incentives for insiders to take up costly investor relations activities and point out that insiders may undertake such investments not necessarily to improve the share price but to enhance the liquidity of their own block of shares. They predict that insider demographics such as liquidity needs and equity stakes play a role in determining the extent of investor relations on firms. Bagnoli (2008) asserts that since 1995 managers of thousands of firms have voluntarily disclosed the expected date of their firm's next quarterly earnings announcement to Thomson Financial Services Inc. and that these disclosures are approximately 500% more accurate than the expected report dates used in prior accounting research. Agarwal et al (2008: 1) "test the market value of investor relations (IR) activity and firms perceived to have the most effective IR strategies earn superior abnormal returns, both before and after the nominations"; as well as "higher analyst following is associated with more nominations suggesting analysts tend to favour the stocks they follow". They also find that effective IR also leads to lower information risk, liquidity of nominated firms. Francis et al (2008) investigate the relationship between voluntary disclosures, earnings quality, and cost of capital and found that firms with good earnings quality have more expansive voluntary disclosures. Neuhierl (2013) classifies corporate press releases into topics and studies the market reaction to various types of news. Neuhierl's (2013) study confirms prior findings of strong volatility and stock price responses to financial news, and in addition, finds significant reactions to news

about corporate strategy, customers and partners, products and services, management changes, and legal developments. Consistent with regulators' expectations, the level of informational asymmetry in the market declines following most types of press releases.

2.4.3 Investor relations and voluntary disclosure on the Internet

In regard to the literature that looks at how investor relations fosters relationships with its shareholders, some have looked at the efficacy and impact of the internet on the communication of financials and other information pertinent to investors. Most corporate websites now have an investor relations section and this has been taken up in most sophisticated developed country markets. See, for example, Deller, Strubenath and Weber (2000) who look into the internet as a vehicle for investor relations and undertake a comparative study of the extent of take up in the UK, US and Germany; Hedlin (2000) looks at the internet as a vehicle for investor relations in Sweden. Etteredge et al (2001) evaluate and compare the Web site disclosure levels of 17 industries, and identify several practices that raise potential concerns for the accounting profession. In particular, Etteredge et al (2001) caution that annual report excerpts tailored for Internet users and identify information found at Web sites could increase disclosure risks. Their findings evidence that the investor relations literature would benefit from more investigation as well as the risks presented for firms by the advance of online platforms and the consequent democratisation of information. This is an issue which is also put to reputation managers as these new broad forms of disclosure present an opportunity for any individual, not just a shareholder to easily access a firm's financials.

Etteredge (2002) extends research on Internet financial reporting by providing insights into dissemination of two types of financial information at corporate Web sites. These are, namely, mandatory filings that already have been lodged with the SEC and all other (voluntary) information for investors and find Web-based dissemination of both types of data can be explained by theories of incentives to voluntarily disclose information via more traditional means such as meetings or conference calls with analysts. Gowthorpe (2004) paper studies the internet reporting practices of smaller listed companies in the UK and found that the assessment of needs is largely intuitive; it is difficult to judge the effectiveness of the Internet as a mechanism for communication of corporate financial information. Rowbottom (2005) find that the use of web-server logs for enhances the efficacy of online investor relations activities. Bollen et al (2006) also looks into the use of the Internet for investor relations (IR) activities and

investigate the quality determinants of IR websites and find that company size, level of internationalization (foreign listing and foreign revenue), proportion of shares available to individual investors and disclosure environment are significantly related to the extent of IR activities on the Internet. Geerings, Bollen and Hassink (2010) look at investor relations activities online and find that larger companies are more likely to use the internet than smaller companies. Lymer (2010: 289) reports that pressure is being applied on European companies to "distribute more corporate information, in more usable ways, with fewer time delays" and that Internet corporate reporting is seen as one way of addressing these demands. The proliferation of internet disclosure is a further indication that the audience for investor relations is increasing.

2.4.4 Investor Relations and Corporate Governance

The issue around agency problems and their amelioration by voluntary disclosure is closely related to the literature on investor relations and corporate governance. Miller (2004) argues that investor relations and corporate governance are closely related. Allen (2002) points out that in the post- Enron era, investor relations vaults to the top of the corporate agenda, as companies must begin to rebuild investor confidence and hence, proactive companies have the chance to distinguish themselves and create a competitive advantage. De Jong et al (2007: 328) look into the Dutch Company, Royal Ahold, which was one of the major success stories in the 1990s and also one of its "major failures, suffering a complete meltdown, in 2003". De Jong et al (2007: 328) argue that strategy, investor relations, accounting transparency and corporate governance jointly drive a firm's performance, and that investor relations "are an important but under researched aspect of the market's belief formation process". De Jong et al (2007) provide an in-depth analysis of the strategy, accounting transparency and corporate governance that led to Ahold's downfall. Eng and Mak (2003) examine the impact of ownership structure and board composition on voluntary disclosure and find that ownership structure and board composition affect disclosure and that larger firms and firms with lower debt disclosed more. Wong and Ho (1999) also look at the relationship between corporate governance structures and the extent of voluntary disclosure by exploring the relationship between ownership structures in family-owned firms. Cheng and Courtenay (2006) found evidence that firms with a higher proportion of independent directors on the board are associated with higher levels of voluntary disclosure.

2.4.5 Gaps in the existing prior research on investor relations and voluntary disclosure

The voluntary disclosure literature can, at times, seem inconsistent and covering various types of information disclosures, this is not only because the format and rationale for voluntary disclosure will differ from firm to firm, but also, because, as Healy and Palepu (2001) point out, this literature has used whatever proxies the authors have thought appropriate as means to measure the problem they investigate. These proxies can take the form of annual reports, earnings forecasts, press releases and so on. Moreover, the investor relations literature may be said to include the voluntary disclosure literature, but looks at the formalized programme of a corporation's disclosure and communication activities. Normally this has been directed at its analysts and investors, and sometimes, but less often, at financial journalists. The argument for including this literature in this review is that the thesis is interested in the effects of the media discussed in Section 2.3 and how the firm will react to it. Section 2.4 raises the research problem whether the move to a stakeholder corporate culture and the increasing pervasiveness of the media means that this literature may need to be evolve to be incorporated under the public relations/reputation management literature that is surveyed in relation to the changes in the financial market and the influences on corporate valuation that are discussed in Chapter 6. Voluntary disclosure is also an important source of information for journalists.

The literature indicates that investor relations will be subsumed into PR, not least because the issues that affect a firm's financial position are these days not purely financial. In addition, the skills that are required to produce really effective investor relations are more and more associated with good communication (Laskin, 2009). This, in addition to the influence of the media set out in the previous sections, means that reputation management of the firm in a contemporary setting demands that the firm approach this more holistically, and with a view to its representation in the media. In addition, this two-way relationship between the firm and its stakeholders as reflected in the media contributes to the company's valuation and corporate governance. This gap in the literature is explored in more detail in Chapter 6. It would stand to reason that the media's attention-grabbing affects in particular means that firms would be interested in managing more carefully information that it discloses to media through firm-initiated, voluntary disclosures and press releases. The formulation of this as reputation management that contemplates both public and investor relations within its ambit is set out in more detail with regard to the corporate communication and impression management literature in Chapter 6.

2.5 Summary: Research Framework of Thesis in response to the Literature

This section summarises the research framework of the thesis by identifying the areas in the literature surveyed above that could benefit from development.

2.5.1 What could be better developed in the literature?

The literature has not sufficiently fleshed out the professional claim to expertise that journalists have as an actor in the financial market, namely as an information intermediary. The literature has also not properly considered the financial journalist relative to the full universe of information intermediaries, particularly in relation to PRs. This means that the Public Relations practitioner is not developed in the literature as an actor in relation to information intermediation either or whether such person can make a claim to expertise and jurisdiction over financial information knowledge.

Prior research has therefore not distinguished appropriately between the actors that produce firm-initiated disclosures and media-initiated disclosures and the manner in which it interacts. This is significant because if the literature gives the intuition that the effect of the media is in the main negative and malevolent towards firms, this this assertion needs to be properly investigated not merely speculated upon without speaking to the actors concerned.

Similarly, if the PRs are considered a benign and benevolent force in relation to companies then it is similarly important to figure out why, so that more robust claims can be made about the firm's efforts to manage the news that is disclosed about it and the manner in which it is disseminated. Accordingly, it is necessary to properly assess how companies respond to financial journalism, and what journalists think about such corporate responses, if any.

2.5.2 Research Framework of the Thesis

In the first instance the thesis aims to test for the effects of media on the stock market by developing the financial journalist as financial actor relative to the financial market and a

broader universe of information intermediaries. This is done for two reasons: first, in order to specifically respond to the research agenda in the emerging literature that asks for clarity on how the media interacts with other information intermediaries comparatively, and second, to provide better intuitions and explanations for the observed results where speculation has been provided for before.

Based on the literature, the media would be expected to have the largest and most negative effect on the stock prices and initiate the most trading and volatility based on this hypothesis from the theory, and hence the thesis will test for this intuition quantitatively in order to obtain some general observations from which to work. The methods section which follows shows in more detail why more complex methodological approaches are required in response to observation from quantitative results, but here it suffices to say that in the main methodological complexity would be required to explore the subjective issues and those relating to bias, professionalism, attention and irrationality that emerge as explanations for the media's impact in the literature surveyed. Several of the papers speculate on what is observed (For example, Dougal et al (2012) and Solomon and Soltes, 2011) but hardly any of the research, with the exception of Doyle (2006), Tambini (2010) and Bushee (2012) have interviewed media and/or PR to test for general assertions about the institutional setting and working processes. The aforementioned research represents the key papers on which the research builds with regard to knowledge construction and expertise in particular. A summary of the issues the work hopes to find explanation for in response to the issues are set out below as the research framework:

A) The growing importance of media should be researched because financial markets have grown considerably as has demand for financial information. The inadequacy of financial information is said to be a leading contributor to panics and bubbles and social factors that have created pressing demands for companies to be transparent in their financial reporting. In addition environmental and social reporting, means that the growth, importance and scale of public relations in managing reputation risk from the media and herd behaviour of investors in relation to financial news have also been contributory factors;

B) How and why media affects financial markets in relation to different information intermediaries;

C) Whether journalists have a claim for professional expertise in information intermediation – if they affect the stock market as the empirical literature has shown, then it is important to understand their knowledge construction activities and how they are constituted as actors in the financial market;

D) How companies respond to and understand the reputational risk represented by journalists' activities and do the people that they hire to perform the public relations function have a claim for expertise over financial information knowledge if they deal with price sensitive news on a regular basis; and

E) How mixed methods and analytical tools can improve research about these issues, which comprise both objective and subjective factors.

Chapter 3

Methodology

3.1 Introduction

3.1.1 Overview

According to Cresswell (2006: 4) *methodology* comprises the "philosophical and fundamental assumptions of research that relate to the entire process of research", the *design* the "plan of action that links the philosophical assumptions to the specific methods chosen" and the *methods* the "techniques of data collection".

Hence, the purpose of the methodology section is to set out the rationale behind the methodological choices used to address the research question and to describe the research design and methods used so the thesis could be replicated. It is also to set out the validity and limitations of these choices. This chapter hence looks at the methodological approaches to epistemology that best reconcile with the mixed methods research design used in the thesis.

The overarching research question of this thesis is "How does media affect financial markets?" In using a mixed methods approach to address this, the thesis combines elements of quantitative and qualitative research, inductive and deductive inquiry, and literature from the fields of accounting and finance; the social studies of finance; and media studies. This is because some of the effects of media in the financial market are measurable mathematically, whereas other aspects are subjective as they are influenced by matters such as opinion.

A useful description of mixed methods research is through its approach to knowledge:

> [Considering] multiple viewpoints, perspectives, positions and standpoints (always including the standpoints of qualitative and quantitative research). Although mixed methods research is not new, it is a new movement, or discourse, or research paradigm (with a growing number of members) that has arisen in response to the currents of qualitative research and quantitative research. In the history of ideas, new antitheses and syntheses continually develop in response to current theses. Mixed research is a synthesis that includes ideas from qualitative and quantitative research.
>
> (Johnson et al, 2007: 113)

A mixed methods approach also naturally validates findings through its combination of methods and methodological approaches, and provides texture and nuance to the topic (Denzin, 2012). Its use has therefore been advocated for in the accounting and finance literature, for example, by Ittner and Larcker (2001) and Modell (2007, 2009 and 2010). Grafton et al (2004) urge for more such mixed methods research thus: "We see significant potential for the accounting literature to adopt mixed methods research strategies. Given the acknowledged strengths of mixed methods designs to enhance both theory testing and theory-building through extension, convergence and contradiction of findings, the lack of use of such methods suggests missed opportunities".

In light of these issues above, the methodology of the thesis is also one of its contributions, in combining approaches and disciplines. It does not only contribute to the research methods literature in the treatment of the topic at hand, but also to the manner in which research can be undertaken in accounting and finance.

3.1.2 Structure of the Chapter

Section 3.1 provides an overview of the methodology chapter and an introduction to mixed methods research. Section 3.2, which follows distinguishes between methodology and methods. It also describes in particular: how methodological approaches are influenced by research paradigms; how methodological approaches have tended to differ in using qualitative and quantitative methods; and how the issue of alleged "paradigm incommensurability" is dealt with in mixed methods research. Section 3.3 reviews the mixed methods research literature per se. Section 3.4 reviews the use of mixed methods research in the accounting and finance literature. Section 3.5 weighs up the strengths and weaknesses of mixed methods research and details the risks that are specific to a mixed methods research approach, as well as issues of validity and

reliability that are specific to mixed methods research designs. Section 3.6 exposits the determination of the timing, weighting and mixing process of the mixed methods research by describing in detail the research journey of the thesis and how this influenced the methodological framework and research design. Section 3.7 describes and illustrates the research design of the thesis. Section 3.8 illustrates its methods and discusses the rationale for using them. Section 3.9 sets out the methodological statement for the thesis and the validity, limitations and contributions that are specific to its use of mixed methods. Section 3.10 summarises the chapter.

3.2 Distinguishing between Paradigms, Methodology and Methods

3.2.1 Distinguishing between methodology and methods

It is important to distinguish between methods and methodology in research. Methodology involves the approach towards research and methods are research's tools and components (Greener 2008). Greener (2008) says that many authors use the terms interchangeably, but this is not the correct way to use them. Research "methods" says Greener (2008: 10) refers to "specific activities designed to generate data" and research "methodology" is more about the researcher's attitude and understanding of research and the strategy chosen to answer research questions. Generally, methodologies of studies in the social sciences are characterised as "qualitative; as quantitative ; or as involving both quantitative and qualitative methods in which case it is typically referred to as mixed methods" (Harwell, 2011: 148).

3.2.2 The influence of research paradigms on methodological approaches

According to Guba (1990) paradigms influence the manner in which research is undertaken. In general, disciplines are guided by four distinct paradigms: positivism (experimental testing); post-positivism (the requirement of context for experimental design); critical theory (the impossibility of value-free knowledge); and constructivism[10] (reality is constructed by individuals and subject to interpretation) (Guba, 1990).

[10] According to Greener (2008) constructivism is sometimes referred to as "interpretivism".

Further, Guba (1990) asserts that these paradigms are characterised through three dimensions. These are, namely, their *ontology* (what is the nature of things), *epistemology* (how do we know about reality and the nature of things) and *methodology* (how do we go about finding out). According to Ritzer (1991) Guba associates the four paradigms in terms of the three dimensions thus:

	Ontology	**Epistemology**	**Methodology**
Positivist	*realist*	*objectivist*	*experimental*
Post-positivism	*critical realism*	*modified objectivist*	*modified experimental*
Critical Theory	*critical realism*	*subjectivist*	*dialogic transformative*
Constructivism	*relativism*	*subjectivist*	*hermeneutic, dialectic*

Ritzer (1991: 446)

Table 3.1 Paradigms and their ontologies, epistemologies and methodologies

3.2.3 Methodological approaches in Quantitative and Qualitative Methods

Greener (2008) explains how these three dimensions ontology, epistemology and methodology are associated with quantitative, qualitative and mixed methods research.

Deductive vs Inductive

A deductive research approach, says Greener, considers theory first and then produces hypotheses from the theory, and then tests the theory. Whereas an inductive approach looks at the focus of the research issue first and investigates these by various methods to create theory.

Postivist vs Interpretivist

Greener (2008: 16) asserts that a positivist approach is usually "associated with natural science research and involves empirical testing" and affirms that only phenomena that can be confirmed by our senses produces "real knowledge" It is normally associated with experimentalism, deductivism, and value-free and objective research in the manner in which it produces knowledge. This is contrasted with the idea of interpretivism, which is more common in the social sciences "in which business and management belongs" says (Greener, 2008: 16) " … because business and management involve people as well as things, the interpretivist argument promotoes the idea that subjective thoughts and ideas are valid". Positivism is normally traced back to the work of Thomas Kuhn (1962) and Interpretivism to the work of Max Weber (1947) says Greener (2008: 16).

Qualitative vs Quantitative Research

In general, says Greener qualitative research is associated with interpretivism and inductive research and quantitative research with positivism and deductive research approach. The division between quantitative research and qualitative research thus is often referred to as the *paradigm wars* as some orthodox researchers have asserted that mixing paradigms is not commensurable (Freshwater and Cahill, 2013). Greener, however, asserts that most research in business and management uses aspects of both in order to navigate the "messy world" of people and organisations. The section which follows below looks at how the mixed methods research scholars have reconciled the so-called paradigm wars in the combination of qualitative and quantitative research.

3.2.4 Paradigm Reconciliation in Mixed Methods research

The mixing of methodologies is "more contentious than the mixing of methods" say Grafton et al (2004). Hence, methodological choices in mixed methods are typically concerned with addressing the potential of incommensurable paradigms and their underlying philosophical underpinnings (Mertens, 2012). In general, methodological approaches have been associated with particular paradigms and methods as discussed above. In mixed methods research, emphasis is placed on the difficulty of conceptualising paradigms. The concept of the paradigm is "elusive" say Freshwater and Cahill (2013: 3) who caution against the view that paradigms can "be methodological in their foundation and should preferably be thought of as philosophical frameworks that delineate assumptions about ethics, reality, knowledge and systematic enquiry as a way of clarifying the basis of disagreements". This, they say is preferable to the continuing

"delineation of paradigms and philosophical frameworks that lead to choices in methods" Freshwater and Cahill (2013: 4). Further, the custom of using qualitative and quantitative research methods as labels for paradigms is also unsatisfactory because this serves to reify and essentialize them, and thereby disregard their constructed nature. Further, Freshwater and Cahill clarify that they are not arguing for "three paradigms" (quantitative, qualitative and mixed methods) versus three philosophical frameworks (dialectical, postpositivist paradigm and pragmatic paradigm". This assertion articulated by Freshwater and Cahill is characteristic of mixed methods researchers' aversion to the so-called "paradigm wars" between methodological approaches and an acknowledgement of the messiness of research.

However, other researchers have stressed the importance of developing typologies in order to facilitate the conducting of mixed methods research and to develop frames of reference (Guest, 2012). Johnson et al (2007) maintain that we currently are in a three methodological or research paradigm world, with quantitative, qualitative, and mixed methods research all thriving and coexisting[11]. Mixed methods scholars have, for the sake of practicability developed labels for paradigms that suit this third methodological way, namely: *pragmatism; dialectical pluralism*, and the *transformative paradigm* (Mertens (2012). These paradigms have been generally amenable to the emergent typologies of mixed-methods methodology and multi-disciplinary research primarily because they allow for this eclectic research process (Mertens, 2012). *Pragmatism* does not tie methodological choices to epistemology, but rather chooses methods for their ability to practically address a research problem (Denscombe, 2008). Pragmatism has been further suggested to support mixed methods because there is not one set of methods that is "correct". However, Mertens (2012: 256) points out that Denzin (2012) has "warned against the overly simplistic application of this philosophy to research, as in: if the method fits the question then use it". Pragmatism is also against the simplistic dualism of positivism and constructivism and rather converge qualitative and quantitative methods and stress their commonalities in addressing the research problem (Mertens, 2012). *Dialectical Pluralism* is inclusive of different methodologies and methods according to Mertens (2012: 124) in the "same inquiry space and engages them in respectful dialogue, one with the other throughout the inquiry". It therefore allows for the reconciliation between postpositivism and constructivism and allows the

[11] Further Johnson et al (2007) rail against "Thomas Kuhn's (1962) expectation for single paradigms characterizing "normal science," we suggest that a three-paradigm *methodological* world might be healthy because each approach has its strengths and weaknesses and times and places of need. Perhaps normal science is not best for social research; that is, perhaps a continual interaction between Kuhn's normal *and* revolutionary science will best keep us all in check and balanced."

approaches to deepen the understanding about the phenomena being investigated. The Transformative Paradigm is used when the employment of mixed methods research would support the enhancement of human rights and social justice.

3.3 Review of Mixed Methods Research

Scholars of mixed methods research have set out a taxonomy defining and conceptualising the domains of such research with regard to methods, data, paradigms and realities of practice (Creswell and Tashakkori, 2007). This section sets out a review of mixed methods research in scholarship with these four domains in mind. It describes how the legitimisation of its typologies and approaches, along with the reconciliation of apparently opposing paradigms associated with various methodological approaches, have seen this research methodology become a recognized "third way" of conducting research.

Historiography and Development of Mixed Methods

According to Johnson et al (2007: 113), the first generation of mixed methods researchers around the end of the 19th Century informally combined methods and were not encumbered by "subsequent notions of incompatibility" of paradigms partly due to an absence at of methodological conventions, sophistications and orthodoxies. However, say Johnson et al, The second generation of mixed methods researchers, predominantly in the 1990s, such as Brannen, Bryman, Plano-Clark, Creswell, Tashakkori and Teddlie provided mixed methods researchers with a "vocabulary, taxonomy, and process description, which paved the way for its current success". The development of this approach to methods is set out below.

Campbell and Fiske's (1959) article in which they mix multiple quantitative methods, is generally credited in the literature as being one of the first studies that provide a formal account of using multiple research methods (Creswell and Plano-Clark, 2007). Johnson et al (2007: 113-114) say that Campbell and Fiske "introduced the idea of triangulation, referring to "multiple operationalism" in which more than one method is used as part of the validation process that ensures that the explained variance is the result of the underlying phenomenon or trait and not the method (e.g. quantitative or qualitative)" (Johnson et al, 2007: 113-114). The ideas of

Campbell and Fiske (1959) were extended further by Webb, Schwartz and Sechrest (1966) who coined the term triangulation, and Denzin (1978) outlined how to triangulate [12]methods (See Johnson et al, 2007). Denzin defined *triangulation* as "the combination of methodologies in the study of the same phenomenon" (Johnson et al, 2007: 114). Denzin identified four different types of triangulation, notably between data, between theory, between methods and between researchers according to Johnson et al (2007). Sieber (1973) and Jick (1979) also form part of this early interest in mixing methods by respectively, combining surveys and interviews and triangulating qualitative and quantitative data (Creswell and Plano-Clark, 2007). Sieber (1979) and Rossman and Allson (1989) outlined reasons for the combination of qualitative data and quantitative data (Johnson et al, 2007). Cook and Reichardt (1979) presented 10 ways to combine quantitative and qualitative data (Creswell and Plano Clark (2007).

Bryman (1988) reviewed the methodological traditions of quantitative and qualitative research and Greene, Caracelli and Graham (1989) justified the use of mixed methodological studies due to their contribution to triangulation, complementarity; development; discovery of paradoxes and expansion of inquiry according to Johnson et al (2007). Cook (1985) looked at different perspectives in the answering of research questions and Sechrest and Sidana (1995) advocated for methodological pluralism. Dzurec and Abraham (1993) identified the pursuits that link quantitative and qualitative research such as the pursuit of innovation and truth say Johson et al (2007). Collins, Onwuegbuzie and Sutton (2006) advocate for mixed research as a separate design approach as do Lincoln and Guba (1989), Creswell (2003) and Tashakkori and Teddlie (2003) (Johnson et al, 2007: 116). See also Brewer and Hunter (1989); Morse (1991); Creswell (1994); Morgan (1998); Newman and Benz (1998); Tashakkori and Teddlie (1998); Bamberger (2000) who discussed the procedures and classification systems for mixed methods research (Johnson et al., 2007)

Development of a mixed methods research typology

The development of this literature is said by Johnson et al (2007: 116) to have developed in reaction to the "polarization between quantitative and qualitative research" and has developed

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[12] Care should be exercised in distinguishing the term "mixed methods" from "triangulation" according to Denzin (2012) – although triangulation is complementary to this type of research, it is by no means equivocal.

as another intellectual movement (focusing on synthesis)" and known as mixed methods research. Creswell and Plano-Clark (2007) set out this process into four distinct phases of development in mixed methods research can be clearly demarcated by a formative period; a paradigm[13] debate period, a procedural development period; and an advocacy as separate design period.

Johnson et al (2007: 117) say that mixed methods research has been known by various terms, such as blended research, integrative research, multiple methods, triangulated studies and mixed research. However, *mixed methods research* has become the most commonly acknowledged term for this research movement although the terms *methods* is viewed broadly and is also understood to mean "methodology" thereby allowing for the "inclusion of issues and strategies surrounding methods of data collection … methods of research … and related philosophical issues (Johnson et al, 2007: 117).

Contemporary mixed methods research has since evolved into an entirely legitimate genre of research with its own distinct "worldview, vocabulary and techniques", and although there is variation in how mixed methods research is defined, in general there is a tentative consensus that "mixed methods designs include both a quantitative and a qualitative component" (Grafton et al, 2004: 7). But mixed methods constitutes a more complex process than just "reporting two distinct "strands" of quantitative and qualitative research" say Creswell and Tashakkori (2007: 108) who advocate for mixed methods studies to also "integrate, link, or connect these strands" in some ways. According to Johnson et al (2007) "mixed methods research is becoming increasingly articulated, attached to research practice, and recognized as the third major research approach or research *paradigm*[14], along with qualitative research and quantitative research"

At the same time, mixed methods scholars also acknowledge that research is an evolving process highlighted by tensions in terminology within this heterodox research programme. According to Grafton et al (2004) given the variety of disciplines, epistemological outlooks and methods that may be used, as well as the nascent nature of mixed methods research as a coherent and

[13] Paradigm commensurability issues in mixed methods are discussed in detail in Section 3.2.2 below.

[14] Emphasis in original.

legitimate research approach it is understandable that its terminologies are being codified. Yet is is an approach to research that is fluid in its treatment of data and its views on the nature of things. This "looseness" though, say Grafton et al (2004: 7), is not "necessarily fatal" because, according to Guba (1990: 17 in Grafton et al (2004)) "having the term not cast in stone is intellectually useful and allows for reshaping understandings". Mixed methods research therefore often makes a contribution of its own in offering the opportunity to provide quite unique findings through its bespoke approach to research design to fit the nature of the empirical inquiry at stake. It does not attempt to force phenomena to conform towards meeting the outcomes of a methodological orthodoxy. At the same time, a rigourous approach to such research is helpful precisely because it permits so much fluidity. One of the most helpful definitions for mixed methods research is offered by Tashakkori and Creswell (2007: 4) who say that mixed methods research is research wherein "the investigator collects and analyses data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or methods in a single study or program of inquiry". Johnson et al synthesise the following definitions of mixed methods research by using responses from 19 leading researchers in the field:

> Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches (e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration
>
> Johnson et al (2007: 123)

In the case of mixed methods, where there is so much diversity in approach and discussion in this evolving research paradigm, a solid definition such as that offered by Creswell and Tashakkori (2007) and Johnson et al (2007) above is useful because it provides the research programme with more coherence. As regards the research design of mixed methods – there are various typologies extant in the literature that give different emphasis to the weighting proportion of qualitative and quantitative data that they mix, timing; and sequence of mixing of the various methods (Creswell and Plano-Clark, 2007). Guest (2012) has therefore advocated for coherent typologies in research designs for mixed methods studies in relation to their: timing; purpose; theoretical orientation; purpose of the research; degree of integration (weighting) and relative importance of qualitative and qualitative data. Guest (2012: 149) has advocated for more systematic and coherent definitions and typologies in mixed methods research for the following reasons: typologies provide tools that help researchers design their studies, typologies help

provide structure to the field, typologies establish a common language for the field; typologies help legitimise the field, typologies are useful pedagogical tools.

3.4 Mixed methods in accounting and finance research

The development of mixed methods research in the accounting and finance literature has been inhibited by arguments about paradigm commensurability between mainstream positivist scholars and alternative interdisciplinary and interpretivists (Modell, 2010). Modell (2010: 125) discusses the barriers to inter-paradigmatic dialogue in management accounting research and asserts that "barriers to mixed methods research in accounting as a way of stimulating dialogue" between the 'mainstream' and alternative paradigms are particularly entrenched in the former. This, says Modell (2010: 125) is due to the intellectual roots of the mainstream paradigm research being located in the Postive Accounting Theory (PAT) camp, which "favours a hypothetico-deductive mode of theorising and relatively one-sided reliance on quantitative methods using large samples". However, says Modell (2010) whilst generally seen as rooted in a realist ontology and positivist epistemology, key proponents of PAT have shown little interest in debating its philosophical foundations and have tended to resort to the idea of paradigm incommensurability as a reason for not doing so. Hence, there is a lack of training and incentives in the North America elite accounting fraternity which have "worked against the acceptance of mixed methods as a legitimate research strategy" (Modell: 126) In addition, the advances made in recent economics research that has advocated for the combination of economics with other theories to provide value have tended to bracket wider ontological and epistemological issues and thus offer a few insights into the challenges involved in fostering interparadigmatic dialogue says Modell. Similarly, the considerably more pluralist 'alternative or interdisciplinary accounting research community, comprising mainly interpretivist and critical scholars is not automatically in favour of mixed methods for interparadigmatic exchange because the notion of interdisciplinarity within this community is not conducive to dialogue with the economics-based mainstream.

Nevertheless, despite these historical divisions in the accounting and finance literature, there is evidence of meaningful research contributions in the literature, as well as evidence of advocacy for more such research.

According to Grafton et al, Davila and Foster (2007) examine the evolution of management control in start-up companies and use publicly available data to triangulate and validate survey responses. Wouters and Wilderom (2008) examine perceptions of performance measurement systems with a fully integrated mixed methods design. Grafton et al (2004) assert that Wouters and Wilderom (2008) provide a good example of successful mixed-methods design in accounting and finance research due to its "constant cross-referencing from qualitative interview to quantitative survey data to approach different elements of a research question". Graham et al (2005) in the financial accounting literature use surveys and interviews to identify the factors that drive reported earnings and disclosure decisions. The combination gives breadth and depth into the decisions behind archival evidence of earnings management and disclosure decisions and also to triangulate, contextualise and investigate findings through intensive integration of the two data sources (Grafton, 2004). Modell and Lee (2001) examine the link between decentralisation and the application of controllability in the public sector. Modell and Lee's theoretical framework combines the functionalist literature with interpretivist, neo-institutional sociology to analyse competing forces say Grafton et al. 2004. Grafton et al advocate for more extensive use of mixed methods in accounting.

3.5 Strengths and Weaknesses of Mixed Methods Research

3.5.1 Strengths, Weaknesses and Risks in Mixed Methods Research

Two leading proponents of mixed-methods research, Johnson and Onwuegbuzie (2004: 20), summarise the strengths and weaknesses of this research approach thus:

Strengths	Weaknesses
Words, pictures, and narrative can be used to add meaning to numbers and numbers can add precision to words	Can be difficult for a single researcher to carry out both qualitative and quantitative research, especially if two or more approaches are expected to be used concurrently; it may require a research team.
Combines quantitative and qualitative research strengths to provide more complete knowledge	Researcher has to learn about multiple methods and approaches and understand how to mix them appropriately.
Can answer a broader and more complete range of research questions because the researcher is not confined to a single method or approach	Methodological purists contend that one should always work within either a qualitative or a quantitative paradigm.
A researcher can use the strengths of an additional method to overcome the weaknesses in another method by using both in a research study.	More expensive.
Can provide stronger evidence for a conclusion through convergence and corroboration of findings.	More time consuming.
• Can add insights and understanding that might be missed when only a single method is used and increase generalizability of results	Some of the details of mixed research remain to be worked out fully by research methodologists such as: • paradigm mixing, • Qualitative analysis of quantitative data, • Interpretation of conflicting results

Table 3.2 Strengths and Weaknesses of Mixed Methods Research

In addition to the factors listed above as strengths and weaknesses, the analyses of paradigmatic and integrative strengths and weaknesses of mixed methods research methodology by Modell (2007) and Grafton et al (2004) for accounting and research specifically are useful to reflect upon here.

Modell (2007: 2) argues that methodological development in management accounting research has been characterized by increasing pluralism and in addition, recent advances in mixed methods literature has seen "the paradigm incommensurability thesis lose some of its force" as this research becomes more pragmatic. Even though there have been calls for more mixed methods research in accounting and finance in this context recent debates in management accounting literature underline the difficulties in working towards a pragmatic position, especially when this entails bridging the gap between the interpretive and functionalist paradigms" says Modell (2007: 2). However, Modell (2007: 3) maintains the neglect of these philosophical tensions in mixed methods research (particularly in accounting and finance research) is problematic for the following two reasons:

1. There is evidence that subscribing to a paradigmatic paradigm has left mixed methods scholars anxious about a clearly articulated philosophical foundation for such research, and indeed its critics have targeted pragmatism as an "unreflexive eclectism". Such critique could delegitimize mixed methods to the detriment of the accumulation of scientific knowledge and accuracy.
2. The notion of employing triangulation for enhancing validity has been the focus of mixed methods research but the lack of a unified approach for increasing the validity of research blending of theories and methods is a potentially more substansive unresolved issue in mixed methods research.

The lack of proper integration of methods is one of the biggest risks of mixed methods research according to Grafton (2004), who says the failure to adequately integrate the design, execution, analysis and interpretation of the quantitative and qualitative strands of the research. Integration is contended by Grafton et al to be a distinguishing feature of mixed methods studies and a critical quality in defining the contribution of mixed methods research especially with regard to inference. This is difficult because qualitative and quantitative data do not blend easily. (Grafton, 2004). Further, says Grafton et al (2004) it is easier to integrate complementary findings than contradictory findings, and the splitting of effort across two methods may result in comprises in the application of one or both.

3.5.2 Validity and Reliability of Mixed Methods Research

Ihatola and Kihn (2004) synthesise the threats to validity and reliability in quantitative and qualitative parts of mixed research by assessing the quality standards of each. Ihatola and Kihn developed an integrative framework of mixed methods research quality introduced by Teddlie and Tashakkori (2006) to address specific threats to validity. According to Ihatola and Kihn, mixed methods research should compensate for the weaknesses of one method with the strengths of another. According to Ihatola and Kihn (2004) quantitative (qualitative) work may be assessed by its internal (contextual) validity; external (generalisable) validity; and procedural reliability. The requirements and threats to such validity are discussed below.

Internal (contextual) validity

In qualitative (quantitative) research, internal (contextual) validity is indicates whether valid conclusions can be drawn from the study and is threatened by poor research design and contradictions in logic (Ihatola and Kihn, 2004). Internal validity is specifically threatened by testing error in quantitative research and contextual bias by bias in qualitative research (Ihatola and Kihn).

External validity (generalisability)

External validity determines if general conclusions can be drawn from the research. That is to say, in the case of quantitative research, be generalised to other samples, and in the case of qualitative research, lead to theoretical generalisability (Ihatola and Kihn, 2004). External validity and generalisablity is threatened respectively by population, time or environmental factors in quantitative research and in qualitative research by a failure to explain how the new evidence enhances understandings of research (Ihatola and Kihn).

Procedural reliability

Procedural reliability refers to the reliability of measurements in quantitative data and consistency in the capturing at data in qualitative data (Ihatola and Kihn (2004). Hence, most threats to procedural liability are due to a lack of rigour, objectivity and standardisation in data collection. In analysing the threats to the quality of mixed methods research, Ihatola and Kihn conclude that the use of mixed methods research does not automatically lead to more valid or more reliable research. The complexity of mixed methods research designs thus require extra

rigour and a clearly articulated rationale. In addition, there is the challenge highlighted by Modell (2010) to develop mixed methods approaches which foster inter-paradigmatic engagement because much more empirical work needs to be done in this regard.

3.6 Research Journey and Determinants of Research Design

According to Creswell and Plano Clark, 2007 the timing (sequence), weighting (proportion of quantitative and qualitative data) and mixing (stages of integration and connection of different methods) are especially important to consider in mixed methods research design. The discussion below discusses the research journey that informed the integration of methods.

The research process began with the quantitative study one, that wished to explore the theory that the media was an important information intermediary. It therefore wished to explore both the media's relationships to the financial market and with other financial information intermediaries as well as compare their effects on share prices and volumes. The results and intuitions will be discussed further in the chapter which follows, but in summary, the media produced the largest absolute and negative effect on returns, and the largest effect on trading volumes and volatility. The intuition for this is that the news media have a bias towards reporting bad news as well as to interpreting events negatively, and that their watchdog function means that bad news is normally surprising because it brings new information to the market. In addition, the media's wide dissemination function was put forward as a theory for its large effect. This is a deductive process in moving from theory, then forming a hypothesis and then observing results which confirm the theory. The second study was an attempt to validate the theory of the first study and hence follows an inductive research process in moving from observations and then observing a pattern, forming hypotheses about these patterns, and then producing theory about this. Specifically, this was the observation that media had the largest and most negative effect on returns, and then financial journalists were interviewed in order to establish patterns of behaviour and attitudes in relation to their news values and what they believed their professional function to be. The qualitative research situates the study in the sociology of professions literature in order to make generalizable assumptions about the role of media in the stock market, namely that they are information intermediaries. The patterns evidenced that journalists admitted that they had a culture of reporting bad news for both cultural and professional reasons. Respectively, this was because bad news sells and because they

perform a watchdog function in financial markets that is investigative. The patterns led to a formulation of a hypothesis in the study that journalists have a tendency to report bad news due to their professional ethics and watchdog function. This led to a theory that bad news was therefore surprising because it uncovered malfeasance and brought new information to the market. Finally, the intersection between the second and third study comprises elements of both inductive and deductive research processes because it works from a theory of a corporate desire for capture of financial media that is to say that companies try to influence and control journalists' reporting due to the negative reporting biases of journalists and the results of the second study confirm that is the case and lend support to the inductive process from study 1 to study 3. That is to say, that if it is observed that media has the most negative effect, corporations will try to manage and influence journalists' reporting. The methods used for this research design are discussed in more detail below, as well as the advantages and disadvantages of each. The research design for the qualitative sections are hence a conversation with the quantitative sections and with each other, and are therefore a symmetrical study on the processes of knowledge construction in the working practices of journalists, who compete with public relations practitioners (primarily) for the framing of dominant narratives in financial markets. Methodologically, both these actors have been treated in the same way (that is to say, we assume that journalists and PRs use similar processes enabling them to compete for dominant narrative frames despite their symbiotic relationship). Journalists and public relations practitioners have traditionally been treated differently by scholars, but the advantage of considering them symmetrically provides, from a methodological point of view, an opportunity to explore their knowledge construction processes are similar and different, and symbiotic. Moreover, it allows for a better understanding of how they also perceive each other's roles in the capital market, and how the work they do is largely reactive to the symbiotic nature of their knowledge construction processes and beliefs about their self-constitution. This allows for a more holistic understanding for the generalised intuitions that arise from the quantitative study.

3.7 Research Design: weighting, timing and mixing of methods

The research design articulates the timing, weighting and mixing decisions of this study, as well as the degree to which they were integrated. The determinants of these decisions are crucial of mixed methods research design as cautioned by Creswell and Plano-Clark (2007) Guest (2012) recommends the use of diagrams in order to elucidate the descriptive dimension of the research design. Hence, the diagram below shows how the study is primarily inductive in dealing with causality, but weaves pluralistically between deductive and inductive processes in making its

conclusions (See Bryman and Bell, 2011). It also shows why assumptions cannot be made that a quantitative approach is always deductive and postpositivist and similarly why a qualitative approach is not always necessarily inductive and interpretivist/constructivist. The research design approaches the issue of causality conjunctively, that is to say, it shows how different methods bear on the same research question (Howe, 2012: 1). In this case it is the primary research question of the thesis which is "how does financial news media affect financial markets"?

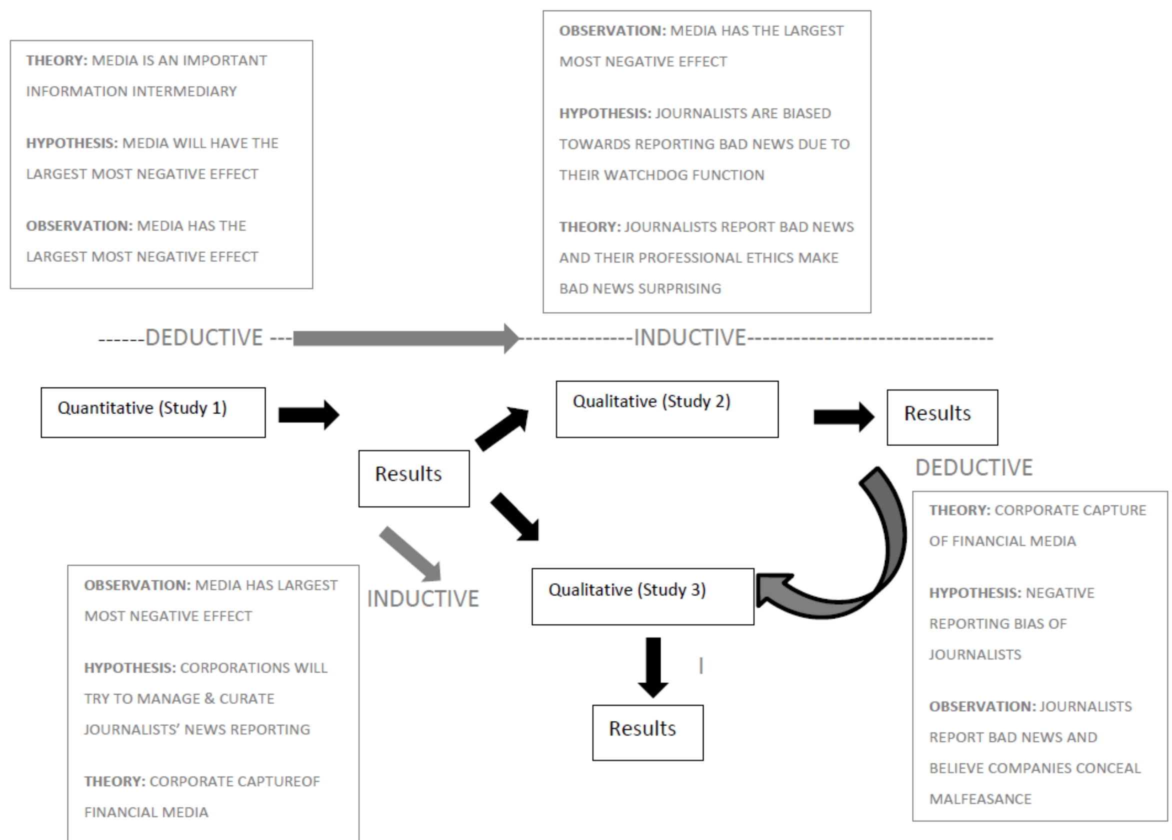

Figure 3.1: Illustration of research design

3.8 Methods

The diagram below illustrates that Study 1 was conducted first and is quantitative, and the results we then explored in studies 2 and three to provide a complete picture of the observations and the causal explanations (See Denscombe (2008: 272). The sections that follow directly below provide detail about the methods used.

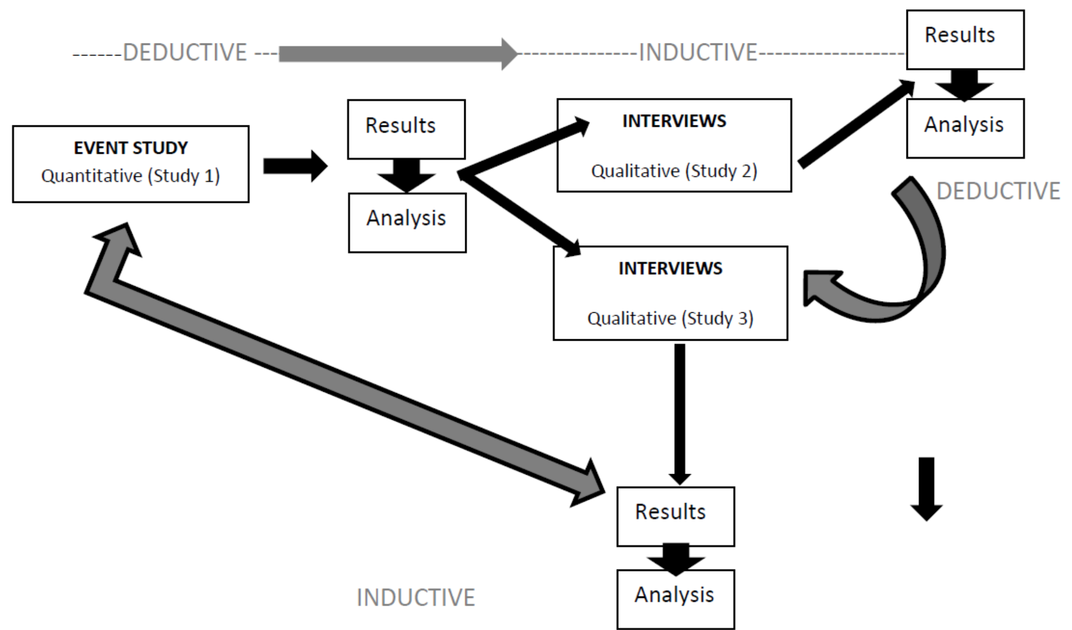

Figure 3.2: Illustration of Methods

3.8.1 Event Study (Quantitative)

Data: Firm Sample Screening

The firms in the sample set are 100 randomly-selected firms in the *Russell Microcap* Index. According to Russell Investments, the *Russell Microcap Index* represents just under 3% of the investable universe of US stocks, and includes a "comprehensive and unbiased barometer" of the "1000 of the smallest securities in the Russell 2000 Index", that meet national exchange listing requirements (Russell Investments, 2011). The top five sectors by weight in the Russell Microcap Index are spread over financial services; technology; health care; producer durables; and consumer discretionary. The reason for selecting small-caps is because the data for large caps, though interesting proved unwieldy, where a single firm from the Dow Jones Industrial Average can have thousands of news items about it in one day, and it is therefore more formidable to distinguish the effects of individually disclosed items. Further, US caps were

selected because of the rich data environment, but the study could easily be replicated for UK stocks.

Data: Event Sample Screening

The events were collected from *Dow Jones Factiva*, which is a database of financial publications where information can be obtained by publication, firm and date. The total number of observations for all 100 firms over the five-year period was 83 704. The descriptive statistics in Table 3.1 show it comprises a wide range of price-sensitive disclosure items of interest to investors.

TABLE 3.1

Descriptive Statistics: Raw Sample

Disclosure Categories obtained from Factiva for 100 US Small-Cap firms from 1 January 2006 to 31 December 2010

INFORMATION CATEGORY	**N (83, 704)**
Analysts	1,707
Equity Markets	3,252
M&A	5,674
Earnings Announcements	21,568
Press Releases	15,598
Industry/Company News	16,928
Performance	1,883
Dividends	888
Other	16,206

Notes *Factiva* is an electronic database of news stories that allows searches by company, publication and by date. It also provides information about the publication sources. It is owned by Dow Jones.

The screened sample yielded 12 090 observations. The sample screening approach for the study eliminated those information sources that cover a limited number of firms, and those that duplicate stories from the broadest information disseminators. This means that local news providers have been eliminated, but recent research has been done in this regard (Gurun and Butler 2011). Further, the effect can be easily hypothesised to be similar to that of the business-to-business media provider, where slant would be positive due to the advertising expenditure of firms on that publication. In other words, the information sources were carefully selected in the initial sample to include those with the broadest coverage and dissemination of information about firms, for the main categories of financial information set out above. Inspection of the data shows that this also controlled for repetition of widely disseminated stories within the set,

one of the concerns mentioned above. Competing providers will disseminate similar types of information to their client base. The main categories of price-sensitive financial information selected for the firm correspond to the three main categories set out above. The descriptive statistics for the screened sample follow directly below in Table 3.2.

TABLE 3.2

Descriptive Statistics: Screened Sample

Information Sources obtained from Factiva for 100 US Small-Cap firms from 1 January 2006 to 31 December 2010

BRANDNAME	**Provider**	**Service**	**Audience**	**Main Product**	**Information**	**N (12,090)**
StreetInsider	Intermediary	Media	Business to Business	"Trade" Journalism	Intermediary	2,321
Dow Jones Corporate Filings Alert	Intermediary	Syndication	Subscription Service	Distributor	Regulated	1,939
Wall Street Journal	Intermediary	Media	Mainstream	Journalism	Intermediary	505
PR Newswire	Intermediary	Public Relations	Subscription Service	Press Releases	Voluntary	4,340
Stock Diagnostics	Intermediary	Analysis	Subscription Service	Stock Recommendations	Intermediary	2,985

Notes The *Dow Jones Corporate Filings Alert* provides subscribers to the service with notifications and analysis of any new significant filings to the SEC; *PR Newswires* disseminates corporate news releases and announcements to journalists and other interested parties; *Stock Diagnostics* analyses financial statement data and stock price performance to rank stocks; and *StreetInsider* is a financial news analysis service focusing on market-moving events and real-time news analysis. The *Wall Street Journal* is one of the world's most prestigious financial newspapers, and one of the largest by circulation, with a hardcopy circulation of 2.1 million and 20 million website hits per month.

After obtaining the data from *Factiva*, I used Wharton Research Data Services' (WRDS) Eventus Software to run the event study. This made the high number of observations in the sample easier to manage. The method uses "residual analysis" (See Strong, 1992: 534) wherein event dates are first identified for a sample of firms based on the "disclosure of an item of interest", secondly, in an overall test period (TP) of interest the abnormal return for each firm and each period around the announcement date is calculated thus:

$$\hat{u}_{jt} = R_{jt} - \mathrm{E}(R_{jt}) \qquad t \in \mathrm{TP} \tag{1}$$

and finally the mean abnormal return is computed for firms in the sample, cumulated over the TP as an estimate of $\mathrm{E}\left(\bar{u}_j \middle| y_i\right)$[15]and then it is tested whether $\mathrm{E}\left(\bar{u}_j \middle| y_i\right) = 0$ using a test statistic of the form:

$$\frac{\overline{AR}}{\sigma}{}_{16} \tag{2}$$

Several models may be specified to undertake the analysis, but I have decided to use the market model[17] because it generally results, according to Strong (1992: 538), in smaller variances of abnormal returns (relative to raw returns), and so can yield "more powerful statistical tests, and produce smaller correlations across security abnormal returns giving closer conformity to standard statistical tests". Weston et al (2003) contend its popularity in the literature is due to the fact that it takes explicit account of the risk associated with the market and mean returns. The thesis uses the market model for the event study and this is described in more mathematical detail in Chapter 4.

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[15] y_i is an information signal and hence, $\mathrm{E}\left(\bar{u}_j \middle| y_i\right)$ is the unexpected or abnormal return on security j conditional on the signal y_i, R_{jt} is the observed return on security j during a period of interest and so $\mathrm{E}(R_{jt})$ is the expected return for security j during a period of interest.

[16] Where $\overline{AR}$ = mean abnormal return and σ = standard deviation

[17] The comparison period mean adjusted method has been included as a robustness check.

Method robustness checks (validity & limitations?)

I have specified the model thus because I found that the choice of index, when comparing value-weighted and equally-weighted indexes, was more or less inconsequential for the results. These choices are more or less consistent with the literature for increasing the power and robustness of the test, where a market model using an equally-weighted index is generally favoured (Armitage, 1995). I justify this with reference to the literature below.

Dimson and Marsh (1986: 135) clarify the circumstances inducing bias thus:

> The most serious problems will arise when (1) the measurement interval is long, (2) the event securities differ systematically in size or in weighting from the index constituents, (3) the size effect is large and/or volatile, and (4) CAPM type methodologies are used.

As regards any bias in the specification of my model aggravated by the size effect, this is fairly non-critical due to the short window which has been used. No observable significant difference result presented when using a shorter event window, and so opted to stay with the software's default window of 61 days as this made reading the volumes over time more sensible. The comparison-period mean-adjusted method was also run for thoroughness.

3.8.2 Structured and Semi-Structured Interviews (Qualitative)

Study 1: Data Collection: Interviews with Financial Journalists

Ten Structured interviews were conducted in the first instance, and this was followed by five semi-structured interviews. A range of question formats were used, including closed yes/no questions, as well as multiple-choice and open-ended questions, but whichever format the question took, the participants were allowed to comment or provide an alternative explanation if they felt that the options provided did not sufficiently describe the problem investigated, or if they felt the question was too leading. This was also to allow for the journalists to highlight an issue that was overlooked in the research in formulating the research questions, or perhaps a misunderstanding about their processes in the research framework developed from the literature.

The majority of those interviewed have experience of five years or more, and half of those interviewed and surveyed have more than 10 years' experience. They are male and female, of varying ages, but mostly in their 30s and 40s. Most of the participants have advanced qualifications in finance and economics, at least to masters' level and at least one holds the chartered financial analyst qualification. Several have also been through the industry revolving door, and in in addition to being journalists, have also held roles as financial analysts, consultants or public relations practitioners

Study 2: Data Collection interview with Public Relations Practitioners

Ten Structured interviews were conducted in the first instance, and this was followed by five semi-structured interviews of about 45 minutes each, which unpacked the data received in the structured interviews. The structured interviews allowed for the testing of assertions and theories put forward in the empirical framework to benefit from a standardised approach, (Bryman, 2004). Following the structured interviews up with semi-structured interviews also allowed the assertions and theories to develop as the interviews progressed, and for new information not contemplated in the empirical framework to have the best opportunity to emerge. The majority of those interviewed have experience 10 years' experience or more, they are male and female, of varying ages, but mostly in their 30s and 40s. Most of the participants have advanced qualifications in finance and economics, at least to masters' level and at least one holds a doctorate. Several have also been through the industry revolving door, and in addition to being public relations practitioners, have also held roles as financial analysts, consultants or journalists. The research project was fortunate to benefit from leading senior public relations practitioners from some of the leading multinational public relations firms practising in London, Johannesburg, New York and various locations in Europe. The level of expertise in some of the interviews has benefited from some of the participants being at the height of their professions in contemporary reputation management and investor relations.

Advantages and Disadvantages of Interview Collection Methods

The twenty Structured interviews were primarily done by e-mail and the semi-structured interviews took different formats depending on the availability and access to the participants. Four of the semi-structured interviews were done face-to-face, two were done by telephone and four of the participants were interviews both by instant messenger and face-to-face. Opendakker (2006: 1) says that the interview's purpose is to gather "descriptions of the life-world of the

interviewee with respect to interpretation of the meaning of the described phenomena". Face-to-face interviews have been the most prevalent interview form used in research but interviewing by phone and by internet is rising as well, particularly with instant messengers (Oppendakker, 2006). The disadvantages of email interviews says Oppendakker, is that they are asynchronous, and while this may save effort in terms of travelling, the researcher sometimes has to wait for the information, but more importantly, it can lead to a loss of richness in the data as spontaneity is lost. However, the ability of the participants to reflect on the questions was not a problem for this research design as the intent was to standardise the interview schedule in order to get the sense of emergent patterns and themes in the professional worlds of the participants. Moreover, semi-structured interviews were conducted later to control for issues that required clarification and for the researcher to incorporate learning of the professional problems into the research process. The advantages of the other three methods says Oppendakker (2006) are that they allow for synchronicity, and in some cases instant messenger and telephone can lead to more sensitive information being disclosed. The responses collected by instant messenger confirm this. The fact that most of the participants were writers and communicators led to their written responses to very persuasive and thoughtful.

Advantages and Disadvantages of Structured Interviews

The motivation for using structured interviews in the first instance was in order to allow for a standardisation of the interviewing process and to minimise differences between interviews as Bryman (2004) contends. Further advantages allowed for all the respondents to have the same context of questioning and interview stimulus, and this also facilitated the aggregation of responses, which is more effective if identical cues are asked in the same order. Mainly this is to allow for the standardisation both in "the asking of questions and the recording of answers" (Bryman, 2004: 110). The structured interviews conducted were computer-assisted in order to increase the accuracy and standardisation of the interview schedule as this meant that no questions were skipped or changed. As regards structured interviews, Giddens (2006: 543, 548) points out that these are useful for fieldwork for analysing research problems that interrogate larger slices of social life, since less interpretive generalisation is involved, and "more precise comparisons can be made between the answers of respondents". Further, Giddens (2006: 544) also points out that such "responses can be more easily quantified and analysed than material generated by most other research methods". However, there are also shortcomings of structured interviews for sociological research in particular, and Giddens (2006 545) says that one of these

is that “an appearance of precision can be given to findings whose accuracy may be dubious”, given the relatively shallow nature of the research method.

Advantages and Disadvantages of Semi-structured Interviews

Considering these limitations of the structured interview as a research method, and avoiding too much standardisation by allowing journalists the opportunity to comment on structured interview format themselves, semi-structured interviews were then conducted in the second instance in order to control for poorly-worded questions, or misunderstanding of the question by the interviewee and the manner and order in which answers and data were collected (Bryman, 2004: 110). The data collected by the interviews were then analysed using discourse and frame analysis, which was useful for unpacking the responses in relation to the research questions. The disadvantage of semi-structured interviews is that they are time-consuming. Semi-structured interviews can alert the researcher to issues that were not considered previously, but can go off track with interviewees that talk too much (See Hove and Anda (2005). This research project had the problem with a few of my interviews as they became quite voluminous and went a little off track – those interviewed are adept public speakers and skilful at being persuasive as a course of their work. The fact that I had worked in both of these environments gave me a good sense of how these issues were being framed and the general patterns that emerged. I was also extremely reflexive about any bias that my working background in these fields may have elicited. I did though have to be patient and strike a balance between not asking too many leading questions, letting them speak and controlling for the fact that may of the subjects were very busy and time-poor and keeping them on track in the limited time available was very difficult. Sifting through the transcribed interviews required extra care.

Tools of Analysis

Discourse Analysis

The data were transcribed and these texts were analysed using discourse analysis. The data analysis was therefore done manually as the complexity and nuance of the issues benefited from a more careful consideration than coding with computer software. “Discourse” is a contested term that has come to stand in for almost anything that deals with texts, meaning, discussion. Michel Foucault (in Titscher et al.(2000: 25) says:

> Lastly instead of gradually reducing the rather fluctuating meaning of the word 'discourse', I believe that I have in fact added to its meanings: treating it sometimes as the general domain of all statements, sometimes as an individualizable group of statements, and sometimes as regulated practice that accounts for a certain number of statements; and have I not allowed this same word 'discourse', which should have served as a boundary around the term 'statement' to vary as I shifted my analysis or its point of application, as the statement itself faded from view.

Tischer et al. (2000: 26) describe the text as a self-contained entity; refer to its discursivity in its communication function; and its role as evidence to be empirically described, and emphasise that above all discourse should be thought of as *continuous action*. Further, discourse analysis means epistemological questions must be posed, that ask what constructs of power are constituted by the knowledge that is contained and transmitted in discourse (Wetherell et al., 2001). Hence, in such a perspective, critical analysis is incorporated into discourse analysis. Wodak (1996: 15) says Critical Discourse Analysis (CDA)[18] sees discourse "as a form of 'social practice' thereby implying a dialectical relationship between a particular discursive event and situation(s), institution(s), and social structures which frame it". This highlights the role of discourse plays in constructs of power and knowledge. This is supported by Foucault's work on discourse, which is described by Wetherell et al.(2001: 233) as framing discourse as a system of knowledge: "For Foucault, discourses are systems of knowledge … that inform the social governmental 'technologies' which constitute power in modern society". This is the reading of discourse promoted by the analysis of information intermediaries dealing with financial news in this thesis – particularly the power relations between PR and the media as corporations attempt to capture the news media due to its negative news reporting biases. (See Fairclough 1995 on media discourse.) The discourse analysis took place in four stages. First, the interviews were conducted; second, they were transcribed; third, the text was categorised into the themes and issues being explored in the discourse elicited by the analytical frameworks; and finally, the discourse was analysed. The exposition of such discourse analysis as undertaken in the thesis is shown graphically in Figure 3.3 below.

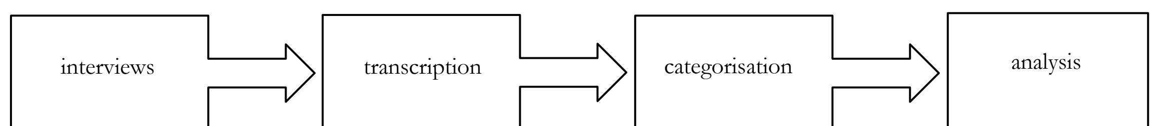

Figure 3.3 Exposition of Discourse Analysis

[18] Further Fairclough (1992) says that critical discourse analysis (CDA) is appropriate for the detailed and close analysis of texts.

Textual and positional reflexivity

The methodological approach is also meta-reflexive in the dimension of textual and positional reflexivity. Doran (1989: 756) says "Woolgar asserts that only constitutive reflexivity, qualifies in any strong sense as real reflexivity" and this preference is a call for a social science which deals with reflexivity in its methods as well as its content". Finlay (2001) calls this type of meta-reflexivity "outing the researcher" and suggests that "to increase the integrity and trustworthiness of qualitative research, researchers need to evaluate how intersubjective elements influence data collection and analysis.

Reflexivity where researchers engage in explicit, self-aware analysis of their own role –offers one tool for such evaluation". Hence, the methodological approach here is self-aware about the manner in which the data is organised and text and positionality are foregrounded according to the own sequential logic of the interview technique deployed. It also organises the professional activities and attitudes of the subjects, which affects the manner in which the research "story" is constructed as the analysis is projected through this lens. Reflecting on reflexive interview technique Denzin (2001) says, the interview's meanings are contextual, improvised, and performative … The interview is an active text, a site where meaning is created and performed. When performed, the interview text creates the world, giving the world its situated meaningfulness". Hence, instead of merely organising the data to fit the research story, the participants were asked about their own awareness of the processes of flux and enclosure about their professions, the nature of the market and the manner in which activity takes place within it, the manner in which their own professional activities and knowledge construction influences it. Finally the research weaves these issues back to the findings of the first project and this confirms the robustness of the intuitions that were elicited in the primary research phase.

3.9 Discussion

3.9.1 Methodological Statement

The use of mixed methods in this thesis and blending of paradigms that express mixed-world-views are not merely expedient or *ad hoc*. That is to say, the methodological choices in this thesis

have been made reflexively and on the assumption that apparently opposed paradigms can be compatible.

The use of the terminology *mixed-methods* is also employed with caution because it is more purposive than bluntly *mixing*, it rather contemplates how *multi-methods* can be integrated comprehensively to improve validity and provide for subjectivity, nuance and complexities of texture. The use of the term *mixed-methods* is also used reluctantly due to the researcher's natural suspicion of orthodoxies and its by-product of restrictive processes of classification. Nonetheless, it is acknowledged that research typologies are useful for legitimizing and therefore takes support in using the term *mixed-methods* from a now established research approach that best reflects the methodological framework of this thesis. This thesis does not therefore only refer to the *mixed methods* approach simply as a combination of two different methods, that is to say, *qualitative* or *quantitative*, and it does not see mixed-methods as a convenient third-way. Nor does it assume that making a research design choice that is qualitative or quantitative automatically assumes a paradigm, respectively constructivist/interpretivist or post-positivist as is normally the case. Similarly, the methodological choice about mixed methods in this case does not nonchalantly assume a *pragmatist* paradigm.

This thesis looks at the way in which its methodological approaches interrelate comprehensively and holistically in the dimensions of *methodology*, *research design* and *methods*. The philosophical assumptions underpinning the thesis seek to accommodate different world-views and also the best research design and methods for answering the research question. This is because of my intrinsic belief that the world is pluralistic, that even in using quantitative methods or adopting a positivist paradigm, these positions cannot be value-free, in fact, their adoption is the very opposite because it excludes so many other ways of seeing. Even in quantisizing, the research process is driven by the biases and cultural habits of the researcher. Mathematical models themselves are socially constructed in processes of mathematizing. Similarly in qualitative inquiry, the researcher should be reflexive of the influence of her own bias on research choices, ways of seeing. Hence, the approach to methodology in this thesis is underpinned by a philosophy that sees the world and the data it produces as messy and a belief that findings are thus necessarily subject to the influences of randomness and subjectivity.

3.9.2 Discussion

One of the main threats to methodological validity in this thesis is whether the integration and paradigm commensurability issues have been sufficiently addressed. The research process has though been careful about relating each study back to the central research question, and integrating the findings of the qualitative work back to the findings of the quantitative work in order to provide intuitions for those observations. This is a contribution to the accounting and finance literature. It builds on the work of Grafton (2004) in stressing the importance of adequate integration, especially in accounting and finance research. Grafton cautioned that lack of sufficient integration of methods is probably the main contributor to such threats to validity and the compromising of the research design.

The thesis and the research design are supported by an in-depth discussion of the mixing, weighting and timing decisions. This builds on the work of Creswell and Plano-Clark (2007) and to the mixed methods research literature. The procedural reliability and internal validity of the design is particularly strong because the timing and weighting decisions, in particular, were given a lot of thought and the sequence in which the different studies took place were, on the whole, in accordance with the research design set out at the second design of the project. The study should be easy to replicate and the data is of a good quality considering the access that was possible to both qualitative and quantitative data.

The methodological statement exposited the unique research approach towards interparadigmatic integration and methodological choices. This builds on the work of Modell (2007) but it disagrees that critical realism is a more helpful approach than pragmatism because the world-view encapsulated herein rejects stable constitutions of value and reason such an approach would entail. The methodological approach therefore emphatically rejects the assertion that mixed methods research's paradigm and methodology exhibits "unreflective eclecticism" which threaten its legitimacy critique by scholars such as (Smith (1983), Heshusius (1986) Blaikie (1991) in Modell (2007).

Ihatola and Kihn (2004) caution that the increased threats to validity in mixed methods research mean that this type of research should be undertaken with even more caution than mono-method designs. The methodological approach to the thesis has been rigorous in that regard, but it is acknowledged that bias and logic as well as my own background as a journalist and corporate communication specialist may have in some way compromised this research. The

work is generalizable and makes theoretical as well as empirical contributions due to the level of integration and awareness of the potential pitfalls of mixed methods research.

The research also contributes to the advocacy for increased empirical research using mixed methods in accounting and finance in Modell (2010), Grafton (2004) and Ittner and Larcker (2001).

There may also be an issue with the inherent bias of the framing of responses in the qualitative sections due to the fact that I have worked in both corporate communications and financial journalism environments. This meant that extra rigour was required in exercising reflexivity and the meta-framing processes that these experiences contributed to the research. This builds on the work of Finlay (2001) who urges for researchers to be meta-reflexive in order to increase the integrity and evaluation of intersubjective elements of such research as discussed above. The manner in which the thesis explicitly articulates meta-reflexivity is a contribution to the qualitative and mixed methods research literature. The advantages and disadvantages of particular methods and methodologies have been dealt with in the review of preceding sections. This discussion pertains to the methodological approach of this thesis.

3.10 Summary of Chapter

This chapter introduced the concept of mixed methods research, and set out the difference between paradigms, methodology and quantitative and qualitative methods in order to build a foundation upon which to review the mixed methods research. A robust methodological foundation is particularly important in the case of mixed methods and interdisciplinary research, which draws upon a broad range of theories and methods. The chapter also discussed the strengths and weaknesses of mixed methods research, and the particular threats to validity and reliability to which the research is susceptible. It also reviewed mixed methods in accounting and finance research in order to elucidate the particular issues for mixed methods research design in this discipline. After laying this foundation, the chapter then moved to a practical discussion of the methodological journey specific to this thesis, and the mixing, timing and weighting decisions this required. The research design and methods were described by way of illustration and discussion finally, the section concludes with a discussion incorporating a methodological statement and a discussion of the validity and limitations of the methodological approach and

the applicable contributions made to the literature as a result of these. The mixed methods and interdisciplinary approach was not the most straightforward way of exploring the subject matter, and it was certainly the most risky for the success of the thesis overall, but it has produced a textured study that points to richer ways of producing knowledge in accounting and finance research. This outcome is what scholars such as Creswell and Modell have been advocating for in methodological research and accounting and finance research respectively.

Chapter 4

Market reactions to news media

4.1 Introduction

The effects of news media on financial markets has recently started to attract attention from accounting and finance researchers. In this regard, the effects of the media on financial markets movements are not yet fully understood. The news stories in the media, however, are categorized as price sensitive information[19] in the securities law, and the news media may therefore be considered an information intermediary (Bushee, 2010). It is therefore useful to obtain quantitative empirical evidence on the effects of financial journalism in financial markets. An increased insight into how the news media affects the financial market will also contribute to an increase in an overall understanding of the relationship between information on stock prices and trading volumes which remains a salient topic in accounting and finance research. This is because markets need information to function (Ball and Brown, 1968, and Fama, 1991). This chapter hence examines the research problem of how media affects stock prices, trading volume and volatility of shares relative to other types of information in markets for financial information such as information intermediated by analysts, mandatory regulated disclosures; and voluntary disclosures. The purpose of doing so is to see what changes the media produces to these metrics in absolute terms and how important this type of information is. It is also to ascertain better explanations for the findings observed. The study does this by analyzing data for 100 small-cap stocks over five years from 1 January 2006 to 31 December 2010. The statistical significance of trading volumes and price changes and also, as a sensitivity test, of volatility are measured using the event-study method on receipt of proxies for the three types of information: voluntary disclosure, intermediated disclosure; and regulated disclosure. The proxies are as

[19] Information can affect the price of assets and therefore certain types of information are classified as price-sensitive in the securities law. See UK Financial Services and Markets Acts (FSMA) 2000 s 119 c(2) and the US (Securities and Exchange Commission) SEC Rule 10b-5. FSMA defines price-sensitive information as information of a specific nature related to a financial asset that is not generally available, that, if it were to become available would likely have a significant effect on the price of the asset.' Information therefore has economic value in financial markets because they enable transactions and lower risk.

follows: regulated disclosure (*Dow Jones Corporate Filings Alert*[20]); voluntary disclosure (press releases disseminated on *PR Newswire*[21]) analysts' recommendations (*Stock Diagnostics*[22]) and news media (trade journalism as found in *Street Insider*[23]) and news media stories (*Wall Street Journal*[24]). Hence the study also tests for returns that are above average (abnormal) caused by different types of financial information in order to make its comparative claims (Fama, 1969). Evidence is presented that independent news media has the most negative, and largest absolute effect on stock prices; trading and volatility volumes than the other types of information in the comparison. The intuitions for these large and very negative results for price changes are attributed in the study to be due to the media's wide dissemination, its attraction to bad news and its negative interpretation of events in conjunction with the cognitive and emotional biases of readers to bad news. In addition, the media's watchdog function in financial markets means it is likely to uncover bad news which is surprising, therefore resulting in the rapid and significant changes in the expectations of market actors.

In the context of financial markets, information is defined by Beaver (1968: 43) as "a change in expectations about the outcome of an event". Hence, when information is meaningful, it must change the opinion of investors about an asset in relation to an event. Further, price changes may be said to reflect the expectation of the market as a whole and trading volume changes that of individual investors (Beaver, 1968).

In relation to the availability of information in the financial market, a cornerstone of financial economics is the concept of market efficiency which asserts that prices should reflect all publicly available information (Fama, 1970 and 1990). This is because the market reflects prices as if every trader has the same information (Beaver 1991). If market efficiency were true, it is therefore puzzling that price changes occur when the news media release a piece of information

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[20] The *Dow Jones Corporate Filings Alert* provides subscribers to the service with notifications and analysis of any new significant filings to the SEC.

[21] *PR Newswires* disseminates corporate news releases and announcements to journalists and other interested parties.

[22] *Stock Diagnostics* analyses financial statement data and stock price performance to rank stocks.

[23] *StreetInsider* is a financial news analysis service focusing on market-moving events and real-time news analysis.

[24] The *Wall Street Journal* is one of the world's most prestigious financial newspapers, and one of the largest by circulation,.with a hardcopy circulation of 2.1 million and 20 million website hits per month.

that has already been released through a corporate filing for example (See, for example, Lloyd Davies and Canes (1978); Pound and Zeckhauser (1990); and Liu et al. (1990).) One explanation that may shed light on this puzzle may be that sources of information have different ranges of dissemination and costs to obtain a different analysis of the information event (See especially, Stice (1991) and Beneish (1991). Further, the episodic release of information implies that no one intermediary can wholly and independently cause the associated price adjustment changes and therefore, an investigation into the characteristics and related effects of media in financial markets would benefit from comparison with the characteristics and effects of other financial market information intermediaries.

The literature on the information content of media in this spirit can be traced back to a study by Lloyd-Davies and Canes (1978), which looked at the effects of the US financial daily newspaper, *The Wall Street Journal,* and found evidence of a significant effect on security prices by secondary dissemination with the explanation that the stock analysis in *The Wall Street Journal* may be based on inside information not yet reflected in prices.

A great deal of subsequent research in this area has explored the problem of secondary dissemination. Some salient examples are Liu et al (1990) who say that news media has economic value because it represents a relatively low cost to investors than producing the information themselves; and Han and Suk (1996) also assert that the significant effect of secondary dissemination in news media is due to its low cost and wider dissemination (See also Pound and Zeckhauser (1990); Beneish (1991); Stice (1991); discussed in more detail in the literature review. Other significant research in this area, has explored the role of the business press as an information intermediary (Bushee et al., 2010), found evidence of a negative impact of news media on stock prices (Chan (2003); Tetlock (2007); and Fang and Peress (2009). There are also studies that have noted the attention-grabbing effect of the media (Barber and Odean, 2008), while others have attributed this to the alleged tendency of news media to "lead with what's bleeding" such as Green and Hand (2010), and the attendant behavioural biases that readers towards bad news (Thaler, 1999). But none of studies in the prior research (surveyed in more detail below) have considered the news media as a genre of information intermediary in relation to other types of information and regulatory and voluntary options of information disclosure in the context of market efficiency an disclosure characteristics. Yet, Ryan and Taffler (2004) point out that there is a need for research into the joint effects of several various intermediaries. Moreover, there is insufficient evidence in the literature on the problematization

of the financial journalist as a legitimate intermediating actor in markets for financial information (Tambini, 2010; Bushee, 2010 and Doyle, 1986).

In the analytical context, this study hence aims to contribute to this literature in four ways: first, it aims to contribute to evidence for the news media's effects on price and volume adjustments in financial markets; and hence second; to an understanding as to whether these effects mean the media is a significant information intermediary thereby building specifically on the work of Bushee et al. (2010); third by building on the work of Ryan and Taffler (2004); which is one of a handful of papers, though not looking at the media as a specific area of investigation, is interested in the relative effects of various information events and urge for more research with regard to the interactions of intermediaries relative to each other in financial markets; and fourth, on the work of Stice (1991) who has argued that research into the abnormal returns created by news media may provide insight into the information setting of small firms in particular.

Hence, in sum the research contribution of the study offers a model of the firm's information environment, and looks at how the relationship between these intermediaries contribute to the financial market by concentrating on the magnitude and direction of news media on share prices in order to make its inferences about how consensus and sentiment about the meaning of financial events affects financial information markets.

Clarification of the term "media"

It is impossible to consider the entire media universe within the scope of this chapter. Media these days includes not only newspapers, but also television, radio, online and social media. The use of the term media is therefore restricted in the discussion of media to its traditional form as the "press", that is to say, the financial newspaper and its online version. While there are papers in this research agenda looking at social media and search engine analytics, this study considers the traditional form of media in order to contribute to a fundamental understanding of how media affects capital markets both on its own and in conjunction with other disclosure avenues available to the firm. While understanding the effects of new (web-based) media and interfaces in relation to all types of financial media is undoubtedly important and necessary, much work still needs to be done in the literature with regard to these building blocks.

Structure of the paper

This section, 4.1, above provides an introduction and overview of the study, that is, to explain why it is valuable to study the effects of the news media in the financial market. Section 4.2 below surveys the prior research and situates it within a research framework to identify the areas in the literature that are specifically developed by this study. Section 4.3 sets out the research framework, Section 4.4 sets out the hypothesis development based on the theory, and section 4.5 sets out the formal hypotheses and the empirical expectations of the study. Section 4.6 provides details of the methods used in the study to test the hypotheses and Section 4.7 reports, analyses and discusses the results obtained from the empirical test. The study concludes with section 4.8 which sets out the research contributions.

4.2 Empirical Framework and Prior Research

There is a substantial literature that investigates the reaction of stock prices and trading volumes to information content in relation to market efficiency– this framework forms the conceptual and empirical foundation of this research. The role of the media as an information intermediary is a subset of this literature but has only recently enjoyed meaningful academic interest, and therefore will be discussed following an outline of the main research conducted in the accounting and finance literature on information content of corporate disclosure in order to contribute to the research framework. This study not only analyses the media's role as an information intermediary and the manner in which it affects returns, volumes and volatility, but also how it does so in relation to other information intermediaries and types of corporate disclosure.

4.2.1 The relationship of stock returns and trading volumes to information content

Beaver's (1968) seminal paper looked at investors' reactions to earnings announcements. He analysed the information content of the announcements by observing abnormal changes in price and trading volumes from the average around the announcement date. In the context of financial markets, information is defined by Beaver (1968: 43) as "a change in expectations about the outcome of an event". Hence, when information is meaningful, it must change the opinion of investors about an asset in relation to an event. Beaver (1968) further asserted in relation to information content of announcements, that price changes represent the expectations

of the market as a whole and trading volume movements that of individual investors. By this framework, volume reactions may point to a lack of consensus, or of portfolio changes that are not yet reflected in prices (Beaver, 1968). Another related work from that year by Ball and Brown (1968: 176) assessed the usefulness and timeliness of existing income numbers. They found that at least one half of all the information about an individual firm during any given year is reflected in that year's income number. However, the annual income report is not a particularly timely medium because up to 95% of its content is captured by more prompt media such as interim reports.

Later studies offered varying economic interpretations for adjustments in stock prices and trading volumes Verrecchia and Hakonsson (1981) affirmed that increased trading is driven by belief structures. Atiase (1985) found evidence that a great deal of information in earnings reports are reflected in security prices prior to the actual month of the report's dissemination. Atiase (1985) posited that this could be due to the existence of other more timely sources of information. Atiase (1985: 122) also looked for evidence on the influence of firm size on observation because "the amount of private prediclosure information production and dissemination is an increasing function of firm size (capitalisation) [and therefore] the amount of "unexpected" information conveyed to the market by actual earnings reports should be inversely related to firm size (capitalisation)". Bamber (1986) also looked into returns and volume changes and the influence of firm size. Bamber's (1986: 40) asserted that "trading volume reflects investors' *activity* by summing all market trades, whereas security prices reflect an aggregation or averaging of investors' *beliefs*[25]. Bamber (1986) also found a continuous positive relationship between trading volume and the magnitude of unexpected earnings as well as a continuous inverse relationship between firm size and trading volume. Karpoff (1987) found a positive relationship between volume and price changes. And hence developed a theory of trading volume wherein market agents frequently revise their demand prices and randomly encounter potential trading partners. This is consistent with the prior empirical research that investor disagreement leads to increased trading. Karpoff (1987), however, points out that abnormal trading volume can also mean that investors could have interpreted the information identically, but with divergent initial price expectations. Jain and Joh (1988) investigated hourly common stock trading volume and returns and found that both average volumes traded and returns were significantly different across trading hours of the day and across days of the week.

[25] Emphasis in original.

The relationship between returns and volume was also observed to be stronger in the case of positive returns than in the case of negative returns. It is not only the sign of the returns' changes that have an impact on the volumes observed, the type of information released impacts the magnitude of returns and the related volume changes, as evidenced by Jain (1988). Jain (1988) also contributes in this study to research on the speed of adjustment of prices and volumes and finds that the effect of information on stock prices is reflected in about an hour . Yadav (1992) found a positive relationship between volume and volatility, and maintained that volatility can also be taken as a measure of information content and therefore enhance inference in event studies. Hence, observing an increase in volatility means that an increase in volume could be expected, as well an increase in price changes. Yadav therefore says that inferences made with only one of these metrics have to be viewed with caution because of their complementary relationships.

Random walks and market efficiency

Eugene Fama's work on random-walks of stock prices (1965) and efficient markets (1970, 1991) links to the studies discussed above as they deal with the movements of stocks and information and contributes to an understanding of capital markets

According to Fama (1965: 76), the actual prices of securities will wander randomly around their intrinsic values particularly on receipt of new information. The theory of random walks therefore implies that the past history of a series of securities prices cannot be used to predict the future in a meaningful way. This, said Fama (1965: 76) has the implication that the "instantaneous adjustment" property of an efficient market means "successive price changes in individual securities are independent" and is, therefore by definition, a random-walk market. As regards an "efficient market" Fama (1970, 1991) theorised that an efficient market "fully reflects" all publicly available information, despite long-run anomalies (1991). In the 1970 review of market efficiency, three categories are represented for relevant empirical work: "weak-form tests"; "semi strong tests" and "strong tests" of efficiency respective to past, present, and future public information flows. Markets in practice are said to adhere to the semi-strong form (1970). However, in 1991, Fama updated the categories as follows: instead of weak form tests "which are only concerned with the forecast power of past returns", Fama renamed the first category "tests for return predictability" and also reorganised it to include the forecasting of returns with

interest rates and dividend yields; seasonal effects, excessive stock volatility, and cross-sectional predictability to reflect the anomalies discovered in tests of asset pricing models. The last two categories were not revised, but only renamed for clarity as "event studies" (semi-strong form tests) and "tests for private information" (strong form tests). This is discussed in more detail in the literature review.

Disclosure and Liquidity

An important implication of the prior research discussed above means that in order for investors to make informed decisions and transact optimally, markets should display robust and timely disclosure of information to counteract information asymmetry and illiquidity caused by agency problems. (See Akerlof (1970); Fama and Jensen (1983); Diamond and Verrecchia (1982); Ausubel (1990); La Porta et al (2000); Frankel and Li (2002) and Healy and Palepu (2002).) The analysis of the behaviour of trading volumes and stock prices upon receipt of information in the news media is a contribution to the understanding not only to the information content of news stories, but also to how the properties of an information intermediary contribute to the manner in which information is disseminated, and hence, to market efficiency.

This theoretical framework is supported by Verrecchia's (2001) assertion that information asymmetry reduction be a starting point for any discussion about disclosure theory. Further, Leland and Pyle (1977: 372) say that "financial intermediation is a rational response to asymmetrical information".

Womack (2002: 133) defines the information intermediary as "any system that mediates between the producers and consumers of information". By Womack's definition, it is therefore appropriate to contemplate news media as a financial intermediary within this theoretical framework.

The media is also recognised as information intermediary within the corporate law, and there are also several empirical studies, discussed in detail below, that contemplate it as such, in the context of disclosure of the firm's financial information and corporate governance. Further, the implication of this is that news media stories are therefore also regarded as price-sensitive information by the Securities and Exchange Commission (SEC), as discussed in Section 4.1 and the research framework in Section 4.3 below.

4.2.2 Market movements and News Media

Early work by Boyd and Schonfeld (1977) showed that discussions with corporate advertising officers and media representatives are motivated to influence security prices. One of the seminal studies on news media and its effects on capital markets, is Lloyd-Davies and Canes' (1978) who looked at the *Wall Street Journal*'s[26] (*WSJ*) 'Heard on the Street' ('HOTS') column and found that low-cost recommendations by its analysts generated statistically significant abnormal returns.

Later research in the 1980s by Dopuch, Holthausen and Leftwich (1986) evidenced a significant negative stock price reaction to media disclosures of 'subject to' qualified audit opinions[27]. Cutler, Poterba, and Summers (1989) explored the relationship between news coverage and stock prices and casted doubt on the view that stock price movements are fully explicable by news about future cash flows and discount rates. Liu et al (1990) extended the Lloyd-Davies and Canes (1978) study by using single-company instead of multi-company data. Liu et al (1990) also examined the impact of the "Heard-on-the-Street" (HOTS) column of *The Wall Street Journal* on stock prices and found it had an impact on stock prices on the publication day; as well as a smaller, but statistically significant, impact on two days preceding the publication. Liu et al (1990) present a puzzle in relation to their research: if the market is efficient, then the management of portfolios based on these recommendations should not consistently outperform the market and therefore investors should not logically want to pay for this information. The fact that investors do pay for this information, according to Liu et al (1990), suggests that investment advice has economic value as discussed above. Liu et al (1990) further theorise that the cost for investors to produce the information themselves would be higher, which is supported by empirical evidence

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[27] According to the Financial Reporting Council for the UK and Ireland, this is an audit opinion that is given "subject to" uncertainty about certain outcomes and events (FRC, 2013).

that recommendations by advisors, brokerages and ratings agencies do have the ability to move market prices (See especially, for example, Millon and Thakor (1985), Holthausen and Leftwich (1986), and Groth, Lewellen, Schlarbaum, and Lease (1979).)

In the 1990s, Pound and Zeckhauser (1990) also examined the 'HOTS' column, but looked at the impact of takeover rumours on stock prices published in the column and found that the market reacted efficiently to rumours. Stice (1991) investigated whether price and volume reactions to these earnings announcements occur at the SEC filing dates or at the subsequent *WSJ* announcement date and find on average no significant market reaction at the SEC filing date but evidence of the existence of a significant market reaction to the subsequent *WSJ* earnings announcement. Han and Suk (1996) also found that a separate reaction to publication in the media and other forms of intermediation subsequent to the first publication date with the interpretation that media coverage is responsible for wider dissemination of information due to the lower cost of acquiring information through the media.

Ferreira and Smith (1999) examined the information content of the "Small Stock Focus" column in the *Wall Street Journal* but find mixed results, the explanation for this may be that small firms enjoy different analyst coverage and investor following than larger firms.

Dyck and Zingales (2003) found that stock prices were most reactive to the type of earnings emphasized by the press; that the effect was stronger for companies with fewer analysts and when the media outlet is more credible; and that media spin tends to follow the spin promoted by the company.

In summary, this strand of research evidences that cost of obtaining the information for readers, the extent of dissemination, and the size of the firms about which information is being disclosed are all factors that contribute to the quality and quantity of the relative information content in corporate disclosures.

The media and mutual funds

The growth of interest in the media and its relationship to stock markets in this century has also resulted in a strand of research papers that study the problem with specific reference to mutual funds. Fang and Peress (2011) study the relationship between mutual fund trades and mass-media coverage of stocks and find that those stocks receiving media coverage are more heavily bought by funds in the aggregate. Their results suggest that professional investors are subject to limited attention, and moreover, that such behaviour harms their investment performance. Comer et al (2011) examine the mutual funds that appeared in the *Wall Street Journal's* SmartMoney Fund Screen column from September 2004 through July 2009 and find that the majority of funds listed do not have Morningstar's highest five star rating. However, regardless of Morningstar rating, the average prepublication performance of the funds is significantly higher than the benchmarks used to measure performance. Post publication, fund performance declines, and the decline is statistically significant across our performance measures. Solomon, Soltes and Sosyura (2011) show that media coverage of mutual fund holdings affects how investors allocate money to funds, and controlling for fund performance, fund holdings with high past returns attract extra flows *only* for stocks recently featured in the media. In contrast, holdings that were not covered in major newspapers do not affect flows.

4.2.3 The Media, Bad News, Attention, and Behavioural Biases

Bad News

This section of the review will look first at the literature that is mainly observational in relation to bad news, and secondly looks at the explanatory literature in the behavioural tradition that asserts the reasons for the attention-grabbing effects of bad news can be explained by human cognitive and emotional biases. (See for example, Thaler (1999) and Nofsinger (2008).) In general, the research leads to the overall conclusion that bad news has greater effects and longer-lasting effects than good news, and that companies will therefore aim to manage the release of bad news.

Patell and Wolfson (1982) found evidence that good news is more likely to be released when the security markets are open, whereas bad news normally appears after the close of trading. A later

important work by Chan (2003) presented strong evidence of drift after bad news, and reversal after extreme price movements unaccompanied by public news, mainly in smaller, more illiquid stocks, thereby supporting theories of investor over- and under-reaction. Skinner (2004) finds reactions to bad news announcements are larger than reactions to good news announcements. Similar in spirit to the Patell and Wolfson (1982) paper is research by Bagnoli *et al* (2005) who found that the continued dominance of bad news in Friday announcements is strongly suggestive of managers' desire to take advantage of limited media coverage of companies on Fridays and weekends and indicates the management of firm-initiated disclosure of bad news. Schmitz (2007) finds only a very short-term post-event drift after good news, whereas prices tend to drift for several days after bad and that stock-recommendations published in the media. Tetlock (2007: 1139) finds "high media pessimism predicts downward pressure on market prices followed by a reversion to fundamentals, and unusually high or low pessimism predicts high market trading volume". Habegger and Pace (2008) document positive (negative) abnormal returns and volume associated with long (short) recommendations published in *The Wall Street Journal's* 'Smart Money Stock Screen'. Kothari et al (2009) find evidence consistent with their prediction that if managers delay the disclosure of bad news, but leak or immediately reveal good news to investors, then the reaction to bad news should be greater than the reaction to good news. Gurun (2010) shows that good news is endogenous, which may lead to a further explanation for the attention grabbing and often surprising effects of bad news. Li et al (2011) examine the role of newswires in identifying and conveying market-moving information in periodic SEC reports to capital market participants and find that newswires are more likely to send alerts on firms that do not release preliminary earnings, have credit ratings, are included in major market indices, have litigation exposure, or report losses. Solomon and Soltes (2011) found evidence that more surprising and very negative news will receive more coverage by wires and an increase in the likelihood and amount of coverage by papers.

Attention and behavioural biases

Green, Hand and Penn (2011) report that while a number of good-news events reported in the business press exceeds the number of bad news events, the bad news events are more broadly disseminated, especially for small firms and less newsworthy events. Their explanation offered for the dissemination bias is that bad news grabs journalists' "limited attention". Another important work on investor attention is by Barber and Odean (2008), wherein they test and confirm the hypothesis that individual investors are net buyers of attention-grabbing stocks, which are mainly defined by them as stocks in the news or receiving abnormal changes in price or trading volume. A related study to this is that by Mullainathan and Andrei Shleifer (2005), which finds that newspapers tend to report on stories that would interest readers and

accordingly, that "one should not expect accuracy even from competitive media: and in the aggregate, a reader with access to all news sources could get an unbiased perspective". Generally speaking, they say, reader heterogeneity is more important for accuracy in media than competition *per se*. Fengler and Ruß-Mohl (2008) describe journalists as rational actors seeking to maximize materialistic as well as non-materialistic rewards, which includes attention. Veldkamp (2009) finds that emerging equity markets witness occasional surges in prices (frenzies) and cross- market price dispersion (herds), accompanied by abundant media coverage. Shiller and Akerlof (2009: 54) have the following to say about such animal spirits in capital markets and how they contribute to drastic market movements not explainable by fundamentals: "But what if the [news] stories themselves move markets? … What if they themselves are a real part of how the economy functions? Then economists have gone overboard. The stories no longer merely *explain* the facts; they *are* the facts."

Bhattacharya et al (2009) find that the media were more positive for Internet IPOs in the period of the dramatic rise in share prices and more negative for Internet IPOs in the period of the dramatic fall in share prices, but are unable to confirm if media hype is totally explains the Internet bubble.

Bollen et al (2011) look at the influence of social media in influencing the public mood and find that Twitter has a large effect on sentiment. Boulland (2013) find that improving the dissemination of company news raises investors' attention. Gurun & Butler (2011) find that when local media report news about local companies, they use fewer negative words compared to the same media reporting about non-local companies and explain this positive slant by firms "local media advertising expenditures. This shows, they say, that news content varies systematically with the characteristics and conflicts of interest of the source.

One strand of the behavioural research is predicated on theories of irrationality to unpack this attention puzzle. One of the most seminal works on unexplained attention cascades is Kindleberger and Aliber's (2006) work on manias, panics and crashes in which they speculate that the media may play a role in such unexplained dynamics. The work of Charles MacKay (2003) in *Extraordinary Popular Delusions and the Madness of Crowds* in relation to economic bubbles has also been enormously influential in this regard. The recent financial crisis has rekindled an

interest in the aforementioned work of Kindleberger and Aliber (2006) and MacKay (2009). The credit bubble in the overacquisition and evaluation of sub-prime assets that were a feature of the crisis are reminiscent of the South Sea and Tulip bubbles in these works. Recent subsequent studies in this vein have considered the effect of the media in the recent subprime crisis, particularly in swaying mass-opinion and obscuring the dangers of overhyped assets (See Schecter, 2009; Tambini, 2010, and Kleinnijenhuis et al (2013). Davis (2006) believes that the self-referentiality between elite audiences is a major factor in information risk, which supports. Davis (2005) says that news is slanted towards elite audiences with high levels of media consumption, and hence media and communications, audiences and mass behaviour are all linked.

However, individuals do not have to be ignorant nor act irrationally to contribute to media-instigated, collective irrationality. Says Dougal et al (2012): "The media is often modeled as a faceless institution, but its main product— news content—is generated by people. …. and we present direct evidence that the writing of specific journalists has a *causal* effect on aggregate market outcomes. …. Thus, any persistent return predictability related to specific authors must arise from their "sentiment" or spin of public events". This statement again emphasises the need to interview journalists and the companies whose stocks they affect about their knowledge construction processes, particularly with regard to bias and whether they are attracted to bad news in particular.

4.2.4 Journalists and Corporate Governance

The relationship between information intermediation and corporate governance was made explicit in the section above in relation to their attraction and incentives for reporting bad news. Their professional duty as whistleblowers also contributes to the unmasking of bad news as discussed in more detail in Chapter 5, which looks at the professional constitution of journalists. The attention-grabbing effects discussed above means that their effective disclosure of malfeasance means that the news media can impact substantially on corporate reputation (See Power, 2004). This section will look at the papers in the literature that have explored this.

Dyck and Zingales (2002) discussed the role of the media in pressuring corporate managers and directors to behave in ways that are "socially acceptable" and found that this can coincide with

shareholders' value maximization and evidence that media affect companies' environmental policy. Dai et al (2013) found that news coverage attenuates insider's profits. Borden (2007: 314) asserted that the role of financial journalists in corporate governance has been "almost entirely overlooked" by corporate and securities law scholars. Borden (2007: 314) further speculated that this omission is perhaps due to the fact that journalists do not fit easily into a legal discussion "because they are largely unregulated… [Nonetheless] journalists contribute in many ways to the legal system at large and the system of corporate governance in particular". Borden (2007) highlights in particular the conflicts of interest that afflict virtually every actor in the system of corporate governance, and argue that financial journalists enjoy a convergence of their public and self-interests, and their role as information intermediaries in particular aids disclosure and market fairness, and to assist other intermediaries who may have a conflict of interest.

Brickey (2009), however, questioned why the media was so late in reporting on the Enron[28] and Martha Stewart[29] scandals, but nonetheless credited them for wide coverage once the facts of those cases became known. Gorman et al (2009) looked at newspaper media influences the boards of directors of Irish listed plcs who had previously committed a corporate governance violation, because subsequent articles reported the reforming of the behaviour of the companies as well as an improvement in the governing mechanisms of regulators and investors. Dyck et al (2006) consider the case of Russian capital management firm Hermitage and found its lobbying is effective in increasing the coverage of corporate governance violations in the Anglo-American press and, hence, the reversal of such violations. Miller (2006: 1001) investigates the press's role as a monitor or "watchdog" for accounting fraud and finds that the "press fulfils this role by rebroadcasting information from other information intermediaries (analysts, auditors, and lawsuits) and by undertaking original investigation and analysis …. [with the] business-oriented press more likely to undertake original analysis [.…] and that the press covers firms and frauds that will be of interest to a broad set of readers and situations that are lower cost to identify and investigate. Joe et al. (2009) found that media releases of (noisy) information, and media

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[28] The Enron corporate scandal is one of the largest in living memory. Enron was a US energy company, which was one of the country's apparently most profitable and innovative companies until it was revealed in 2001 that its extremely unsound financial position had been disguised by gross corporate malfeasance and accounting fraud. (See Doyle (2006), as well as Healy and Palepu's (2003) paper 'The Fall of Enron'.)

[29] Martha Stewart is a successful US businesswoman and television personality in the lifestyle industry. In 2001, she was charged and convicted for conspiring to commit insider trading in relation to one of her companies ImClone Systems. (Seigel and Slobogin, 2004).

exposure of board ineffectiveness in particular, forces corrective actions and enhances shareholder wealth.

Tetlock (2010) tested if public news story eliminates information asymmetry between two groups of traders and found the news story informs the relatively uninformed investor group, making them more willing to provide liquidity to the informed traders. This underscores the media's role in corporate governance particularly with regard to insider trading. The financial journalist as information intermediary can therefore play an important role in corporate governance and impact corporate reputation. However, the latter effect has not been properly investigated as a risk factor as Chapter 6 of the thesis asserts.

4.2.5 Firm-Initiated Disclosures: Theory and Observations

The literature above has shown that the media may be contemplated as an information intermediary in financial markets because they affect stock prices and play a role in corporate governance. It would stand to reason that the media's attention-grabbing and potentially negative effects in particular means that firms would be interested in managing information and that it discloses to media and the public at large through firm-initiated disclosures such as press releases. Firms anyway engage in voluntary disclosure – but this is discussed in more detail in the research framework that follows below in order to exposit the model of the firm's information environment that forms the basis of the comparative investigation into media's effects and role in the stock market. This literature is relevant but tangential to this investigation and is discussed in more detail in the literature review of the thesis as well as in Chapter 6.

4.2.6 Research Framework

This paper contributes both to the literature on the relationship between information with stock-prices, trading volumes and volatility and the literature that looks specifically at information intermediated by the news media by investigating how the effects of the media on those three metrics compares to different types of information in the firm's information environment. The ability of news media to have an effect on financial markets that is additional or different to the information released by other information intermediaries is explained by the its wide-dissemination and attention-grabbing ability means it should create the largest changes in abnormal returns and volumes in comparison to the other information intermediaries

considered in the firm's information environment, namely: press releases; analysts' recommendations; corporate filings; and industry news. This intuition is supported by Barber and Odean's (2008) finding that the media is able to distract investors' attention away from information that is known to them, and that they are simultaneously evaluating.

Areas of the prior research that the research framework explicitly develops

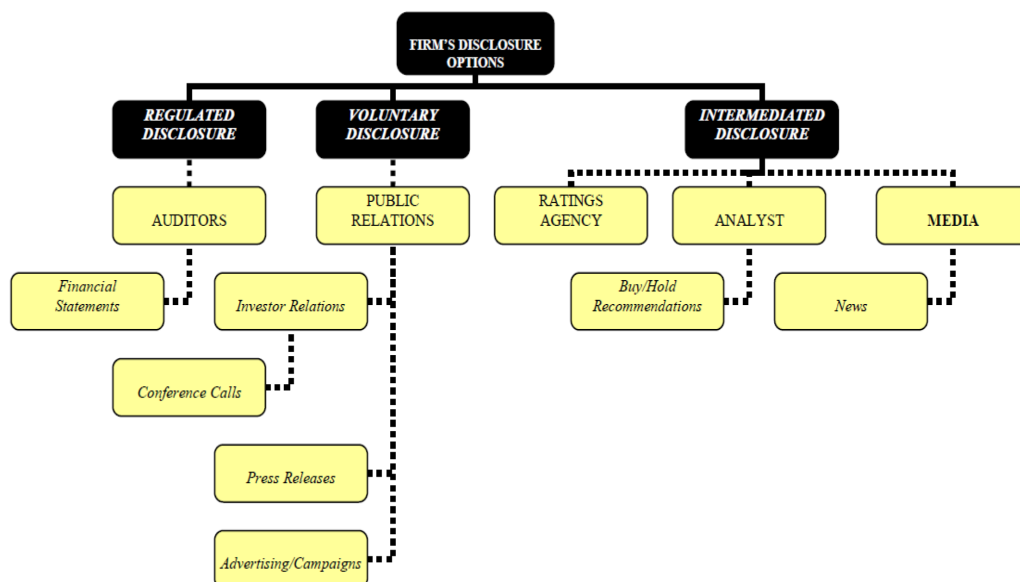
While the prior research surveyed is a comprehensive account of the role of the media in financial markets, it is apparent that a satisfactory explanation for the effects it has on returns, volumes and volatility has not yet been arrived at. With platforms for the dissemination of financial information increasing, and the speed and reach of the financial market extending to connect geographically and temporally, making sense of causality and observed economic phenomena will become an increasingly salient research area. This paper hence attempts to investigate the architecture of the firm's information setting, and explains how the media fits into this in conjunction with other information intermediaries in the hypothesis development that follows. It also compares how these effects differ from them as well as develop better explanations for why the media as a secondary and also entirely separate effect in capital markets in relation to corporate disclosure.

4.3 Hypothesis Development

The Hypothesis development stems from the central research question of the thesis: "To what extent can changes in prices, trading volume and volatility be associated with information disseminated by the news media?"

4.3.1 News dissemination around the firm's information environment

The first step in sense-making of the effects of news media onto stock prices is to describe the news dissemination process in which the problem is situated, and the actors which are involved with it. This will be done here by describing disclosure options and obligations for the firm and the news-dissemination process around the firm's information environment. The model below describes the firm's information environment.



Model of the Firm's Information Environment

Fig 4.1. The diagram above sets out the firm's information environment and the three main categories of information of corporate disclosure the framework of this study contemplates: voluntary, intermediary and regulatory.

The exposition of this process informs the research question and resulting hypothesis of the thesis, which this section develops. The firm's disclosure options are categorised in the model above as regulatory, voluntary and intermediated – this is now discussed in detail below.

4.3.2 The Firm's disclosure options: Regulated, Voluntary and Intermediated Disclosure

It was explained above that the dissemination of news into the media takes place in an interconnected and episodic fashion. The journalist's reporting choices can be made from the firm's information environment. Journalists may choose to report on the regulatory, voluntary and intermediated information about firms that they believe will be useful to their readers. Any additional information that the firm may be concealing through malfeasance, or representing in a convoluted manner through earnings management, will require the journalist to analyse and investigate beyond the information which is freely available. The framework below sets out how the disclosure options available to the firm interrelate.

4.3.2.1 Regulated Disclosure

Regulated disclosure is mandatory. Listed companies are required by law to disclose their financial positions, management, addresses, as well as any other details deemed to be price-sensitive information by the financial regulatory authorities of most developed capital market jurisdictions. This study makes use of data from the United States capital markets and for this reason the architecture of the securities legislation in that jurisdiction will be now discussed. In the first instance, the Securities and Exchange Commission (SEC) requires the financial condition of the firm to be disclosed by way of the 10K annual report form[30], and various other forms are used to disclose other categories of price-sensitive news, such as directors' beneficial dealings, share buy backs and so on. SEC Rule 10b5-1 sets out the main provisions in relation to price-sensitive information. Further, the information to be included in the annual report to stockholders includes a brief description of the business and the names of its directors and officers. The Enron corporate scandal resulted in the promulgation of the Sarbanes Oxley Act (SOX) of 2002, which required companies to provide more detail and rationale from the company's directors about how they arrived at their financial position.

Such information is not restricted in availability to shareholders alone and is publicly available on the SEC EDGAR database. Firms will generally disclose the 10K information by way of annual report directly to the SEC and also to its shareholders, and alert applicable journalists and analysts to it through their investor relations departments or through conference calls and press releases. Healy and Palepu (2001) survey the corporate disclosure literature discuss studies of audit effectiveness. Such research, they say, has primarily been interested in two objectives: the first being whether audit qualifications add value for investors, and the second being whether auditors' actions are independent of the interests of their clients. In general the evidence in such research has shown that capital providers to firms "see auditors as enhancing credibility" (Healey and Palepu, 2001: 414). However, the evidence in the prior research also suggests that auditors' qualifications do not provide timely signals to the capital market and confirm information already available to investors (Healey and Palepu, 2001). Healey and Palepu (2001: 414) say that there is a lack of evidence for the value of audit opinion to investors and that the reason or this may be because "auditors act in the interests of the managers that

[30] "The federal securities laws require publicly traded companies to disclose information on an ongoing basis … The annual report on Form 10-K provides a comprehensive overview of the company's business and financial condition and includes audited financial statements." (SEC.gov, 30 January 2014).

hire them, rather than in the interest of the firm's investors". Moreover, they say that auditors are also significantly concerned with limiting their professional legal liability.

The regulatory financial information is also disclosed in its raw form, by information intermediaries/syndicators through the wires such as the *Dow Jones Corporate Filings Alert* in real time and broadens dissemination and provide alerts about new information for subscribers.

Journalists, analysts and investors might decide to subscribe to one or more such regulatory information intermediaries to be alerted about developments, depending on their level of interest in the firm, or they might instead choose to access the filings themselves directly from the SEC database when they need (or remember) to do so. The *Dow Jones Corporate Filings Alert* serves as a proxy for regulatory filings in this study.

4.3.2.2 Voluntary Disclosure

The firm may decide to release information voluntarily, either to supplement existing information; to provide signals to the capital market; or to avoid litigation. On occasion, the firm may also need to make voluntarily disclosures in order to address any ongoing reputational management issues or crisis management campaigns (as discussed in more detail in Chapter 6). According to Healy and Palepu (2001: 420) research on voluntary disclosure has mainly focused on the informational role of financial reporting in the capital markets and "supplements the positive accounting literature by focusing on stock market motives for accounting and disclosure decisions".

In general, disclosure research assumes that managers have self-serving incentives and superior knowledge about the financial position of the firm compared to investors or any other protagonists in the capital market (Healy and Palepu, 2001: 420). Healy and Palepu (2001) assert that in most such research uses its own proxy for voluntary disclosure. This study has selected the press release a as a proxy for this as it is the most comprehensive and also intermediated by public relations practitioners (see Chapter 6). More specifically, press releases found on *PR Newswire* are used as a proxy for voluntary disclosure in this study – more information about this disclosure item is contained in the descriptive statistics in Section 4.2.2.1 below. The credibility

of voluntary disclosures depends on the quality and quantity of other corporate disclosures, mandatory or intermediated.

4.3.2.3 Intermediated Disclosure

Information intermediaries are said by Leyens (2011: 34-35) to "increase the reliability of corporate disclosures but the information they provide is only really credible if the intermediaries retain a minimum level of independence … [Moreover] information intermediaries enable private contracts, reduce information asymmetry and reduce transaction costs'. (See also the definition by Womack, 2002 in section 4.2 above.) The information actors contemplated as intermediaries in this study are analysts, journalists and bond-ratings agencies. Bond-ratings agencies are not, however, included in the study since the information they provide is normally disseminated timeously through the media and is moreover thought by market protagonists to confirm information that is already known in the capital market (see Chapter 5). Healy and Palepu (2001) say in their survey of corporate disclosure that studies of intermediaries have largely focused on financial analysts, who collect private and public information about firms the follow to evaluate this information in order to make forecasts and recommendations about the stock for investors. Research into analysts as intermediaries has overall provided evidence that analysts do provide value in capital markets; have a greater degree of accuracy especially in the case of sector analysts; and their reports affect stock prices, the latter being significant because there is also evidence of bias in analysts' recommendations (Healy and Palepu, 2001). Analysts also increase market efficiency and there is evidence that financial information is incorporated more quickly for those firms that have an analyst following. *Stock Diagnostics* is used as proxy for analysts' recommendations in this study.

While this study incorporates analysts' recommendation into the study for comparative purposes, it does not go into much detail about their role and effects as intermediaries in the prior research. This is also one of the reasons that the business press is the main subject of this comparative investigation because there has been a lot of research on financial analysts in the corporate disclosure literature and only a more recent interest in the role of financial news media in the capital market. Modelling the disclosure options and obligations of the firm as set out in figure A, is essential to understanding what financial journalists do in the capital market and how they fit into the firm's information environment as information intermediaries. Financial journalists are most similar to sell-side analysts in terms of their constitution as information actors in the capital market and they compete to provide scoops of analysis in

relation to public information but are more likely to reveal surprising private information. Journalists are independent from firms because they are not paid by them to provide their services in the capital market[31]. In addition, they have access to a wider range of stakeholders and sources than analysts do in uncovering private information. They are therefore able to provide the market with information of an entirely different quality, and with a high degree of credibility, particularly in more prestigious titles such as *The Wall Street Journal*, which this study uses as a proxy for news media stories.

This chapter's central research question therefore asks "to what extent can financial market movements, specifically stock prices, trading volume and volatility be associated with news media in comparison to other types of information in the firm's information environment?"

4.4 Hypotheses

The Hypothesis of this study therefore proposes the following: media will have the largest absolute effect on stock prices, trading volumes and volatility in relation to the other information intermediaries studied in conjunction and contrast to the media effects here.

Intermediated information is expected to produce the largest effect because it should produce new information or an interpretation of information that is surprising to the public domain. Regulatory information should produce the second largest effect because it should bring new information about the firm into the public domain, but this is not normally expected to be too surprising (except in the case of extraneous events) as analysis for publicly listed firms is freely available on a regular basis and regulated information at least quarterly. Voluntary released information is expected to have the least strong effect on financial market movements because the literature for this would indicate that firms are biased towards presenting themselves in the best possible light to stakeholders and shareholders.

[31] There is though a literature which explores media capture through advertising and dependency on public relations – this has been discussed in the prior research and is investigated in great detail in Chapter 6.

Moreover, based on the evidence in the finance literature, it seems reasonable to assume that of the intermediaries identified in the firms information environment, news released in the media will result in the observation of changes in the metrics in which this study is interested, namely stock prices, trading volume and volatility. Moreover, it also seems reasonable to assume based on the evidence in the literature that there will be a strong association of these metrics with information released in the media than with other information sources. The reason a stronger association may be expected between financial market movements and the news media is due to its wider dissemination and attention-grabbing qualities discussed above. The table below summarises the expected effects of the three categories of information:

TABLE 4.1

Expected Effects of Different Categories of Information Disclosure in Relation to Characteristics

INFORMATION CATEGORY AND CHARACTERISTICS	EXPECTED EFFECT ON STOCK PRICES	EXPECTED EFFECT ON TRADING VOLUMES	EXPECTED EFFECT ON VOLATILITY
Intermediated Disclosure (Media and Analysts)			
Independent News Media (Lowest Cost/ Widest Dissemination/Most Surprising)	Largest (Negative) Effect	Largest Effect	Largest Effect
Trade Journalism (Low Cost/ Wide Dissemination/Unsurprising)	Large Effect	Large Effect	Large Effect
Analysts (Highest Cost/ Smallest Dissemination/ Moderately surprising)	Small Effect	Medium Effect	Small Effect
Voluntary Disclosure Press Releases (Low Cost/Small Dissemination/ Unsurprising)	Smallest Effect	Small Effect	Small Effect
Regulated Disclosure Corporate Filings (Low Cost/ Medium Dissemination/ Moderately Surprising)	Medium Effect	Medium Effect	Small Effect

Notes The table above shows the expected effect of the different categories of corporate disclosure to exposit why the comparative exercise between these different types facilitates a better understanding of how media fits into the firm's information environment and the effect it is expected to have in relation to its characteristics. It also contributes to the explanation of why a secondary effect can be seen in relation to corporate information disclosed in the media that has been disclosed before. In terms of the information characteristics set out by Veldkamp (2009) the properties of information commodities are inverse. The higher their demand – such as is the case with the media, the lower their cost, and hence the higher their potential dissemination. The table also shows the proxies that are used in the study for the different types of information. A distinction has been made between Trade Journalism and Independent News Media to ascertain how the level of independence of the media source contributes to the effect.

There are more genres of information available in the capital market, but these sources were selected because they provide relatively different types of information in relation to each other, and several of the disclosing entities in the capital market duplicate information and functions or are competing providers for the same types of information. The screening sample method in the descriptive statistics and the accompanying exposition and notes to Tables 2 and 3 below provide more insight into this selection process. The data and research design described in the following section aim to answer the research question and provide evidence in relation to the hypothesis stated above as well as the four related contributions of the study set out in the introduction and discussed further in the conclusion..

Formal Statement of Hypotheses

The formal Hypotheses of the study in relation to this table and the main Hypothesis are formally stated directly below. The overarching hypothesis of the study is as stated above:

H1: The news media will have the largest absolute effect on stock prices, trading volumes and volatility in relation to the other information intermediaries studied in conjunction and contrast to the media effects listed here.

> H1a: Regulatory disclosures will have the second-largest absolute effect on stock prices, trading volumes and volatility in relation to the other information intermediaries studied in conjunction and contrast to the media effects listed here. This is because it is widely available to the market but captures very little surprising information.

> H1b: Voluntary disclosures will have the third-largest absolute effect on stock prices, trading volumes and volatility in relation to the other information intermediaries studied in conjunction and contrast to the media effects listed here.

> H1c: Analysts recommendations will have the smallest effect on stock prices, trading volumes and volatility in relation to the other information intermediaries studied in

conjunction and contrast to the media effects listed here. This is a function related to the cost of obtaining an analysts' report in comparison to other types of media information and because small firms do not enjoy the same level of analyst following as large firms do.

H2: The independent news media will have the largest negative effect on stock prices, trading volumes and volatility in relation to the other information intermediaries studied in conjunction and contrast to the media effects listed here.

H3: The trade news media will have the largest positive effect on stock prices, trading volumes and volatility in relation to the other information intermediaries studied in conjunction and contrast to the media effects listed here.

H4: The joint complementary expected effects of intermediary on the capital market are a function of their relative characteristics to dissemination and cost.

H5: News media will have a relatively large effect on small firms as these firms do not have a large market a capitalisation and therefore do not receive a large amount of news. Any news received from the media will therefore be a significant proportion of the absolute amount of news they receive.

4.5 Methods

4.5.1 Research Design

The research design has been based on the hypotheses above and the process of news dissemination exposited in section 4.3. I examine changes in trading volumes and share prices using the event study research method for 100 randomly-selected small-cap firms in the Russell Micro-Cap Index over 5 years from 1 January 2006 to 31 December 2010 upon the receipt of price-sensitive news from the information intermediaries obtained from Dow Jones' *Factiva* database: the *Dow Jones News Service* (DJNS), *PR Newswire* (PRNW), *The Wall Street Journal* (WSJ);

Stock Diagnostics and *Dow Jones Corporate Filings Alert* (DJCFA). Corporate disclosure can be broadly grouped into 3 main categories of financial information regulated disclosure, voluntary disclosure, and intermediated disclosure. This paper will concentrate on the media's interaction with and situation within the three main categories. It is explained below how the data were selected in consideration of this.

4.5.2 Data

4.5.2.1 Firm Sample Screening

The firms in the sample set are 100 randomly-selected firms in the *Russell Microcap* Index. According to Russell Investments, the *Russell Microcap Index* represents just under 3% of the investable universe of US stocks, and includes a "comprehensive and unbiased barometer" of the "1000 of the smallest securities in the Russell 2000 Index", that meet national exchange listing requirements (Russell Investments, 2011).

The top five sectors by weight in the *Russell Microcap Index* are spread over financial services; technology; health care; producer durables; and consumer discretionary. The reason for selecting small-caps is because the data for large caps, though interesting proved unwieldy, where a single firm from the Dow Jones Industrial Average can have thousands of news items about it in one day, and it is therefore more formidable to distinguish the effects of individually disclosed items. Further, US caps were selected because of the rich data environment, but the study could easily be replicated for UK stocks.

4.5.2.2 Event Sample Screening

The events were collected from *Dow Jones Factiva*, which is a database of financial publications where information can be obtained by publication, firm and date. The total number of observations for all 100 firms over the five-year period was 83 704. The descriptive statistics in Table 4.2 show it comprises a wide range of price-sensitive disclosure items of interest to investors.

TABLE 4.2

Descriptive Statistics: Raw Sample

Disclosure Categories obtained from Factiva for 100 US Small-Cap firms from 1 January 2006 to 31 December 2010

INFORMATION CATEGORY	**N (83, 704)**
Analysts	1,707
Equity Markets	3,252
M&A	5,674
Earnings Announcements	21,568
Press Releases	15,598
Industry/Company News	16,928
Performance	1,883
Dividends	888
Other	16,206

Notes *Factiva* is an electronic database of news stories that allows searches by company, publication and by date. It also provides information about the publication sources. It is owned by Dow Jones.

The screened sample yielded 12 090 observations. The sample screening approach for the study eliminated those information sources that cover a limited number of firms, and those that duplicate stories from the broadest information disseminators. This means that local news providers have been eliminated, but recent research has been done in this regard (Gurun and Butler, 2011).

Further, the effect can be easily hypothesised to be similar to that of the trade journalism provider, where slant would be positive due to the capture of firms of that publication. In other words, the information sources were carefully selected in the initial sample to include those with the broadest coverage and dissemination of information about firms, for the main categories of financial information set out above. Inspection of the data shows that this also controlled for repetition of widely disseminated stories within the set, one of the concerns mentioned above. Competing providers will disseminate similar types of information to their client base. The main categories of price-sensitive financial information selected for the firm correspond to the three main categories set out above. The descriptive statistics for the screened sample follow directly below in Table 4.3 on page 120.

TABLE 4.3

Descriptive Statistics: Screened Sample

Information Sources obtained from Factiva for 100 US Small-Cap firms from 1 January 2006 to 31 December 2010

BRANDNAME	Provider	Service	Audience	Main Product	Information	N (12,090)
StreetInsider	Intermediary	Media	Business to Business	"Trade" Journalism	Intermediary	2,321
Dow Jones Corporate Filings Alert	Intermediary	Syndication	Subscription Service	Distributor	Regulated	1,939
Wall Street Journal	Intermediary	Media	Mainstream	Journalism	Intermediary	505
PR Newswire	Intermediary	Public Relations	Subscription Service	Press Releases	Voluntary	4,340
Stock Diagnostics	Intermediary	Analysis	Subscription Service	Stock Recommendations	Intermediary	2,985

Notes The *Dow Jones Corporate Filings Alert* provides subscribers to the service with notifications and analysis of any new significant filings to the SEC; *PR Newswires* disseminates corporate news releases and announcements to journalists and other interested parties; *Stock Diagnostics* analyses financial statement data and stock price performance to rank stocks; and *StreetInsider* is a financial news analysis service focusing on market-moving events and real-time news analysis. The *Wall Street Journal* is one of the world's most prestigious financial newspapers, and one of the largest by circulation, with a hardcopy circulation of 2.1 million and 20 million website hits per month.

4.5.3 Method: Event Study

After obtaining the data from *Factiva*, I used Wharton Research Data Services' (WRDS) Eventus Software to run the event study. This made the high number of observations in the sample easier to manage. The method uses "residual analysis" (See Strong, 1992: 534) wherein event dates are first identified for a sample of firms based on the "disclosure of an item of interest", secondly, in an overall test period (TP) of interest the abnormal return for each firm and each period around the announcement date is calculated thus:

$$\hat{u}_{jt} = R_{jt} - \mathrm{E}(R_{jt}) \qquad t \in \mathrm{TP} \tag{1}$$

and finally the mean abnormal return is computed for firms in the sample, cumulated over the TP as an estimate of $\mathrm{E}\left(\bar{u}_j | y_i\right)$[32]and then it is tested whether $\mathrm{E}\left(\bar{u}_j | y_i\right) = 0$ using a test statistic of the form:

$$\frac{\overline{AR}}{\sigma}{}^{33} \tag{2}$$

Several models may be specified to undertake the analysis, but I have decided to use the market model[34] because it generally results, according to Strong (1992: 538), in smaller variances of abnormal returns (relative to raw returns), and so can yield "more powerful statistical tests, and produce smaller correlations across security abnormal returns giving closer conformity to standard statistical tests". Weston et al (2003) contend its popularity in the literature is due to the fact that it takes explicit account of the risk associated with the market and mean returns. The market model is described below, as set out in the Eventus Manual (2010: 77).

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[32] y_i is an information signal and hence, $\mathrm{E}\left(\bar{u}_j | y_i\right)$ is the unexpected or abnormal return on security j conditional on the signal y_i, R_{jt} is the observed return on security j during a period of interest and so $\mathrm{E}(R_{jt})$ is the expected return for security j during a period of interest.

[33] Where $\overline{AR}$ = mean abnormal return and σ = standard deviation

[34] The comparison period mean adjusted method has been included as a robustness check.

Market model method

Eventus defines the market model thus: if security returns follow a single factor market model in the following form, $R_{jt} = \alpha_j + \beta_j R_{mt} + \varepsilon_{jt}$ (1) and R_{jt} is the rate of return of the common stock of the jth firm on day t, R_{mt} is the rate of return of a market index on day t, ε_{jt} is a random variable, that by construction must have an expected value of zero, and is assumed to be uncorrelated with R_{mt}, not autocorrelated and homoscedastic. β_j is a parameter that measures the sensitivity of R_{jt} to the market index.

Hence the abnormal return for the common stock of the jth firm on day t is:

$$A_{jt} = R_{jt} - (\hat{\alpha}_j + \hat{\beta}_j R_{mt}) \quad (2)$$

Where the coefficients $\hat{\alpha}_j$and $\hat{\beta}_j$ are ordinary least squares estimates of intercept α_j and slope β_j. Hence the average abnormal return AAR_t is the sample mean:

$$AAR_t = \frac{\sum_{j=1}^{N} Ajt}{N} \quad (3)$$

Where t is defined in trading days relative to the event date. Further, over an interval of two or more trading days beginning with day T_1 and ending with T_2, the cumulative abnormal return is:

$$CAAR_{T_1,T_2} = \frac{1}{N} \sum_{j=1}^{N} \sum_{t=T_1}^{T_2} A_{jt}$$

(4)

Eventus estimates the market model by "ordinary least squares with data from a 255 trading-day estimation period ending 46 trading days before the event date" and the event period's default defined as 30 trading days before through 30 trading days after the event date (Cowan Research, 2010).

Comparison period mean adjusted returns method

Comparison period mean adjusted returns are included as a robustness check, and are computed by subtracting the arithmetic mean of the common stock of the jth firm computed over the estimation period R_j from its return on day t.

$$A_{jt} = R_{jt} - \bar{R} \tag{5}$$

The definition of the average abnormal return, cumulative average abnormal return and average compounded abnormal return are analogous to those of the market model above.

Patell Test

I have reported the Patell (1976) parametric test statistic which is "a standardised abnormal return approach, which estimates a separate standard error for each security event and assumes cross-sectional independence" (Cowan Research, 2010: 8).

Abnormal volumes

Similarly, abnormal relative volume is formulated by predicting the relative volume using the parameter estimates from the market model and the current day's market volume index. Abnormal relative volume is the observed volume less the predicted volume. The reported figure for a single day is the difference of two percentages, averaged across securities. The cumulative abnormal relative volume is the abnormal volume summed across the days of the window, and averaged across securities. Hence, by OLS, the market model-abnormal trading volume using the formulation Eventus uses offered by Campbell and Wasley (1996) is:

$$\hat{v}_{it} = V_{it} - (\hat{\alpha}_{it} + \hat{\beta}_{it} V_{mt}) \tag{6}$$

And the market volume measure for a given day t is measured as:

$$Vmt = \frac{1}{N} \sum_{i=1}^{N} V_{it} \tag{7}$$

The definitions for returns and volumes are defined in the section that follows directly below.

Formulation of Returns

The return variables are obtained from the Centre for Research in Security Prices.

(a) Index Return

The benchmark return R_{mt} in the market model described above is the index return $[R(I)]$, so defined by CRSP:

$$R(I) = \frac{\sum_n w_n\,(I)\, r_n(I)}{\sum_n w_n\,(I)} \tag{8}$$

Hence, CRSP's Index Return is "the change in value of a portfolio over some holding period". The return on a portfolio $R(I)$ is calculated as the weighted average of the returns for the individual securities in the portfolio: In an equally-weighted portfolio, $w_n\ (I) = 1$ (9) for every stock. Such a portfolio would consist of n stocks, with the same dollar amount invested in each stock.

(b) Return

The CRSP formulation of return is "the change in the total value of an investment in a security over some period of time per dollar of initial investment. Total Return is the Holding Period Total Return for a sale of a security on the given day, taking into account and reinvesting all

distributions to shareholders. It is based on a purchase on the most recent time previous to this day when the security had a valid price. Usually, this time is the previous calendar period, but may be up to ten calendar periods prior to the calculation. Returns are thus calculated as follows:

$$r(t) = \frac{p(t)f(t) + d(t)}{p(t')} - 1$$ [35]

(10)

Formulation of Volumes

Eventus analyses relative volume (turnover), which is volume divided by shares outstanding after a log transformation, more formally, this is derived from the formulation of abnormal trading volume set out in Campbell and Wasley (1996) thus, where the trading volume metric is the percentage of outstanding shares traded on a given day:

$$V_{it} = \frac{N_{it}\ x\ 100}{S_{it}}$$

(12)[36]

Campbell and Wasley (1996) use the natural log of the percentage of outstanding shares traded: $\ln S_{it}$ and add a small constant, 0.00025 to avoid taking the log of a zero trading volume on a given day.

Volatility Test

It was set out above that Yadav (1992) asserted how volatility could be regarded as a measure of information content. Here volatility has been measured as the mean cross-sectional returns over

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[35] For a time t (a holding period): t' = time of last available price, ($t'$is usually one period before t, but t' can be up to ten periods before t if there are no valid prices in the interval. If there is a trading gap with unknown status between t and t', the previous price is considered invalid. Dividends have been excluded from the return calculations.) $r(t)$return on purchase at t', sale at t ; $p(t) =$ last sale price or closing bid/ask average at time t $d(t)$ =dividend amount for t; $f(t)$ = factor to adjust in period t; and $p(t') =$ last sale price of closing bid/ask average at time of last available price $< t$.

[36] N_{it} is the number of shares traded for firm 1 on day t; and $S_{it}$is the firm' s outstanding shares on day t.

the event period for each sample. The mean-absolute return values for each sample was calculated for each of the 61 days in the event window. The abnormal average volatility so calculated is set out mathematically thus:

$$AAV_{OL} = \sum_{i=1}^{N} \sum_{i=T_2}^{T_2} \frac{|\bar{R}_{it}|}{n}$$

13

The Kruskal-Wallis (1952) non-parametric test was conducted to measure how the volatility results of each sample differed from each other. The Kruskal-Wallis test is a one way ANOVA test that is a variation of the Mann-Whitney U-Test rank sum test for difference in samples, where the samples, k, exceed 5. In Yadav, Walmsley and Rees (1992) the Mann-Whitney U-test was used to measure the difference in samples that measured information content. The Kruskal-Wallis test calculates an H-statistic, instead of the U statistic for the Mann-Whitney test, and requires for "all observations to be ranked together, and the sum of the ranks to be obtained for each sample" (Kruskal and Wallis, 1952: 86). The H test is set out below:

$$H = \frac{12}{N(N+1)} \sum_{i=1}^{C} \frac{R_{i^2}}{n_i} - 3(N+1)$$

(14)[37]

Large values of H lead to a rejection of the null hypothesis, that is to say, that the samples are significantly different from each other.

Method robustness checks

The model is specified thus because I found that the choice of index, when comparing value-weighted and equally-weighted indexes, was more or less inconsequential for the results. These choices are more or less consistent with the literature for increasing the power and robustness

[37] Where: C=the number of samples; n_i=the number of observations in the ith sample; $N = \sum n_i$ the number of observations in all samples; c. R_i =the sum of the ranks in the ith sample.

of the test, where a market model using an equally-weighted index is generally favoured (Armitage, 1995). I justify this with reference to the literature below.

Dimson and Marsh (1986: 135) clarify the circumstances inducing bias thus:

> The most serious problems will arise when (1) the measurement interval is long, (2) the event securities differ systematically in size or in weighting from the index constituents, (3) the size effect is large and/or volatile, and (4) CAPM type methodologies are used.

As regards any bias in the specification of my model aggravated by the size effect, this is fairly non-critical due to the short window which has been used. I did not notice a significant difference in result when using a shorter event window, and so opted to stay with the software's default window of 61 days as this made reading the volumes over time more sensible. Notwithstanding, I have included comparison-period mean-adjusted method for thoroughness. I have also run the event study using no market model and also with the market-adjusted return method, but these did not increase the power of the tests, and rather, produced results that were difficult to interpret for the volumes.

4.6 Results, Discussion and Analysis

4.6.1 Results

The main results for the event study are shown in Table 4.4 and 4.5 on pages 133 and 134.

TABLE 4.4

Event window for returns affected by various information intermediaries

Panel A: Mean Cumulative Abnormal Returns: Market Model (Equally-Weighted Index)

	MCAR					***Patell-Z***				
EVENT	**Day (-30,-**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**	**Day (-30,-**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**
StreetInsider	2.00%	0.63%	0.97%	-0.24%	-0.28%	3.15***	5.31***	8.19***	-2.02*	0.44
Dow Jones Corporate Filings Alert	1.60%	0.11%	0.32%	-0.25%	0.54%	2.91**	-0.07	2.45**	-1.88*	1.25
Wall Street Journal	3.82%	1.65%	-0.94%	-0.18%	1.81%	1.78*	4.65***	-7.08***	0.12	1.49$
PR Newswire	-0.22%	0.16%	0.28%	0.01%	0.55%	-2.51**	2.94**	4.91***	-0.03	1.45$
Stock Diagnostics	0.28%	0.07%	0.21%	0.05%	0.61%	-1.53	2.41**	3.03**	1.24	-0.22

Event window for trading volumes affected by various information intermediaries

Panel B: Log-Transformed Mean Cumulative Abnormal Relative Volumes: Market Model (Equally-Weighted Index)

	MCARV					***Patell-Z***				
EVENT (N)	**Day (-30,-**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**	**Day (-30,-**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**
StreetInsider	33.15%	18.03%	64.88%	59.56%	378.13%	-16.73***	7.70***	40.86***	38.16***	26.50***
Dow Jones Corporate Filings Alert	273.72%	20.15%	35.58%	38.73%	323.03%	10.60***	8.00***	18.12***	18.58***	16.60***
Wall Street Journal	-202.66%	57.67%	83.96%	53.97%	203.74%	14.00***	17.42***	24.92***	14.32***	8.35***
PR Newswire	-60.11%	3.34%	22.58%	18.59%	111.96%	-25.08***	0.47	17.20***	15.63***	2.52**
Stock Diagnostics	-159.59%	-0.80%	-4.45%	3.06%	-281.94%	-30.88***	-3.78***	-5.20***	-4.48***	-51.25***

Notes The symbols $, *;**; and *** denote statistical significance at the 0.1, 0.05, 0.01 and 0.001 levels respectively. The *Dow Jones Corporate Filings Alert* provides subscribers to the service with notifications and analysis of any new significant filings to the SEC; *PR Newswire* disseminates corporate news releases and announcements to journalists and other interested parties; *Stock Diagnostics* analyses financial statement data and stock price performance to rank stocks; and *StreetInsider* is a financial news analysis service focusing on market-moving events and real-time news analysis The *Wall Street Journal* is one of the world's most prestigious financial newspapers, and one of the largest by circulation, with a hardcopy circulation of 2.1 million and 20 million website hits per month. The *Patell Z* test is the Patell (1976) parametric test statistic, a standardised abnormal return approach, estimating a separate standard error for each security event.

TABLE 4.5

Event window for returns affected by various information intermediaries

Panel A: Mean Cumulative Abnormal Returns: Comparison-Period Mean Adjusted Returns (Equally-Weighted Index)

	MCARV					***Patell-Z***				
EVENT	**Day (-30,-2)**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**	**Day (-30,-2)**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**
StreetInsider	2.49%	0.62%	0.88%	-0.10%	-0.04%	2.12*	2.70**	4.12***	-0.869	-1.179
Dow Jones Corporate Filings Alert	-1.48%	-0.10%	0.18%	-0.52%	-2.28%	-3.94***	-2.15*	0.87	-4.54***	-4.50***
Wall Street Journal	6.32%	1.78%	-0.71%	0.01%	2.99%	2.50**	4.69***	-5.31***	0.71	1.52$
PR Newswire	-0.04%	0.13%	0.31%	0.05%	0.42%	-4.36***	1.72*	4.89***	-0.20	-2.52**
Stock Diagnostics	0.22%	-0.07%	0.29%	0.20%	2.95%	-5.18***	-0.64	2.96***	2.79***	3.81***

Event window for trading volumes affected by various information intermediaries

Panel B: Log-Transformed Mean Cumulative Abnormal Relative Volumes: Comparison-Period Mean Adjusted Relative Volume (Equally-Weighted Index)

	MCARV					***Patell-Z***				
EVENT	**Day (-30,-2)**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**	**Day (-30,-2)**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**
StreetInsider	32.91%	18.69%	65.70%	60.36%	367.43%	-14.50***	8.21***	39.81***	37.06***	25.43***
Dow Jones Corporate Filings Alert	320.61%	23.47%	39.13%	41.86%	347.66%	16.43***	10.01***	19.73***	20.29***	20.45***
Wall Street Journal	-122.62%	61.33%	88.09%	58.08%	309.51%	-7.26***	17.70***	25.04***	15.13***	14.41***
PR Newswire	125.80%	12.42%	32.91%	27.92%	346.53%	5.50***	2.93**	7.75***	6.58***	15.16***
Stock Diagnostics	181.64%	10.49%	9.45%	9.24%	12.51%	16.92***	5.30***	5.78***	5.22***	-7.33***

Notes The symbols $, *;**; and *** denote statistical significance at the 0.1, 0.05, 0.01 and 0.001 levels respectively. . The *Dow Jones Corporate Filings Alert* provides subscribers to the service with notifications and analysis of any new significant filings to the SEC; *PR Newswire* disseminates corporate news releases and announcements to journalists and other interested parties; *Stock Diagnostics* analyses financial statement data and stock price performance to rank stocks; and *StreetInsider* is a financial news analysis service focusing on market-moving events and real-time news analysis The *Wall Street Journal* is one of the world's most prestigious financial newspapers, and one of the largest by circulation, with a hardcopy circulation of 2.1 million and 20 million website hits per month. The *Patell Z* test is the Patell (1976) parametric test statistic, a standardised abnormal return approach, estimating a separate standard error for each security event.

TABLE 4.6

Event window for volatility affected by various information intermediaries

Panel A: Absolute Mean Volatility (Daily Changes in Cross Sectional Abnormal Returns)

EVENT	**Day (-30,-2)**	**Day (-1,-1)**	**Day (0,0)**	**Day (+1,+1)**	**Day (+2,+30)**
Dow Jones Corporate Filings Alert	0.025%	0.028%	0.035%	0.032%	0.24%
Wall Street Journal	0.030%	0.069%	0.096%	0.039%	0.030%
PR Newswire	0.023%	0.024%	0.033%	0.030%	0.230%
Stock Diagnostics	0.024%	0.024%	0.024%	0.023%	0.023%
Street Insider	0.030%	0.036%	0.067%	0.050%	0.028%

Kruskal-Wallis Adjusted H = 14.156.

d.f. = 4

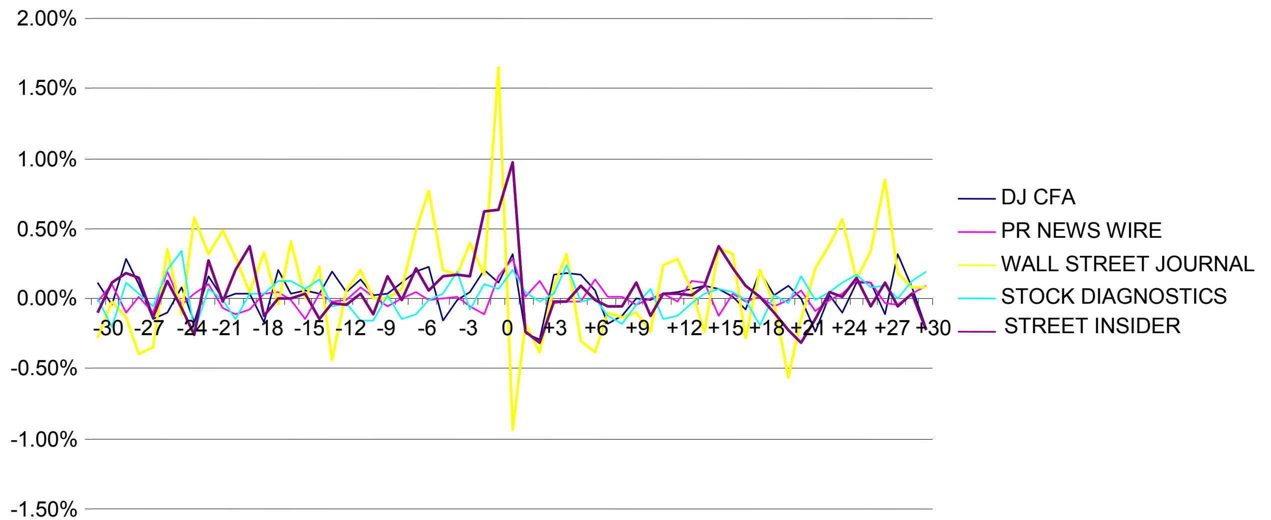
P value = 0.006813

Notes The *Dow Jones Corporate Filings Alert* provides subscribers to the service with notifications and analysis of any new significant filings to the SEC; *PR Newswire* disseminates corporate news releases and announcements to journalists and other interested parties; *Stock Diagnostics* analyses financial statement data and stock price performance to rank stocks; and *StreetInsider* is a financial news analysis service focusing on market-moving events and real-time news analysis The *Wall Street Journal* is one of the world's most prestigious financial newspapers, and one of the largest by circulation, with a hardcopy circulation of 2.1 million and 20 million website hits per month. The volatility results for the different categories are significantly different from each other at $\alpha = 0.05$ and $\alpha = 0.1$

The results above are represented graphically directly below.

Graph 4.1: Market Model Mean Cumulative Abnormal Returns

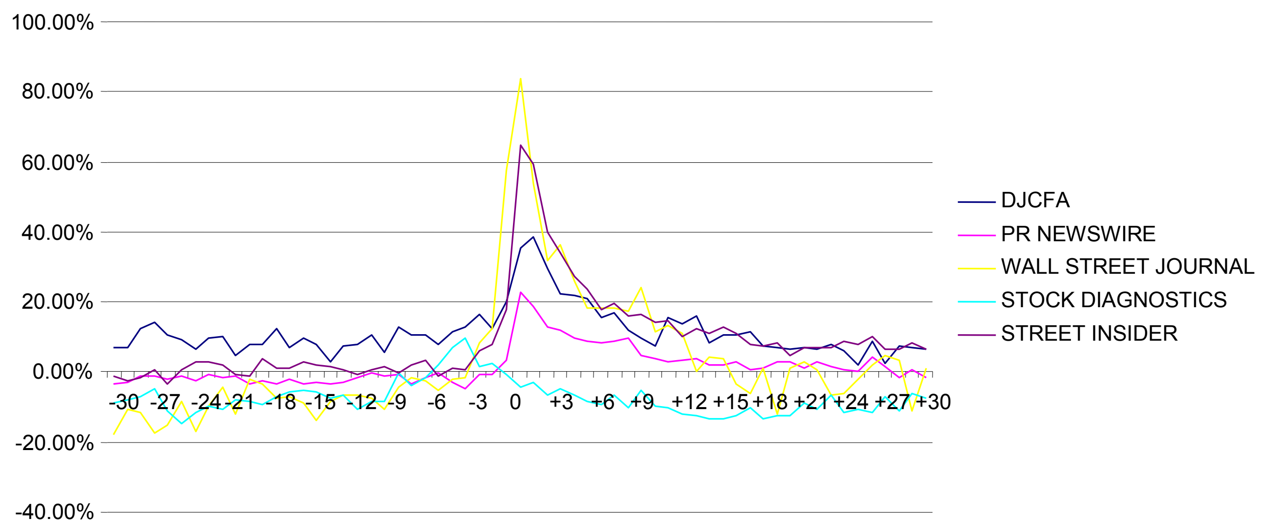
(Equally-Weighted Index)



Graph 4.2: Market Model

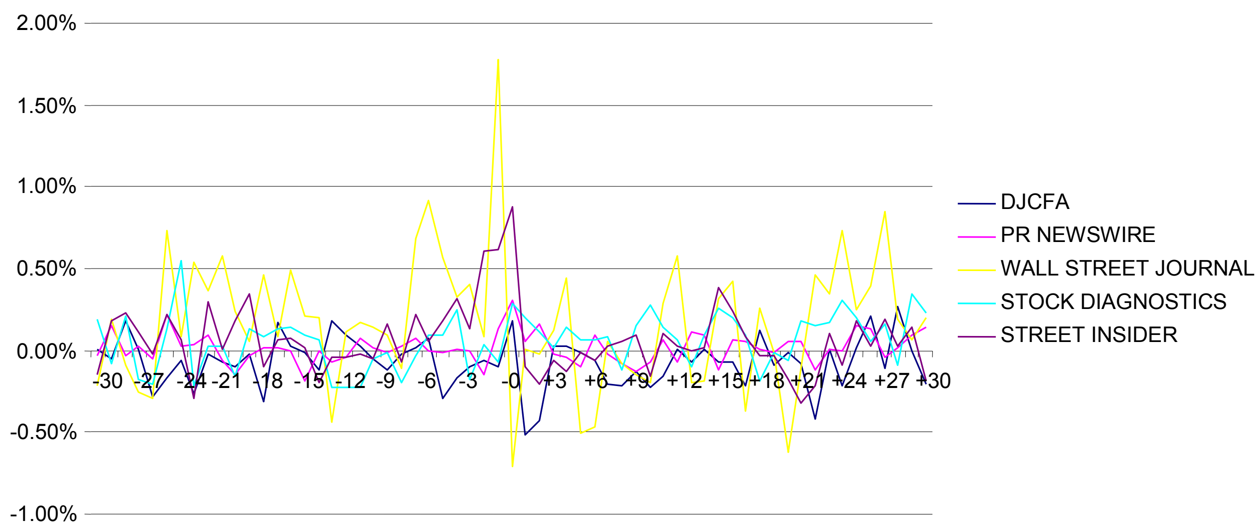
Log-Transformed Mean Cumulative Abnormal Relative Volumes

(Equally-Weighted Index)



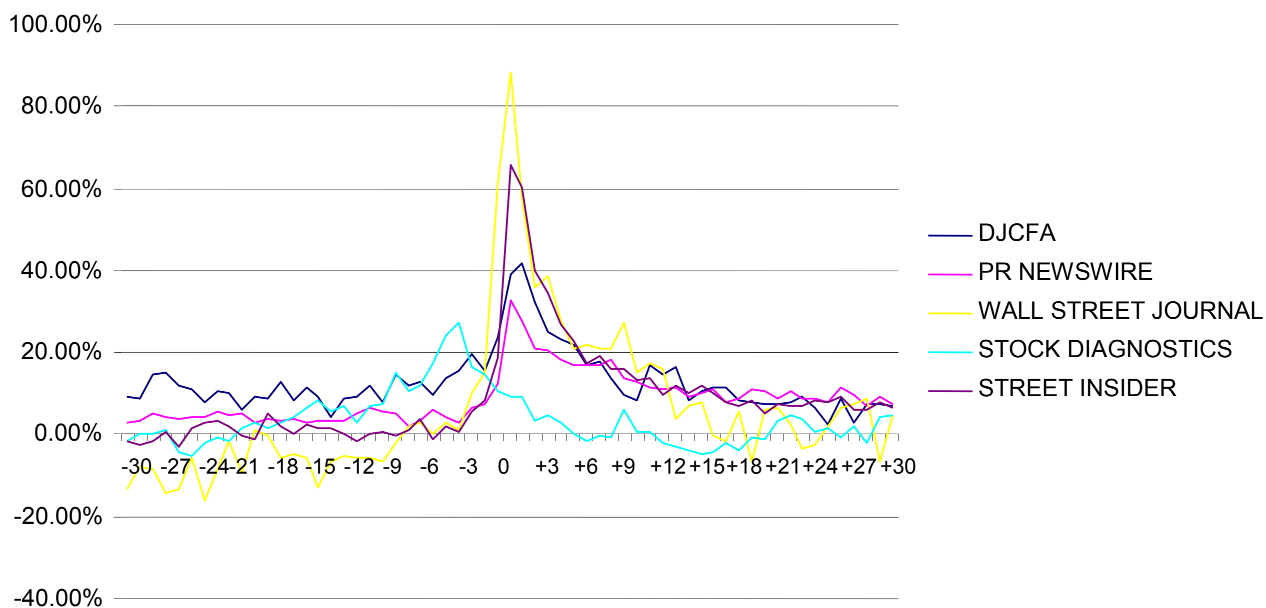
Graph 4.3: Comparison Period Mean-Adjusted Returns

(Equally-Weighted Index)

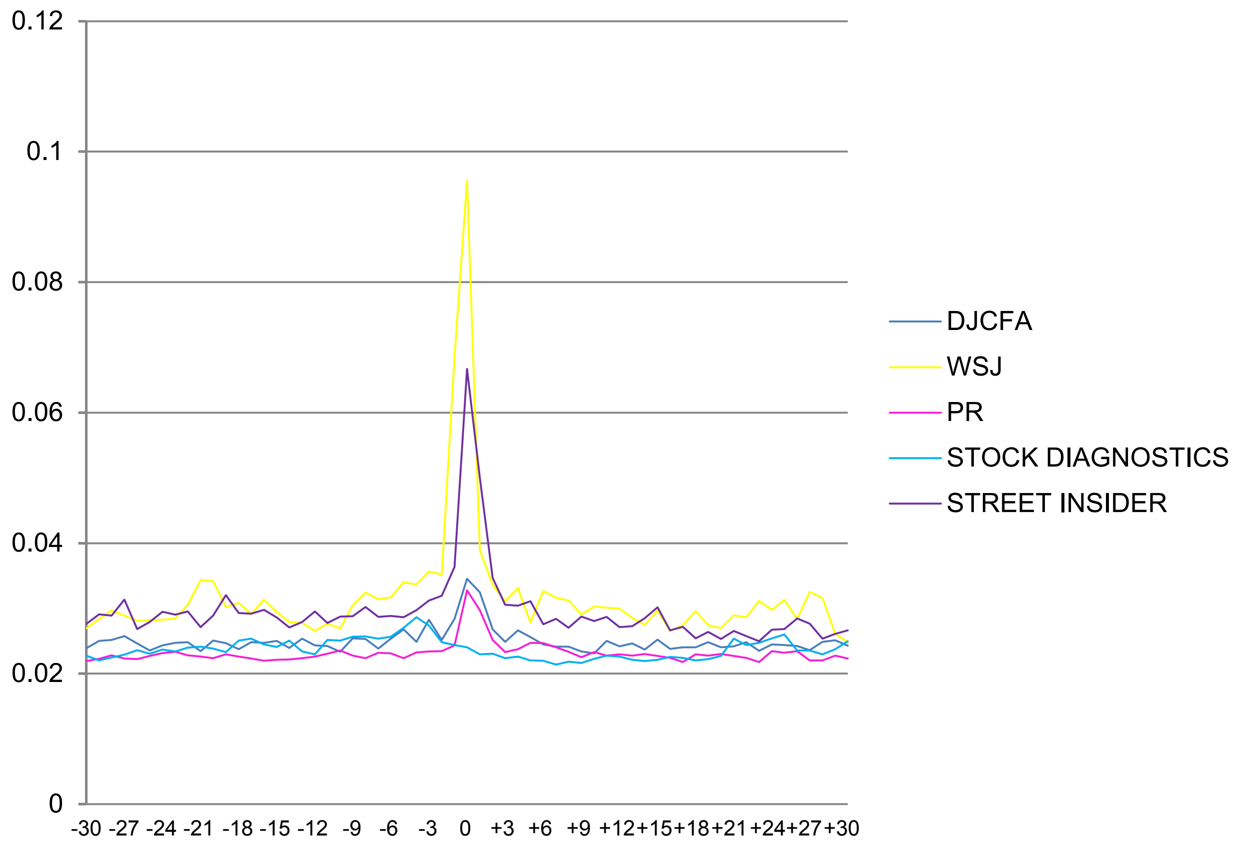


Graph 4.4: Comparison Period Mean Adjusted Relative Volume

(Equally-Weighted Index)



Graph 4.5: Volatility: Mean Changes in Cross Sectional Abnormal Returns



4.6.2 Discussion and Analysis of Results

The results show that news media has the largest cumulative effect on both returns and volumes, which is consistent with the hypotheses. In terms of absolute measure, the *StreetInsider* had the largest effect of all, but this is only by 0.03% over the *Wall Street Journal*. The *WSJ* also achieved such pronounced result with only 505 news stories in comparison to the *StreetInsider*'s 2,321 stories. Significantly the sign for the *WSJ* was negative and the sign for the *StreetInside*r is positive. The explanation for this observation is that the news media is most accessible form of information – it is both the most widely disseminated and the cheapest. And in the case of online versions, which both of these titles offer, the information is often free. As regards the signs for the cumulative abnormal returns on receipt of information from the *StreetInsider* and from the *WSJ*, it is important to note that the *StreetInsider* is a fundamentally different form of news media to the *WSJ*.

While all newspapers rely on advertising to some extent, the *StreetInsider*, in being a business-to-business type publication provides what is known in the industry as "trade journalism" and is seen as less independent than a longstanding, premier title credible title like the Wall Street Journal. The *StreetInside*r therefore is more likely to have a positive slant on its news articles whereas journalists from the *WSJ* can pretty much say what they want if it is true without worrying too much about losing advertising revenue. This is consistent with the theory put forward on media slant by Gurun and Butler (2011) for small firms set out in section 4.2. It is also consistent with theories that bad news is more widely disseminated (Kothari, 2009, Gurun and Butler, 2011, and Tetlock, 2007)

Further the explanation above provides the intuition for the negative return observed on the stock returns in the *WSJ*. This corresponds to the explanation of news dissemination in the hypothesis development, that is to say, that journalists at an established premium newspaper with the sort of brand equity the *WSJ* enjoys, will have exposing corporate malfeasance as its first priority, or by "leading with what's bleeding" as Green and Hand (2011) suggest.

The effects on the returns for other categories of news were much less than those observed for media, at least 0.6% so. It is also consistent with the hypothesis, and may be explained in terms of the news dissemination process, and the attention-grabbing effect of news as discussed above.

Moreover, the greater effect of media also needs to be considered in terms of the fact the media will report many different kinds of information, regulated, voluntary, opinion and analysis, and even private information in the case of a leak, rumour or scoop. This is explanation is supported by the finding by Stice (1991) discussed in the prior research section III that there are price and volume reactions to an announcement of a 10K filing (earnings announcement) in the *WSJ* subsequent to an actual filing date with the SEC. It might also suggest that the same information when disclosed in the media might have a larger effect than when it is announced by the SEC. This suggests that market efficiency depends on the manner in which information is disclosed. This is also useful for understanding the cumulative abnormal returns observed for *Stock Diagnostics*.

Han and Suk (1991) made a similar observation to Stice in relation to analysts' recommendations and media. They found significant stock price effects on both the issuance date of a recommendation by an analyst and on the *Barron's*[38] publication date of the same announcement. This finding means that there is a difference in coverage, so if investors can get all the information they need from the analysts announcement, it is too costly to motivate them to get it cheaper (albeit later) from *Barron's*.

An explanation for the low effect of *PR Newswire's* press releases and on returns and volumes is that investors do not value this kind of information as much as they do other forms of information. It is interesting that there is not much difference between the magnitude of the change between the SEC filings disseminated by the *Dow Jones Corporate Filings Alert* in both the case of returns and volumes, and while the SEC filings have a greater effect Individual investors would have greater access to the corporate filings, but not to press releases, sent to journalists and analysts. But they still have less access to both these categories of information that require a subscription for access, than they do to news media. For all the categories of news, the behaviour of the returns and volumes is consistent with Karpoff's (1987) assertion that changes in volumes are positively related to the magnitude of the price change per se.

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[38] Barron's is premier US financial magazine providing in-depth analysis and commentary, I ran the tests for the sample firms on the receipt of information from Barron's but did not include it as only 71 stories were reported. Those 71 stories did, however, produce a return of 0.61% on the event date, significant at the 0.01 level.

The results also show that in the case of volumes, all the types of information are significant at the 0.001 level on the event day, but only news media is as significant in the case of returns. The other information providers are also significant on the day leading up to an event, except for the SEC filings, which leads to the intuition that private information is already being reflected in the price the day before an announcement (Day -1), especially in the case of news, which is significant at the 0.001 level. Press releases and stock recommendations are also significant on the day before an announcement, but less so at 0.01 level of significance.

The explanation for private information in the case of media on Day -1 is supported by there being no effect on the day before an announcement in the case of a filing. Rumours and private information are less likely to be reflected in the price in relation to such information. As regards volumes, it is significant that the day before an announcement press releases have no effect on volumes, less investors would have access to this information, but the information does filter into the news media on the event date.

The effect on volumes is strong all over the event window, but in the case of returns, we see the effect petering off on the day after an announcement (Day +1). One explanation for this might be that such small stocks are highly volatile, and information affects them more profoundly than big stocks. It is also consistent with Beaver's (1968) hypothesis that volume changes reflect the individual investors' diversion away from consensus views, and this supports the idea of sense-making in arriving at consensus. As the investor appraises stocks with the information that confronts her, she will adjust her expectation accordingly. The volumes being consistently significant over the event window reflects individual investors' reactions to disparate forms of information in the market. It also confirms Beavers' contention that the returns reflect the consensus of the market, and so it would follow that after one announcement the effect on cumulative returns slowly diminishes over the event window. The results for the volaility test have been consistent with Yadav's assertion that there is a positive relationship between volume and volatility. The media again has been shown to produce the most changes in returns. Since the calculated Kruskal-Wallis H-statistic of 14.156 was larger than the critical values of the test at the 0.05 and 0.1 levels, of 9.48 and 13.27 respectively, it has been shown that there is sufficiently enough difference between the samples for the results to be statistically significant.

4.7 Summary of Chapter

News media has been shown to explain a significant amount of trading activity and a reasonable proportion of price changes. But while media brings new information, it competes with other information intermediaries providing different types of financial information in competing narratives. Some of these are "facts" such the legally disclosed formulation of a firm's financial situation by its auditors, such as reported earnings, while other types of information are more subjective, such as opinion and analysis from intermediaries such as credit rating agencies and analysts, and other intermediaries who offer explanations for events in financial markets. Of course some such explanations of market phenomena take the form of stories, provided by journalists, about disclosed events, or the dishing of the details of an investigation or scoop. Hence, this act of explaining and intermediating information in the act of its dissemination is a core idea of this thesis, especially with regard to journalists. Preliminary results thus provide insights into how dissemination of news contributes to consensus in financial markets. The results confirm the hypothesis that news media as a general category of information has the largest effect on returns and volumes for both trade journalism (*StreetInsider*) and premier journalism (*WSJ*). An explanation for this again lies in Beaver's (1968) suggestion that returns reflect the market's expectation, and hence the news in confirming, a greater, pluralistic universe of information, would understandably have a greater effect on consensus views because they gather and assimilate news. In conclusion, news media has the greatest attention-grabbing power, and is the most accessible form of information. It therefore has the greatest effect on individual investors' expectations (volumes) and market expectations (returns).

The contributions made to the literature in this chapter are the following: first, the chapter has provided insight into the manner in which news media affects capital markets such as Bushee et al (2010); second, it has contributed to growing evidence in the literature that the information content of news media stories are valuable to investors as they provide the largest effects on stocks and contribute to the regulatory architecture of the capital market such as Borden (2007); third, it has provided more insight into the expected joint effects of information disclosures in the capital market in relation to their various characteristics, particularly in relation to cost and dissemination and fourth, it has provided further insight into the capital market responses of information disclosure of small firms this builds on a long tradition in the corporate disclosure literature on the information content of disclosures from the seminal work by Beaver (1968).

Chapter 5

Knowledge Construction and Reflexivity in Financial Journalism

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5.1 Introduction

Financial journalism and the (inter)mediation of financial markets

This chapter articulates the financial journalists' self-constitution to support the overall theoretical research contribution of the thesis, which is to assert the financial journalist as new and significant actor in financial markets. The chapter does so by contending that financial journalism not only intermediates information, by merely distributing information, but that financial journalism also plays a mediating role, in participating in the narration, legitimisation and performance of financial markets. This is because the media contributes to the interpretation of the meaning of and the foregrounding of financial events, and ultimately, the values associated to assets in financial markets. Considering this research aim, it is therefore useful to unpack the news values of and working processes of financial journalists, and the extent to which they are self-aware - or reflexive – in relation to the influence of their craft in financial markets.

The financial market as it is understood today was first described by newspapers. Merchants and insurers flocked to Lloyd's coffee shop on Lombard Street in London at the end of the 17th Century, seeking reliable shipping news (Parsons, 1989) – primarily this took the form of lists of numbers. According to Preda (2001), speculative culture at that time was seen by the average person as little more than gambling, but the broader discourse of finance and investment in literary artefacts contributed to the wider acceptance of such activities by the 19th Century. Poovey (2002) asserts that financial journalism was therefore a sub-genre of an emergent financial literature at the time which saw narratives added to, or entirely replacing, lists and rows of numbers. Such narratives have played a fundamental role in finance's legitimation.

By the 1980s, investment culture was actively promoted under UK Prime Minister Margaret Thatcher and US President Ronald Reagan by the media with literary and visual devices as a means of wealth creation (Davis, 2002). The 20th Century came to a close with the financial market firmly embedded in mainstream culture (Preda, 2010).

The history of finance's legitimisation can therefore not be viewed separately from the literature promoting its ascendancy as a profession, valid area of academic study, or even a "moral" activity. Financial journalism is one of the most significant legitimising literary devices with which finance is performed and reified. Parsons (1989) contends that it articulates capitalism itself.

It could therefore be said that financial journalism corresponds to the conceptualisation of 'strong performativity' as contemplated by MacKenzie (2006) wherein practice is shaped according to theory and models. It is also to assert that economics does not merely describe actions, it promotes them. If this is the case then the dialectical relationship between performativity and reflexivity becomes particularly significant for analysing the role of financial journalism in the financial market. This is supported with regard to the media by the assertion by Aldridge and Evett (2002: 560) that journalism is an "utterly performative" and "intensely reflexive occupation which constantly talks to and about itself" and that this "self-referentiality impacts onto their craft-style construction of the job". Alexander (2011: 133) maintains that there is a "new reflexivity" evident in the communicative and regulative institutions of society underlining the structural dimensions of power struggles in democratic societies. These developments are apparent in the increasingly sophisticated use of "print, television and web commentators" who "speak of the need for new narratives and control of the image". (Such performative aspects of media are discussed in relation to performative utterances and speech acts as described by Austin (1962) in more detail in Section 5.2 below.) Contemporary financial markets are also characterised by the recent continuous import of the mass media into everyday life and the pervasiveness of constant commentary about information flows. This study hence places the reflexivity of financial journalists about their self-constitution, professional objectives and knowledge construction processes in relation to markets for financial information at the centre of its enquiry.

This study thus articulates a professional framework for financial journalism by articulating these actors as experts in the intermediation of financial information knowledge and exploring their claims for authority over such knowledge. Abbott (1988: 79) in Preda (2007) argues that a group needs to establish professional jurisdiction over the expert knowledge it produces before professional organisation can occur. However, expert knowledge has to be generated and defined as such before jurisdiction can be established. Preda (2007) further argues that the monopolization over knowledge required for such jurisdiction also requires the successful persuasion of users that they need a special form of knowledge in their activities. Hence, as regards the expert knowledge produced by financial intermediaries such as financial journalists, Preda (2007:43) explains that such expert knowledge has both implicit and explicit aspects. The former are given by the "practitioners' skills and attributes to tinker with and interpret financial data. The explicit aspects consist, amongst others, of rationalizing discourses, offering a more or less coherent, systematic view of the domain over which experts claim epistemic authority". Hence, it is necessary to account for how knowledge achieves authority and is regarded as valid by its users (Preda, 2007). In the case of financial journalists, this chapter shows how journalists go about achieving such authority. Chapters 4 and 6 therefore respectively demonstrate how such financial information knowledge is regarded as having economic value by its users in its ability to move markets and companies attempts to manage the financial information knowledge journalists produce.

Jones, Armour and Potrac (2003: 214) say that "the degree of success that professionals experience in meeting social demands is largely dependent upon the knowledge they generate and accumulate for the tasks and obligations they undertake". Jones et al (2003: 214) further argue that "professional knowledge is socially constructed from the world in which we live, that it is forged in the dialectical tension between individuals and the world around them". Hence, to understand financial journalists' knowledge construction and their utilisation of such knowledge, it is necessary to understand the "dynamic influences upon their occupational and social worlds as perceived by them. The rationale of doing so is in order to examine subjective experiences in order to understand the developments of personal and professional identities and ascribed knowledges" (Jones et al, 2003: 214). In the case of financial journalists, therefore, this study shows how their reflexivity about their skills and working processes contribute to such expert knowledge construction as outlined above, particularly with regard to the interpretation of financial data that is used by market participants in transacting decisions. McIntosh White (2013: 227) argues that the "levels of reporter literacy in specialised areas impact their ability to act as intermediaries in the knowledge transfer process" to users of such information. This aspect is

further amplified by what Fincham, Clark, Handley and Sturdy (2008) refer to as the legitimising quality of sector knowledge in determining professional jurisdiction. Hence, financial journalists authority and credibility are related to their skills, understanding, experience and expertise over a particular area they cover, for example, the economy, banking or executive pay.

The remainder of this chapter is structured as follows.

Section 5.2, which follows sets out the prior research and empirical framework for the study and the relevant prior research as well as the gaps in the literature to which this study contributes. The prior research looks at the various ways in which financial journalism has been contemplated in the literature in the context of this study – specifically these are: financial journalism as a legitimising genre of the market economy; and distinct processes of mediation and intermediation. The analytical framework sets out the issues attendant to reflexivity and performativity in mediation, and contemplates systems of (inter)mediation to illustrate this point – that the news media does both, it mediates and intermediates. The empirical framework sets out the conceptualisation of the professions in sociology, and determines that the existing literature on journalism allow for a professional framework of financial journalism against which to measure financial journalists' claims to expertise, processes of knowledge construction, and reflexivity about this in relation to the financial market. Such ontology and epistemology of financial journalism is then used to inform the research questions so arising.

Section 5.3 sets out the research design and methodology most appropriate for approaching these research questions, namely, 10 structured and 5 semi-structured interviews with highly experienced financial journalists that investigate the criteria that they themselves subscribe to for their roles as professional actors in the financial markets, and the degree of reflexivity they have about this through discourse analysis.

Section 5.4 uses the framework in 5.2 for analysis of knowledge construction as (inter)mediation under four main areas of reflexivity and performativity: *the constitutive nature of financial journalists; professionalization of financial journalism; narrative risk in financial markets; and regulation and the shaping of financial journalism by financial markets*. Financial journalists' reflexivity about their *constitutive nature* is explored through interviews in which participants are asked what a financial journalist should be, and secondly, how financial journalists might be distinguished from other actors in the

financial market. Financial journalists' reflexivity about their *professional objectives* and *knowledge construction processes* is unpacked by establishing if participants are aware of any differences between the knowledge construction processes of financial journalism and other genres of journalism or narrative analyses of the market. It is also investigated whether financial journalists evidence an awareness of the effects of processes of knowledge construction on the financial market. Additionally, it is determined whether the degree of awareness that financial journalists evidence about the effects of their knowledge construction processes on the market, in turn, influences the manner in which they go about performing those processes. Further, it is interrogated to what extent financial journalists believe that other market actors attempt to influence the narratives produced by journalists. Finally, it is evaluated whether these factors pose a risk to financial markets that ought to be regulated.

Section 5.5 is the discussion of the analysis in Section 5.4 and sets out the contributions to the literature made by its findings. That is to say, whether journalists evidence a high degree of reflexivity about their constitutive nature and knowledge construction processes in the dimensions unpacked in Section 5.4, and whether this necessarily means that they will consciously attempt to influence the market. It sets out the literature on which the contributions build as well as the literature which they differ from.

Section 5.6 is the summary for this Chapter and synthesises its findings and situates it in the context of the thesis and the research agenda undertaken.

This study is hence, an exploration of how financial journalists perform, and hence, legitimise and reify the financial market both through (inter)mediating integrative social practices of financial knowledge and the (inter)mediating of market data and tools of analysis. It also explores the extent to which they are reflexive about this. These knowledge construction processes are asserted further to be legitimised through processes of professionalization that define what the role of a journalist should be and anchored in Goldstein's sociological conception of the "professions". The chapter therefore aims thus, to consolidate the financial journalist as market actor.

5.2 Prior Research and Analytcal Framework

5.2.1 Prior Research

Prior to the Victorian era, finance had traditionally been a secretive gentleman's endeavour (Poovey 2002), but the legitimation of the market in Victorian times required more transparency, and hence more readily available financial information. Poovey (2002) maps the development of financial journalism as a genre alongside, but distinct from accounting, and immersed in other genres of the financial market in the 18th and 19th Century, when the market and financial themes first appear in fiction through the work of Samuel L Johnson and Charles Dickens. Financial journalism should therefore not be framed as an isolated genre, but rather, situated in a broader body of financial writing that developed before the 1840s and cannot be treated as a single discourse. Prior to the 1700s, financial news essentially comprised the lists of numbers – of prices, and exchanges rates – required for the shipping trade (Poovey, 2002). However, in 1713, the numerical was accompanied by more political narratives such as those of the penny sheets, and this was followed by the long essays of the *Edinburgh Review* circa 1800 (Poovey, 2002). This writing articulated a new market economy that drew heavily on the new science of political economy and evolved from the sort of business writing popularised by Bagehot in *The Economist* (Poovey, 2002).

Financial journalism thus became distinguished from its source materials in its adoption of the narrative form. Tambini (2008: 4) argues that in the increasingly complex financial market today, "there is not much clarity on the precise relationship between news and markets" but that "it is clear, however, that financial news reporting could reinforce dysfunctional patterns of market behaviour such as herding and momentum". Financial journalism is therefore an increasingly specialised and complex activity that also faces some unique challenges such as the challenges of a 24-hour news globalised environment where information moves at light speed, decreasing resources, the challenge from the internet, the challenge from public relations; sustainability (Davis, 2002, Doyle, 2006, and Tambini, 2008). Tambini (ibid) contends that while "journalists have begun to respond [to the challenge] … the profession lacks a clear sense of purpose."

Financial mediation versus financial intermediation

The information transmitted by the media is recognised by the securities law[39] as price-sensitive information, and remains an important area of study within finance. Traditionally, the media has been contemplated as an information intermediary within the financial literature. For example, Womack (2002: 13) defines the information intermediary as "any system that mediates between producers and consumers of information". But this definition is insufficient for the manner in which news media works in the financial market. The news media can serve both as mediator and intermediator of information in the financial market, and for this reason it is necessary to distinguish between these two concepts, not least because scholars variously contend that journalists perform either one or both of these roles. According to Smith (2009: 4) intermediaries "transmit, intact, whatever expectations are held by market actors" and mediators "refine transmission, and in so doing, diffuse the institutional constraints that otherwise characterise the market". This study emphasises the (inter)mediating characteristics of media as it complements the performative and reflexive characteristics ascribed to it above, and unpacked in the analytical framework described below.

5.2.2 Analytical Framework: Reflexivity and Performativity in Mediation

Cziarniawska (2011) takes the view that the media tends to mediate instead of intermediate, as the seminal work of the media theorist McLuhan implied. This has significant consequences for the financial market, because it underlies the performative and reflexive characteristics of the media asserted in this study.

In their study of financial journalism, Clark et al (2004) contend that not only has the media created new pluralities in audiences, but the media has also contributed to new forms of 'calculability' in how finance is now conducted because it is now under the media's gaze. According to Preda (2010), such a gaze serves as an 'observational boundary' that laminates the financial market further reifying its activities. This lamination also supports continued legitimacy of the financial market, which by opening itself up for scrutiny thus, ascribes to the media a regulatory function recognised in the corporate law by scholars such as Miller (2006) and Borden (2007). The literature on performativity[40] with reference to economics asserts that

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[39] See UK Financial Services and Markets Acts (FSMA) 2000 s 119 c(2) and the US (Securities and Exchange Commission) SEC Rule 10b-5.

[40] See for example, Callon (2006:7-10) who says: "A discourse is indeed performative, as I suggested there, if it contributes to the construction of the reality that it describes, but we need to go further than that and at least briefly turn towards discourse analysis to

economics does not merely describe a set of social relations it actively contributes to the performing of them as economic acts. This study is particularly interested in the performativity of discourse with regard to the reflexivity of speech acts as performative utterances[41] [(See Callon (2006) and also, Austin (1962) and Butler (1997). It is useful to contemplate the activities of journalists in the financial market thus as performative. This study therefore aims to exposit the activities of journalists as market actors whose activities constitute markets and contribute to meaning. The study also focused on the Lamontian (2012 (e)valuative practices[42] in financial markets by unpacking the performativity of financial journalism to processes of (e)valuation. In this sense, it also asserts the media's activities as exemplary of a process of marketization contemplated by Caliskan and Callon (2010) in their argument that such processes of economisation "cannot be separated from the effects produced by those disciplines, which directly or indirectly seek to identify and analyse the economy".

Further, Kennedy (2006: 271-272) demonstrates how the media is central to market formation by considering the importance of firms being "counted" by it, and uses Granovetterian[43] (1985) embeddedness with linguistics to demonstrate that "accumulating discourse" embeds market producers into "a shared cognitive network that enables their categorisation" and helps to define, reify and legitimise the abstract market by enabling a census of its entrants. The empirical work undertaken in this paper will explore how these aspects of strong performative diffusion in contemporary reflexivity manifest in financial journalism. This is strongly underpinned by the professional framework of financial journalism contemplated in this study, and which is described below.

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understand the meaning of the verb "to contribute." … "According to Austin, because it is uttered (what is called enunciation), there is no statement that does not constitute the context in which it functions. there is no language; there are only acts of language. Phrased in Greimassian terminology: to have meaning a statement implies its context of enunciation (at least an enunciator and an enunciatee) (Greimas and Courtès 1982)." Scientific theories, models and statements [and hence, economics] are not constative; they are performative, that is, actively engaged in the constitution of the reality that it describes."

[41] The performative utterance is a speech act, which does not merely describe but changes the social reality of that to which it refers. (See Austin (1962) and Butler (1997).

[42] Lamont (2012: 5) sets out a comparative sociology of valuation and evaluation [(e)valuation or SVE] focused on subprocesses of (e)valuation "at the center of the recent literature, with a focus on both categorization and legitimation dynamics". (Lamont, 2012: 5) considers both "selected valuation practices (giving worth or value) and evaluative practices (assessing how an entity attains a certain type of worth)". According to Lamont (2012:5), valuation and evaluation practices are "often conflated in the literature, and intertwined in reality."

[43] Granovetterian social theory is predicated on the ideas developed in the influential paper by Mark Granovetter (1985: 481) 'Economic Action and Social Structure: The Problem of Embededness' that looks at the extent to which "economic action is embedded in structures of social relations". In sum, Granovetter's (1985) approach to economic action in an industrialised society focuses on activities that are not conducted by "anonymous, atomistic economic agents, but rather by people who are personally known to each other" (Friedman and Miles 2006: 77).

In addition, the performativity of financial news media is amplified by its narrative structure. Narratives are an important tool for human cognition. Hutto (2003: 1) says that "our capacity to create, enjoy, and to benefit from narratives [as complex representations that relate and describe the course of some unique series of events, however humble, in a coherent but selective argument] surely sets us apart from other creatures … we are, inter alia, not just social or rational political animals but that we are also rightly distinguished as storytelling animals…" Moreover, Hutto contends that human beings are seen by modern psychologists as literally talking themselves into being through a narrative self-constitution because "narrative activity is not only crucially important to human beings … it is its very core". Such narrative self-constitution is augmented by the brain's innate capacity for language. The semiotician Cobley (2001) points out that the work of Jerome Bruner, Naom Chomsky and Name Pinker show that language, and syntax in particular, exploits a readiness in the human mind's strong propensity to thinks about events in narrative form. Gallagher (2003) explains that the brain's capacity for language can be linked to a developmental narrative competency, by highlighting the human mind's built-in narrative aesthetic as put forward in the work of Merlin Donald. The work of Goffman (1974) is therefore also useful in this regard since it explores how framing of narratives can be used as a sense-making device in organising human experience. The idea of such human sense-making through has been applied to financial economics, for example: Frank (2007) argues that human beings have a universal predisposition to 'their' story experience, that is, to impose a narrative interpretation on information and experience; and Akerlof and Shiller (2009:51) say that "the human mind is built to think in terms of narratives, of sequences of events with an internal logic and dynamic that appear as a unified whole … Stories and Storytelling are fundamental to human knowledge. People's memories of essential facts are indexed in the brain around stories." Frank, Akerlof and Shiller's assertions explain why stories are so powerful in their ontogenical dimensions. But stories are also a potent factor of human knowledge in their phylogenical dimensions, as the work of Polti (1916), Jung (1934) Campbell (1949, 1962, 1968); and Tobias (1993) in Cobley (2001) has shown with reference to iterative and recognizable thematic and mythological archetypes. In addition, behavioural economists have imported such ontogenical and phylogenical claims from psychology, linguistics, and narrative discourse to assert that investors use cognitive heuristics to make investing decisions, of which cognition bias to information in narrative form is significant for the framing of investment decisions (Kahnemman and Tversky 1973, 1979). Further, Tarim (2012) exposits the link between narrative and cognitive heuristics further with reference to the work of Hirshleifer (2001), Barberis and Thaler (2003), DeBondt et al (2008). Further, Simon's theory of bounded

rationality often drawn upon in this literature, means that when investors are overwhelmed with information, the media can attract and exploit their limited attention span as Green and Hand (2011) contend because they produce easily digestible information in narrative form. This thesis however extends such conceptualisation of narrative processes through the idea of (inter)mediation and asserting that human sense-making is dynamic, and also distributed with non-human agents. Narratives thus function as calculative frames because narratives act as prostheses for human cognition. Narratives thus enhance human cognition by enabling the speedy and efficient valuation practices. The work of Beunza and Garud (2007) is useful in expositing this idea.

5.2.3 Ontology and Epistemology in the Professionalization of Financial Journalism

This section explores the epistemology of financial journalism as a profession. This is done, first, by expositing the four main requirements for processes of professionalization as set out by Goldstein (1984). Second, by setting out how journalists may be conceived of as a profession against these criteria, and third, how financial journalism may be professionally understood to conform to this.

Goldstein (1984: 75) says that there is some consensus about the formal attributes of a "profession" that can be drawn up and include:

> (1) a body of esoteric knowledge, mastery of which is the indispensable qualification for practice of the profession; (2) monopoly - that is, recognition of the exclusive competence of the profession in the domain to which its body of knowledge refers; (3) autonomy, or control by the profession over its work, including who can legitimately do that work and how the work should be done; and (4) a service ideal-that is, a commitment or ethical imperative to place the welfare of the public or of the individual client above the self-interest of the practitioner, even though the practitioner is earning a living through the exercise of the profession.

The discussion below evaluates the professionalization of journalism under the lens of Goldstein's four criteria of professionalization *per se* as problematized within sociology.

A body of esoteric knowledge

Further, according to McNair (1998: 61), knowledge factors are underpinned by the "professional status of the journalist" and the collective character of his or her work as a "professional communicator". Aldridge and Evetts (2003: 553) says that a Royal Commission report of 1977 has a single paragraph on professionalism of journalism, which states flatly "it is not realistic to expect journalism to become a profession in the sense that only people licensed by a national body at national level may practise … the specific reason was "the absence of a common core of knowledge". Other critics and scholars on the subject have agreed that this lack of a "cognitive base" identified by Aldridge and Evetts (2003) as one of the main reasons for which journalism, at best, may aspire to become a "quasi-profession", characterised as it is more by old-fashioned styles of apprenticeship, but this is not the only characteristic of journalism used to disqualify it as a profession.

However, Aldridge and Evetts (2003: 557) contend that "what is currently missing from the professions literature is an analysis of potential motors of occupational change" and they argue that recent developments in news journalism demonstrate the discourse of professionalism is being used in just this way, specifically where the polyvalent quality of 'professional' in UK English is concerned. Moreover, the modern information economy has had the result that stretched resources and increased dissemination of competing information has made specialised knowledge an increasingly important factor in modern journalistic practice (Aldridge and Evetts, 2003).

Monopoly and recognition of the exclusive competence of the profession in the domain to which its body of knowledge refers

Mastery over the skills required for the role of a professional communicator or interpreter corresponds to this aspect of Goldstein's formulation of the processes of professionalization because it defines an esoteric body of knowledge and asserts those that master this have the monopoly over performing these activities.

Autonomy and control by the profession over who can legitimately do that work

As regards the requirement for autonomy, this is supported by McChesney's (2002: 64) contention that:

> In the case of newspapers, industry self-regulation assumed the form of professional journalism. Savvy publishers understood that they needed to have their journalism appear neutral and unbiased – notions entirely foreign to the journalism of the first republic's century – or their businesses would be far less profitable. They would sacrifice their explicit political power to lock in their economic position. Publishers pushed for the establishment of formal schools of journalism to train a cadre of professional editors and reporters

McChesney (2002) sets out the argument for this as he sees it thus: "trained editors were granted autonomy by the owners to make editorial decisions, and these decisions were based on their own professional judgement, not the politics of the owners and the advertisers or their commercial interests. As trained professionals, journalists would learn to sublimate their own values as well. Readers could trust what they read and not worry about who owned or worked on the newspaper".

A service ideal or ethical imperative that puts the welfare of the public above the self-interest of the practitioner

As regards the service ideal that is a commitment or ethical imperative to place the welfare of the public first, set out by Goldstein (1984) as one of the criteria of professionalism above, McChesney (2002: 57) accordingly asserts that in a 'democratic society' journalism should perform the following three main duties:

> (T)o act as a rigorous watchdog for the powerful; to ferret truth from lies; and to present a wide range of informed positions on key issues. Each medium need not do all these things, but the media system as a whole should make this calibre of journalism readily available to the citizenry.

Hence, in terms of the ideology set out by journalism studies, the main function of a journalist is therefore an intricate mixture of reporting and storytelling. The former, reporting facts, is essential to financial markets – as a story which is perceived as objectively, is moreover perceived as being true, and therefore as trustworthy. This is significant because trust is central to financial markets as set out above. If stories are true, calculation of assets based on the stories will be perceived as being accurate. McNair (1998: 65) says that although this was not always historically so, "the concept of objectivity is the oldest, and still the key legitimating professional ethic of liberal journalism, it is a guarantee of quality control which asks to believe what is being said is valid and believable.

According to McNair, the claim of journalistic objectivity is essentially an appeal for trust, even in situations where not all the facts are known. Objectivity under conditions of incomplete information thus remains an inherent expectation of journalistic work that is highly significant because it sketches in the missing information to give reader a fuller picture of the situation. According to McNair (1998:64) – this is the essence of what is meant by journalists "getting the story" - or to the bottom of things; elaborating meaning and explanation into what is understood by journalists and their readers as a "reporting of the facts". McNair (1998: 64) says: "The journalist's profession, as we have seen, might be described as that of 'authorised truth teller', or 'licenced relayer of facts'" Further, says McNair, journalism that is presented to its audience as truthful discourse must be legitimate. Journalistic ethics in particular, can be seen as "a device to facilitate the social construction of legitimacy, to mobilise the trust of the audience in what they are reading, hearing or seeing, [and] in their proclamation and definition ethical standards – if they are to be taken seriously by practitioners – of course have a major impact on journalistic content."

Research questions arising and contribution of the study made to the gaps identified in the literature

The prior literature in this regard does not flesh out how the financial journalist is constituted as a new type of actor in financial markets. This study aims to explore this with specific reference to three related research questions. To what extent are journalists aware of this view of the effects of their work on society, and in a performative feedback, the effects of society of their work? And if so, does it influence the way in which journalists go about doing their work? Do they have a formalised sense of their activities as comprising a profession? Hence, it is worth interrogating how reflexive journalists are about the "taken-for-granted" aspects of journalistic craft McNair (1998).

The intuition that media is performative was purported to be an easily explainable observation above, but an important gap in the sociological and financial literature is an understanding of how reflexively journalists go about writing the news, and if this knowledge construction is active and self-conscious, what exactly is it is they think they are so doing and how they think this affects their craft.

This study therefore contributes to the constitution of processes of news production and of professionalization, particularly of financial journalism. The research framework that follows exposits the structure of the analytical approach towards unpacking journalists' understandings

of how their knowledge construction contributes to such processes of professionalization, and how this in turn contributes to the characterisation of the financial news product.

The research design aims to support this research enquiry, and the analysis of the interview data that follows, aims to ascertain the extent to which journalists' reflexivity about their activities in the market about their self-constitution processes and professionalism can support such a research framework.

5.3. Methods: Data and Research Design

The methodology for the thesis as a whole and how this chapter fits into it is set out in Chapter 3. This section provides an overview of the methods used for the purpose of providing context.

5.3.1 Research Design

The research design for this paper is one half of a symmetrical study on the processes of knowledge construction in the working practices of journalists, who compete with public relations practitioners (primarily) for the framing of dominant narratives in financial markets. Methodologically, both these actors have been treated in the same way (that is to say, we assume that journalists and PRs use similar processes enabling them to compete for dominant narrative frames despite their symbiotic relationship). This simultaneously symbiotic and adversarial relationship is discussed with regard to the professional project of public relations in Chapter 6.

Journalists and public relations practitioners have traditionally been treated differently by scholars, but the advantage of considering them symmetrically provides, from a methodological point of view, an opportunity to explore how their knowledge construction processes are similar and different.

Moreover, it allows for a better understanding of how they also perceive each other's roles in the capital market, and how the work they do is largely reactive to the symbiotic nature of their knowledge construction processes and beliefs about their self-constitution.

5.3.2 Data and Methods

Ten Structured interviews were conducted in the first instance, and this was followed by five semi-structured interviews. A range of question formats were used, including closed yes/no questions, as well as multiple-choice and open-ended questions, but whichever format the question took, the participants were allowed to comment or provide an alternative explanation if they felt that the options provided did not sufficiently describe the problem investigated, or if they felt the question was too leading. This was also to allow for the journalists to highlight an issue that was overlooked in the research in formulating the research questions, or perhaps a misunderstanding about their processes in the research framework developed from the literature. The majority of those interviewed have experience of five years or more, and half of those interviewed and surveyed have more than 10 years' experience with an independent news room on a financial newspaper. They are male and female, of varying ages, but mostly in their 30s and 40s. Most of the participants have advanced qualifications in finance and economics, at least to masters' level and at least one holds the chartered financial analyst qualification. Several have also been through the industry revolving door, and in in addition to being journalists, have also held roles as financial analysts, consultants or public relations practitioners.

The motivation for using structured interviews in the first instance was in order to allow for a standardisation of the interviewing process and to minimise differences between interviews as Bryman (2004) contends. Further advantages allowed for all the respondents to have the same context of questioning and interview stimulus, and this also facilitated the aggregation of responses, which is more effective if identical cues are asked in the same order. Mainly this is to allow for the standardisation both in "the asking of questions and the recording of answers" (Bryman, 2004: 110). The structured interviews conducted were computer-assisted in order to increase the accuracy and standardisation of the interview schedule as this meant that no questions were skipped or changed.

As regards structured interviews, Giddens (2006: 543, 548) points out that these are useful for fieldwork for analysing research problems that interrogate larger slices of social life, since less interpretive generalisation is involved, and "more precise comparisons can be made between the answers of respondents". Further, Giddens (2006: 544) also points out that such "responses can be more easily quantified and analysed than material generated by most other research methods".

However, there are also shortcomings of structured interviews for sociological research in particular, and Giddens (2006 545) says that one of these is that "an appearance of precision can be given to findings whose accuracy may be dubious", given the relatively shallow nature of the research method. Considering these limitations of the structured interview as a research method, and avoiding too much standardisation by allowing journalists the opportunity to comment on structured interview format themselves, semi-structured interviews were then conducted in the second instance in order to control for poorly-worded questions, or misunderstanding of the question by the interviewee and the manner and order in which answers and data were collected (Bryman, 2004: 110). The data collected by the interviews were then analysed using discourse analysis for unpacking the responses in a structured way in relation to the research questions (See Chapter 3 for more detail on the approach of Fairclough (2000) to discourse analysis. The empirical discussion that follows exposits how the methodology enabled the research questions to be addressed.

5.4. Empirical analysis: reflexivity, performativity and the constitutive nature of financial journalists

The empirical analysis discusses the responses of journalists in interviews about what they understand their constitutive nature to be and to establish if they have a consensus about their professional project, and whether this influences their knowledge construction processes in its legitimising and reifying dimensions of the financial market. It also aims to work out the position of the journalist as a new type of significant actor in the financial market.

5.4.1 Self-identification with journalism per se and constitutive reflexivity

5.4.1.1 The role of a journalist

When asked what the role of a journalist was, the interviews provided the following descriptive responses:

"Analyst"

"Entertainer"

"Storyteller"

"Opinion-maker"

"Gate-keeper"

"Reporter"

"Writer"

"Market Watchdog"

Interviews with Senior Financial Journalists

These descriptions of their constitutive nature were chosen by the journalists from a list of choices offered in the structured interviews with the option to expand on this, and such elaboration of their self-constitution is shown below. The majority of journalists identified with the constitutive category "reporter". The second largest category with which they identified with was "storyteller".

All the journalists self-identified with values such as "objectivity" and "fairness" in the manner they should go about reporting in the interests of the public, as their professional ethics, discussed below show. However, their responses reveal that the capture of corporations of the news media compromise the interests of journalists, who must also then consider the corporate interests of their advertisers and sources in their articles.

Nonetheless, at the core of their self-identification was the idea of fairness and independence. The following statement, made by a highly-experienced journalist in response to what s(he) believed the main role of a journalist to be, encapsulates this core value around their self-constitution. The statement also demonstrates a high degree of reflexivity about what the knowledge constitution practices of journalists ought to be, and how the output of this ought to be classified.

"Facts are the beginning, middle and end of what any journalists should be doing, anything else is just comments and should be classified differently"

Interview, Senior Financial Journalist.

5.4.1.2 Tensions and controversies

Further analysis of the interviews revealed a tension between what journalists believed they should be doing and what they were actually doing in their day-to-day work. This is reflected in the following statements where contradictions are evident in the phrases and terms describing their activities and the influences acting on them.

"Objective Account"

"Sifting through the Facts"

"Interpretation and Context"

"Driving the News Agenda"

"Insidious Allegiances Writers do not Disclose"

"Influenced by Culture and Beliefs".

Interviews with Senior Financial Journalists

While the journalists have a coherent consensus about their self-constitution, the statements above evidence that it is not absolutely possible for a journalists to be objective and they are to some extent influenced by their backgrounds and networks and these flow over into the reality of their daily work. In addition, while it is clear that financial journalists are meant to be unbiased and compromised, it was also recognised that objectivity was not possible if journalists had undisclosed allegiances – but the consensus overall is clear that ethical journalism should be unbiased, not influenced by vested interests and truthful.

"Journalists are supposed to provide an objective account of news and events. However, they are influenced by their culture and beliefs and experiences, and this in turn leads them to bringing a certain bias to their stories."

Interview, Senior Financial Journalist

From the statement above it is apparent that journalists also display an awareness of their shortcomings by the extent to which they adhere to the self-constitution to which they aspire. Notwithstanding the relative coherence or incoherence of journalists with regard to their constitutive nature, these news values, and the tensions and controversies around them are the focus of the empirical framework of this chapter. This is because the failure or relative

independence of financial journalists from financial markets particularly those for whom the interests of the corporation is a prerogative, provide an explanation for the reifying feedback loop in the institutional links between media and the financial market as system/network.

So, where do these news values come from? Are they unique to the profession or imported to the profession by the demands of society and the institutional actor network. Whether the former or the latter, how are these values internalised by journalists? Alexander (2011: 133) maintains that the media cover "the spinning of a thing as much as the thing itself, though they are careful in the process not to deconstruct themselves: they admit neither to the spinning the news nor to narrating the news. Their professional ethics are too deeply held for that." This issue is specifically addressed in the discussion that follows and which uses discourse analysis of the data to structure it within a conceptual framework that considers journalists' reflexivity in the two dimensions that form the performative unpacking that is to be the focus of this study: journalists' reflexivity about their self-constitution as journalists per se and journalists' reflexivity about the professionalization of their knowledge construction processes.

Unpacking these aspects of their constitutive nature and news production processes as well as the bilateral legitimising relationship between journalists and the market demonstrate the degree of relative performativity.

5.4.2. News Values as a Professionalising Device within Financial Journalism

The professionalization of journalism is a key organising device by which journalism is contemplated in this study. This section considers how the concepts problematized in the interviews reveal the extent to which journalists understand themselves. The following well-known quote by the British publisher Lord Northcliffe reflects the main professional rubric by which journalists judge the work they ought to be doing: "News is what somebody somewhere wants to repress, all the rest is advertising." It is therefore instructive to evaluate the responses of journalists in relation to how they believe the product of their knowledge construction processes differ or correspond to this, as the quote by Northcliffe underscores the industry's deeply held news values.

If journalists are to get the truth and to the bottom of the story, it stands to reason that they should have the courage to report malfeasance or events that may have deleterious consequences. The point can be further supported by the following quote by the media theorist Marshall McLuhan which says more or less the same thing: "The real news is bad news". Journalists were therefore asked whether they believed their work was different from a press release; company disclosure; publicity; and advertising. They unanimously agreed that journalism was fundamentally different to a company disclosure or press release and their responses evidence that they believe that journalists ought to be independent, especially since other sources of market information may not be, or cast the company in the best possible light.

Three journalists that were interviewed believed that the difference between a company and a company disclosure; press release; advertising; and journalism was that:

> *"[journalism] reports the facts impartially in a way that can be understood by all, not dressed up with spin or disguised to promote a company".*

> *"If the company has good PR, it can hide or bury certain elements of the story low down in a press release. A good reporter can unearth these and put them at the top of the story, the reporter can also simplify the jargon used by the company and make complicated business easy to understand".*

> *"I would say a news story would carry more weight or credibility as it's assumed to be written objectively whereas a press release will always try to paint the company in the most positive light."*

Interviews with Senior Financial Journalists

It is apparent from these responses that journalists see themselves as being independent and objective. But this is an ideal that can be different from the reality of their day to day work. This becomes more interesting as they reveal how they go about getting such information and access to it. The journalists were asked how they went about getting their stories, and from a range of choices such as sources, company disclosures and academic research, and so on, only a small proportion admitted to using press releases, a minority admitted to networking with public relations practitioners, executives and politicians. A significant number of journalists also said they attend relevant conferences and "talk to ordinary people". One respondent elaborated on this information gathering and working processes as follows:

"As a financial journalist, I spend most of my time observing and analysing price changes whether that'd be bond yields or foreign exchange rates. I also read research notes from qualified economists/analysts as they can be useful for getting different views".

Interview, Senior Financial Journalist

Getting information from sources – that is market actors with knowledge of the situation the journalists are reporting on – has the greatest potential for "capture" or dependence on sources, and so this was interrogated most closely, as this presents the greatest challenge to their professional ethics. Journalists were therefore asked how they felt about the following saying: "a journalist is only as good as his sources" and for the most part, they agreed or felt neutral. One journalist pointed out that:

"Sources can only take you so far"

Interview, Senior Financial Journalist

While another thought that it was the journalist's responsibility to be professional:

"It's true in a sense that a good source can be of great help, but it's still a journalist's responsibility to do their work professionally and honestly. As an example, a dishonest or misinformed source was not in itself an excuse for distributing inaccurate information, as it is still up to the journalist to verify the information"

Interview, Senior Financial Journalist

5.4.3 Corporate Capture and Journalistic Ethics

The interviews above once more highlight the possibility for corporate capture, due to the tensions and controversies around what journalists ought to be doing and what they are actually doing in their day-to-day work. One journalist was asked if s/he thought financial journalism had a tension between the professional ideal and the actual working practices exhibited:

"Well, isn't that true of everyone?"

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

"News is what people do not want you to print, and the rest is advertising as the famous quote goes. There is too much news out there that is just regurgitated press releases and expresses corporate interests. This is especially important as the weakness of regulators means the media has a greater duty to expose wrongdoing"

Interview, Senior Financial Journalist who is also a Media Trainer for Firms

It was then elaborated to the journalist speaking in the quote above that, the journalists, when interviewed said they did not spend much time with public relations people, but that public relations people all said that they spent a lot of time with journalists, and hence, since the two groups gave conflicting accounts about the amount of time they were spending together, one group must be misreporting the amount of time they were spending with the other. He responded to the question thus:

"I think everyone has a self-serving bias. The journos underestimated how much time they spend with PRs, and the PRs overestimate it. Also, there is a class of journos who do spend a lot of time with PRs – the more junior, lower quality ones. And by lower quality … I mean lower quality outlets. There is an inverse relationship between quality and accessibility to PR. Crap like 'Money Marketing' compared to Bloomberg. If you plotted "accessibility to PR" on the X-axis and "quality" on the Y-axis, you'd have a curve you could put every news outlet on. Bloomberg would be in the top left quadrant, money marketing in the bottom right."

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

The other respondent commented on the issue on the conflicting accounts of the amount of time journalists and PR spend together thus:

"The journos are lying big time! Although the PR people are perhaps exaggerating a bit … but not much. Most journos I know love nothing better than free lunches and booze courtesy of PR people, … and I include myself there as well.

Interview, Senior Financial Journalist who is now a sell-side Analyst

"Possibly the journalists only think of meeting with a client and "forget" the PRs are there. So the journalists don't have the concept of "now I'm meeting with a PR" rather, they are thinking now I'm meeting with XYZ company". The PRs are so concerned with the journalists they would be top of mind."

Interview, Senior Financial Journalist who has been both a PR and analyst

These responses above all confirm the self-serving bias postulated by the first answer offered by the financial journalist (who is also a Chartered Financial Analyst[44]). The logical result of this should be a cross-fertilisation and symbiosis with the journalism produced by public relations. The journalists were therefore then asked if this was a concern, that companies could be more in control of the news than financial journalists would like to think. An excerpt from the responses to this issue follows below:

"Depends on the experience of the journalists … The less experienced ones are more susceptible to the charms of the PR people, the more experienced ones less so. If you take Ann Crotty [Business Day columnist well-known for her exposés of executive pay in particular] and her relationship with SAB Miller … Ann is a dyed-in-the-wool journo … has great connections with SAB … they make sure she is always looked after …but she is her own person and will write critical articles on SAB Miller when required. But by giving her access to the people who matter, SAB ensures that there are no misunderstandings … they know and trust her and vice versa."

Interview, Senior Financial Journalist who is now a sell-side Analyst

5.4.4 Financial Journalism as Profession

It is clear that journalists strongly believe that they are beholden to a professional ethic, most importantly to practice their craft independently, and to be "fair" in their reporting. They also clearly believe themselves to be different/separate from public relations' press releases and advertising and other sources of market information such as company disclosures. To unpack their reflexivity on their professional ethics, they were asked whether they thought financial journalism was a profession. It was put to the financial journalist who is also a CFA if he thought journalism per se was a profession:

"Yes it is a craft, like brick-laying. You get better at it with time, and you need to be taught it."

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

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[44] This is the Chartered Financial Analyst (CFA) qualification, which is the most widely recognised and prestigious qualification for financial analysis. This means that this journalist is as knowledgeable as any highly-qualified and senior financial analyst or portfolio manager. The CFA is granted by the CFA institute in the United States which claims the "Chartered Financial Analyst® (CFA) credential has become the most respected and recognized investment designation in the world" and "bridges industry practice, investment theory, and ethical and professional standards to provide investment analysis and portfolio management skills". (cfainstitute.org, 2014).

When asked if he believed financial journalism was a distinct profession, he answered in the affirmative thus:

"Yes, it is a sub-practice of journalism, like cardiology is a sub-practice of medicine."

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

However, another journalist disputed this in his statement that:

"I don't think it is a profession, because 'profession' implies that there are barriers to entry – a profession implies that unless you are a member of an institute or have a certain qualification, you can't practice that profession – although I think law and accountancy are designed for the enrichment of the players in that profession. But [a barrier to entry] enhances the value of what you do. Journalism is not a profession but that does not invalidate it. Journalism is more professional in the United States [of America] than it is in the UK [United Kingdom] where it is more like a trade, and historically the people that went into journalism were from a different class interest"

Interview, Senior Financial Journalist who is also a media trainer

Further, it is worth bearing in mind that what is missing from the professions literature is an analysis of potential drivers of occupational change, as Aldridge and Evett (2003) assert. The responses above concur with their analysis that the term 'professional' has a polyvalent quality in the United Kingdom, that is to say, that some people view the specific skillset that is required for a well-recognised 'trade' or 'craft' as sufficient to qualify their practitioners as a professional. Moreover, it is worth reiterating their assertion that in the modern information economy news outlets with stretched resources and competing disseminators has meant that specialised knowledge is becoming an increasingly important factor in modern journalistic practice, and this is especially true of financial journalism.

5.4.5 Financial Journalists versus Other Journalists

This section drills down into the unique specialised knowledge and professional attributes of financial journalists.

It was interesting to see how financial journalists saw their work as being different to that of "other" journalists (only one respondent thought that there was "no difference"). When asked

how they thought the work of financial journalists was different to that of other journalists, the respondents answered thus:

> *"[Financial Journalists] understand companies and markets"*
>
> Interview, Senior Financial Journalist

But another felt that journalists across disciplines needed:

> *"A news sense, accuracy and determination, tenacity and commitment"*

> *"At the most basic level, there aren't any differences. The difference comes in the sense that financial journalists need to have specific skills to enable them to analyse financial and economic data, and pass on that information in its broader relevance to their broader audience in a way that is relevant and easy to understand"*
>
> Interviews, Senior Financial Journalists

In short, financial journalism may be professionally distinguished from other genres of journalism due to their specialised knowledge, as well as for their interpretive practice, which relies on numeracy and an understanding of economics.

5.4.6 Financial Journalists versus analysts

It transpired in their interviews that of all the other economic systems and actors who (inter)mediate information the financial journalists were closest in their function to sell-side analysts. That is, the type of analyst that does equity research and makes a buy, sell or hold recommendation. Historically the practice of stock-tipping also conforms to the constitutive nature identified by Preda (2001) and Poovey's (2002) accounts of the historiography of financial artefacts.

While the majority of journalists thought they were different to analysts, their explanations for this difference demonstrates a high degree of reflexivity around their calculative and (inter)mediating function in relation to narratives of financial market data and events. This is

evidenced in the responses relayed below regarding the difference between journalists and analysts:

"They can write better but are worse at maths"

Interview, Senior Financial Journalist C

"We're not trying to give people our opinion, just the facts so they can form their own opinion"

Interviews, Senior Financial Journalist B

"Journalists have a wider reader audience so they have to explain things more simply. Analysts' readers are usually financial professionals."

Interviews, Senior Financial Journalist C

5.4.7 Distinguishing between stories and facts in narrative evaluation

The responses above evidence that journalists firmly see their function as reporting the facts and explaining complex information in a given story more simply due to the wider knowledge levels of the audience they write for. The explanation therefore also supports their main self-identification with the constitutive character of "reporter", and secondly, as "storyteller". While they are aware of similarities of their function with that of sell-side analysts, who have a sophisticated and financially savvy audience, journalists had to adjust the level of complexity and the significance of the story or event to be accessible to a broad audience. This aspect of narrative interpretive practice as regards the (inter)mediating functions of journalists versus analysts presents a tension between whether what journalists do can be classified as stories or facts. In the quantitative research done in Chapter 4 it was found that trading volumes and investment returns are very much affected by news stories, and moreover, that the information produced by the news media as a category of information had the largest effect overall in comparison to other information (inter)mediation systems in the financial market (See Graph 1 in Chapter 4 for reference). Journalists seem to hold the opinion that news stories are facts, which corresponds to the observation made above that they see their function primarily as "reporting" – that is to say – as in a reporting of the facts. The interviewees were hence asked how they felt about the observation in the aforementioned research that "volumes are very much affected by news stories". Their responses confirm Alexander's assertion above that they will not admit to the "spinning of a thing".

"Volumes are very much affected by facts. That these facts are conveyed in news stories or any other form of communication seems to me not to be very important."

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

The journalist was prompted at this point with the following statement: "But news stories are not facts. They are interpretations of facts.". The journalists responded that they are "the reporting of the facts" – as highlighted above, and so evidencing that the cognitive apparatus in narrative construction and interpretation had a taken-for-granted quality that had to be brought to journalists' attention. Alerted to this possibility the same journalists responded thus:

"Well mostly, they are the reporting of the facts. Company X is making an offer to buy Company Y at $z price. That is what drives volumes. But that information can be conveyed in a statutory announcement, rather than a news story."

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

The journalists was now asked to elaborate on this issue of "reporting" and the interesting distinctions that can be made about this activity from narration.

"While reporting can be market-moving, independent of the straight factual content, it is the analysis of those facts … and then it can be market moving in exactly the same way that sell-side analysts' research is."

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

Based on the response he provided, the respondent was then asked what then, is it that journalists do in the financial market? If they are merely reporting, and they have computers that can report the news also.

"Well largely, they intermediate the facts and help audiences understand how to interpret them. But stories have a wide range of different functions. You cannot lump them all together".

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

This issue of journalistic reporting as a relaying of facts as opposed to the narration of a story, was cross checked with a second journalist by asking him the following question. "I asked journalists what the best way word to describe themselves were and the top categories with which they identified was reporter in first place, and "storyteller" in second place – most respondents felt reporting – in so far as it is a relaying of the facts – is what journalists ought to be doing. How is storytelling then different from reporting?

> *"Reporting is purely factual with no particular bias … Storytelling lets the journo be flamboyant in terms of style, and can also let bias creep in from time to time. But bias is, at times, unavoidable."*
>
> Interview, Senior Financial Journalist who is also a sell-side analyst

The distinction between storytelling, reporting and interpretation is an important aspect of the (inter)mediation of market formation and the (e)valuation practices they contribute towards, which when distributed through human agents is done by way of narrative. This is highlighted in the following statement by a journalist on the matter of distinguishing journalists from other agents and systems of information (inter)mediation.

> *I think you need to be careful on how you separate the functions of journalists from other agents in a market. One of the things I have been thinking about for a decade is the rise of the sell side. Which has effectively taken over a lot of what financial journalists used to do. But privatised it. So financial markets have become less democratic. But the best analysis is now tightly distributed. But there is no essential difference between the sell side and financial journalists. Other than the resources they have available.*
>
> Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

The privatisation of analysis is an important consequence of financial data as this underlines the competition between journalists and other intermediaries such as analysts and public relations practitioners. This encroachment into the professional jurisdiction of journalists is a consequence of the increased volumes of financial information available today as well as the speed at which it is available. The journalist was then asked what he believed made the work of journalists relevant, meaningful and distinctive if the work of journalists and sell-side analysts is essentially the same:

> *Because their work is accessible. And there are different types of information they can obtain. Financial journalists are more likely to undertake investigative work than sell sides. But sell sides are more likely*

to obtain "scoops of analysis" through analytical treatment of the data. These are different specialisations.

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

At this stage of the research, it became clear that the credibility attached to the journalists' interpretive skill of financial and economic events. That is to say, the reputation of the journalist or news media outlet was determined by how they fared as experts and the extent to which they had authority over financial market information knowledge in comparison to financial analysts and other mediators and intermediators. Another respondent offered the following further observations as regards the value added by journalists in relation to analysts – it is pertinent to note here that investigative journalism again emerged as the unique selling point of journalists as information (inter)mediation systems or agents in the financial market.

Look at Carrick Mollenkamp and Michael Whitehouse's piece on Libor being a discredited benchmark. It is constantly cited. This is a great example of conducting primary research and then doing a 2 000 word cover story. That is where journalism can add value. Another good example is a piece in Reuters on commodity trading companies, such as Glencore and Cargill and how they manipulate the prices of food. These kinds of articles are really insightful. Also if you look at coverage of the dot.com bubble and Enron, those are examples of some really fantastic journalism.

Interview, Senior Financial Journalist who is also a Media Trainer

However, as regards the consumers of such information, research done by Arnoldi (2006) asserts that media reports are taken less seriously by high-end market users like traders. For this reason, the financial journalists were asked if they believed that their work was taken more or less seriously than of analysts, especially with regard to the perceptions that what analysts produce is research and hence factual (Beunza and Garud (2007), however, show that analysts widely use narrative devices such as analogy and metaphor). The relative power of intermediary systems is hence located in the seriousness and legitimacy they convey to market participants. The first respondent believed that while the narratives of analysts were probably taken more seriously than that of journalists by financial market actors, it also depended substantially on the type of information being (inter)mediated:

Again it depends on the information. If your story breaks Enron shredding documents, you bet it will move markets. If it is the Enron CEO's latest outfit, it won't.

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

However, another respondent felt that journalists were far more powerful than analysts, which was significant since he has practiced both – his response was also informed by his belief that journalists had a propensity to report bad news.

> *Analysts have no power these days, as they are virtually completely hamstrung by regulations. The media on the other hand, can be as sensationalist as it likes...companies are petrified of them. Companies think they have a close bond with analysts...but they have far less bond with journos. Back in the day....80s and 90s...analyst reports could move markets and company stocks...today they are almost irrelevant in that regard...they still have a place in the factual arena though...a very important place. The media is FAR more powerful. And corporates can't control the media, no matter how much they think they can.*

Interview, Senior Financial Journalist who is now a sell-side Analyst

5.4.8 Narrativity: Reflexivity, Performativity and the constitutive nature of journalists

This section fleshed out the primary research construction of this thesis, which is the relationship between reflexivity and performativity of news media to the constitutive nature of journalists. In determining the constitutive nature of financial journalists and determining the reflexivity about this leads to a broader enquiry into what financial journalism is per se. It was mentioned above that literary artefacts evidence that financial journalism emerged at the stage when financial news started evolving from lists of numbers that represented of the stock market to include narratives as Poovey (2002) contends. At the heart of this enquiry thus, is the following puzzle: if the market can observe the fortunes of a company by looking at its stock price and some key indicators such as the financial ratio, turnover, stock price, p:e ratio what is it really that financial news offers relative to these numerical representations of value? It has already been introduced above that the reputation and credibility of a journalist/new agency as well as the nature of the news in question is a major factor in its ability to affect the financial market, and further, that bad news had a greater effect than most news because it is bound to bring new information to the market.

So is it that the consumers of financial market information are paying for an interpretation of the information released by or discovered about the firm in relation to its financial reports as well as broader economic indicators?

This aspect of performativity via narrative is interrogated through the relationship of performativity to reflexivity. It therefore becomes necessary to establish to what extent financial journalists believe they affect the market, and if this affects the manner in which the go about crafting their work.

However the financial journalists interviewed went about their knowledge construction processes, all of them felt that media stories do influence the financial market, especially through stock returns and trading volumes. Most felt that stories could influence the market and as indicated above in the distinction between journalists and analysts, a major factor that determined the market moving potential of a story was also due to the nature of the story itself, as the semi-structured interview in section 4.2 revealed. But they also felt the market moving potential of a story also was due to some extent due to the wider audience to which that news was disseminated. Further, it was also extremely relevant if that information was coming to the market for the first time. This reiterates and confirms these aspects of information which section 4.2 started to unpack. One journalist explained that media stories can move the market if:

> *"If there is something exclusive in them, they can. But it's often hard to establish the causality unless in the most obvious cases as in when a journalists breaks a story about a company take-over, bankruptcy or provides other price sensitive data. In some cases you can see it almost immediately, as in when a central bank official gives an interview and currencies or bonds of that country move as a result of specific references to future policy."*
>
> Interview, Senior Financial Journalist

5.4.9 On interpretive practice as narrative modelling

The issue of narrative practice as a scoop of analysis was introduced in the journalists vs analysts section. One of the interviewees for this chapter is an extremely senior financial journalist with more than 30 years' experience. He was told about the debate that arose between stories and

facts in comparing the work of journalists and analysts, and what he thought about when he went about writing a story, or what exactly the thought processes entailed, and finally, if in doing so, if he set out to move markets.

> *"No I just report. I think my boss would like to think we do [move markets] but I just collect information from a variety of sources, and say "boom! this is what happened, and what experts think why."*

Interview, Senior financial journalist, 30 years' experience

He was then asked if he tries to add analysis to his opinions – to which he responded:

> *"Not consciously. I just see what I do as a job. I report. I write. Nobody cares what I think."*

Interview, Senior financial journalist, 30 years' experience

He was asked whether he could admit though, that news stories by financial journalists can move markets and if he thought that certain categories of news can have a bigger effect on the financial market.

> *"Yes, but it is not always clear why. Sometimes it's obvious why the share price has moved, or where it will move based on a story, but other times it is not clear why. When I was a rookie, my editor told me my first story moved the share price [of that company] by 2%, which of course, is quite a lot, but I did not think about it too much. I just thought "Wow! How about that!" But I can't even remember now what the story was cos I have written so many of them since 1985."*

Interview, Senior financial journalist, 30 years' experience

It was then put to the journalist what the nature of his reporting activity was, and hence why people bought information from [the news agency for which he writes]. Did he think that he was just reporting, and how could he describe the products of his activity as a metric of information that is useful to market actors, particularly in light of the large number of press releases at journalists of his calibre and experience. Finally, he was asked to offer his thoughts on the difference between journalism and press releases.

"It is different from a press release because we collect information from a variety of sources, and we turn it into data. That is what we sell, we sell data. We consolidate our reports and we turn it into data, which is why I suppose, in some ways, [the news organisation] has become more like a ratings agency than anything else. For example, by this consolidation of information, [the news organisation] helped the market find a mechanism to price bonds, which did not exist before. And this is how it differs from traditional news sources, I'm not really trying to add analysis or an opinion, I just consolidate the data that is out there."

Interview, Senior financial journalist, 30 years' experience

The issue of interpretive practice is core to the empirical framework as regards market (inter)mediation by journalists. This also highlighted the issue of whether journalists move the market or whether the information moves the market – this issue comes up again in an interview below. It was therefore put to another respondent that data was contemplated in the study as any unit of information, whether narrative or data point that was also price-sensitive:

Data is hard facts. News stories are interpretations of those facts. Stories and data are different things. Academic papers wouldn't be called "data""

Interview, Senior Financial Journalist who is also a Chartered Financial Analyst

He was pressed further to explain why then an interpretation of can move the market. He responded thus:

"Does "an interpretation" move the market? I suppose it does when it is a convincing interpretation. That surprises the market Which I would consider quite unusual. Unusual, meaning "uncommon"."

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

So if journalists were able to move the market via an interpretation, was a journalist in his opinion aware of this ability and did he think it had the ability to affect the way she would craft a story?

"Yes they are aware of it. They should take more responsibility in getting it right. Or they will compromise the reputation that is essential to the ability in the first place. This is a strange way of thinking. The journalist knows the information they have can move the market. It is not the journalist who moves the market... it is the act of reporting market-moving information that moves the market. To say "the journalist moves the market" focuses attention on the wrong thing. It is the information that is important. The same information in the hands of any of a range of journalists would be equally market moving. Just as it would if it was released by a sell-side analyst or a regulator or a company.

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

The quote above evidences a belief that the journalist does not have agency in moving the market, and rather it is the information itself that moves the market. This view is similar to that of Knorr Cetina (2010) who asserts that the market would react to information regardless of its source, but at odds with the view of Butler and Birchler (2003) who assert that the value of information is not the information per se, but its source. This is a perennial debate in the research into information economics, and in the discussion, it shown how these opposing views may be reconciled by viewing the market-moving potential of information to be a function of distributed calculation, it is the combination of the contents of the information as well as the credibility and ability of the journalists' interpretation and the breadth of the dissemination of the news outlet for which (s)he is writing.

The same respondent was asked if he did not think that this point depended on the news outlet as far as credibility was concerned.

"Yes Bloomberg vs News of the World. But not Bloomberg vs Reuters."

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

The relative performativity of a narrative outlet is therefore linked to the credibility and reputation of the journalist concerned, particularly as regards to scoops of analysis.

5.4.10 Journalism & Efficient Markets: Price Discovery Predicated on Information

The responses received so far in the structured and semi-structured interviews point to a foundational theory of financial economics that of the dependence of market prices on information for their price discovery[45]. Journalists were therefore asked whether they were believed markets were efficient, and 60% of journalists believed, consistently with the interpretive theory of narrative modelling of market formation, that journalists provide a valuable interpretation of public information and this is why people paid for it, instead of merely looking up the company disclosures and SEC filings themselves. Nor did any of the journalists believe that people pay for news because media grabs attention by representing stories dramatically. The following explanations were offered by journalists for these beliefs.

> *"The wire services sometimes provide the original news and then a market moves. So the information isn't available until it's published by some media."*
>
> Interview, Senior Financial Journalist

> *"Prices alone don't tell stories about why people are buying/selling, what is really driving the price."*
>
> Interview, Senior Financial Journalist

> *"Journalists might help/broaden the size and scope of that public. I would expect that most of the "public" don't have access to direct information from private companies and government departments."*
>
> Interview, Senior Financial Journalist

5.4.11 On Financial Journalism and Bad News

Journalists were asked if they had a preference to report good or bad news in their narrative practice. The majority believed that this was so. When asked to justify their answers, all the respondents had something to say about this. Their beliefs about bad news broadly support the framework as an anchoring value of within their professional ethics.

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[45] As discussed in the review of prior research in Chapter 2, as well as the preceding Chapter 4, the efficient markets hypothesis set out by Eugene Fama in 1970 and revised in 1991 is a useful rubric through which to problematize the role of journalists in the capital market. In terms of the efficient market hypothesis, prices should reflect all publicly available information which further, according to Beaver (1968) means that volumes explain the rational expectations of individual investors and stock returns explain the rational expectations of the market in relation to the prevailing price. It is therefore important to test whether journalists understand the concept of market efficiency as this will inform their knowledge construction and interpretive practice.

"Oh come on. Bad news sells!"

Interview, Senior Financial Journalist

Another thought the response options were too limited to the function of reporting:

My response is: Neither - they should be reporting what happens, good or bad.

Interview, Senior Financial Journalist

This supported the following response:

"I don't think there is a preference among financial reporters to report either good or bad news."

Interview, Senior Financial Journalist

Another felt that the problem rather, was that companies had a tendency to report good news and hide bad news.

"You rarely get bad news handed to you on a plate, while companies rarely try to conceal good news."

Interview, Senior Financial Journalist

Finally, one offered the interesting insight that from a financial perspective, you couldn't really think of news as good or bad, since some people actually trade on bad news:

"From a financial journalist perspective, I have a preference for reporting news that is interesting and relevant to my readers and do not tend to take a view on whether it's good or bad. In the light of the current sovereign debt crisis, a story about rising bond yields is just as interesting as one about them falling as they both say something about the future direction of the crisis. In any case, it's hard to say what's good and what's bad as there tend to be two parties to each trade."

Interview, Senior Financial Journalist

These responses by journalists about bad news have revealed that journalists have a keen sense of data flows in financial markets, as well as sense that they are interpreting, and hence framing that information. As shown in Chapter 4 the media has the largest (negative) impact on stock

returns and the absolute largest impact on trading volumes, so this is driving a lot of financial action in the market as the journalist provides a consensus interpretation of that information. Journalists are on a day-to-day basis interacting with and interviewing a number of such protagonists and the sum of their views are being revealed in headlines every day.

The responses show that in general, journalists believe that they had a duty to report the news objectively and fairly with the public interest in mind, but at times bias was unavoidable, as we have seen, due to prior held beliefs and cultural factors.

They also believed they had a tendency to report bad news and the ability to disseminate news more broadly due to the interpretive function they performed in order to simplify news for the general public, who did not have access to certain kinds of financial information, nor the tools to understand them, the data confirmed that journalists had an understanding about the factors that influenced the manner in which they represented market events.

5.4.12 Narrative Risks: Narrative Epidemics and Financial Crises

The issue of journalistic bias as regards its propensity to report bad news is especially pertinent as regards the risk presented to the stock market by narrative models. The preceding chapter of this thesis makes evident that not only does news media have the biggest effect on stock markets, but that this was especially so in the case of bad news. It is put to the respondents whether they thought that bad news spread faster than good news, as the structured interviews revealed and discussed above. It was also put to the respondents whether they thought that bad news itself could itself become the news.

Undoubtedly! Let me give you a few examples... In the 2008 Global Financial Crisis, CNBC Africa never stopped talking about financial Armageddon… Meltdown.... Catastrophe... etcetera, etcetera. Those nerdy analysts on the other hand, kept trotting out banal non-reports, covering their arses...they added nothing apart from factual comment. Who did the markets believe? The media!

Interview, Senior Financial Journalist now-turned sell-side Analyst

The respondent was then asked whether he thought that these aspects of news production: the power of media over financial markets and their propensity to spread bad news may have led to the global financial crisis becoming a self-fulfilling prophecy, and further, if this meant that journalists were especially attracted to the idea of a financial crisis:

Oh yes...and the same thing is happening right before our eyes… with Greece... I saw a story the other day saying a Greek pullout from the EuroZone will cost $1 trillion! What utter drivel! [Mr X], News Editor... "Go out there and find dirt guys...dirt sells!" and [Mrs X], editor-in-chief HATED good news...only wanted bad news…

Interview, Senior Financial Journalist now-turned sell-side Analyst

As regards the journalistic bias to bad news, another respondent was asked if they thought that the journalists had a propensity to report to bad news, and if bad news itself could become the news.

Yes. I think this goes to the heart of the human condition - it's why we gossip, slow down to stare at an accident etc. It's more interesting to hear the bad news rather than the good news. Some good news is fun, but too much is boring. Just as gossip spreads like wildfire - people can't wait to be the first to spread it - so too with bad company news, bad political news etcetera. Journalists know that their audience is also interested in the bad news.

Interview, Senior Financial Journalist who has done both financial analysis and PR

The same respondent was then asked whether they thought that financial journalists are therefore naturally attracted to the idea of a financial crisis and in some way the global financial crisis became a self-fulfilling prophecy.

I'm not sure that it would go that far. But - if we look at a bank. If the bank is actually fine, but there is a hint of a problem, people will withdraw funds and en masse, that's the end of the bank - so the perception of a problem creates the problem. The question is can this happen on a grand scale? I don't know. I'm tempted to say that it may depending on the prevailing mood. If the public are feeling negative, any bad news can swell out of proportion.

Interview, Senior Financial Journalist who has done both financial analysis and PR

The same respondent was told about the results of the quantitative research done in Chapter 4, and told that its results evidenced that media has the largest effect on stock prices over company

disclosures, press releases and analysts' recommendations. The respondent was asked whether these results were surprising.

> *No, not at all. When results come out, few people have the capacity to read each announcement end to end and to absorb and understand the contents. They turn to media reports for the information and as a form of summary document. this gives the media enormous clout - an item can be isolated and focused on; only the positives can be looked at; only the negatives etc. the particular slant that the media give the article(s) can have an enormous impact on the public response in terms of buying/selling of stocks and hence over price of stocks.*

Interview, Senior Financial Journalist who has done both financial analysis and PR

The empirical discussion has demonstrated that all journalists do, at least, have some awareness of the reflexive and reifying characteristics of financial journalism on the financial market. The extent to which they believe this to be true varies with experience as journalists and market actors. The implications of this are analysed and summarised in the conclusion that follows and avenues for further research is also suggested.

5.4.13 Regulation and the shaping of media by markets

It would follow that if journalists were reflexive about their ability to move markets, markets would also be aware of this, and attempt to influence the media. Respondents were unanimous in their opinion that the markets tried to influence and capture the news media. Moreover, it emerged that journalists were also reflexive about this and that this also influenced the manner in which they went about producing their craft. One of the interviewees was asked if he thought that news media moved markets.

> *If you know your story is important, you might take more care with it. One of the things that makes it important is if it is market moving. If, for example, you have information that may lead to a run on a bank, you would be very careful. Knowing that the consequences of your story are significant."*

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

The observation with regard to price-sensitive nature of financial journalism presents an important rationale for its financial regulation. But first, it is necessary to highlight that the news

media's wide dissemination ability makes it particularly price-sensitive and therefore clearer financial regulation of the media is urgent as news travels even faster, and markets become more electronic and complex, amplifying narrative risk in markets. It is evident from chapter that the performative nature of journalism is predicated on the reflexivity of journalists and also by the reflexivity of the market in awareness of these (inter)mediating systems. Based on his previous answer, it was then put to him whether he therefore thought that financial journalism should be regulated.

You cannot have a free press that is regulated.

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

It was suggested to the respondent that regulation may be different from censorship, and the press in the United Kingdom was by no means free. He maintained that regulation was not different from censorship, but as regards press freedom in the UK, he felt that:

"The libel laws here are a very serious constraint on the free press."

Interview, Senior Financial Journalist and who is also a Chartered Financial Analyst

As regards regulation, the Senior Financial Journalist, who is also a media trainer said:

"I don't have strong views on it but my general view is that self-regulation with the PCC [Press Complaints Commission] has not been particularly effective, especially as regards celebrities. Financial cases rarely make it in front of the PCC. Statutory regulation would be a mistake. I do think it could constrain the freedom of the press. I veer towards a combination of self-regulation and a constraint on the ability to define who is a journalist."

Interview, Senior Financial Journalist and Media Trainer

In general the responses evidences that the idea of a free press as enshrined by the constitutions of most democracies was extremely important professional value, but at the same time it was also acknowledge that the potential consequences on the market either required more care from the financial journalists or stricter barriers to entry to the professional practice of financial journalism.

5.5 Discussion

This chapter makes three main contributions from the analysis of the findings in relation to the research questions set out in Section 5.2 resulting from the gaps in the prior knowledge. The first contribution made by this research to the literature is its contemplation of the news media narrative as a strongly performative product of journalists' (inter)mediating knowledge construction processes that contribution to economic action in the financial market by facilitating the processes of (e)valuation it requires for financial transaction to take place. The second contribution is to synthesise how the professional and ethical framework for the journalist's craft contributes to their reflexivity of their knowledge construction processes. The third contribution contemplates the reflexivity of market participants in relation to news media and this is tested by asking journalists if they believe the financial market attempts to shape their knowledge construction processes and if this influences how they craft the information. These contributions are unpacked in more detail in the discussion directly below.

This study has provided an insight into the professional project of financial journalism, namely that journalism per se, as well as financial journalism may be regarded as professions. This was based on the analysis of interview data with highly-experienced financial journalists. This is a contribution to the literature because it found evidence of a coherent professional ideal and consolidates the financial journalist as an actor in the financial market. Evidence of this in particular was their identification with the professional values of fairness, independence and objectivity, as well as with their self-identification with their role as "reporters" of financial information due to this being the category with which they unanimously identified as their main purpose in financial markets. This is contrary to the assertion made by Tambini (2010) who interviewed financial journalists following the 2008 financial crisis, and asked "what financial journalists are for?" Tambini (2010) concluded from his analysis of those interviews that financial journalists did not have a clear purpose of what their role should be. However, the financial journalists interviewed for this study had a very clearly articulated and coherent opinion of their role in corporate governance and market regulation. In addition, they pointed out that although journalists were certainly complicit in the framing of the ultimate narrative of the crisis, others certainly had a role in predicting and cautioning about it.

This clear constitutive view of themselves also lends to a clear professional project in light of the criteria set out by Goldstein (1984). While one journalist did point out that journalism did not have any barriers to entry like most commonly accepted professions do, he was otherwise clear on the objectives of journalists in relation to corporate and market governance, and this was broadly in agreement with the professional ethos identified by the majority of the respondents. There is some debate in the literature that the claims for professionalism by journalists is destabilised by those who have something to gain from suppressing their investigative function. Media scholars such as Osiel (1986: 163) argue that efforts of journalists to "professionalise" have affected their capacity to serve as a "watchdog". This is, says Osiel (1968:163), because "as critical journalism has increasingly come to depend on professionalising ideology and organisation, efforts to hamper critical journalism are increasingly taking the form of attacks on the professional autonomy of newsmen. [Yet, at the same time] professionalism strengthens journalistic resources for critical scrutiny of public life". This dilemma is resolved in the analysis of Turner (2001) in relation to experts. Turner (2001: 124 interrogates the Foucauldian critique that suggests "that neutrality is impossible, expert power and state power are inseparable" by examining the type of expert that appears to evade the demands of legislation, it is clear that expertise and liberal democracy, can in principle exist". If financial regulation of journalism is balanced with the liberal freedoms afforded to them, it is possible for financial journalists to maintain their critical function

This research argues that financial journalism, in particular, would do well to begin to think about barriers to entry and accreditation given the complex nature of financial markets and the significantly market moving ability of financial journalism identified in Chapter 4 of this study as well as other research to which that study specifically contributes to. The professional project of journalism in relation to advocating accreditation is a further contribution of this thesis and this is discussed with more detail in the policy implications of the conclusion. In addition, it has been pointed out elsewhere in the thesis that the price-sensitive status of news in securities and the corresponding lack of sufficient regulation of financial journalists in relation to such information is as a result of the democratic privileges afforded to journalists per se. In addition, this section makes a contribution to the accounting and finance literature in articulating the financial journalist as financial market intermediary – this contribution is unpacked in more detail below. Further, a contribution is also made to the social studies of finance literature in applying the sociology of professions to the idea of expert knowledge in relation to the interpretation and analysis of financial information – this is also discussed in more detail in the unpacking of the contributions below. This section has clearly highlighted the significance of the

financial journalist as an actor in financial markets, which is the main theoretical contribution of this thesis to the literatures discussed in this section. Financial journalists, particularly those who have been through the revolving door of financial services and financial analysis interviewed in this study have asserted that journalists, particularly high-quality journalists have a lot of power in financial markets and the very best ones are regarded to be as good, and often better than financial analysts, whose constitution they historically have been closest to. This contributes to the work of Poovey (2002) in relation to accounting and financial history in terms the development of financial journalism as a genre of economic writing.

The performativity of financial journalism in financial markets has been asserted in the analytical framework of this study and evidenced in the analysis of the data collected from the interviews. The work produced by financial journalists is performative to the extent that their activities change the world they describe (Preda, 2007). Such performativity of the information knowledge produced by journalists is augmented by their claims to expertise. This builds on the work of Preda (2007) who argues that expert knowledge is performative, because the relative expertise of financial journalists as well as their reporting of expert knowledge asserted by Doyle (2006) supports this. In this regard, a contribution is made to the social studies of finance, specifically with regard to the (e)valuative practices that take place in financial markets. In relation to narrative in particular, journalists contribute to the production of interpretation and meaning of financial information, and hence to the value of financial information as the financial market is predicated on efficient supplies of information as discussed in the review of the prior research and discussed in great detail in the empirical framework in Chapter 4. Financial journalists at times report information pretty much as it is and at other times they also produce a new perspective or "scoop of analysis" in relation to an event with their interpretation. This contributes not only to the status and credibility of the journalist, but also the accumulation of meaning in financial markets. This is a contribution and builds on the work of Lamont (2012). The production of new centres of meaning in such accumulation is correspondent to the "mediating" perspective of news production and thus builds on the work of Cziarniawska (2011) and Kennedy (2006). But journalists are also evidenced at times to be merely reporting, or in other words intermediating information intact as Smith (2009) exposits. This was supported by the observation of one of the interviewees that it is not the journalist or her credibility that moves the market, but rather, it is the information itself, which view corresponds again to the view of Knorr-Cetina (2010) with regard to agency in terms of the properties of information. The contribution of this study to the literatures mentioned is the idea that journalists do both, they intermediate and mediate and hence can be thought of as information (inter)mediaries. This

therefore builds on the work of Callon and Muniesa (2003) that agency in financial markets between non-human and human actors is distributed. It is hence argued in this thesis that the market-moving quality of financial news journalism is a function of such distributed calculation. It is both the information and the journalist that moves the market, the actual data moves the information because of the journalists decision to report it and how the journalist has interpreted it. A further contribution is made to the literature in terms of the (e)valuation of bad news. A great deal of emphasis placed in the behavioural literature on the ability of bad news to capture the market or readers' attention but the journalists interviewed in this study have been extremely reflective that bad news can be good news for the regulation of the market if malfeasance is uncovered. Bad news can also be good news due to the fact that there are two sides to each trade. This means that there is no such thing as bad news or good news, there is only "information" that somebody somewhere in the market can profit from. This is a contribution to both the accounting and finance and social studies of accounting and finance literatures.

Finally, it is also asserted that since journalists have such a tangible effect in financial market, it would follow that market actors, specifically those representing the interests of firms in terms of how that information is represented will attempt to influence the manner in which journalists report and interpret information. This two-way flow of information between journalists and other financial information intermediaries contributes to the manner in which journalists go about doing their work and also places them under pressure to compete as other actors encroach on their professional jurisdictions this builds on the work of Doyle (2006) who studies the constrains of journalists in relation to investigative work and also on the work of Tambini (2010) in unpacking the network of relationships within financial markets. It also builds on the Granovetterian work of Kennedy (2006) in asserting the importance of social relations in markets for financial information in relation to corporate representation. These issues are unpacked further in Chapter 6 in relation to boundary work within the professional jurisdiction of financial journalism, specifically by public relations practitioners.

5.6. Summary of Chapter

This paper contributes to an understanding of how media shapes markets through investigating the production of financial news stories through the narrative practice and knowledge

construction processes of financial journalists. It has been argued that journalists are central to the decision-making practices of financial markets – in asserting a function of (inter)mediation. In particular, in this (inter)mediating function the paper has constructed them as 'reporters' and 'storytellers' who produce analysis, and hence narratives are asserted to be a primary calculative device in markets. In this sense, narratives are contemplated in accordance with the formulation put forward by Muniesa et al (2006:2) wherein a device as a notion is an object that can be considered as "an object with agency", that is to say "they articulate actions, they act, or they make others act". In this sense, narratives contribute to the evaluative processes in financial markets that aid the price discovery of assets. The research framework posited that the stories that journalists produce correspond not only to a mere description the market, but also that shape the market in contributing to new forms of calculability through (e)valuation practices of narrative. The analysis of the data revealed that the journalists leaned more strongly to the idea that the information was market-moving, however at the same time, they did appreciate the credibility and status of highly reputable journalists. Ultimately, calculability of information through news media stories therefore was asserted as distributed between the financial journalist and the information itself. This is supported by the analytical discussion evidencing that journalists express a high degree of reflexivity about their self-constitution as well about the form which such self-constitution ought to take.

Further, in their knowledge construction processes, financial journalists also exhibited a high degree of reflexivity in relation to how they ought to go about articulating market narratives in relation to their self-constitution. It may therefore be said that their knowledge-construction processes are informed by their self-constitution. In this regard, it was found that their main beliefs about this were idealistic, that although they thought should be objective and independent reporters, they also acknowledged a cultural bias towards bad news and the potentially compromising influence of PR on less professional and experienced journalists. The financial journalists interviewed also conceded that the professional ideal was, at times, in conflict with the reality of the financial information market itself and the networks therein on which they relied. Those journalists that had been through the revolving door of mediation and intermediation of the elite market information networks of journalism, public relations and financial analysis were much more aware of the interaction and categorisation of the types of information financial journalists produced, especially in relation to other market actors concerned with the dominant narrative. Several of these journalists were also highly academically qualified in economics and finance. It is therefore clear from the data in this study that financial journalists are as a significant actor in financial markets and this supports the findings in Chapter 4, where media was seen to produce the largest absolute and negative results in relation to other categories of information in financial markets.

Chapter 6

Reputational Risk Management as Boundary-Work in Markets for Financial Information: The Case of Public Relations

6.1 Introduction

Corporate public relations is becoming an increasingly pervasive and important force in markets for financial information because the industry is concerned with the reputation management of corporations in relation to their publics. This is because the corporations' publics have expanded and diversified in corporate theory and law, which contemplates that while directors of a corporation are bound to their duty to ensuring the success of the corporation and maximising value for its shareholders in their decision-making, they should also have regard for the *stakeholders* of a firm[46] (Hansard, 2006).

The risk to the financial position of the firm due to potential reputational damage has therefore become increasingly significant and reputational risk is increasingly cited by corporate directors as a risk which they are most keen to mitigate (Power, 2004, and Bebbington *et al.*, 2008). Power (2004: 34) says the "growth of interest in reputation has also been an opportunity for public relations departments and officers to stake a claim in the risk management process". These developments are underpinned by the trend towards a 'risk society' put forward by the sociologist Ulrich Beck (Jones, 2001: 50). The risk society has resulted in the diversification of the factors affecting the financial performance and valuation of a firm to include the social as

[46] In the UK, this development is encompassed under the concept of Enlightened Shareholder Value, which is embodied in the spirit of the revised Companies Act 2006 as the following quote by the former Chancellor of the Exchequer Alastair Darling in Hansard evidences during his time as Secretary of State for Trade and Industry: "That enshrines in statute what the law review called "enlightened shareholder value". It recognises that directors will be more likely to achieve long term sustainable success for the benefit of their shareholders if their companies pay attention to a wider range of matters…Directors will be required to promote the success of the company in the collective best interest of the shareholders, but in doing so they will have to have regard to a wider range of factors, including the interests of employees and the environment". *Alistair Darling, Commons Second Reading, 6 June 2006, column 125*

the 'unpredictable consumers' identified by Beck "shift power away from corporations" (Power, 2004:35) .

These developments and their consequent orientation to reputation in risk management is explained by Power (2004: 36) to contemplate the "risk management of everything" – hence, if everything may impact on organisation reputation, this represents an inversion of materiality that has seen potentially small events have the potential to escalate into large losses, which is aggravated by factors such as the wide dissemination of corporate disclosures in the media (Power, 2004 and Jones, 2001).

Due to the considerable influence of the media as a dissemination mechanism to corporate publics, this study therefore concentrates on public relations' relationship with media in putting forward a model of reputational risk management as *boundary-work* (see Gieryn, 1983), that is, in this case, as the efforts of public relations practitioners to expand the boundaries of their authority and expertise in the intermediation of financial information.

The boundaries of the activities over which public relations and journalism have authority are malleable and, having low barriers to entry (Sha 2011), are particularly susceptible to processes of boundary dispute and infiltration with regard to the intermediation of financial information (Revers, 2013). This is amplified by the nature of the financial market, which is characterised by high-speed information, which is continuously updated and is thus a fertile setting for boundary disputes - around dominant narratives for the interpretation of financial events negotiated not only through corporate public relations and financial journalism, but also by new participatory forms of information intermediation such as commenting on online platforms and blogging [Lowery, (2006); Knorr-Cetina (2010) and Kleinnijenhuis et al (2013)]

Based on ten in-depth structured interviews with ten corporate public relations practitioners at major public relations firms in 2012, and five in-depth semi-structured interviews with senior corporate public relations practitioners at five major public relations firms in 2013, I show that corporate public relations are mainly concerned with information intermediation and

reputational risk management by studying their relationship to financial journalists and the information environment of the firm.

The findings reveal that the issues that impact on a firm's financial position are becoming ever more complex in the diversification and evolution of financial news media onto online platforms including social media networks and blogs and the increasing speed of financial information in globalised, high-frequency financial markets. This has meant that the publics within the 'risk society' which corporations must take into consideration when assessing their reputational risk have increased, and hence the factors that impact on the valuation of a firm have become increasingly complex. This is evident in public relations' awareness of the potential issues, and hence stakeholders they identify as posing a potential reputational risk, and the strategies by which they enact impression management with discourse and communication.

However, the uncertainty which is elicited by the increased categories and by the more complex stakeholder environment represents new risks and demands for control over the corporate image, as well as approaches for PR to increase its jurisdiction over information intermediation and reputation risk management.

This chapter is hence organised as follows, first it asserts corporate public relations as a *reputational risk management* occupation and therefore, how reputation becomes an increasingly important factor in corporate valuation, and hence, why the specialist is concerned with impression management and information intermediation. Second, the notion of boundary work is defined and unpacked in the dimensions relevant to the analytical and conceptual geography of this study, namely how boundary-work takes place within the industry, and then between PR and journalists to assert power over the interpretation of financial market events. Third, it is then shown in the empirical framework how boundary-work takes place in markets for financial information as reputational risk management in corporate public relations' intermediation activities. Fourth, the methods are rationalised and discussed. Fifth, the data is analysed, and sixth, discussed. Finally, the conclusion synthesises the findings and contribution of the study.

6.2 Prior Research

Defining Corporate Public Relations

According to the Chartered Institute of Public Relations (CIPR website), the industry is all about reputation – "the result of what you do, what you say, and what others say about you". Moreover, the CIPR says: "public relations aims to look after your reputation" in order to earn "understanding and support" and influence "opinion and behaviour" and is "the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics".

A short historiography of modern corporate public relations

The constitution of public relations in its current form developed in the early 1900s in the USA. At that time, press and publicity agents existed, but they were not equipped to manage the increasingly complex public sphere (McNair, 1998). Public opinion had become problematic for corporate interests because negative attitudes towards business had escalated mostly as a result of media coverage of the mining strikes taking place at the time and the Great Depression that followed soon after (Bernays, 1923).

It soon became apparent that more sophistication was needed in articulating a response to the rapidly increasing power of public opinion, and, moreover to influence it in favour of corporate interests. Ivy Lee (1897) and Edward Bernays (1923) stood out as pioneers in this regard, as they recognised the opportunity that existed in developing a framework of practice for public relations. The two men are now generally considered to be the 'fathers' of public relations.

Bernays though, who was the grandson of Sigmund Freud, took the "informative" purpose of public relations set out by Lee a few steps further by introducing campaigns, strategy and psychology to such management of public opinion, and used ordinary people's openness to images and emotional appeals to manipulate the public mind in pursuit of corporate goals (McNair, 1998). Hence, the combination of psychology and "goodwill" was contemplated by

Bernays (1923) to practically comprise the creation of news events by the public relations counsel.

McNair (1998: 239) explains that at this point, the additional converging factors of suffrage, universal literacy and the expansion of the mass media, meant that a demand for news was created and "put pressure on news organisations not just to sit back and report newsworthy events, but to go out and manufacture them. The result of this was a mutually beneficial relationship between the political actor (source of news) and the media (producers of news) mediated by the public relations industry." Coombes and Holladay (2011) have argued that the biases of PR scholars have meant the corporate function of PR has been emphasised over its political and activist functions.

Corporate Valuation and Reputation Management

According to Kiousis et al. (2009) reputation management comprises the overall evaluation for a company over time by its stakeholders. Fombrun and Shanley (1990) assert in their seminal paper on reputation management that favourable reputation can therefore generate excess returns for firms. Reputations, they say "are the outcome of a competitive process in which firms signal their key constituents to maximise their social status" Fombrun and Shanley (1990: 233-234). (See also Mahon, 2002, and Corbett, 2004).

Traditionally, reputation is counted as "goodwill" amongst intangibles in financial statements (Dowling, 2006). However, academic accountants have called for the proper capitalisation of corporate investment into reputation and more clarity on how intangibles should be counted because there is evidence that reputation contributes measurably to corporate performance (Fombrun and Van Riel, 1997). This is significant because Eccles et al. (2007) say that 70% to 80% of market value comes from intangibles. Further, Black et al. (2000) show that the intangible asset firm reputation has value relevance, "measured by its ability to explain the firm's

market value of equity at the end of the fiscal period". Reputation theory is also linked to corporate legitimacy[47], which is also significant for corporate valuation.

Reputation risk management

The monetisation of reputation in the economic valuation of a firm is starkly brought to attention in the risk management literature. The expanding multiplicity of issues that now contribute to the financial evaluation of firms has meant that reputation management has also become an integral part of risk management in the financial audit of firms (Elliott et al. 2000; Corbett, 2004; Power, 2004; and Kaplan et al. 2007).

According to Power (2004) "most business people, when asked about the risk which worries them most, will most often mention reputation". This move towards a preoccupation with the "risk management of everything" as Power (2004: 61) suggests". In this regard, though it is useful to look at the distinction made by Davies (2002) between reputation risk management and crisis management. Davies (2002: 44) says this is because:

> once an organisation has done something that reveals an organisation has done something that reveals even the possibility that they had incompetent, corrupt or self-serving people in key positions, no amount of immaculate crisis response expensive advertising or highly-paid PR consultants can prevent the fallout. … Contrary to many people's expectations, therefore reputation risk management can only be effective if it operates holistically – not as a specialist function to be activated in an emergency but as a major influence on the organisation's actions, behaviour and standards.

Elliott et al (2000) provide an exposition of how operational risk interacts with governance and regulations by reviewing the London Stock Exchange's (1999) *Combined Code for Corporate Governance* that includes the *Turnbull Report (1999)*. Bebbington et al (2008a: 340) say "[W]e have two competing narratives. The first is that Reputation Risk Management (RRM) is a complex

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[47] While this connection is an important one, legitimacy has been delimited to be included within an outcome of reputation management in this study and legitimacy theory has therefore been excluded from the review of prior research. Bebbington et al's (2008a) study has been said by Adams (2008) to have the implication that "it is appropriate to rename legitimacy theory reputation theory". But says Bebbington et al (2008b) in response: "If this were the case we would agree with her that it would do very little to improve corporate sustainability performance and accountability. We would, however, argue that this is not the implication of our paper. There has been widespread use of legitimacy theory within social and environmental accounting research (see Deegan, 2002 for a summary of the state of the art in the field) and it has, we believe, provided evidence that has allowed aspects of corporate activity to be understood. There is, however, recognition of its limitations. For example, Parker (2005) suggests that legitimacy theory: [. . .] suffers from problems that include apparent conceptual overlap with political economy accounting theory and institutional theory, lack of specificity, uncertain ability to anticipate and explain managerial behaviour and a suspicion that is still privileges financial stakeholders in its analysis (Parker, 2005, p. 846).

notion that may be impossible to model and study in a systematic manner. At the same time, RRM is a popular explanation for CSR reporting".

Hence, the emergence of the risk society in conjunction with the introduction of stakeholders into the determinants of a firm's financial valuation, are used as a justification for the importance of reputation management. The management of reputational risk is therefore practically achieved through impression management which addresses these new corporate audiences by attempting to connect to individuals (See Gardner and Martinko, 1988). [See also the literature on Investor Relations – particularly Moir and Hockerts, (2004), Rao and Sivakumar, (1994), and Bushee and Miller (2012) – which for the purposes of this investigation has been delimited as an assumed function of public relations.] The discussion that follows directly below supports these statements with a discussion of the literature cited.

Communication and Impression Management

Reputation management also comprises impression management and the consideration of both stakeholders and shareholders in that regard (Gardner & Martinko (1988); Elsbach & Sutton, (1992); Wayne and Liden (1995); Hooghiemstra (2000); Hutton et al. (2001); Baginski et al. (2002); Davidson et al. (2004); Carter (2006); Zott and Nguyen Huy (2007); Chen and Fang (2008); and Graffin et al. (2011). Communication is therefore fundamental to the constitution of corporate reputations. Corporate communication is defined by Hooghiemstra (2000: 57-58) as "an instrument of management by means of which all consciously used forms of internal and external communications are harmonised as effectively and efficiently as possible, so as to create a favourable basis for relationships with groups on which the company is dependent" and is closely related to concepts of "corporate identity. Further, reputation, in being dependent on communication for its construction is reified through its codification in the popular press and evaluation by measurement tools and indices such as the *Fortune 500 Most Admired Companies* rankings or the *Kinder Index* (Mahon, 2002). Gardner and Martinko (1988: 322) explain the foundations of the impression management literature are located in the dramaturgical perspective presented in the seminal work by Goffman (1959), *The Presentation of Self in Everyday Life*, wherein he "views people as "actors" engaging in "performances" in various "settings"

before "audiences"48. Further, Gardner and Martinko (1988: 326) assert that "What is clear is that, when people are in a state of objective self-awareness their behaviour becomes more socially strategic." Hooghiemstra (2000: 60) says impression management though essentially being a "theory" of the individual has been applied extensively to organisations. Reputation Management is thus made reflexive and performative through Impression Management.

However, the emergence of the risk society as put forward by the sociologist Ulrich Beck (Jones, 2001: 50) means impression management requires more bespoke attention because legitimacy has increasingly becomes centred around the individual. The relationship between the source of news and the news media itself must be carefully managed to reach the correct publics and identify with them because "one of the more visible results of this trend has been the emergence of consumer activism and the so-called sovereign consumer". Hence, this study will concentrate on the relationship between PR and the media because as Power (2004: 33) says "The media is an important source of amplification" and one of the main channels of communication with publics. The media's wide dissemination, pluralism and negative bias therefore make it an important target for the firm's reputational risk management activities (Jones, 2001). In addition, this is an explanatory for why the relationship between the media and PR has been one of fierce competition and reluctant collaboration (Larsson, 2009).

6.3 Analytical Framework

6.3.1 Defining Boundary-work and its purpose in valuation

Boundary-work as formulated by Gieryn (1983) may be defined thus: "as the efforts to establish and enlarge the limits of one domain's cultural and material resources for insiders" and which focuses on the construction and negotiation of professional boundaries" because they are always contested and transformed by tensions" (Gieryn in Lewis 2012: 841). In this regard, Lamont and Molnar (2002) highlight that Gieryn (1983) asserts the rhetorical drawing of boundaries in the sciences by the methods whereby one group (in the case of this citation of

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[48] These ideas are developed in Goffman's later work *Frame Analysis* and *Relations in Public*.

Gieryn, non-scientists) affirm its qualities by means of contrast to another group (in the case of this citation of Gieryn, non-scientists) - similarly to the function of the "foil" in literature (that is to say Holmes to Watson, for example, or how we can only know the sacred by contrast to the profane). According to Mikes (2011: 8) Gieryn distinguished three genres of boundary-work: expulsion (to define the contest between rival authorities by drawing attention to markers of difference), expansion (for the extension of those boundaries) and the protection of autonomy (against outside powers who may endeavour to exploit the profession's authority for their own purposes). Boundary-work can also be used in processes of valuation and evaluation says Lamont (2012: 10) in looking at "how valuation shapes group boundaries through social closure, cultural differentiation or political salience". Hence the competition between public relations practitioners with other information intermediaries, and the media in particular, has an impact on the valuation of firms and also serves to expand the boundaries of corporate public relations practitioners' activities in information intermediation.

6.3.2 Boundary-work in the activities of corporate public relations

The boundaries of public relations are porous – exacerbated by its lack of barriers to entry (Sha, 2011). The industry's claim to professionalization as well as jurisdiction over information intermediation is therefore open to dispute and contest. In this regard, this study therefore concentrates on the boundary-work between the expertise and knowledge jurisdictions of PR with other information intermediaries, but focuses on its relationship with journalism in particular. This is because financial journalism's wide public distribution, regulatory function and negative reporting bias makes it one of the main reasons for being a focus of public relations activities. financial journalism is also useful in comparison, because aside from it being one of PR's main focus points, it is similarly unrestricted, uncertificated and self-regulated, and hence, also vulnerable to expansion into its jurisdictional demarcations (Revers, 2013). In addition, financial journalism has been in a process of decline due to decreasing resources as Doyle (2006) asserts, and this has been taking place alongside the rise and rise of corporate public relations (Davis 2002). Alongside these developments has been an increase in demand for financial information as discussed below, and this provides a fertile setting for boundary work between information intermediaries.

Historiographical enclosure within PR and the information professions

The work of Abbott (1988) on the system of the professions is a useful framework to support an investigation into professional boundary-work between information intermediaries in the financial market. Abbot (1988) looks at the "open, ecological system in which individual professions exist in interdependence" and also in a competition "with each other for the legitimacy of their claimed expertise thereby constituting a constantly changing system of professions [that] usually assumes the form of disputes over jurisdictional boundaries" (Lamont & Molnar, 2002: 178). Abbott's (1988) case study on the "information professions" is particularly useful for this study. Abbott (1988) defines the *information professions* as those involving the "cataloguing, retrieval and decisions about the use of codified knowledge or information". By Abbott's (1988: 233) analysis, there has always been a jurisdictional overlap between journalism, advertising, economics, and psychology in the boundaries of the professions, and, in fact, they have collaborated in legitimation efforts, and he documents how professional jurisdiction in marketing came about through "a slow process of enclosure" between the four fields of advertising, economics, journalism and psychology. Says Abbott (1988) "Economics and psychology took this endeavour less seriously, than advertising and journalism for whom it provided, respectively, a means towards professionalism and the media support that was a practical reality". Public relations developed out of this milieu, especially from the work of Bernays and the professionalization project of advertising.

The professionalisation project of PR has struggled, and still does struggle, to gain legitimacy. Van Ruler (2005) shows that the industry has struggled to gain a professional image due to disagreement between scholars about its constitution. Sha (2011) contends that accreditation strategies have failed due to discrepancies across job functions and demographics between US accredited PRs. Harvey and Walker (2012) have asserted that the trend towards cultivating relationships with stakeholders and corporate publics is also underpinned by the continued struggles of PR to professionalise and the industry to move away from stereotypes as publicity seekers and special event planners. Van Leeuven (1991) has shown that the scope of corporate public relations is linked to corporate organising strategies. Yet other studies have looked at the professionalisation project through the lens of cultural and social capital (Edwards, 2008) and Yang and Taylor (2013). This study will look at how finance, and the expanding remit of CSR and reputation risk management is is used by financial PRs to gain more legitimacy in attempts to claim jurisdiction over technical financial issues.

6.3.3 Boundary-work within the logic of the market for financial information

High-speed information and computerisation opens up for new understandings of what we know financial information to be as well as additional risks related to the difficulties of calculating and valuating[49] represented by these developments. Kleinnijenhuis et al. (2013) say that "the amount of financial information available in the financial markets has increased enormously as did the speed of diffusion – it is impossible for traders, CEOs and financial analysts and journalists to get informed about all financial indicators and most information is outdated quickly. How the information professions (and their competitors) operating in markets for financial information might be understood in this milieu provides a fertile environment for boundary-work. Fournier's (2000) exposition on boundary-work considers how the logic of the globalised market creates a requirement for new types of information that are more relevant and timely and leads to what she terms the (un)making of the professions.

In expositing boundary-work in the professions Fournier (2000: 68) refers to the processes of "jurisdictional enclosure", which "serves to distinguish the professions from the ordinary activities and relationships of the market". This process means to signal that professionals' actions are "not governed by the same self-interest that rational actors in the market do, but rather, by a body of objective and scientific knowledge" (Fournier, 2000: 68). This notion is accompanied by the implicit assumption that professionals are "not accountable in terms of the laws of the market, but in terms of their own jurisdiction" such as appeals to truth, a code of ethics and professional ideals, therefore placing the professional in "a special position that transcends the favouritism of politicians and the self-interest of market relations" (Fournier, 68). Hence, this sanctified status of professions such as journalism, which has a high ethical ideal, is asserted in this thesis not only to place them under threat from the logic of the market but also from professional threats by competitors such as PR. Historically, professional boundaries have proved robust to challenges says Fournier (2000: 76), but they have proved less resilient to the onslaught of the market, despite attempting to place themselves outside of its "commercial logic". Rather, it is becoming evident that the "distinction between the profession and the market is being challenged by new organisational discourses and practices articulated around concepts of expertise, excellence and market liberalism". Similar factors have been at play in relation to the expansion of business news, particularly as PR companies encroach on the

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[49] While cultures of calculating and (e)valuating fare an integral part of the processes discussed here, the literature review has been delimited to boundary-work for this section.

information jurisdiction enclosure of the media (See Davis, 2002), which strained as it is for resources as Doyle (2006) shows, is becoming increasingly dependent on the news media for information subsidies. Both financial journalism and corporate PR are being reconstituted by the use of social media in this environment (See Bollen et al. 2011 for how the value of the Dow Jones Industrial Average is linked to the content of large scale Twitter feeds over time.). Toldeano (2009) asserts that PRs are still looking for ways to benefit from the immediacy and large-scale influence of these developments. The boundary-work of the professions attempts to segment the world into independent fields of disciplinary jurisdiction (Fournier, 2000), but the logic of the market questions the legitimacy of such fragmented knowledge because by the discourse of the market, the world is too complex and dynamic to be contemplated in such atomised silos. This is particularly significant in relation to financial markets, which are predicated on financial information in terms of the EMH (Efficient Market Hypothesis) which claims that prices reflect all publicly available information (Fama, 1970, 1991).

Public relations are at an advantage to journalists and stakeholders of financial information because they perpetuate the logic of the market within the regulatory framework of firms, but are not bound by the social and ethical considerations of outsiders to the information environment of the corporation. This study will explore the implications of the extent and implication of this assertion within the analytical framework and look at how technological change and the socialisation of online platforms has contributed to opportunities for boundary expansion for corporate PR.

6.3.4 Competition for the Inscription of Dominant narrative frames in markets for financial information as boundary-work

In addition to the nascent social complexities facing the media per se, the demands for financial information in a globalised high-speed market not only encourages boundary-work within the professions, but also manifests as boundary-work in a competition for dominant narratives in markets for financial information. The EMH means that there is a continuous demand for information, and this is aggravated by trends in modern financial markets, which are characterised by high-speed information and globalisation.

The financial market is therefore always looking for new information to consume as Knorr Cetina (2010) asserts in characterising financial information as consumptive in its ever-changing state, and the increasing participation of consumers in its production.

Financial information hence comprises processes that "creatively destroy knowledge" – "absorbing it into other objects", revising it without end, or disseminating it until it loses its value, and hence the information demands of the financial market actively contribute to the unstable constitution such knowledge as the market is "always looking for new information" (Knorr Cetina, 2010). This means that news frames as expressed in dominant narratives are in a constant state of boundary-work, and this is discussed below in the competition of dominant narratives between corporate public relations practitioners and journalists in particular.

Several studies have explored this possibility, informed by Goffman's *Frame Analysis*, in their contemplation of news frames, and in unpacking the competition for dominant narratives as boundary-work in financial markets. For example, Entman (1991) and Revers (2013) contend that news frames and journalism itself thus function as boundary-work. This contention is also supported by the work of Durham (1998:101-102), who "considers news frames as unifying social devices by making some meanings more salient than others" and who contends that "before any frame becomes dominant, it represents a set of social meanings, or a social narrative ... the production of narratives is ideological. Durham (1998:103) explains that ideology deploys "meaning in the service of power", because it establishes and sustains relations of power which are systematically asymmetrical in terms of 'relations of domination' and that such framing is a characteristic of news discourse itself. (See also Frank (2003) on how paradigm repair and boundary-work function as methods of distinguishing professionally, Robinson (2010) on textual privilege and power as boundary-work, and Bishop (1999); Lewis (2011); Lewis (2012), and Tarim (2012)).

This study thus asserts that public relations' professionalisation project is thus characterised by attempts to control the representation of corporate image. Public relations also seeks control over the interpretation of financial information and events in the media through impression management. Its attempt to subsume the frames put forward by journalists constitutes boundary-work as a competition for dominant narratives.

6.4. Methods

Ten Structured interviews were conducted in the first instance, and this was followed by five semi-structured interviews of about 45 minutes each, which unpacked the data received in the structured interviews. The structured interviews allowed for the testing of assertions and theories put forward in the empirical framework to benefit from a standardised approach, (Bryman, 2004). Following the structured interviews up with semi-structured interviews also allowed the assertions and theories to develop as the interviews progressed, and for new information not contemplated in the empirical framework to have the best opportunity to emerge.

The majority of those interviewed have 10 years' experience or more, they are male and female, of varying ages, but mostly in their 30s and 40s. Most of the participants have advanced qualifications in finance and economics, at least to masters' level and at least one holds a doctorate. Several have also been through the industry revolving door, and in in addition to being public relations practitioners, have also held roles as financial analysts, consultants or journalists.

The research project was fortunate to benefit from leading senior public relations practitioners from some of the leading multinational corporate public relations firms practising in London, Johannesburg, New York and various locations in Globally. The level of expertise in some of the interviews has benefited from some of the participants being at the height of their professions in contemporary reputation management and investor relations. The data were transcribed and these texts were analysed using discourse analysis. The project is reflexive about the shortcomings of interviews (see Giddens 2006: 543) as well as the potential bias of the researcher (Finlay, 2002). The data analysis was therefore done manually because the complexity and nuance of the issues benefited from a more careful consideration than coding with computer software. Fairclough (1992) says that critical discourse analysis (CDA) is appropriate for the detailed and close analysis of texts. This data analysis is discussed in more detail in the Chapter 3, which deals with methodology.

6.5. Analytical Reflexivity and boundary-work

Section Overview

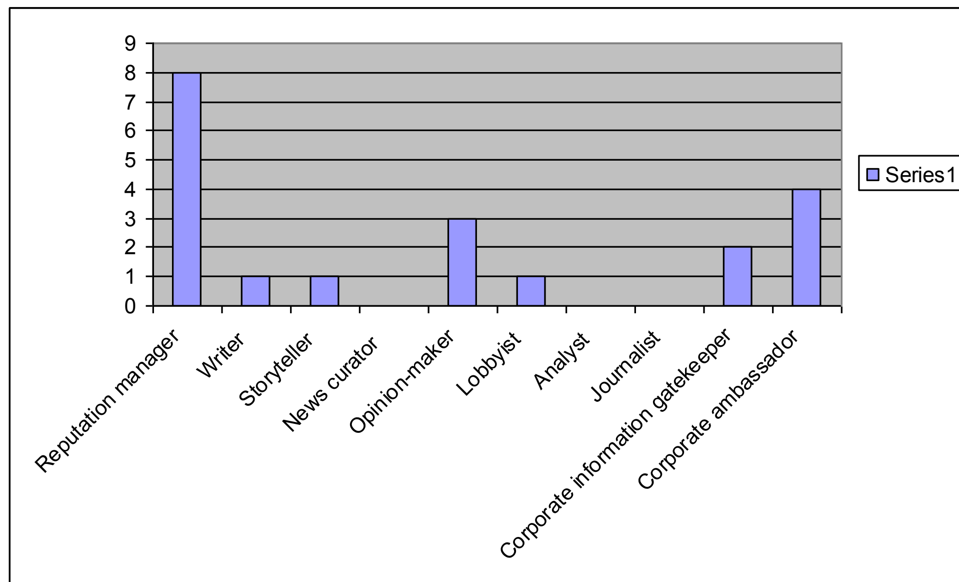
The analysis section is organised into four main sections. Section 6.5.1 evidences boundary work through public relations practitioners' attempts to professionalize by staking a claim to a professional domain. Section 6.5.1 shows this claim is tenuous because its boundaries are porous and malleable. However this malleability is also a characteristic of the boundaries of the information professions in general and therefore offers unique opportunities for expansion of the domain of public relations' activities. At the same time there is strong evidence for the primary self-constitution of PR as reputation managers, which justifies their investigation as the primary object of this study. Section 6.5.2 of the analysis considers, first, markets for financial information and identifies the contemporary issues in reputation management and the opportunities for expansion and expulsion offered by the continuous rapidly changing environment under globalisation and, second, at how PR is reacting to this rapidly changing environment and seizing opportunities to expand the boundaries of its domains authority as well as expel competitors from it. Section 6.5.3 looks at how the industry defines success. Section 6.5.4 at how the preceding issues inform their networking activities. Section 6.5.5 evidences that the relationship between PR and media is a process of boundary-work because the media is the largest disseminator of financial and corporate information and hence key for communicating with corporate publics.

6.5.1 CONSTITUTION OF PUBLIC RELATIONS PRACTITIONERS

This section will look at the claims of public relations for being a profession as boundary-work and shows that these claims for professionalism are at best tenuous because the boundaries of the industry are porous and malleable. This malleability is, however, a characteristic of the information professions in general as some of their functions are interchangeable in relation to markets for financial information. At the same time there is strong evidence for the primary self-constitution of PRs as reputation managers, which justifies their investigation as the primary object of this study.

6.5.1.1 Reflexivity of Self-Constitution as Reputation Managers

The interviewees were asked what they believed the role of the public relations professional to be, the interviewees identified most with the following descriptive responses (in order of preference): "reputation manager"; "corporate ambassador"; opinion-maker; corporate-information gatekeeper; lobbyist; "storyteller"; and "writer". The following Diagram represents graphically their answers to the question: which of the following terms best describes a public relations practitioner?



Graph 6.1: Self-Constitution of PRs as Reputation Managers

Source: Structured Interviews with Senior Public Relations Practitioners

The description of their constitutive nature were chosen by the public relations practitioners from a list of options offered in the structured interviews with the option to expand on this, and such elaboration of their self-constitution is shown below. The category with which the public relations practitioners most strongly identified was "reputation manager" (very nearly unanimously so), and next, with "corporate ambassador" and third, rather tellingly, in light of their news curation and commodification agenda-setting role, as "opinion maker".

6.5.1.2 An industry of reputation management with a reputation problem

Though public relations has a strong idea of its self-constitution and the activities in which it is entitled to participate, the industry has struggled internally and externally for professional coherence and acceptance. Professionalism, regulation and authority reify professions as legitimate, and this stabilisation allows them to expand their boundaries to monopolise activities and domains of knowledge – this is no different in the case of intermediation in markets for financial information. The reflexivity of its practitioners about the degree to which the industry can be thought to be professionalised is used to assess the extent of their self-actualisation and validation and the conviction with which they carry out their work. The next stage of the investigation thus aims to establish if the respondents regard public relations as a profession and where they thought their authority came from. To gain data for this investigation, the PRs were asked *"Is PR a profession?"; "Is PR regulated?";* and *"Where does your authority come from?"* to which they almost all replied *"Good Question"* or *"Hard Question"* before continuing their responses. This spontaneous response evidences that while they are certain that there are required attributes and skills for practising in the industry, and a belief that definitive set of activities fall within its jurisdiction, the actual official regulation and professionalism of it is less certain.

The interviews reveal that the industry is keen to shake off its "amateur image" and professionalise as legitimate protagonists in financial markets as information intermediators and communicators of financial information.

Cultural anecdotes about the inferiority of the industry as one that can be taken seriously abound, particularly by journalists and analysts who could be motivated to discredit them due to competition, and it is also feminised to distinguish more "professional" PRs like corporate public relations from less professional PRs who are primarily in the business of networking and events. This is reflected in the responses of the practitioners interviewed, who are all very high-level financial public relations practitioners who have a vested interest in distinguishing themselves as "professional" corporate reputation managers and the language they use to justify their industry as a profession, but at the same time the lack of professional recognition is admitted to in all of their responses.

6.5.1.2.1 Professionalism, Regulation and Authority:

Professionalism

One of the main challenges to the industry's professionalisation project is the admission by its most senior and respected practitioners that it is not a profession, although there were definitely practitioners who could make a claim towards "expertise". These answers were all given in response to the question: "Is PR a profession?"

"That is a hard question. Um, I think it can be. I think what is important is being able to understand the way that people are going to read a story. You need to be able to argue and argue well and be a good public speaker and be able to craft a message that can [inform] someone. Well, it's not like accounting or law where you have to pass an exam, but I do think that there are people at the bottom that are very bad and do effectively just hand out badges and there are people at the other end that are very good, who can do their work really well. When it is someone like Lynton Crosby[50] who is going to determine the outcome of an election, no one is going to argue that those are not people who are not at the height of their profession. And there is also a whole bunch of other people who are pros and they know what they are doing."

Semi-structured Interview PR 1

This practitioner responded by giving examples of the attributes required for the PR practitioner as well as examples of famous PRs whose status it would be more difficult to dispute their status as professionals. By making reference to famous public relations practitioners, credibility is invoked because these people have a reputation and recognisable public persona for succeeding at the core competencies of the industry, of which core activities are how to communicate and advising others accordingly as is evident in the rest of the analysis.

[50] Lynton Crosby is an Australian political strategist who has been described as a "master of the dark political arts" hired recently by tories to strategise their election campaign. (BBC, 2013)

Regulation, Authority & Vicarious Legitimacy

Inhibiting PR's efforts to professionalise is its lack of regulation, which means that it will be increasingly difficult to monitor the influence of public relations practitioners on financial markets. This lack of regulation and barriers to entry is problematic because as the quote below evidences, those practitioners at the very top of their game have a lot of power over financial markets; policy; government and civil society. On the issue of regulation, the rest of the PRs responded to the question "Is PR regulated?" as follows:

"Oh, no, um, we are not regulated. (Laughs)"

Semi-structured Interview with PR 1

[Q. "Do you think you should be?"]

"*And, um, I don't know whether we should be… Well, at least in this company, we are regulated by the fact that if we ever did say anything that wasn't the truth we would get destroyed, that would be the end of this company."*

Semi-structured Interview with PR 1

The response above indicates that the industry is not even self-regulated through monitoring and compliance, but that the consequences and sanctions for deceit are high as shown a little further in the discussion – because these sanctions are due to PRs dealing with price-sensitive information. The quote below also confirms the absence of regulation.

"*Well it's not a regulated business is it?"*

Semi-structured Interview with Senior PR 2

The response below is from the same practitioner when asked where the industry's authority and legitimacy comes from if it is not regulated and adopts the logic that because it falls within the legal regime of the companies with which they work in relation to the statutory regulation of price-sensitive information they have vicarious legitimacy at the more "professional" end of the industry that gives advice and consults with corporates in the FTSE100 in particular. At the

same time, it elaborates that the industry standards and ethics are the primary means of self-regulating, albeit loose.

"*Good question. I think you work within the framework of the business that you are in but most people have their own standards. We have never had any issues around insider dealing or information manipulation and we won't take on work where we feel we can't make quality and we don't hunt down business just for the sake of it. We are absolutely clear we have the highest standards of doing things and we will advise our clients against taking an action that would jeopardise their reputation in anyway."*

Semi-structured Interview with Senior PR 2

The next quote also confirms that PRs are self-regulated as well the location of their legitimacy in representing and advising on how to communicate with price-sensitive information to large corporations that are regulated by the securities law and company law, and hence consequently fall under their statutory regime.

"*Our authority comes from Industry Bodies such as the International PR Association ethics code. So there are professional ethical standards that we abide by. The authority comes from being able to represent the company's strategy or vision without compromising its integrity to be able to position the company favourably and fairly."*

Semi-structured Interview Senior PR 3

The next quote, however, evidences that the reason that the industry is not regulated is because regulators do not understand the contemporary financial information environment, and hence, how markets work in reality.

"Regulators don't really understand the impact of public relations and how markets work in reality."

Semi-structured Interview with Very Senior PR 1

Hence the responses above indicate that the industry is largely self-regulated even though they deal with price-sensitive information, they are not subject to the same laws as financial analysts for example, but would be subject to the securities law, which has universal application, on insider trading and market manipulation because their interviews revealed that PRs dealt with a large volume of price-sensitive information, the respondents were next asked where PRs sit in a

hierarchy of information intermediation if it comprised financial journalists, financial analysts and financial PRs and anyone else they found applicable.

"I think, well no doubt, PRs are at the bottom I think there are one or two individuals at the top of their game who may be at the top of the hierarchy, but as a profession we sit at the bottom. I think then journalists are then above PRs, analysts are above journalists."

Semi-structured Interview with PR 1

This quote is from a less-experienced PR and shows that because he is not that convinced that PR is legitimately a profession, he ranks PR practitioners at the bottom of the information hierarchy in relation to journalists and analysts. The sentiment contrasts with that of the more experienced PR who places PRs at the top of the given hierarchy, (one reason for this may be because he has more years invested in the industry) but indicates that these information intermediaries perform more or less the same function in financial markets and the manner in which individuals in industries participating in these activities can distinguish themselves as experts or professional experts depends on their reputation and hence it is a "broad hierarchy" as the following quote asserts, meaning that the boundaries of activities over which claims of authority can be made are more open to expansion and expulsion.

"It's a very broad hierarchy and that has changed with analysts at the top and journalists at the bottom. And the PR in the middle. I am not saying that just because I am in PR there are more people who know what is going on in the market sitting in PR and IR now then there are in these sectors. There are a handful of strong journalists who break the right stories and know what is going on and have an informed view but we know far more than they do."

Semi-structured Interview with Very Senior PR1

The following quote strongly supports the idea that it depends more on the reputation of the individual and their personal qualities of interpretation and communication of financial events and information.

I think it is very much a personal thing. We have talked to clients that have asked for investor relations and spend a lot of time speaking to analysts directly because they sometimes get their facts wrong and just report they don't spend time asking the right questions and they are 25 years old and they don't get it. Then again you get a great analyst that does get it and does understand it and will do a great job in terms of the company and in terms of understanding the issues around the stock and the company has also engaged them with an investor relations or a PR that they are able to tell an excellent story so it depends on what kind of journalist, what kind of PR and what kind of analyst.

Semi-structured Interview with Senior PR 3

Hence with regard to who is in control of financial information the following respondent confirms this idea that it depends on the calibre and reputation of the individual in terms of determining rank:

"I think the editor of the FT can speak to anyone he wants. And then there is a sliding scale of importance and access."

Semi-structured Interview with Senior PR 2

These quotes evidence that the professionalism and seniority and authority of the financial journalist or other information intermediary is determined not by the industry per se, but rather, by the reputation of that individual in relation to the correct interpretation of financial information and the power he or she has in networks and access.

Public relations has struggled to cultivate and entrench a more serious image as "reputation managers" and shake off its image as "promotions and marketing" and an "activity for attractive women". This is amplified by the machismo of financial culture, which pejoratively feminises that which it does not take seriously. This is substantiated by MacDowell[51] (2010: 653) who says: "The City is a gendered arena where a particular masculinized set of performances is more highly valorised than other ways of being in the workplace". For the purposes of public relations' professionalism project it is relevant to discuss how feminisation of the industry has served to undermine its legitimacy and claims to technical expertise. (The answers below were given in response to the question: "Is PR a profession?")

"Good question – it is [a profession]. It has become more serious and is getting more serious than a bunch of bullshitters and hot chicks taking journalists out for lunch – "champagne and blowjobs" as we call it. I think though it is becoming more serious and there is a tendency to focus on its own image, and a move towards transparency."

Semi-structured Interview with very Senior PR1

[51] (See also: Anne Loft (1992) Accountancy and the Gendered Division of Labour.)

["Public relations"] can be pejorative in terms of "girls in short dresses". Reputation management does include PR, or rather, forms a part of it. However, whereas PR is seen more as getting as much publicity and awareness as possible, reputation management is seen in the context of managing exactly what is said AND not said. Have you read Chapter 8 (I think) of King III[12]? It deals with stakeholder relations from a company point of view - what the industry really should move towards, especially if it wishes to professionalise."

Semi-structured Interview Senior public relations practitioner, who has also been a financial analyst and journalist

While the quote above reveals a strong desire towards a coherent professionalism, it also betrays the prevalence of a feminised image to discredit the sector's professional authority, and female practitioners in particular. There is insufficient space in the scope of the thesis to tackle the gendering of financial labour but this is a significant issue in relation to the value of work and professional status.

6.5.2: OPPORTUNITIES FOR BOUNDARY WORK IN CHANGING ENVIRONMENTS: TRENDS AND RESPONSES

This section analyses how the changing topography of high-speed, globalised markets for financial information present the public relations industry with opportunities for expansion of their authority or for the expulsion of competitors over certain activities. This section hence performs a reconnaissance of the changing environment in two parts: First, by identifying the contemporary issues and emerging trends and opportunities and second, by identifying the responses to and seizing of opportunities for expansion this presents for PRs.

6.5.2.1 Globalised Financial Markets and Opportunities for Boundary-Work

This section identifies the emerging themes and issues that open up for boundary-work in high-speed, globalised markets for financial information along with the emergence of the risk society identified above. The PRs were asked to provide an insight into some of the main contemporary issues affecting markets for financial information and their information intermediaries. The following quotes evidence that while a distinction can be made between shareholders and stakeholders in terms of publics, the larger range of publics has meant the range of issues that now affect a company's financials has also increased.

The response also evidences the opportunities available to public relations to expand the boundaries of the activities over which it claims jurisdiction, and that the boundaries between investor and public relations will also continue to blur as more stakeholders are contemplated to fall within the definition of corporate publics and that financial performance now also comprises the (e)valuation of ESG issues. This is a gap in the literature indicated to in section 2.4 of Chapter 2. It is also highlighted by this PR practitioner that increasingly complex corporate publics require messages to be more bespoke and on-message to ensure not only that it reaches the correct public, but also that that public can identify with and act on that information. This practitioner is a very senior in financial PR and works in one of the UK's most prominent public relations firms.

Opportunity for Boundary Work	Key Trends and Issues Highlighted	Respondent	Examples
Corporate Social Responsibility Reporting	Societal Pressure on Companies		"The societal pressures on some of these companies, miners in particular, are HUGE."
Reputation Management	Reputation = Valuation	Very Senior PR 1	"Everywhere you go you can see a company's reputation is a key point in how they are valued now."
Effective communication essential	ESG risk		"Effective Communication and mitigation of ESG risk is a necessity."
Companies need advice on financial communication	Financial performance more complex		"[Companies] need advice on how they communicate their financial performance, because financial performance is no longer just financial performance."

Table 6.1
Key Opportunities for the Expansion of Public Relations Activities

Notes: This data is obtained from a semi-structured interview with Very Senior Public Relations Practitioner 1. The responses demonstrate how ESG risks and societal pressures mean reputation is factored into valuation. This quote clearly evidences PR's encroachment into the advisory, risk and strategy of firms.

Table 6.1: Key Trends and issues that open up for Boundary Work

The following quote, also by another very senior PR practitioner who is based in London and travels into emerging markets, evidences how globalisation has further complicated the reputational risk extant in environmental, social and governance issues (ESG) highlighted above because dynamic cultural factors in multinational business place the operating environment into further flux.

Opportunity for Boundary Work due to Globalisation	Key Trends and Issues Highlighted	Respondent	Examples
Issues drive Public relations strategy in globalization.	Media is not the only concern. Issues are more important.		"I think it is creating a sense of what your issues are. It is not as narrow as thinking about the media. You are now becoming more complex."
Stakeholders and investors are more complex and diverse and need an appropriate strategy.	Stakeholders more complex.	Senior PR 2	"The complexity of stakeholders is becoming quite serious now."
	Huge wealth at country and personal level.		"You don't just have equity shareholders anymore. Private Wealth is becoming more involved. Sovereign Wealth Funds are more involved."
	Emerging markets require different communication.		"And you have all these big, Western-style institutions, and then with emerging markets, the communication is totally different and the support you need to evolve is significant. You need to address that."

Notes: This data is obtained from a semi-structured interview with Senior Public Relations Practitioner 2. The responses demonstrate how globalization has radically changes the reputational risk and cultural dynamics of publics for valuation and communication strategy

Table 6.2
Key Opportunities for the Expansion of Public Relations Activities

Table 6.2: Key Trends and issues that open up for Boundary Work

The following two quotes are the components of the response of a senior PR to one of the interview questions when asked to comment on the main contemporary issues for the corporate public relations practitioners:

Opportunity for Boundary Work	Key Trends and Issues Highlighted	Respondent	Examples
Gap for PRPs to mediate financial data investors	Investors Pay less attention to Newspapers		"Investors don't actually care that much anymore about what is written in the [Daily] Telegraph or the Financial Times or The Times and I think that is quite a new thing."
Gap for PRPs to mediate financial data to long-only funds	Long-only fund managers use less news.	PR 1	"I think four or five years ago, there were a lot of people, especially long-only funds, who would read the newspapers and would base their decision on what someone in Questor says or what they read that morning on their way to work."
Gap for PRPs to advise on and control social media	Social media gives direct access to analysts.		"What I mean is that analysts have a lot more power with people than they ever used to now than they did before. That is because, more people than ever before, have access to what the smaller houses are writing, to social media."
Companies need advice on financial communication	Preference for Immediacy Over Reported News.		"They can have a look and say I can get the actual from the horse's mouth rather than reading what Questor says in *The Daily Telegraph* this morning."

Table 6.3
Key Opportunities for the Expansion of Public Relations Activities

Notes: This data is obtained from a semi-structured interview with Public Relations Practitioner 1. The responses indicate that social media and better access to quality analysis for investors presents a challenge to financial journalism.

Table 6.3: Key Trends and issues that open up for Boundary Work

The main trend identified in this response is that social media and better access to quality analysis presents a challenge to financial journalism because investors and decision-makers in financial and economic policy are not using the information produced by financial journalists because they are able to go directly to the source of the information due to the emergence of social media, blogs and other online platforms. The following statement highlights the further challenge to the professional jurisdiction of financial journalism from increasingly quantitative methods of investment and high-frequency information.

Opportunity for Boundary Work	Key Trends and Issues Highlighted	Respondent	Examples
	Increased use of maths and algorithms changing investment styles		"I think also just because I think those funds just don't invest like that anymore, in the way that, because, as you know, the way investment is done now, it's just on maths and algorithms."
Both PRs and journalists need to make sense of these fast-changing developments	Up to 80% of trade is based on algorithms	PR 3	"There are some crazy stats, like what, about 80% of trade that takes place now takes place on the basis of mathematical algorithms."
	Quants focus has meant a shift away from media		"They don't invest and trade like they used to trade. People are becoming more and more quants focused so that is why I think they are not looking so much at what the media is saying."
	"Old-School" investors use media and analysts		"And the people who aren't quants focused, who are old-school investors who base their decisions on events or they will go to their analyst."

Table 6.4 Key Opportunities for the Expansion of Public Relations Activities

Notes: This data is obtained from a semi-structured interview with Public Relations Practitioner 3. The responses indicate that while the traditional PR media model is taking place as indicated from the majority of other responses, in the meantime, the advance of high-speed trading and quants-based investing means that both PRs and journalists need to reassess what information has become and how to remain relevant for investors.

Table 6.4: Key Trends and issues that open up for Boundary Work

The next set of quotes from Very Senior Public Relations Practitioner 1 highlights that one of the emerging trends in markets for financial information is the fundamental change in the relationship between journalists and PRs, which is driven in part by the decreasing resources available to journalism in combination to the threats to its professional jurisdiction highlighted above. This highlights journalists' claims for professional jurisdiction in financial markets could continue to diminish and therefore give PR further opportunities to expand the boundaries of the activities and domains over knowledge over which it has jurisdiction.

Opportunity for Boundary Work	Key Trends and Issues Highlighted	Respondent	Examples
			"Well it is very interesting to me in terms of the relationship between PR and media, and how that is situated."
General decrease in journalistic resources makes an opportunity for PR to extend industry boundaries	Decrease in financial journalist staff in newsrooms		"Most newsrooms are running with about a third of the capacity and staff they were five years ago."
	Capacity Constraints		"It is a capacity constraint issue. There is a huge problem in journalism right now."
	PR filling the gap	Very Senior PR 1	"PR is filling the gap that media has because they don't have capacity. They don't have money in traditional journalism and that gap is being filled by financial PRs."

Table 6.5
Key Opportunities for the Expansion of Public Relations Activities

Notes: This data is obtained from a semi-structured interview with Very Senior Public Relations Practitioner 1. The responses show that the capacity constraints on journalistic resources means that public relations is increasingly encroaching on the jurisdiction of the activities of financial journalism.

Table 6.5: Key Trends and issues that open up for Boundary Work

This section has highlighted that a changing information environment and the diminishing power of financial journalists' professional jurisdiction in information intermediation in conjunction with increasing demands for volumes and diversity of financial information provides PR with opportunities for expansion in more detail as follows in five key trends that emerged from the semi-structured interviews. First, societal pressures and ESG risk affect financial performance and companies therefore require advice on how to communicate. Second, globalisation has radically changed the reputational risk and cultural dynamics of corporate communication and reputational risk management strategy. Third, social media and better access to quality analysis for investors presents a challenge for financial journalism. Fourth, increasing quants and high-frequency algorithmic trade represent a challenge to the professional jurisdiction of traditional financial journalists. Finally, capacity constraints in financial journalism are creating gaps for PR to fill.

6.5.2.2 Responses of Expulsion and Expansion in the Changing Environment

This section looks at how the PRs respond and seize opportunities for professional legitimacy and expansion of their boundaries, as well as for the elimination of threats from competitors in emergent and malleable areas of jurisdiction in the information professions. This stage of the

analysis is an empirical exploration into the nature of boundary-work in financial information knowledge in a tumultuous global financial market as put forward by Fournier (2000) and in relation to the demands for new types of knowledge in the financial market. It also shows how these developments have led to shifts in the professional demarcations for information intermediaries in the financial market, particularly between journalists and PRs. The analysis unpacks the key responses that evidence boundary work through the expansion of the demarcations of knowledge and activities relating to information intermediation and mediation.

Response of Expulsion and Expansion and skills required	Key Trends and Issues Highlighted	Respondent	Examples
Bespoke solutions for each client	Every Situation is Different	Very Senior PR 2	"It's more than that. And it is different every time."
Insight and consultation for each situation	Every client's story is unique as are the readers to whom stories are pitched	Senior PR 1	"You have to understand the news value of a story – of course you need to fulfil the objective of the trading announcement but you also need to think of the perspective and news value of the reader and what is of interest to them."
Wide range of knowledge and responses needed	The multinational environment has complex and diverse stakeholders	Very Senior PR 2	"I work with a Telecoms Company in Africa that has a foot print in London and in Nigeria so they need to consider individual clients, investors, and they need to talk to current shareholders, employees, they are talking to regulators, suppliers and the governments in the countries in which they operate."
Know your audience	Public relations' activities must be tailored to these stakeholders not to journalists	Very Senior PR 3	"Sometimes the PR forget you're not actually trying to speak to the journalist, you're speaking to the reader or the end consumer of the media."

Table 6.6 Responses of expansion and expulsion and skills required for the changing environment

Notes: This data is obtained from a semi-structured interview with various public relations practitioners. The results show that effective bespoke communication and understanding the news values of your client's audience is essential. In this view of public relations' activities and skills sets, journalists are a conduit to end consumer of message.

Table 6.6: Responses of expansion and expulsion and skills required for the changing environment

These responses above evidence that the changing environment demands more careful attention to be paid to the audience and the type of communication and to be clear on what that audience is the last quote in the box reveals that financial journalists are more seen as a channel for dissemination and not so much as a competitor in information intermediation.

What are the activities over which public relations is claiming jurisdiction	Key Trends and Issues Highlighted	Respondent	Examples
	Public Relations is also Investor Relations because it targets all stakeholders	Senior PR 2	"They are aimed at different audiences. You could say Public Relations includes Investor Relations. IR is more specifically targeted at the investor, PR at all stakeholders."
All communications to all the companies stakeholders	Public relations facilitates information to journalists	Senior PR 3	"We know the companies we worked for so well we know where the journalist can find the information. Our main role as facilitators is probably the most appreciated by the journalists we work with."
	Public Relations practitioners are reputation managers	Senior PR 4	"Whether in good times or bad, PR professionals are responsible largely for considering the impact of an event on their client's reputation."
		Senior PR 5	"All the other descriptors above are a subset of Reputation Manager in my view."

Table 6.7 Responses of Expulsion and Expansion in the Changing Environment

Notes: This data is sourced from semi-structured interviews with a variety of public relations practitioners. These responses evidence that they define their terrain as anything that impacts on their clients' reputations.

Table 6.7: Responses of Expulsion and Expansion in the Changing Environment

The responses above evidence that PRs define the terrain of their profession as all stakeholders therefore expand the boundaries of the defined terrain over which they have jurisdiction. It is apparent that this remit is contemplated as being quite wide in terms of being responsible for all stakeholders, and that investors are just a subset in the stakeholder universe. They are also shown as custodians of the company's reputation, and work quite closely with journalists (who are also just another stakeholder/corporate audience and distribution channel for corporate messages to read required audiences). Social media blogs are also shown here not to be regarded as quality information by the PRs.

Impact on Boundary Work in High Speed Markets	Key Trends and Issues Highlighted	Respondent	Examples
Opportunity in navigating uncertainty	Uncertainty due to introductions of algorithmic trading		"I don't know how you would respond to change that [high algorithmic trade."
Algorithmic trade cannot formally impact on the information intermediary and PR business because reputation is about human relationships and communication	PR is a human business	Very Senior PR 1	"Because this is essentially a human business"
	Relationship-building and listening is key		"It is about relationship building and about stories and about focusing company information on an understanding of what a market would want."
There will always be a need for bespoke communication and strategy	Aspects of the market remain traditional		"The algos don't have any formal impact on the company because not everyone in the market trades like that and you will always have company reporting."

Table 6.8
Responses of Expulsion and Expansion in the Changing Environment

Notes: This data is obtained from a semi-structured interview with Very Senior Public Relations Practitioner 1 The responses show that the information businesses are founded on communication and human relationships and thus their human nature is key. The face to face aspect won't change despite increasingly computerized environments

Table 6.8: Key Trends and issues that open up for Boundary Work

The response above highlights that the human element of the industry has become even more important than ever in an increasingly high-frequency computerised environment.

What are drivers of the need for increased specialization in financial journalism and the expansion of public relations?	Key Trends and Issues Highlighted	Respondent	Examples
Quality Financial Journalism is becoming more important	Excess of Financial Information has led to a Flight to Quality of Information	Very Senior PR 1	"I think that flight to quality thing is critical. This is what separates the bigger guys and the little ones." "If people are serious investors they are not going to go to those blogs – the people who will frequent those things will trade on anything. It's very different."
Meaningful financial information is becoming more pervasive and more complex.	Social media, blogs and chat rooms are full of financial advice and data that is of questionable merit		"Some of those guys will trade on the most spurious shit. Stuff like social media investment chat forums, that have provided a really strong platform for them to rally around a story and share information. And the market and the really big stocks like the FTSE 100 are driven by completely different things."
	The information drivers of market prices and segmentation are becoming ever complex		"So I think that of how the markets segment themselves and what really holds the base line, and what really drives your price is an important thing it will vary across sectors but it's also going to vary by market so there is no such as financial information is financial information."

Table 6.9 Responses of Expulsion and Expansion in the Changing Environment

Notes: This data is sourced from a semi-structured interviews with Very Senior Public Relations Practitioner 1 and discusses how the complexity of financial information has been accompanied by a rise of financial information and analysis of questionable merit. Thus credible financial journalism is extremely important, and financial public relations is rapidly becoming a niche activity.

Table 6.9: Responses of Expulsion and Expansion in the Changing Environment

The response above is particularly congruent with the foundation for the empirical framework of this thesis in that it corresponds with Fournier's (2000) assertion that the encroaching logic of the market meant that a demand for more relevant and better-researched information was becoming critical to be able to navigate the complexity of the market. The response also highlights, in this regard, a "flight to quality" amidst increasingly levels of noise and churn of information to which retail investors are particularly susceptible. It also reveals their concern with the reputation of their (mainly FTSE100) clients, which have a more visible and recognizable social presence are more recognizable to ESG risks.

Opportunities for boundary work	Key Trends and Issues Highlighted	Respondent	Examples
Public relations can subsidise journalism	Financial journalism is struggling with resources.		"I think all of this is what makes all of this harder, this is why you see so many people firing financial journalists, or why some of these places are much smaller than what they used to be."
But if journalists are writing less about companies, then public relations Practioners have to think harder about how their stories impact companies	Capacity Constraints in financial journalism is changing the way that journalists write are they are under pressure to add value	PR 1	"I think this is something you will find with most financial journalists they are not writing about companies as much as they used to they now write more about economics and stuff that goes on, executive pieces, big pieces that are interesting, like whether people should be investing in this sector, and this is where they can add some value, but this just a starting point."
	More "big picture" and economic analysis done by financial journalists		"I don't think this is just changing the way they write – less about companies and more about big picture stuff."
	Company reporting becoming less prevalent in financial journalism		"Um yes and no – it not only changes the way they write, there is far less in "Companies and Markets"[7], and far more in the front section than there used to be. "

Table 6.10 Key Trends and Issues that Open up For Boundary Work

Notes: This data is sourced from a semi-structured interviews with Public Relations Practitioner 1 discussing the capacity constraints and changing environment means journalists write less companies news and more "big picture" sector and economic news.

Table 6.10: Responses of Expulsion and Expansion in the Changing Environment

The quote above evidences that journalists are becoming increasingly obsolete for the provision of company news, and hence have to innovate in order to make themselves relevant. In this case the journalists are being forced into the provision of analysis of big picture economic and industry/sector trends as PRs claim increasing jurisdiction over company analysis, which is leading to job losses in journalism. The same PR was asked how the pressure on newsrooms to value-add is affecting more prestigious titles such as the *Financial Times (FT)*. This response also highlighted that there was enormous pressure on newsrooms to demonstrate a value-add in terms of the information they provide. He was asked whether he thought such trends affected the status and prestige of a financial title like the *FT*, to which he responded as follows:

Opportunities for boundary work	Key Trends and Issues Highlighted	Respondent	Examples
Public Relations Practitioners concentrate on influencing prestigious titles	The Financial Times remains relevant both within and outwith the UK		"Also the FT is read outside the UK, and people are still basing their positions on what the FT says.
	The Financial Times has remained relevant by innovating and providing premium content		"I know for a fact, um, they get the majority of their revenues from business subscriptions and a subscription like that, a subscription that people want are basically a choice between one with "Lex" and one without "Lex", - so they have a cheaper version that you can buy without "Lex" and a more expensive version with "Lex".
By analysing news consumption and demand, public relations practitioners can offer journalists information that contributes to their value add	People want to read more critical analysis and journalism that adds value in a sea of information	PR 1	"And that is what people really want to read, they want to read that critical analysis and it's not really the same as that financial journalism stuff, like, 'company A got their results today and this is what happened."
			"But even though there is a change in the way that people write, …. its more like, 'we looked at the return on equity of this company and made an assessment'. Its more about its value, its added-value in terms of content."

Notes: This data is sourced from a semi-structured interviews with Public Relations Practitioner 1 discussing how the *Financial Times* remains an influential newspaper for asset managers and institutional investors but the *FT* has had to innovate its content by providing more critical analysis to add value.

Table 6.11 Key Trends and Issues that Open up For Boundary Work

Table 6.11: Responses of Expulsion and Expansion in the Changing Environment

The response reveals that even while the FT still has considerable global influence, they can only increase revenues by providing critical analysis through products such as Lex, because company disclosures are more readily available as are the provision of quality analysis through online platforms.

Structure of Contemporary Financial Information Intermediation Environment	Key Trends and Issues Highlighted	Respondent	Examples
Analysts	Information environment is changing rapidly and so information intermediaries that provide a particular niche service will remain relevant in the contemporary information intermediation environment	PR 1	Analysts are very important, I think that they are extremely important."
Journalists			"Journalists are important. The companies themselves are interested in telling a story whether that be by tweaking their results or whatever."
Specialist Blogs			"There are also quite a few there a few specialised blogs who are doing that on the subject like Seeking Alpha and Motley Fool and a couple like those which people actually read."
Ratings Agencies Less So			"Rating agencies not so much, because they often follow news rather than create it, and so like especially S&P[9] only come out with something when the market has already absorbed the news. A market moving effect will sometimes reflect a rating decision but the majority of the time, a rating decision will reflect stuff that we already know. And they all play a role. I think politicians also play a role."

Table 6.12
Key Trends and Issues that Open up For Boundary Work

Notes: This data is sourced from a semi-structured interviews with Public Relations Practitioner 1 discussing the information intermediaries that remain important in this environment: analysts, journalists, specialist blogs, ratings agencies, PRs, politicians.

Table 6.12 Responses of Expulsion and Expansion in the Changing Environment

The quotes above shows how the competing jurisdiction of the remaining competing intermediaries such as journalists and so on. It is clear that the future of analysts being increasingly important and if journalists are being forced to provide critical analysis they would be forced with analysts for an increasingly smaller slice of the critical analysis pie. Rating agencies and blogs are not seen to be that important with the former confirming the market sentiment and the latter speculating on market rumour. Specialist blogs though do provide an

important service underlying the trend of the flight to quality. This answer also revealed the complexity of the financial information environment wherein the various actors alternatively initiate an idea or narrative, while the role of others, such as ratings agencies are an attempt to stabilise an idea or interpretation. This again emphasised the importance of new genres such as blogs and social media, which have evolved to capitalise on the changing nature of financial information, and also challenge the unstable professional jurisdiction of journalists. Not only does such categorisation highlight the differences between categories of actors in relation to their expertise and activities, but in describing these new risks it also creates new justifications for expansion for PRs. This is explained in more detail in the section that follows.

Outcome of Round the Clock News Culture for boundary work between Journalists and PRs	**Key Trends and Issues Highlighted**	**Respondent**	**Examples**
The insatiable demand for financial news aroun the clock means that some journalists produc shoddy work and public relations practitioners ar happy to take advantage of them	Appetite for information for the sake of information		"I do think there is an appetite for new, in quotes, "information" if it promotes activity in the market people have made millions trading in markets when new information is going out whether that information is accurate or not. I think that is an aspect of financial markets that needs to be viewed quite carefully."
Journalists are more vulnerable in this scenario because they are less in control of the supply in satiating demand.	Culture of confidence makes it more difficult to distinguish between fact and reality.	Senior PR 1	"But, I think it's a culture of confidence, and confidence comes from perception. I get a lot of information out there that is not necessarily facts, but just gives people confidence and you can find there is a disconnect between reality and fact."
The quality of financial information is questionable.	Journalists want to look like the break stories first.		"It will be a journalist who normally comes out with something first as they want to look like the person who has broken the story."
Is financial news still financial news at instantaneous speeds of dissemination	Overzealous public relations practitioners keep them supplied.		"And there are also overzealous PRs who I think want to keep churning out new information to maintain journalists' interest."

Table 6.13 Key Trends and Issues that Open up For Boundary Work

Notes: This data is sourced from a semi-structured interview with Senior PR 1 who asserts that financial market demands more information for information's sake. This is aggravates by journalists who want to appear like they broke the story. So public relations churn information to maintain interest

Table 6.13: Responses of Expulsion and Expansion in the Changing Environment

These responses show that the demand for content and continuous information gives PR an opportunity to keep supplying to meet that information demand to journalists in particular, thereby keeping an element of control over financial markets by flooding the market with

information. The quote that follows however, shows that the flood of information can be navigated by a really good journalist, but the general trend of the interviews demonstrate that such individuals are becoming far and few between.

"*A good journalist should be able to find news stories themselves. They are supported by good PR or in-house agencies but there is an awful lot of noise and crap out there that is generated by PR, so it is not news not interesting nor relevant to journalists who don't want it and don't need it.*"

Very Senior Public Relations Practitioner 1

This high-speed, high-changing environment was also put to a third PR in order to test his perception of boundary-work and how a high-speed environment has changed the way in which Prs had do their work, he thought that the time-scale of planning had to be longer and the strategy needs to be more robust to maintain control. This again highlights the importance of human relationships:

Outcome of Round the Clock News Culture for PR Strategy in Boundary Work	**Key Trends and Issues Highlighted**	**Respondent**	**Examples**
There are opportunitie for public relations practitioners who are more strategy focused.	Long-term objectives key		"Yes of course, well you need to have a longer-term vision and you need to have an objective."
	Lots of noise and distractions in contemporary markets for financial information	Senior PR 2	"Because there are so many distractions along the way that can take you off your path and derail you."
Good strategy requires knowing what to avoid and what to act on and when	Swift Sense-making of information is Key		"You need to see what the information is and prioritise it very quickly."
	Understanding what is relevant is key		"And is this information relevant to the business or is it not, or is absolutely critical that we now do something with it."

Table 6.14
Key Trends and Issues that Open up For Boundary Work

Notes: This data is sourced from a semi-structured interviews with Senior PR 2 who has highlighted that Longer-term strategy and prioritisation of information essential in distracting high frequency trading / high information environment

Table 6.14: Responses of Expulsion and Expansion in the Changing Environment

The answers above demonstrate that as the financial market has become more complex, so has the high-level and more practical aspects of financial public relations practitioners have become increasingly reified in relation to financial information, and in relation to journalists and other information intermediaries which are seen as a major disseminating channel of some of the narratives they wish to convey, but are by no means the only device and strategy employed under these conditions.

Summary of Results for this section

The main issues and themes regarding the responses to and seizing opportunities for boundary-work by the PRs may thus be summarised as follows. The increasingly complex information environment means that public relations practitioners can expand the activities over which they have jurisdiction. In defining the terrain broadly to include all stakeholders, they also increase the opportunities to expand issues over which they have jurisdiction. They key strength of public relations is that it is a human business based on relationships and therefore high frequency trading will not have formal impact on company side and will, in fact strengthen those relationships.

There is a flight to quality in all aspects of information intermediation because less credible social media sources and blogs used by retail investors do not reflect what actually drives the market and FTSE stocks. Less prestigious titles are subject to a high attrition rate whereas the credible providers evolve even further.

Capacity Constraints and changing environments means that journalists write less companies news and more big picture news and are being crowded out by company reporting by PRs as they are under pressure to provide value. *The Financial Times,* in being one of the most prestigious financial titles remains an influential newspaper for asset managers and institutional investors but the FT has had to innovate its content by providing more critical analysis to add value and remain relevant. Information Intermediaries that remain important in this environment are analysts, journalists, specialist blogs, ratings agencies, PRs and Politicians.

Financial market demands information for information's sake due to culture of confidence, and as a result journalists want to seem like they broke a story and PRs churn information to maintain journalists' interest and capitalising on journalists' capacity constraints. Longer-term strategy and prioritisation of information is essential in distracting and noisy HFT and HFI environments. There are thus opportunities for strategy focused public relations firms.

6.5.3 DEFINITIONS OF SUCCESS IN CORPORATE PUBLIC RELATIONS

Reflexivity of success in impression management

This section explains how their reflexivity of their own values and beliefs as well as the factors and protagonists that influence the financial market has an impact on their epistemic practise and describes the devices and strategies used to address their definitions of successful outcomes of practise. The section begins by determining what the industry regards as a successful outcome for their epistemic practise, and then looks at the strategies and devices they go about implementing to realise the responses of expansion and expulsion identified above.

What is success?

While the characteristics of self-constitution and news-values of public relations in relation to their role in the financial market was discussed in detail above, the industries' prevailing typologies of a successful outcome provides more insight into what they are trying to achieve in relation to their self-constitution and epistemic reflexivity, and next the strategies and devices they put into place to achieve the news and reputation they want to achieve at a high professional level. The very senior PR 1 highlighted again that success would be determined by knowing what the issues are, and moreover, a sense of complexity of what they are in the changing information environment, as this changing operating environment also meant that success was culturally in flux. This complexity is highlighted in the following responses that shows that success would vary from campaign to campaign, and what the client was hoping to achieve in relation to a target audience:

HOW IS SUCCESS DEFINED IN PUBLIC RELATIONS?

How definition of Success impacts on Strategy	Key Trends and Issues Highlighted	Respondent	Examples
Tangible benefits are created for clients and the success of strategies is measured over time.	To influence feelings and thoughts of readers and consumers	Senior PR 1	"So we would think about two things we would want to them to think feel and do something different as a result of the activity and in terms of what we think our target audience might be likely to consume, whether it is print or online."
	Personalised accounts and niche content becoming more important for audience satisfaction.	Senior PR 4	"It depends on the objective. If you want to broadcast news and if you just want to create content and there are a myriad of channels like blogs for example. One of the great voices coming out of Microsoft for example is the blog of a developer. People don't necessarily want to hear from Bill Gates, they want to hear from those who are designing and developing software."
Pick up, though, remains important.	Try to offer more than just "pick up" of press releases by news organizations	Senior PR 3	"We don't use the measure of "pick up" at this team, on the comms side we don't measure coverage per se because it's too [practical] a definition for our profession so it would be more in terms of their relationship to a client.
		PR1	"I think for a lot of people, it is getting picked up. If you send out a press release and part 2 is if they tell the story in the way that you want them to tell story. You craft the story and you say XYZ and they write XYZ and that is success. I think though campaigns, driven by a success being measured by a real change – so they might go to a company and say, we will only charge you half of what we are charging you but in a year's time, if your profits have increased by 10% then we want to get 1% of those profits or something, where we want them to challenge us and say, prove that you actually are valuable and then we can structure our fees around that. Is very rare. I think most often it is pick-up. A company A, will say, OK, I want 10 hits [appearance of a PR story in a media outlet] a month. We don't do that and we don't get judged by that, but I know lots of people that are. And yah, if they don't have their required hits then they might get fired. But we never do that, because it's a fools' game, anyone can get it, but your luck might run out one month and may have a meeting with company one month that has not yet played out."

Table 6.15
How PRs define success

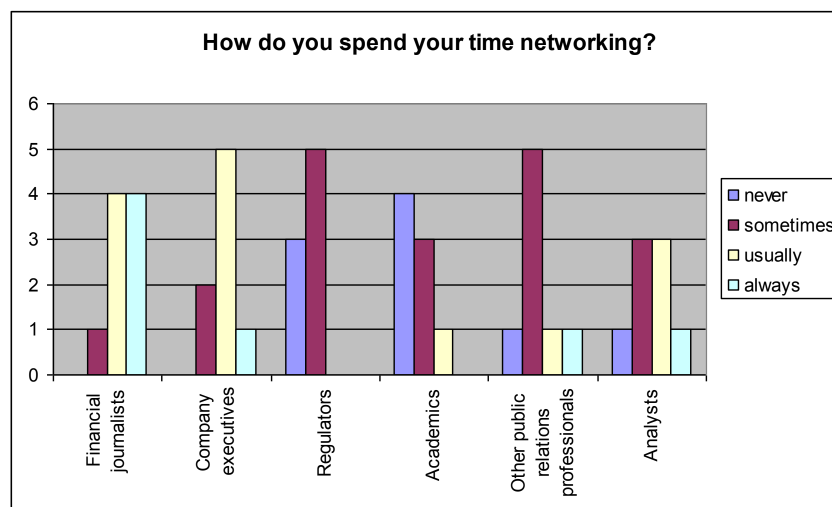
Notes: This data is sourced from various semi-structured interviews with Senior PRs and reflects that in general, it is more important for them to target the right journalists with the right message and to build value for their clients over time.

Table 6.15: How PRs Define Success

Overall, the responses above demonstrate that what is important to the PR firms that regarded themselves as being on the more "professional" end is not just getting the message out there, but the total value they provided for the client, and the value of that relationship, significantly, if the client trusted them. Moreover, the quotes demonstrate that due to the increasing complexity of the environment, and the attendant indicators of success, so would the strategies and devices to achieve this have to be complex and varied. Specifically in relation to determining the appraisal process of the people doing the work in relation to a successful outcome, the responses demonstrate that the emphasis on relationship building and bespoke solutions and finding the appropriate outlet for communicating with the relevant audience.

6.5.4 NETWORKING AND RELATIONSHIP MANAGEMENT AS EPISTEMIC PRACTICE (AUTHORITY)

PRs were asked how they spend their time networking, to get a sense of the relevant communities they were trying to influence and impress among the following groups of financial market protagonists: financial journalists, company executives, regulators, academics, other public relations practitioners and analysts, the group with whom the majority of public relations practitioners spent most of their time networking were company executives, the second group with which they said they spent the majority of their time was financial journalists, and secondly analysts. They occasionally spent time with other public relations practitioners and academics, and almost never with regulators. The chart below tabulates this information:



Graph 6.2: Networking and Information Gathering Behaviour of PRs

Source: Structured Interviews with Various Senior Public Relations Practitioners

An inconsistency arose between the data collected for the two empirical studies. In the structured interviews with the journalists, they claimed not to be spending time with public relations practitioners, but the public relations practitioners, when interviewed, claimed to be spending lots of time with financial journalists networking. This was said in chapter 4 by a financial journalist to be reflective of the personal bias that would be part of human nature. Maintaining a professional distance from Prs would be important for journalists and having influence over journalists would be important to Prs. One of the public relations practitioners interviewed in-depth about this matter in a semi-structured interview had the following to say about this controversy, when asked which group had a more accurate perception about the amount of time they were spending with each other, the PRs or the journalists.

> *"This may be a case of differing perceptions. I meet with journalists, but mostly its with my clients as well - possibly the journos only think of meeting with the client and "forget" that the PRs are there. So the journalists don;t have the concept of "now I'm meeting with a PR", rather "now I'm meeting XYZ company". The PRs are so concerned about the journalist, they would be top of mind. I have also seen other PR agents doing the same and when I was a journalist, I would not be as cognizant of the PR as the journalist".*
>
> Interview with Senior Financial Public Relations Professional who was also a financial journalist and analyst

This quote supports the probability that the realities of networking between public relations practitioners and journalists are probably framed by the priorities of each group.

6.5.5 Boundary-work between Journalists and PRs in markets for financial information

This section looks at the reflexivity of public relations practitioners about their own news values as well as about the news values of journalists and the impact of the logic of the market on their ability to achieve their aims whether that is through news subsidization. Such boundary-work is expressed as a competition for dominant narratives informed by a conflict between the news values of journalists and the reputation management of PRs in addition to the changing high-speed information setting.

The analysis seeks to demonstrate how such reflexivity about the dominant narrative as boundary-work informs the strategic action with which to achieve control and capture over the representation of the corporations image in the perception of its audiences. The discussion begins with the reflexivity of the practitioners about their own news values, then proceeds into an analysis of their beliefs about the news values of journalists, as well as the manner in which they believe news and the work they do affects the financial market, and whether the extent to which they believe they support the news production function. Finally, these beliefs are given a performative turn as this reflexivity is used to inform the construction of the publics for whom the practitioners manage impressions in the financial market.

6.5.5.1 Self-reflexivity by public relations practitioners of their own news values

The majority of public relations practitioners believed that they had a tendency to report good news, which was congruent with the self-constitutional industry outcomes for success. This was the central result of the structured interviews. The semi-structured interviews sought to obtain more nuance and complexity in terms of whom they were motivated to craft a story for and the objectives they were trying to meet, and whether audiences they were trying to reach were motivated on considering journalists or companies in their news values. The next quote reveals that even though they want the information to appear as balanced, the underlying issue is that it is determined by what the company wants, and that is that it has opened itself to criticism.

It's a very good question and I would say we are motivated by both – if we only put out a good story in the company's eyes, It is quite boring for a reader to read, they would get quite a bland sanitized version of what is going on. And that would reflect poorly on the journalist so it's a balancing act. They want journalists to be able to write interesting stories that the readers will find of value but because they have enough information and also for the company to feel like yes, people do understand us, they're interested.

Semi-Structured Interview with Senior PR 3

This dimension of PR new values here also reveals a savvy that is self-reflexive about an increasingly media literate public being able to identify spin almost immediately, and being quite cynical about it. This is evidenced in the following response:

"*(Laughs.) Good question. I think we definitely frame and shape but I think within that role we inform and reproducing those facts is not the role of journalists either. I don't think there is an absolute version of truth – everyone has their own perception of what the truth is I think it is important that the PR professions retains that anchor in everything that they are doing because everyone can smell spin from a mile off... So of course you can shape and frame a story but it is in no-one's interest to shame and frame the truth so that it is not credible anymore.*"

Semi-structured Interview with Senior PR 3

Hence the news valued have evolved to take public perception and journalistic balance into account, but in a calculated, controlling way. The PR was therefore asked to unpack this "balancing act" in relation how they would like the information to be presented by journalists:

"*It's a very good question because it should be a balance of all of that I don't think it ever should be adversarial but if the pr and journalists are too close it also does not reflect very well on the company. There has got to be that balance where the PR is between the two, if you like, they should seek, not to be too close in the sense that journalist is seen to be saying what the company wants but to create a dialogue and that the company is able to provide the journalist with information that is of value to them and that the corporation should also be able to trust a journalist with the information that they are sharing will be reported responsibly and accurately.*"

Semi-structured Interview with Senior PR 3

This response demonstrate a top-level concern with "fairness" in how the company ought to be represented and again, a desire for control over the representation of issues, through controlling access to information which discerns what is necessary to be disclosed by the company. The PRs, being in the business of reputation management therefore also were motivated by as much as what was kept out of the media that was not required to be disclosed as price sensitive-information. The PR revealed that it was a matter of public interest but that they would never advise a company to cover-up pertinent information in the public interest:

"*It depends on what that news is and if it is an ethical issue, then no, it is not our job to cover that up but I would say that with a deal for example, there is a level of detail that you don't have report on with regard to every single email that was sent and all the minutiae and it's a matter of working out what is in the public interest but it should never be about cover.*"

Semi-structured Interview with Senior PR 3

This response also demonstrates how the news values of Prs influence their work, and how this makes them control access to information with selective disclosure. This PR was asked how companies are advised to deal with an ethical failing and if this is done in way that aims to limit reputational damage.

"*Obviously it is our job to protect the client's reputation but in an era of social media and transparency it is not in the client's interest to be seen to be covering things up and where there has been a failing the company has come better out of it by acknowledging that there has been a failing and set out clearly what they are taking on to see that the damage is managed and does not happen again. I think that those are the companies that come out of best of it that just come out clean and say what they are going to do to fix the situation."*

Semi-structured Interview with Senior PR 3

She was asked whether Prs are motivated to get journalists to report their version of a situation:

"(Laughs) Good question. It works both ways. I think when you've got – for instance for me, when I've seen, just the company's press releases reproduced in the media and it does happen and it does happen with good media outlets it is almost disappointing. I don't get a buzz out of that. I am sure there will be PRs that do but for me, I would feel better about a particular result if I felt that I had framed a story well in the sense that it was of interest to a reputable journalist that they had picked it up, that they had and that they had thought about it and had come with a few questions to either explore the angle or to come up with a completely different angle from the one I presented them with and wrote a balanced and interesting piece with the story. But there is also an issue when the journalist had simply misreported the story, not reported the facts properly, not got the quote right. And was not interested in understanding the announcement."

Semi-structured Interview with Senior PR 3

The Senior PR 1 said that he thought Prs were undoubtedly driven by getting the media to report their version of the story, that is, that the PR narrative was the dominant one. The news values of PR is not only driven by their industry's obligation to cast the companies in the best light, but because they are closer to the companies than the journalists are, this gives them both a lead in framing the interpretation and the evaluation of information in the financial market.

6.5.5.2 Reflexivity of news values: public relations practitioners' perceptions of the news biases of journalists

The majority of public relations practitioners believed that while journalists had a bias towards reporting bad news, this was tempered by their experience, that ultimately there was a balance in the actual reporting, possibly due to capture of news. They also reveal that news stories have life-cycles, whatever the prevailing "market mood" or the current interests or attention spans of journalists.

PRS' BELIEFS ABOUT THE NEWS VALUES OF JOURNALISTS

PRs Views' of Journalists impact on Boundary Work	Key Trends and Issues Highlighted	Respondent	Examples
Prs' activities are therefore heavily influenced towards ensuring that journalists reflect their clients in a positive light due to the qualities highlighted	Journalists tend to report negatively	Senior PR 3	"Possibly a slight skew to negative but I think [journalists are] balanced on the whole."
		Senior PR 4	"Good news does not make for good reading. Bad News is news, Good news is advertising. Statement of fact is preferable where the reader can make up their own mind, however, various publications support a certain party for example: "Bad news is always more newsworthy."
		Senior PR 5	"Again, it depends. Some are on the lookout for the negative, but most are balanced and report a mixture of both good and bad news."
	Bad News Sells because it is more newsworthy and dramatic	Senior PR 6	"[Bad news is] more sensational - sells more."
		Senior PR 7	"Financial journalists tend to report both. However, rather like school girls gossiping, talking about the bad news is more fun, so that gets more "airtime". Also, as each phase of bad news unfolds, it gets coverage. Once it's over, it's over. But once the hole is plugged and the mess cleared up, you can't have endless reports about the fact that the disaster is now over."

Table 6.15 Awareness of Journalists' News Values

Notes: This data is sourced from various semi-structured interviews with Senior PRs and reflects that in general, journalists tend to report bad news and interpret news badly.

Table 6.15: Awareness of Journalists' news values

Source: Semi-Structured Interview with Senior Public Relations Practitioners

The in-depth semi-structured interviews were used again to check the structured interviews. The semi-structured interview participants were told that the qualitative and quantitative data collected from this study suggested that journalists both journalists and public relations practitioners believed that journalists have a tendency to report bad news, and what they thought about this. In addition they were asked whether they thought bad news itself could become news and if bad news spreads faster than good news:

Yes. I think this goes to the heart of the human condition - it's why we gossip, slow down to stare at an accident etc. It's more interesting to hear the bad news rather than the good news. Some good news is fun, but too much is boring. Just as gossip spreads like wildfire - people can;t wait to be the first to spread it - so too with bad company news, bad political news etc. Journalists know that their audience is also interested in the bad news.

Structured Interview with Senior PR 1

The following response was more balanced in its assessment of the news-biases of financial journalists, but again it evidences a bias towards a journalist that did what the PR wanted them to do and presented the information in a way deemed to be competent in relaying the message the company wished to bring across:

"*I think it depends on the journalist – I think there are lazy journalists who just reproduce what the PR either because they are genuinely not professional and do not have that much interest in contributing or to double check. But I do also think there are great journalists out there who do their research properly and fact check and fact check and come to you back and say I don't understand this or that, and when that happens we have gone back to the client and sought to understand what it is they meant exactly to convey. And those are the journalists you want to work with because they are respected and they are professional and no self-respecting PR is going to get any enjoyment out of working with lazy and unprofessional journalists. But if they had a genuine reason to knock a company, if a negative story was fair in the sense that it was a criticism for which there was a justification and it wasn't just malicious, it was structurally correct and clearly it was unprofessional behaviour on the part of the company.*"

Semi-structured Interview with Senior PR 3

6.5.5.3 Public relations practitioners' beliefs about PR and media affecting the market

In this section, it is shown how public relations practitioners understand the work they do with press releases, and if they believe it influences stock prices, and if this, in turn, would influence the way they go about doing their work. All the public relations practitioners interviewed believed that press releases influenced stock prices. However, the reasons they gave for this displayed a lot of nuance and texture about their beliefs about what was newsworthy. In addition, it has been highlighted that knowing what counts as newsworthy is a the main skill for the public relations practitioners to possess for her role. The following quote evidence this:

"*It depends whether it's newsworthy or not, and/or does or does not adequately address rumours circulating in the marketplace.*"

Structured Interview with PR1

Moreover, it is clear that with price-sensitive financial news, *the type* of story that would influence the news is a particularly important aspect of this also. Hence, public relations practitioners believed that not every press release, or piece of financial information was exceptionally price-sensitive. The following quote again also emphasises that that it depends on the content of the story.

"*Again yes and no. There are cases of releases influencing prices - but not all of them do.*"

Structured Interview with PR 2

Confirming the intuition for the large negative result on share prices on the receipt of news from the news media, the kinds of stories that attract the most attention and influence share prices are bad news stories such as frauds, and then management change or mergers and acquisition stories. So even though financial journalists report more for a financial audience and do analysis, it becomes more evident that their news values are also seen by public relations practitioners as being biased towards reporting bad or news with a big attention or entertainment factor, with human drama or management change. This is apparent in the following response when the public relations professional was asked whether he believed that press releases could influence share prices:

"*It could, it would have to be a huge news story - buy out, acquisition, fraud. For a listed company this is likely to be found on SENS*[13] *first.*"

Structured Interview with Senior PR 3

"This attraction to bad news (and the duty for reputation management) is clear in the quote below:

Yes I know this is true from perusal experience. One of my clients failed the acid test for its interims. Bad news for an investment holdings company. Went to extraordinary lengths to make full disclosure. The share price bounced."

Structured Interview with Senior PR4

There is also a belief in directional causality with the quality of news that is reported, that is to say, whether this news is positive or negative.

"Depends on the information provided for example annual results - good results good share price."

Structured Interview with Senior PR 5

Further, there is a deep-seated belied that news is consumptive, as Knorr Cetina (2010) suggests that a constant flow of information is what determines the dominant narrative.

Not a single press release, but a constant flow of appropriate releases could influence the stock price for the same reason mentioned above

Structured Interview with Senior Financial PR 6

If the flow of news confirms the rational expectations (beliefs) about financial market actors about an aspect of financial market information, then this constant flow of information also reifies narratives from datapoints to make inferences about events. The in-depth semi-structured interviews revealed that good corporate governance requires companies to communicate pertinent information with stakeholders, but that this should be done with integrity:

A company must inform stakeholders - but it comes with the requirement for honesty and integrity - which should have a positive impact on how PR/SR practitioners interact with the media. Some companies can be quite aware of how they are portrayed and want to manipulate it. I don't think that works the same way as it has, with social media.

Structured Interview with PR 7

The indepth interviews were used to evaluate the results for the quantitative study in empirical chapter one, that media had the largest effect on stock prices over company disclosures, press releases and analysts' recommendations, and if this result surprised them.

"*No, not at all. When results come out, few people have the capacity to read each announcement end to end and to absorb and understand the contents. They turn to media reports for the information and as a form of summary document. This gives the media enormous clout - an item can be isolated and focused on; only the positives can be looked at; only the negatives etc. the particular slant that the media give the article(s) can have an enormous impact on the public response in terms of buying/selling of stocks and hence over price of stocks.*"

Structured Interview with Senior PR 1

This response confirms the intuition in the results discussion or chapter 1, which was that the news media has the widest dissemination and the simplest presentation of the information, and justifies the rationale for PRs to attempt to influence the slant of this information.

The quote below, in addition, shows that there is a rationale for PRs to capture news, because the news that has the greatest potential to affect the stock market is bad news, and as the quote directly beneath it shows, it is mostly bad news, which is bad for the company and has the largest impact on stock prices as Chapter 4 shows.

"*In time yes as they can either build or break down the perceptions readers have of a listed company and stock prices are predominantly a reflection of market perception.*"

Structured Interview with Senior PR2

"*Mostly if the news is negative.*"

Structured Interview with Senior PR 3

The statements above evidence that bad news is seen to be the most affective, as the results of empirical chapter 1 also show. And the statement below shows, that it is not only bad news, but the type of bad news, in this case losses.

> "*Example: JP Morgan Chase that lost 2 billion in profits and their share price tumbled.*"

Structured Interview with Senior PR 4

An interesting revelation from the interviews with the public relations practitioners is that they not only believe that bad news and the variety of bad news has a distinct effect, but that the momentum and impact of good or bad news depends on the prevailing mood of the market, that seems to make the market irrepressible or irrationally exuberant, and quite immune to the type of information because a certain kind of mood is pervasive, and that this goes further than a bull or bear market, or the received wisdom of popular behavioural finance.

> "*Again, this is a yes and no answer. It depends on the story and how it is handled. Some stories influence prices, others don't. It can depend on market mood too. The market may be positive and a bad news story is ignored and vice versa.*"

Structured Interview with Senior PR 5

> "*Herd mentality, particularly in bear markets we see markets overreact one way or the other to good or bad news precipitated by market commentators. The fall of Lehman Brothers is a case in point.*"

Structured Interview with Senior PR 6

If we look at a bank. If the bank is actually fine, but there is a hint of a problem, people will withdraw funds and en masse, that's the end of the bank - so the perception of a problem creates the problem. (like [X Bank] - bad news created the collapse) The question is can this happen on a grand scale? I don't know. I'm tempted to say that it may depend on the prevailing mood. If the public are feeling negative, any bad news can swell out of proportion. If the prevailing mood is positive, no amount of bad news would have changed that.

Structured Interview with Senior PR 7

The responses above reflect a congruence with Knorr Cetina's assertions on the consumptive model of financial information, and while the Prs felt that truth was important, their practises of spin, persuasion and curating gave them a relatively broad view of how truth is determined in financial markets today as well as the factors that affect share prices and trading values.

6.6. Discussion

This study makes contributions in the accounting and finance literature in the information intermediation literature, corporate disclosure, and reputation risk management literature. Its interdisciplinary contribution is made to the sociology of accounting and finance literature. The points below summarise how the findings contribute to these areas of the literature within the rubric of the empirical framework.

Reputation risk management and boundary-work in information intermediation

The accounting and finance literature has considered the role of investor relations literature, which looks at how the company communicates with its shareholders (Bushee et al, 2011). However, this study has shown the increasing significance for firm valuation of the new cultural and social dynamics ESG factors and the risks represented by globalisation as well as their amplification through social media mean that increasingly corporate public relations will subsume investor relations. This reverses a trend where investor relations attempted to break away from the jurisdiction of public relations as a field of practice of its own by asserting authority over the communication of financial information to investors (Van Leuven, 1991). Under the new expanding corporate PR, investors are regarded as just another corporate stakeholder as the factors that affect the financial situation of a firm becomes more complex. The reasoning behind this is that in considering the firm's publics, the valuation will remain sustainable and robust and hence satisfy shareholders. This is congruent with the literature as to the link between reputation risk management (RRM) and CSR reporting, in particular, with Bebbington (2008). The relationship between the corporation and its publics and the level of risk and uncertainty this represents has therefore become increasingly salient and offer opportunities for corporate public relations to increase its jurisdiction over risk management as reputation risk management becomes an increasingly complex arena. This is congruent with Power (2004) and Bebbington (2008) but contributes to the literature in elaborating the manner in which the industry's practitioners understand their status and authority in reputation risk

management. The analysis of these interviews has revealed that the profile of several of these firms is now transforming towards a consulting, strategy and advisory function.

This study also extends on the work of Power (2004) and Jones (2000) by showing how the media is a particular concern for corporations due to its wide dissemination function, and, in particular, how the new risks presented by social media are top of reputation concerns. This study also contributes to the literature by considering the problem of reputation risk management through the lens of boundary-work in the sociology of the professions. Mikes (2011) has considered boundary-work in risk management, but this study looks at boundary-work in risk management and public relations by looking at the increasing jurisdiction of corporate public relations into risk management, corporate disclosure and information intermediation.

However, while the jurisdiction of corporate public relations is increasing, its professional status is still not certain. While the literature in the sociology of the professions such as Gieryn (1983) Abbott (1988), Fournier (2000) Lamont and Molnar (2002) clearly demonstrate that all professions are subject to demarcation issues and boundary dispute, corporate public relations and financial journalism, the industry with whom most of its conflicts take place is particularly malleable and open to boundary dispute (Revers, 2013). This is also congruent with the literature (Van Ruler, 2005); (Sha, 2011) and (Harvey and Waters, 2012) and shows that even though the complexity of corporate finance is used to promote jurisdiction over a field of technical knowledge, it has not assisted corporate public relations in professionalising by distinguishing it as a consulting and advisory profession from the public perception of the industry as being concerned with "corporate marketing and events". Like financial journalism, corporate public relations has no barriers to entry, accreditation is voluntary and is not regulated. In the case of corporate public relations, it has been shown its lack of regulation under the securities law is particularly significant since the industry clearly advises firms on how to disclose price-sensitive information and its practitioners deal with large amounts of price-sensitive information. This is said by one very senior public relations practitioner to be because [financial] regulators do not understand how markets work in reality. This is a contribution. The practitioners themselves though show a high-degree of awareness about the seriousness of handling price-sensitive information on behalf of firms and regard themselves as subject to the securities law, but this would apply to any person who deals with such information in terms of

FSMA, MiFID or Rule 10-B5 of the SEC[52]. This raises the question whether existing financial regulations on price-sensitive news are sufficient considering the rapid expansion of corporate public relations. Press Regulation also needs to consider the impact of public relation and its influence on the financial press.

The rapid expansion of corporate PR builds on the work of Davis (2002) particularly in relation to the capacity constraints of financial journalists highlighted by Doyle (2006)[53] with reference to the Enron corporate scandal. Like journalists, PRs form an intermediary function in markets for financial information, as highlighted in the first empirical chapter of the thesis this also includes financial journalists and analysts. But due to the collaboration; competition; and boundary disputes between these intermediaries, there is disagreement between PRs as regards their status as a group in relation to the other intermediaries. This study contributes to this literature by demonstrating that the reputation of an individual intermediary is what matters most, particularly given the industry revolving door highlighted in the second empirical chapter. In addition, the capture of PR for the intermediation of financial information from journalists is congruent with their growing risk management function.

A consequence of the lack of professionalism is the feminisation of aspects of the industry is the feminisation of the less professional aspects of the industry. This affirms by interview the research findings of (Pompper and Jung, 2013) that women dominate the industry on the whole, but men the more senior managerial roles. It is also commensurable with their assertion that the role of gendering in the industry is often a by-product of research into public relations as this was not an intended outcome of the research, but is significant in the light of the gendering of accounting and finance professionalization as pointed out by Loft (1992) and MacDowell (2010)

[52] These references refer to the insider dealing and market manipulations provisions of the UK's Financial Services and Markets Act (2000), The European Community's Markets in Financial Instruments Directive (EC/39/2004) and Rule 10B-5 of the US' Securities and Exchange Commission.

[53] See also Davies (2008) for provisions relating to general journalism.

Boundary-work within the logic of high-speed globalised markets for information

High frequency trading and globalisation have fundamentally changed what information is and hence what markets for financial information creates demands for new and relevant types of information (Kleinnijenhuis et al. 2013); (Fournier, 2000); Tambini (2010); Karin-Knorr Cetina (2010) and Groß-Klußman and Hautsch (2011). These demands lie behind the culture of churn in corporate public relations and their motoivation to supply journalists who are under increasing pressure to be the "first" to break an important story. This contributes to the expansion of corporate public relations as the capacity constraints of journalism cannot keep up with the demand for new information nor with the speed at which it moves. (Tambini, 2009). This study also supports the impersonal efficiency ideology of Beunza (et al.) 2010 – that [high-automated] impersonal markets are not always superior to markets built on social ties – with its finding that human relationships are being reified and emphasised and that high-frequency trade has highlighted the importance of this dimension in doing business. This relationship-building aspect strengthens the business case for PRs because in a sea of information good advice and intimate knowledge of the business strengthens trust (Preda 2009: 62) highlights that narratives are a fundamental way of reinforcing because networks function on trust – "the most important aspects of the network", he says, "is its translation of relationships through personalisation". Trust is a cornerstone of financial markets and business is effected through extremely personal relationships as Granovetter (1985) has also emphasised. This emphasis on personal relationships thus makes PR more legitimate and credible or as Preda (2009: 62) says, in other words, personal relationships serve to "maintain and consolidate organisational structures". The study has also highlighted that increasing levels of noise and other spurious information coming from blogs (See Lowery (2006)) and the immediacy of social media (See Bollen et al. (2011)) in combination with high-speed information means that a longer-term strategy has become increasingly important to stay focused with reputation management objectives. From the investor perspective these new demands and speeds of information churn has also led in a flight to quality as institutional and professional investors seek better quality analysis this has pushed journalists increasingly into a corner to provide better quality analysis, economic and "big picture" stories as the provision of corporate analysis and reporting is increasingly mediated and dominated by PRs. It has also further segmented the professional demarcations of information intermediaries as competition becomes fiercer in the race for control over the dominant narrative.

The changing nature of the globalised financial market was highlighted by the public relations practitioners as one of the main issues adding to the complexity and competitiveness of their work. Hence in addition to the complexity of audiences through the stakeholder perspective of corporate audiences, the complexity of the market itself and categories of emergent issues and information under the tumult of globalization has meant that the professional jurisdiction between the information professions had been even further opened up – this corresponds with Fournier's (2000) that professional demarcations have become less stable under such conditions.

Boundary-work as a competition for the dominant narrative in markets for information

The idea of success for PRs was not solely their press releases getting picked up and the appraisal of their staff performance as well as company fees was based on a more complex picture that put emphasis on the long-term sustainability of relationships and how the long-term strategy over time led to an increase into a measurable metric such as ROE and the PRs were thus compensated accordingly in terms of the fee structure of their agreement of the firm. It again demonstrates the move towards an audit and advisory model for these firms. The long-term outcomes for success also informed the manner in which they networked and their influencing activities were to spend time with company executives and journalists a PR will often be present during a journalists' interview with a company whether this is in person or by phone.

PRs' news values are aligned with that of the corporation they are advising and so are oriented to cast the corporation in the best possible light. This is congruent with Davis (2002) their beliefs about journalists' negative reporting bias as well as their beliefs about how information disclosure affects the financial market means that they are particularly motivated to influence journalists to report to more positively. There has been some research into the collaborative and competing relationship between journalists and PR (See for example, Larsson, 2009), as well as how a competition for dominant narratives may be considered boundary work (Revers, 2013) but it has not considered how this affects financial markets, nor has this relationship been considered through boundary work.

Robinson (2010: 126) looks at textual privilege and boundary work in changing digital environments and audience relationships in the commenting policies in online news, and evaluate how as "newspapers move toward mixed web-print or total web platforms, journalists struggle with their authoritative role in society in the interactive environment ... the result was a grand identity complex for the news profession, now characterised by interrupted-information flow patterns and diffused power over societal knowledge" This supports the notion that the knowledge demarcations are destabilising news production, and hence professional demarcations further also through the disruption and democratisation of traditional forms.

6.7. Summary of Chapter

This research has evidenced a meta-reflexive orientation towards the relationship between impression management; the awareness of the values of these publics; and their construction *as* publics as a key determinant of public relations practitioners' success.

The preoccupation with events and their impact in turn evidences a need to control how the company is represented is a key aspect of their purpose as reputation managers. As emphasised in the empirical framework with reference to the work of Goffman, the reflexivity of the impression made on corporate audiences are a key determinant of performativity of the expertise and actions of public relations practitioners on financial markets if reputation can now be financialised and managed as a central risk component in corporate (e)valuation. The concern with influencing towards publics/audiences is a key metric of demarcation and reification in boundary-work as the work of Evans (2008: 12-14) substantiates thus: "If science has epistemic authority, according to Gieryn, it is in a certain place at a certain time (Gieryn, 1999: 24-25). To this, I would add that it has epistemic authority for a certain audience", particularly where these audiences are "self-referential". Communicating effectively with more complex audiences who are also fragmented by processes of digitisation and individualisation in the risk society makes the need for communication more complex as does the need for companies to take advice on this aspect.

The emerging hierarchies within the information professions evidence that while the empirical setting is becoming more complex, the professional jurisdictions are also becoming more

blurred and unstable in terms of authority, and hence it was the source of the information through the reputation of the individual or the organisation that determined where that information sat on a hierarchy.

The logic of the market under globalization and high-speed computerization has meant that the traditional publics, and hence, financial determinants for corporate evaluation have been exploded, diffused, cross-fertilised, reclassified and recategorised. In a contemporary stakeholder society that contemplates the risk management of everything, so too have hierarchies of publics been diffused and exploded as unintended consequences of collaborative, high-speed financial information have become unpredictable and more difficult to quantify. Public relations practitioners are hence at an advantage in markets for financial information to exercise control and capture over the representation of the corporate image to its publics. This research hence builds on existing trends identified in research into the dissemination of financial information, which sees journalists as a still powerful force in financial markets due to their wide dissemination and due to the impact of bad news surprises. However, this research not only confirms that the resources of newsrooms are declining, but that the attrition is also affecting premium titles. Public relations has therefore been able to subsidise and manage news production, and perhaps more importantly, have increasing control over access to the sources of corporate information. The consequences for this in markets for financial information require further investigation because the interpretation of market data is increasingly dominated by a corporate bias. Boundary-work in corporate public relations has demonstrated the relatively porous state of the information professions, and that the simultaneously collaborative and competitive nature of contemporary formation of dominant news frames hence means that no profession has a particular hierarchy in markets for financial information, it is rather the reputation and experience of the individual practitioner, and their skill at boundary spanning in particular. The constitution of the market for financial information in particular was shown to be increasingly unstable, and vulnerable to crisis and exploitation of textual privilege.

The authority and jurisdiction of public relations is mostly driven by ethics in transparency, and that they work within the legal and financial regulatory regime of the companies they work for in providing advice. The skill they demonstrate over the course of their careers is also a large determinant of the expertise and "professionalism" they are perceived to exhibit. The client accounts they work on also determine their gravitas and legitimacy. Their self-constitution is

also determined by how they understand their own status and gravitas hierarchically in relation to other information intermediaries in an environment that is fluid and full of opportunities. The responses clearly show that there are a lot of professional opportunities to legitimise for PRs and a fertile setting for vigorous boundary work (the subsection which follows with regard to the changing environment of markets for financial information provides insight as to why this is the case). In addition, the sanctions for misrepresentation are also indicated as being quite tough and hence a deterrent against malfeasance in dealing with price-sensitive information.

Computerisation and high-speed trading in particular require further investigation not only because this has fundamentally changed what information has become, but also the relationship of financial intermediaries to it. The most significant aspect of this is the influence of social media in particular, and the continued importance of human relationships in relation to information in particular due to a human capacity for narrative cognition, the fact that political relationships in negotiating corporate power are driven by human agendas and thus human in nature. The data may be computerized, but interpretation is distributed across human and non-human agents, with the foregrounding of expert, human opinion and big picture critical analysis as participatory news production gains cadence.

Networking in particular, in the form of one-to-one briefings, meetings, conversations, conferences reify power relationships and remains anchored in the social through face-to-face interactions. The nature of the new complexities in globalized, high-speed markets for financial information will continue to open up for new categorisations of corporate audiences, and challenge the legitimacy and jurisdiction of financial information intermediaries.

The research has also demonstrated that not only is narrative interpretation distributed across human and non-human actors but also across a multiplicity of groups with differing agendas and viewpoints, who use discourse as boundary objects to achieve their objectives. The orientation towards audiences demands bespoke impression management of each event to ensure that the corporate image reflects and acts in the desired way in society and is hence performative, in its reflexivity of perception. Such boundary work is characterized by the deployment of a competition for dominant news frames in market narratives as boundary objects, and that are

anchored in ideology and news values. The methodological reflexivity of the research agenda has contributed to an understanding of the boundary-work and performative aspects of public relations practitioners about their epistemological practices and self-constitution in markets for financial information and how this circularity enacts boundary work through feedback.

Finally, the contribution to the finance literature has demonstrated the complexity of issues and protagonists in the information environments of corporations. It also demonstrates that the trend towards a stakeholder view of corporate theory will become more complex under globalization and computerization. It also thus enacts boundary-work in the approach to financial literature in revealing continuing diffusion between stakeholders and shareholders, which will also have the result that investor relations will continue to be subsumed into public relations as the issues affecting the financial valuation of the corporation become ever more complex, and that reputation management is reflexive and performative in its articulation of corporate image through impression management as boundary-ordering device. It also clarifies that markets for financial information are constituted by interpretation and bias that foregrounds some events at the expense of a particular agenda.

All this contributes to how the understanding of the causal relationships of good, bad or other news with the direction of the share price is not always what might be expected because it is managed away. In particular, it explains why bad news has the pronounced effect it does in since the programme of capture of corporate news through public relations means that bad news is often a surprise in markets for financial information, particularly when the declining resources of investigative journalists are considered.

The role and scope of public relations requires further investigation, particularly because the industry is not regulated by financial authorities despite clearly occupying a seminal role in financial markets linked to price-sensitive information.

Chapter 7

Conclusion: Findings and Contributions; Limitations; and Further Work

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7.1 Introduction and Importance of Study

The thesis has discussed the effects of the news media in financial markets. The increasing interest in financial themes in popular culture and the growth of accounting and finance research into financial news media justified the salience of research topic.

The prior research surveyed in the thesis looks at how media affects stock markets (Lloyd-Davies and Canes, 1978) and (Tetlock, 2008) is able to attract readers' attention (Barber and Odean, 2008); and there is nascent interest in how the media may function as an information intermediary in financial markets (Bushee et al., 2010) and (Tambini, 2010).

However, the review of the prior research in Chapter 2 argued that the research agenda into the role of the news media in financial markets has not yet coherently articulated how the financial journalist is constituted as a new actor in financial markets; nor have the effects of financial news media been compared to the relative joint effects of other categories of financial information; situated within a model of corporate disclosure; nor has it been sufficiently investigated in the accounting and finance literature how the firm reacts to and manages the effects of financial journalism (See Bushee, 2010, Ryan and Taffler, 2004, Tambini, 2010, Healy and Palepu 2001, Bebbington et al (2008), Power 2004). These gaps in the literature have informed the research framework of the thesis discussed in more detail in Section 7.2 below.

Structure of Chapter

This conclusion will firstly set out the context and background to the study and the gaps in the relevant prior research. Section 7.2 recaps the research questions that arose from the gaps in the literature related to the overarching research question. Section 7.3 sets out an overview of the thesis summarising the methodological and conceptual frameworks by which the research questions are addressed. Section 7.4 reports the empirical findings of the thesis. Section 7.5 integrates these findings and synthesises their contributions. Section 7.6 sets out the limitations of the thesis. Section 7.7 sets out the directions for future research. The thesis concludes with Section 7.8.

7.2 Overview of Research Questions

This thesis has approached the increasingly popular but still under-researched area of the effects of the financial news media in stock markets by exploring the following research questions with quantitative and qualitative research methods.

RQ1: Overarching Research Question

"How does the news media affect financial markets?"

The investigation of this was broken down into subsidiary research questions, which aimed to address the salient gaps in the literature identified above. The subsidiary research questions are comprised of conceptual, theoretical, empirical and methodological questions:

RQ2: Empirical Research Question

How are financial market movements associated with news media in comparison to other types of financial information?

RQ3: Empirical Research Question

How do financial journalists understand their professional constitution and related effects of their activities in financial markets?

RQ4: Empirical Research Question

Can companies' management of their relationship to the financial news media be considered a professionalised risk management activity?

RQ5: Conceptual Research Question

The research that has looked into financial news media in the accounting and finance literature has predominantly measured the quantitative effects of media in financial markets. How is this research inadequate and limited and how can it be improved upon to get a more complete picture of the underlying institutional factors that influenced the relationship between financial journalists and corporate disclosure?

RQ6: Methodological Research Question

How can qualitative and quantitative methodological approaches be integrated to capture subjective and objective factors relating to media's effects on financial markets?

RQ7: Theoretical Research Question

"Why can the professional constitution of the financial journalist be problematized to define a new type of information intermediary in the financial market in relation to their effects and activities in financial markets?"

These research questions were integrated in order to provide a more holistic insight into the overarching research question.

7.3 Overview of Thesis' Conceptual and Methodological Framework

This thesis clarifies understanding of the relationships between intermediaries in the firm's information environment and their effects on financial markets. In particular, it is concerned with how the professional constitution of financial journalists in financial markets contributes to a definition of a financial journalist as a new kind of actor in financial information intermediation. It is also interested in how companies respond to the reporting and analysis of journalists of their corporate disclosure. It seeks to improve upon existing research by using interdisciplinary literature and mixed methods in its approach to the research problem.

The thesis investigated the research problem through three independent, empirical studies that are linked to the research aim of the thesis, and each other, but can be read independently.

The first empirical study used the quantitative, event-study method and tests how 100 small-cap US stocks are affected by different types of carefully-selected information, namely analysts' recommendations, corporate filings, news media, public relations wires and stock tips received over five years from 1 January 2006 to 31 December 2010. Chapter 4, 'Market Reactions to News Media' hence sought to establish the relative importance of the financial news media as information intermediary by measuring its effects in comparison to that of other types of disclosure, categorised as regulatory, voluntary and intermediary, and by placing it within a corporate disclosure model to ascertain the information content of these various categories of information by measuring their respective effects on the financial metrics of interest.

The second and third chapters formed two halves of a qualitative symmetrical study that both used structured and semi-structured interviews with experienced journalists and corporate public relations practitioners respectively. The qualitative chapters sought to explore how journalists perceive their own professional constitution and related activities in financial markets and hence, how firms respond to the reporting and analysis of journalists about their information disclosures.

Chapter 5, 'Knowledge Construction and Reflexivity in Financial Journalism' drills down into the findings in Chapter 4, by using interviews, discourse analysis, and an analytical framework leaning on the social studies of accounting and finance and the sociology of professions to attain more clarity on how financial journalists are constituted as actors in financial markets. The discussions unpacked their own understandings of their news values, professional duties and reflexivity about their activities in financial markets. Chapter 6, 'Reputation Risk Management and Boundary Work in Markets for Financial Information', uses the analytical framework of boundary work as well as discourse analysis of interviews with public relations practitioners. This was to investigate how companies react to the potentially large and negative effects of media onto stock prices and the news values of journalists in relation to their reputation risk. Further, the chapter also evaluates whether the public relations practitioners that assist them in this task may be regarded as professionals.

Finally, the integrating of qualitative and quantitative findings in Section 7.5 in the discussion of the contributions, seeks to provide insight and context to subjective, objective and institutional factors that influence the research problem to gain a more complete view.

7.4 Summary of Empirical Findings

This section summarises the empirical findings generated from the quantitative and qualitative studies in Chapters 4, 5 and 6, which respectively correspond to research questions 2, 3 and 4.

7.4.1 Findings on how financial market movements are associated with news media in comparison to other types of financial information

The findings in Chapter 4 evidence that media has the largest cumulative effect on the returns, volumes and volatility of the small-cap stocks selected. The regulatory filings and analysts' recommendation respectively had the next largest effect of returns, volumes and volatility. Voluntary corporate disclosure through press releases exhibited the smallest effect. This builds on the work of Bushee et al (2010) who looked at the business press as an information intermediary by measuring its influence on information asymmetry. Bushee et al (2010: 18) say that "future work could extend our findings to test for the relative importance of the press vis-

`a-vis other intermediaries around other major corporate events." In this regard, the findings in Chapter 4 confirm that media does have information content that is valuable for investors and compares it to other information intermediaries. These results are commensurate with the expected explanation garnered from prior research, that the impact of information on returns and volumes is related to the breadth of the dissemination of the information (Pound and Zechauser (1990); the relative cost of the information (Liu et al (1990); and its independence from the firm (Healy and Palepu, 2001). The independent news media represented in this case by *The Wall Street Journal*, had the largest negative effect and in Chapter 4 this is attributed to the relative independence and the credibility of *The Wall Street Journal*. A negative effect is also expected in terms of the prior research but is explained by the tendency of journalists to lead with what's bleeding (See Green and Hand, 2010). Further, based on prior research on the financial press, such as that by Miller (2006) and Borden (2007); this large negative effect could also be explained by the surprising effect of bad news that was the result of journalists' role in corporate governance through investigative work, or private information being passed on to the financial journalist by whistleblowers.

The impact of firm size is also a factor that influences these findings. Inspection of the unfiltered samples and spot checks against large firm data indicate that smaller firms receive much, much less information than larger firms, and hence this would represent a significant proportion of the total amount of news received for such firms. This is as per Bamber (1986)[54] who looks at information content in relation to firms' annual earnings releases, as well as according to Bushee et al (2010) who also use NASDAQ[55] firms for their research on the business press. (The limitations discussed in Section 7.6 evaluate whether this means that these findings are not generalizable to large firms.) These findings and explanations in the prior research also help to explain why, despite the premise of the efficient market hypothesis in financial economics, a secondary effect can be observed when the media distributes information

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[54] Bamber (1986: 55) says: "If fewer information sources exist for certain types of firms, we would expect a relatively strong reaction to their annual earnings announcements, since the impact of these announcements is unlikely to be diluted by other sources. For example, fewer WSJ articles and news releases focus on non-NYSE firms (Grant [1980]), which tend to be smaller and more closely held than NYSE firms. As noted above, I found that earnings announcements generated a larger increase in trading for the non-NYSE firms than for the NYSE firms."

[55] Nasdaq is: "The first electronic stock market listing over 5000 companies. The Nasdaq stock market comprises two separate markets, namely the Nasdaq National Market, which trades large, active securities and the Nasdaq Smallcap Market that trades emerging growth companies." (www.Nasdaq.com , February 2014)

that has already been disseminated (See in particular, Kleinnijenhuis, 2013). The large negative effects of media is intuited to be a function of the news values of journalists and the performativity of news media due to the power of speech acts as discussed in Section 7.4.2 below. This discussion of the integrations of findings shows how the differing findings of the various studies combine in addressing research questions 1, 5, 6, and 7, and hence support the overall methodological, theoretical and conceptual contribution of the thesis.

7.4.2 Findings on how financial journalists understand their professional constitution and related effects of their activities in financial markets

The findings in Chapter 5 revealed that journalists most closely self-identify to the constitution of "reporter" in relation to financial information and to the professional duties of fairness and independence. A high degree of understanding and respect for the ethical framework of financial journalism was evidenced amongst the respondents. The influence of corporate interests in financial news was thought to lead to less professional journalists being susceptible to what the respondents saw as the corrupting and compromising influence of public relations onto financial journalism. The most professional financial journalists, however, which all respondents were, have a strong reflexive sense of avoiding bias and conflicts of interests with firms.

These news values, and an ethical framework committed to robust market regulation and corporate governance, were found to serve as a professionalising device within financial journalism and this largely meant a generally critical attitude towards corporate disclosures. These findings contrast with Tambini (2010) who asserts that financial and business journalists do not have consensus about their watchdog role in relation to markets and corporate behaviour. However, these findings lend support to the argument by Miller (2006) and, particularly, Borden (2007) who says the media have an important role to play in corporate governance, but this has not been acknowledged because the corporate law has not categorised journalists within its framework.

There was some debate about whether financial journalism could be thought of as a profession per se, due to the conflict between the critique of public life and the allegiances of professionals with state power. This was though resolved with the assertion by Turner (2001) that experts

who are exempt from certain types of legislation – such as financial journalists can exist. The professionalization project of financial journalists evidenced in the findings saw the financial journalists interviewed generally conclude that there are specific sets of qualities and skills that differentiated them from regular journalists; from analysts and from public relations practitioners. Highly-experienced journalists were described as both ethical and professional by respondents and as having an aptitude for understanding financial data and writing. Some of the most experienced and highly-qualified journalists were thought to be as good as, and sometimes better than financial analysts. Several of the best financial journalists had, in fact, previously worked as financial analysts. This extends the work of Doyle (2006) by investigating the ability of journalists to complete their functions in financial markets and on the work of Aldridge and Evetts (2003) with regard to the professionalization of journalism per se. It also builds on research done on the professional project of financial journalists in Porter (2009) and Tambini (2010). The relationship between journalists' knowledge construction activities as well as their reflexivity about the manner in which their news values influences their work strengthens the argument that media is performative, especially if considered in relation to the results of the first empirical study, namely that news media has the largest and most negative effect on returns. This fills a gap in the prior accounting and finance research were studies such as those by Solomon and Soltes (2011) that speculate as to why journalists make certain reporting choices without gathering empirical data directly from such actors to inform and lend support to their intuitions for the observations found in quantitative research.

Financial journalism was found to assist in asset pricing in financial markets because the distribution of calculation between the journalist and the piece of information combined to move the markets in both reporting and analysis. This interrogates the consumption model of financial information in the work of Knorr-Cetina (2010) by combining the intermediating function of news media with its mediating function put forward by Cziarnaskwa (2012) and the framework of distributed calculation put forward by Muniesa and Callon (2006). In general, the respondents interviewed also had a belief that their work influenced financial markets. This was because the news media is such a powerful force in financial markets that financial journalists therefore had a responsibility to get the news right.

The influence of financial news in financial markets also led respondents to believe that companies try to manage and influence their reporting. The financial journalists were thus problematized as financial intermediaries whose interpretive work was performative particularly

where those journalists are regarded as experts in the narration and analysis of financial events. This is supported by the work of Austin (1962) and Butler (1997) on performative speech acts. Further, financial journalists believed that they had both an attraction to bad news and a tendency interpret news negatively. This propensity to report bad news was agreed to be a risk factor in financial markets particularly in the case of crises due to momentum and herding effects. This is commensurate with behavioural finance literature on cognitive bias towards bad news, especially Shiller and Akerlof (2009). Yet, financial journalists were resistant to the idea of the financial regulation of financial journalism because they felt that a democracy should have a free press. The raising of barriers to entry and a greater sense of responsibility and rigour through self-regulation during reporting was thought a preferable alternative to regulation. This is consolidated under the theoretical contributions in Section 7.5 where the financial journalist is defined as actor in financial market.

7.4.3 Findings on whether companies' management of their relationship to the financial news media can be considered to be a professionalised risk management activity

Chapter 6 found that the public relations practitioners generally self-identified with the constitution of reputation manager. This extends the work of the investor relations, voluntary disclosure and reputation management literature, in particular Bushee (2011) Lang and Lundholm (2004) and Fombrun and Shanley (1990) respectively. The respondents agreed that public relations could not be called a profession because there was no coherent professional framework of activities despite the expansion of their activities in corporate strategy and the disclosure of price-sensitive and regulatory information. The implications of this is concerning and is discussed in the policy implications in the contributions. In general, the public relations environment is becoming more complex due to the increase of societal issues and other risk factors that could impact the financial valuation of firms. This extends the work of Power (2004) who asserts that there exists a unique opportunity for public relations practitioners to stake a claim in the field of risk management. Reputation risk is increasingly becoming a salient concern for companies due to globalisation and the rise of the stakeholder society in conjunction with the proliferation of online media platforms as well as the speedy transmission of news. This extends the work of Fournier (2000) who looks at the dismantling of professional jurisdiction under globalisation. The sheer volume and immediacy of company news and news outlets was a major concern. Public relations practitioners found it increasingly difficult to manage and to control information flows. Public relations practitioners were found to be concerned with

managing and framing news to best serve companies' interests. This is in agreement with work by Doyle (2006). At the same time, public relations practitioners were savvy to the fact that readers were suspicious of corporate spin and therefore endeavoured to also make the news they were giving journalist appear like credible, unadulterated news stories. They were thus involved in a continuous process of boundary work with financial journalists in demarcating the frames of narratives in financial markets. This is supported by the work of Abbot (1988) who sets out the competing claims for jurisdiction between actors for professional authority over activities, and Revers (2013) who considers news frame-making as a process of boundary work. This chapter also evidenced that public relations practitioners did not only try to manage the content and framing of news reported on by journalists, but also the access they had to it. This was informed especially by the feeling of public relations practitioners that journalists had a tendency to be negative and this informed their approach to their work. This is an extension of the work of Doyle (2002) in particular. Public relations practitioners have a high degree of respect for extremely professional journalists from prestigious titles and these journalists were often the targets of their activities. These findings are integrated in the section 7.5 which articulates the thesis contributions.

7.5 Integration of Findings and Thesis Contributions

7.5.1 Methodological and Conceptual Contribution in integration of methods and disciplines

This section responds to the methodological and conceptual research questions, *RQ5* and *RQ6*. According to Grafton et al (2004) for order to mixed methods research to be successful, particularly in accounting and finance research, the research design and findings should be integrated in order to provide a more rounded insight into the phenomena than merely triangulating. By integrating, the mixed methods approach makes up for the shortcomings of one approach by complementing them with another. This section thus integrates the empirical findings with the conceptual framework and methodological approach of the thesis to explain its contributions. The theoretical contribution, in particular, is an outcome of such integration. The mixed methods and interdisciplinary approach is a specific contribution of the thesis in terms of its approach to the topic of interest.

Due to the nascent nature of this area of study in the accounting and finance literature, the methodological research question arose because it did not seem reasonable to approach the subject matter of the thesis in a wholly quantitative or a wholly qualitative manner or through a single discipline, as discussed in Chapter 3, which is the methodological chapter of the thesis. The manner in which media works in financial markets still requires substantial work in terms of the fundamental building blocks of this subject matter. In addition, several of the observations from the prior quantitative studies in this area of research have subjective explanations which benefit from exploration through qualitative and discursive methods. Conversely, the subjective nature and broad social reach of the media asserted in the qualitative research, benefits from mathematical and statistical measurement in order to translate and integrate these substantive effects more meaningfully for financial markets.

The conceptual research question thus looked at the manner in which financial journalists have been explored thus far in multidisciplinary scholarship, and what was missing from these accounts that could be a contribution towards articulating the financial journalist's constitution in financial markets. The methodological research question, thus asked "How can qualitative and quantitative methodological approaches be integrated to capture subjective and objective factors relating to media's effects on financial markets?" A mixed methods research design and interdisciplinary approach was found in the thesis to be a more holistic manner in which to address such concerns.

This approach also contributed to a rich and textured contribution on the subject, as well as to the genre of mixed methods research in general. This is hence a methodological contribution to research in accounting and finance as well as to the social studies of finance. It is also a contribution to research methods in its integration of these multi-methods and multi-disciplinary tools and perspectives. Not only do the findings themselves contribute to the literature, but so do the methodologies and analytical frameworks within which they are problematized. This is because the thesis was integrative and weaved between inductive and deductive reasoning in order to link the quantitative observations to qualitative exposition in three clearly articulated, but interlinked studies that support and justify each other's observations and assertions. The first empirical study is a quantitative event study investigating the effects of various information intermediaries on returns, volumes and volatility, as described below. The second and third empirical studies are qualitative, and aim to exposit the intuition for the research findings in the first empirical study. The contribution of using a mixed methods and

multidisciplinary approach is therefore a more holistic and textured understanding of the research findings. (See, for example, Denzin, 2012)

One of the challenges of looking at a nascent research programme is delimiting the literature and deciding what is relevant – even though the exploratory surveys of the prior literature often are expansive and multidisciplinary. Hence, delimiting the literature is extremely important in order to enable more precision about the research problem and its objectives. The multidisciplinary approach is also reflexive in that it consciously enacts boundary work between disciplines by breaking down established orthodoxies of approaching a subject matter by introducing heterodoxy, nuance and complexity. The literature review, Chapter 2, is therefore also a contribution in its comprehensive survey on the existing research of financial journalists as well as companies' public relations efforts in response to them.

7.5.2 Theoretical Contribution through Integration of findings

This section corresponds to the theoretical research question, RQ7, arising from the gaps in the prior research surveyed as discussed in Chapter 2, the literature review of the thesis. One specific gap that was identified to require development in the literature is addressed in this thesis is the coherent articulation of the financial journalist as a new actor in financial markets. This theoretical research question of this thesis hence asks: "Why can the professional constitution of the financial journalist be problematized as a new type of information intermediary in the financial market in relation to their effects and activities in financial markets?" and finds strong evidence for making a case for the financial journalist as a new and important intermediary actor in both the quantitative study and qualitative studies. The integration of the findings in this regard saw quantitative investigation in Chapter 4 finds that media has a large negative effect in relation to other forms of corporate disclosure on stock prices, the qualitative work in Chapters 5 and 6 provides an explanation for this. The qualitative studies find that journalists themselves, see their own work as influential in markets and that their approach to news making and sceptical and that public relations practitioners manage corporate reputations in cognizance of this.

The quantitative findings in Chapter 4, in finding that financial news media, in comparison to other forms of corporate disclosure have the most significant effect in financial markets is a

theoretical contribution to the accounting and finance literature because it means that financial journalists as financial market actors have to be considered within the framework of corporate disclosure as such news reduces both illiquidity and hence, risk in financial markets. This specifically builds on the work of studies such as Beaver (1968) that measure the content and value of information for investors in financial markets and in particular that the applicable firm size; and the dissemination and timeliness of the information source has an effect. It also builds on work in accounting research such as that by Healy and Palepu (2001) that organise the different means of corporate disclosure into regulatory, intermediated and voluntary disclosure but have traditionally considered analysts and ratings agencies to be intermediaries but have not included the news media in the information circuit in the firm's environment. It also builds specifically on works such as Bushee et al (2010) who look at the information intermediation process by considering journalists specifically as intermediaries and confirms the significance of this in a robust setting.

The thesis combines ideas from the accounting and finance, media history, social studies of finance, Victorian studies and journalism literatures support for the idea of the financial journalist as a new substantial actor in financial markets. There is a broad literature looking at the professional project of journalists per se, but the professional project of the financial journalist has only recently gained interest in the literatures outside of accounting and finance, or the social studies of finance and accounting history. These are studies such as Poovey (2002) who evaluates how the genre of financial journalism evolved alongside sell-side analysts' reports, the fiction and financial journalism of Dickens and accounting per se; Doyle (2006), who looked into the efficacy and purpose of financial journalism following the Enron scandal by interviewing journalists, Porter (2009) who charts the professional ethics introduced by the New Financial Journalism by City Editor Duguid[56] in 1902, and Tambini (2010) who looked into the role of financial journalism in corporate governance following the fallout of the 2007 financial crisis (which crisis lasted 5 years). In this regard, this study is broadly congruent with Doyle (2006: 433) because it also finds that the high professional ethic of financial journalists means

[56] "There was, in addition, a crusading edge to the New Financial Journalism, which manifested itself in the apparently relentless pursuit of those City of London insiders who were intent on fleecing the investing public … Duguid and other City editors of the new school had assigned themselves a complex task that involved marking out fine distinctions between honest and dishonest practice while, simultaneously, seeking to make financial journalism pay." (1998: 54-55)

they are "highly sceptical about 'spin' and strongly inclined towards highlighting instances of corporate underperformance and mismanagement" whereas Tambini (2010: 158) asserts that "there is no consensus among financial and business journalists about their "watchdog" role in relation to markets and corporate behaviour". The financial journalists interviewed in Chapter 5 were all absolutely clear that they had a professional duty to uncover corporate wrongdoing where it arose and not to align themselves with corporate interests. Doyle (2006) however says it is unlikely that the working constraints of journalists will make their uncovering of malfeasance, but her argument is tautological since companies would go to great lengths to conceal malfeasance. The journalists interviewed in Chapter 5 linked the efficiency of their regulatory contribution to the level of professionalism of the journalist and the prestige and independence of the publication for which they reported. This is supported by the findings in Chapter 4, which saw independent news media as producing the largest overall negative effect on returns compared to other forms of corporate disclosure.

The main theoretical contribution then, of this thesis is that the professional financial journalist at a highly-reputable news organisation has enough distance from corporate advertisers and sources and thus has a great deal to contribute to corporate governance, as well as to influence market movements. Thus, even though there are challenges to this role from the increase of alternative online news sources and the rise of PR, the risk that a respected financial journalist poses to corporate reputation is still substantial. This is particularly the case with expert financial journalists who write for the most prestigious financial titles and furthest-reaching news organisations. This is evidenced by the fact that companies deploy significant resources in managing the manner in which they are portrayed in such media through their reputation risk management activities as Chapter 6 attests. This new actor, the financial journalist as intermediary is problematized in this study through the following definition: A financial journalist is a person working for a reputable news organisation, and regarded as such, with the necessary skills and experience to write about or otherwise narrate financial events in such a way that the product of such writing both mediates and intermediates those events in a way that influences the prices of assets.

The theoretical contribution also therefore builds on the study of reputation risk management as the discussion of the empirical findings evidence and the expansion of this field into advisory and strategic roles. The theoretical contribution is made both to the accounting and finance and the social studies of accounting and finance literatures. There is also a contribution to the

management and organisational literature, with which the issue of reputation management specifically overlaps.

Some Studies have looked at reputation management's role in impression management (See Hooghiemstra (2000). Others have recognized that positive media exposure has a legitimizing effect in the context of social and environmental reporting (Merkl-Davies and Brennan, 2013). It has thus been argued by some scholars that public relations could hence form part of the reputation risk management activities of a firm (Power, 2004) and Bebbington (2008), but none have investigated by interviews how reputation management, in the context of public relations specifically, is actually managed from the company's perspective and how they assess these risks in relation to the corporate reputation and the other outcomes of corporate reputation management. Chapter 6 therefore looked at how public relations practitioners understand their own role as reputation managers in relation the financial market and saw the risk they attach to financial journalism will influence the manner which they go about doing their work. This also supports the theoretical contribution that the financial journalist is a significant intermediary actor in relation to financial information. This was because it was found that financial public relations practitioners thought environmental, social and governance risks could threaten the financial position of a firm, and that reputation management was of increasing importance to the financial valuation of firms and therefore media was important in so far as it was the main dissemination device to the corporations' audiences. It also found that the public relations practitioners' activities are increasing into corporate reporting and disclosure and information subsidization whilst journalists' resources were decreasing. This is broadly in agreement with Doyle (2006).

The third study also strengthens the intuition that media's wide dissemination enables it to have the large effect it does on returns and volumes, which is why companies are concerned with managing media reporting in their reputation management activities. Both the public relations literature and the interviews with practitioners do not support a robust claim for professional status yet, at the same time their activities in financial markets are increasing, and need to be contemplated in the securities regulation. This is further explored in the potential policy implications below. The third empirical study finds that the trend towards the increase in financial public relations identified by Davis (2002) and Doyle (2006) has intensified. It is precisely because of the increasing remit of public relations and proliferation of alternative

sources of financial news that the professional/expert financial journalist is considered valuable in financial markets and remains a focus of public relations' activities

Chapter 5 also evidenced that highly professional journalists were still extremely valuable and efficient in financial markets and extremely sophisticated financial market actors, some of whom were regarded to be as good as or even better than analysts, and on occasion, better educated in finance than some financial analysts. The quality of financial journalism is understated in literature not only by Doyle (2006), but also by Tambini (2010) and Schechter (2009) particularly in relation to the financial crisis. Schechter and Tambini both ask why journalists did not see the financial crisis "coming" but it is injudicious to place the responsibility for this on financial journalists alone, because policymakers, academics and economists did also not see the financial crisis of 2009 "coming" as Britain's Queen Elizabeth II famously asked (See *The Daily Telegraph*,[57] November 2008). It was a joint failure of market oversight. In fact, one of the most famous forecasters of the financial crisis was the *Financial Times* journalist Gillian Tett, who famously used her training as an anthropologist to unpack the culture and jargon of the subprime mortgage market (Tett, 2009). Similarly, the Enron scandal was uncovered by a financial journalist, *Fortune* magazine's Bethany MacLean (See in particular *Wall Street Journal* editor Pete Steiger's Nieman Report: 'Not every journalist 'missed' the Enron Story', Nieman.edu, 2014).

7.5.3 Potential Policy Implications

While journalists play an important role in corporate governance, liquidity and market oversight, their activities require further scrutiny as financial news continues to proliferate. One of the main potential policy implications of this thesis is with regard to the manner in which price-sensitive information is legislated and regulated. In this regard, both public relations practitioners and financial journalists require closer study by regulators. This was confirmed both by Andy Haldane[58], director of financial stability at the Bank of England as well as the

[57] "During a briefing by academics at the London School of Economics on the turmoil on the international markets the Queen asked: "Why did nobody notice it?" …The Queen, who studiously avoids controversy and never gives away her opinions, then described the turbulence on the markets as "awful"."

[58] Andy Haldane said in a public Q&A in Edinburgh, 8 June 2012 that the Bank of England may have to start addressing comnunications risk.

former managing editor of the *Financial Times,* Lisa MacLeod[59], in public forums in which the issue was put to them. The House of Commons debated the role of financial journalists in its Banking Crisis memos of 2009 (parliament.uk, 2009).

While current legislation contemplates financial journalism as price-sensitive news, journalists enjoy certain civil liberties due to their contribution to democracy and free speech (Epceurope.org, 2002). Regulation of financial journalists could be offset by giving them stronger powers which will assist regulators in their task. It is very much in the interest of the government to provide funding to journalism, as the Scandinavian model of democracy puts forward (Hallin and Mancini, 2009). But this should be done so as to ensure that the financial news media is not captured by government or corporate interests. In addition, journalists and public relations practitioners themselves require closer scrutiny in terms of securities in which they have a personal interest. The increasing complexity of financial markets and assets and the ability of financial news media to affect financial markets also prevents a strong case for the accreditation of journalists to have some basic understanding of finance and economics.

Public Relations is under-regulated by the financial authorities and their increasing encroachment on corporate disclosure, risk management and strategy advisory functions as experts require some investigation. The control which public relations practitioners increasingly exert over the narration and presentation of financial results and their increasing resources in relation to journalists is also concerning. The findings of Chapters 5 and 6 lend support to these policy implications and according suggestions.

7.6 Limitations

Each of the methodological choices by themselves or in conjunction with each other presents a potential impact on the ultimate findings of the thesis. First of these was the interdisciplinary and mixed methods approach. The project began as a behavioural finance approach to the

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[59] Lisa MacLeod addressed a public Q&A at Deloitte in London on 7 March 2012 and said that she "definitely" thought that financial journalists played a role both in causing the financial crisis as well as collective understanding of the events.

literature, but that approach, whilst interesting, presented one aspect of a complex social phenomena – the financial market and the role of journalists in the intermediation of financial information on which financial markets, and ultimately, their investors depend.

As discussed in the methodological section, the subjective nature of some of the findings in prior research and the thesis' pilot studies, as well as of the research questions that arose from these indicated that an interdisciplinary survey of the work was necessary. This led to a decision to approach the thesis with interdisciplinary literature and mixed methods. The consequence of this was a complex and rich research experience, but one that was also demanding in terms of the breadth of reading and analytical integration required. It may have meant that some sacrifices were made in terms of the amount and diversity of data that could realistically be processed in the scope of a thesis by a single researcher.

The quantitative study, 'Market Reactions to News Media', which comprises Chapter 4, for example, uses *NASDAQ* small-cap data, which means that the smaller market capitalisation of such firms means that their information environment is perhaps not as rich as that of large firms, which means that on the one hand, while this meant that a relatively large sample of companies could be drawn from to make relatively robust conclusions, those conclusions may not be generalisable to large firms, or in other country settings but this opens up for further research, which might replicate this approach, using large firms or a comparative study in different country settings. Further, smaller firms in general attract less attention from media and stakeholders in broader society, and the news stories they generate are normally to do with earnings announcements and stock price movements. (See Bushee 2010 and Bamber 1986) It may therefore have been potentially more interesting to do a quantitative study with larger firms as indicated by the empirical findings of the qualitative work in Chapter 6, where lots of social and environmental factors impact on a firm. [60]The qualitative research in Chapters 5 and 6 are inherently subjective in terms of the issues they approach. Some critics of mixed methods research may assert that the paradigms combined in the thesis are not commensurable and incompatible but this has been addressed in the Methodology Chapter (See also, Denzin, 2012).

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[60] This is not to say that CSR reporting is not important for publicly listed small-caps, in fact, they may be more vulnerable to doing it badly. In addition, as discussed in Chapter 4, the reason for using small caps in the thesis was due to the fact that the datasets for large firms were too unwieldy to contribute to the in-depth discussion of issues undertaken here.

Another important factor that undoubtedly has an impact on this research is my own reflexivity. No matter how analytical and objective I have tried to be with regard to the presentation of the findings, it is of some importance that I have worked as a financial journalist, and also in corporate relations both before and during my doctoral research. My own reflexive bias and occupation as a financial journalist meant that this made data and access relatively easy on the one hand, on the other hand, however, the manner in which that information was framed as well as the interpretations thereof may be biased by my own experiences. However, despite these limitations, the decision to pursue an interdisciplinary and mixed-methods path has meant the work is relatively nuanced and textured, and the research design has led to findings that are quite generalizable in terms of its contribution to the subject matter. The aim of the work was to contribute to a broader understanding of the financial journalist as a new type of actor in financial markets with regard to information intermediation, professionalism and expertise and so whereas more detail on one dimension of the issue may have been more interesting to explore as a case study for example, the research design choices have also facilitated an overview of a complex social phenomenon. The directions for future research below explore some of the ambiguities and further research avenues thrown up by the potential limitations of the research choices.

7.7 Directions for Further Research

The Limitations and Policy Implications have highlighted some areas which were determined by the methodological approach and the constraints of the available data. However, these methodological and data collection limitations have also provided a useful indication of where possible future areas of research may lie. There are three potentially meaningful areas of research that this thesis has flagged up.

First, the mediation of financial news events in the context of the increasing speed and complexity of financial data; and the proliferation of categories of financial information on more platforms, such as mobile telephony, blogs and social media means that even more research is required on the influence of financial news media on market efficiency, particularly with regard to the joint effects of different categories of financial information. Second, the regulation of financial journalism and financial public relations requires more intensive scrutiny in terms of their contribution to the regulatory framework and the manner in which they may be conflicted with regard to financial advice or financial promotion. Third, there is still much scope for

extending some of these findings into behavioural finance especially with regard to the relationship between bad news and cognitive biases and its influence on financial crises.

7.8 Concluding Statement

This thesis found that the news media generally has a large effect and a negative effect on returns and large effect on trading volumes and corporate reputations. This is explained due to media's wide dissemination and negative bias both in financial journalists' attraction to bad news and interpreting events negatively. The media's watchdog function in financial markets in combination with the increased information efficiency of modern financial markets means that when the media bring new information to the market it is would be a big surprise, particularly if this was evidence of malfeasance or misadventure. It is argued that the media has a significant potential in corporate governance and the democratisation of financial information, but should be balanced by a high professional ethos amongst journalists against corporate interests in the context of fast-moving financial markets. These observations mean that the financial journalist is a new significant actor in financial markets which requires further consideration in corporate disclosure and reputation risk management activities. It asserts further future expansion of public relations practitioners into corporate advisory and risk management function due to the increasing contribution of reputation management to financial evaluation. The empirical observations strengthen the evidence for these theoretical contributions. The thesis makes a contribution to the understanding of financial information, and the increasingly complex information environment and relations that underline modern financial markets. It also makes a contribution to the manner in which topics of interest in finance can be approached by incorporating mixed methods and multidisciplinary influences.

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| END OF THESIS |

“I must go down to the seas again, to the lonely sea and the sky,
And all I ask is a tall ship and a star to steer her by;
And the wheel’s kick and the wind’s song and the white sail’s shaking,
And a grey mist on the sea’s face, and a grey dawn breaking …”

John Masefield 1878–1967