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POTENTIAL OF CORPORATE COMMUNICATION IN NEW MEDIA: THE EXAMPLE OF A FINANCIAL COMMUNITY

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Abstract

Corporate communication is challenged by new communication possibilities due to the rapid development of new media, as they are established by information and communications technology. Traditional corporate communication departments interact with different target groups using different media trying to generate all news on their own in order to influence opinions and to set their agenda. With the upcoming of new media this is no longer feasible:

New media are interactive and enable the creation of (virtual) communities. Corporate communication has to adapt from traditional target-group- to a new community-paradigm.

In new media corporate information is available on many sites and though a lot of services not necessarily influenced by the corporates themselves. Corporate communication should try to integrate those information providers in their communication concept and use them as third party endorsers.

In this article we discuss why corporate communication should adopt the community paradigm and depict how this could be done. We will develop a financial community model for corporate communication.

Keywords: E-communication, corporate communication, target groups, communities, investor relations

Introduction

The main problem companies are facing today is not the production of goods anymore but their communication [Schmid 2000]. Under the pressure of reduced life cycles and steadily growing faster production cycles, companies and their goods need to be explained to stakeholders. To explain the goals of the company and to create trust in their products and the company itself, corporate communication must catch the attention of a companies stakeholders [Gregory 1998].

New media change the way we communicate, we work and how we learn and live [Picot et al. 1996]. As new media change the whole environment corporate communication needs to adapt and has to find ways to use the potentials of new media for communication.

We will discuss the potential of communities in new media and how they will change the paradigm of target groups. After outlining the possibilities for community communication, we will develop a generic community model for a financial community of a company based on the media model and the media reference model [Lechner/Schmid 2000]. It is not possible to develop a complete corporate communication community model here and therefore we focus on a financial community as example for all corporate communities in corporate media [Porak et al. 2000].
From Target Groups to Communities

Classical models of social interaction\(^1\) describe structural components and processes of communication. Structural components are sender, message, channel, noise and receiver – additionally in some models encoding and decoding are mentioned. Human beings are defined as the only possible senders and receivers of communication. Communication processes are perceived as being linear with the possibility for sender and receiver to change roles and to give feedback.

These communication models are the basis for classical public relations and corporate communication [Argenti 1998]. Following this opinion a company communicates with its target groups mainly via journalists. Journalists transform and filter selectively information given to them. Journalists and the media in general play the role of gatekeepers and multipliers [White 1950]. They decide what will be published and through that set their agenda.

Due to the rapid development of new media and new communication possibilities, these structural components and processes necessarily need to be revised [Will/Geissler 2000]. Companies are still used to communicate with different target groups individually using different media. This is no longer feasible when using new media. Communication in new media cannot be done separately with predefined target groups anymore. In new media anyone can access any information (unless it is password protected) anytime – a separation of content must be left to a self-selection of users. Target groups and their needs cannot be identified clearly anymore [Will/Geissler 2000]. Instead internal and external stakeholder groups merge to build communities guided by their interests using various information platforms to communicate and get information [Lechner et al 1999]. The most significant differences between classical communication models mentioned above and new media communication are the following:

- new media communication is not limited to human beings. Software agents e.g. machines are able to communicate too. Therefore we use the term "agent" for both human beings and machines [Schmid 1999].
- new media communication is not necessarily linear and bilateral but interactive and multilateral [Marathe 2000].
- new media communication cannot be done in a selective way (gatekeepers). Isolated communication with certain classical target groups is no longer feasible.
- new media communication needs to be customized for certain communities or agents to gain their attention [Porak et al. 2000].

The analysis of 150 corporate web sites regarding corporate communication content showed that the paradigm of classical target groups is still applied to new media communication [Will/Porak 2001].

In order to enable the building of a generic model for a financial community, we will now describe a method to develop (virtual) communities.

Media

For the development of a company’s financial community we need to introduce some basic terms of media: agents, communities as well as the Media Model and the Media Reference Model (MRM) used to build the financial community.

The Media Model

The media model describes media as spheres of agents, modeled as multi-agent systems [Lechner/Schmid 2000]. Media consist of three components [Lechner/Schmid 2000]:

- a common logical space for coding (i.e. syntax) and interpreting (i.e. semantics) the exchanged information objects;
- communication channels connecting the various agents over space and time;
- organizational structures (i.e. roles, protocols) and processes which describe the relationships of agents in a community.

\(^1\)For example the communication models of Shannon & Weaver [1949], Weizsäcker [1974], Watzlawick et al.[1996], Schulz v. Thun [1993], etc. See also Merten [1999].
A medium therefore consists in a channel system designated for transport of information over space and time, a logic e.g. a syntax or language with common semantics and an organization which defines roles and protocols of agents (see fig. 1) [Schmid 1999].

**Agents**

*Agents* are either organizations, human beings and/or representatives, i.e. machines, which communicate through media [Schmid 1999]. Agents’ actions can be defined on the basis of four dynamic dimensions, *knowledge*, *intention*, *contracts* and *resources* which change with agent interaction [Schmid 1999]. Media cannot exist without at least two exchanging agents. This leads us to the concept of communities.

**Communities**

*A community* is an ensemble of communicating agents in media (multi-agent system) [Lechner/Schmid 2000] which share a common language, world, values and interests [Lechner et al. 1999]. Communities are constituted by mutual interest of the agents, e.g. for business transactions, relationship, or research [Schubert 1999]. Depending on its business, history, size, etc. a corporation’s community may consist of customers, suppliers, traders, shareholders, journalists, analysts, lobbyists, politicians, employees, and the general public [Will et al. 1999]. The *importance of communities* is their potential to realize a competitive advantage by (1) providing the communities with targeted corporate and product information, (2) by acting as multipliers of company and product brands, (3) by generating information about the agents (e.g. for consumer analysis), (4) by evaluating information about the company in communities (e.g. for image analysis, early warning) and (5) by obtaining knowledge from the agents (e.g. new product ideas, suggestions for improvement) for corporate communication [Porak et al. 2000].

**The Media Reference Model**

We refer to the Media Reference Model (MRM) to represent media [Lechner/Schmid 2000]. The MRM defines, how media can be developed.

The MRM distinguishes four phases: The *knowledge* phase, the *intention* phase, *contracting* phase and finally *settlement* phase. They reflect the dimensions of interaction between agents. Furthermore four views are distinguished reflecting the components/layers of a medium: *community view* in which the roles and protocols of a community are given (structure), the *implementation or process view* which implements the community view with the respective processes (operations, processes), the *transaction view* where services are provided needed in the four phases (related services), and *infrastructure view* which corresponds to the channels (implementation of services) (see fig. 2).

**Design of Communities**

Media Model and Media Reference Model describe how media can be developed [Lechner et al. 1999]:

Firstly the community for the respective medium has to be identified. In this step we need to know the motivation of the community (interest, transaction, business), how it communicates and how it differs from other communities [Lechner et al 1999].

Secondly the community has to be modeled. In this step we need to define the logical space and the organization for the community [Lechner et al 1999].
Thirdly the community's organization and logical space need to be implemented into a channel system with its communication services [Lechner et al 1999].

**A Generic Model for Financial Communities**

Investor relations or financial communication is a sub-function of corporate communication [Argenti 1998]. Financial communication demands contacts to different target groups in the financial world. On one hand investor relations establish contacts to investors and on the other hand to multipliers and opinion leaders.

Investors can be divided into private and institutional investors. A company must establish contacts to both groups in order to promote its stocks and to build trust into the company [Gregory 1998].

Multipliers in the financial world on the other hand are financial analysts, investment counsels, rating agencies, financial press and brokers [Lindner 1999]. Through their publications, opinions and advice they influence investors' decisions. Therefore a company has to establish close relationships to multipliers in order to establish a strong corporate brand.

The exclusive role of agenda setting and gatekeeping of those multipliers changes dramatically in the new media environment as it is possible to gain information directly from companies and from other information sources (infomediaries) [Krzeminski 1998]. The new media environment changes the paradigm of companies which want to offer all communication services by themselves. Setting their agenda is no longer possible for companies when dozens of information brokers and infomediaries offer more information than single corporate web sites possibly can. Information brokers e.g. "reuters" and "knight riddler" and infomediaries e.g. "edgar", "bloomberg" or "yahoo finance" offer more, better and comparable financial information of hundreds of listed companies. Brokerage sites like "youtrade.com" enable to trade directly with stocks - stock-exchange sites like "nasdaq.com" or "nyse.com" and the "SEC" also offer financial information about companies. In addition new media foster interaction between various interest groups. For the first time common stockholders can interact directly with media or with analysts and get in contact with other shareholders or activist groups via community sites.

The aim of corporate communication should be to build up these relationships in order to use some of the community members as third party endorsers (see fig.3).

In the following we will describe the financial community of a company in new media. Please note that we can only give an introduction at this stage – an analysis in depth is subject to further research.

**Identification of the Community**

Many relationships in financial communities – especially those between companies and their main financial analysts – will certainly still be based upon personal contacts. New digital media are not going to replace traditional media and additional to a corporate's web site companies still use traditional media and personal contacts for corporate communication. Nevertheless in the following we will focus solely on the role new media play for corporate communication and its communities. Information brokers, infomediaries, stock exchange sites, analyst sites, brokerage sites and online community sites offer together much more financial information than corporate web sites, and therefore have an influence on the financial communication of companies. The motivation for these communities is to receive or offer enough information about a company, its values and its strategy in order to be able to judge or to give advice about financial issues. All stakeholders together form a community of interest in corporate financial information using various platforms together as one big information pool. The community – out of a companies' view – resides on more than one platform. Together with the respective company they form a community of transaction of corporate information. But companies can gain information from these stakeholders too.
Agents and their Interests

The evaluation of the interests of all agents, stakeholders and companies, form the first step to community design:

- Online financial media like "ft.com" and "economist.com" publish financial news and event calendars and give advice what to do with the stock of the respective company. All online media influence shareholders’ choices. Companies should deliver real time news to these media and could get reader analyses or statistics in return and put press links on their corporate web sites.
- Analyst sites like "thestreet.com" and "analyst.com" publish charts and statistical information about stocks and give advice whether to buy or sell. On the other hand a company could place analyst opinions or the respective links on their corporate web site.
- Financial community sites like "money.net", "cnnfn.com" and "finance.yahoo.com" offer the possibility of interaction within the financial community. These sites usually offer newsgroups to special issues, 2D- or 3D-chats and additional information about companies. Financial community sites are often included in other web sites like for example those of online brokers. Companies should join these news groups and chats periodically for an active information exchange or should at least gain early warning information through content filtering.
- Special activist group sites like the one of the opponents of the world trade organization conference in seattle 1999 (seattlewto.org) exist in addition to financial community sites. Companies should observe these to gain early warning information.
- Online Broker like "etrade.com" and "consors.com" offer the opportunity to trade with stocks and options to the public. Usually these sites offer not only stock price information but add general financial information about the traded stocks and offer community tools. Companies could learn form online brokers about how shareholders react on financial news.
- Stock exchange sites like "nyse.com" and "swx.com" offer stock and index prices and usually add financial information about listed companies. Companies can receive actual stock price information for their web sites from these stock exchange sites.
- Stock exchange commission sites like "sec.com" and government sites like "edgar" offer advanced company information as requested by law. Companies could add additional brand building information.
- Financial information-broker sites like "reuters.com" and "bloomberg.com" offer latest financial news. Companies could build up online news wires to selected information brokers.
- Private shareholder information sites like "forticus.de" and "stockholder.com" offer private information for shareholders. They provide general information about trading and brokerage as well as how-to-trade-knowledge. Companies could add advice and financial news to these sites.
- Infomediary sites like "hoovers.com" offer professional company information by gathering the best information they can get from the internet and presenting it in a standardized way. Companies could add in corporate brand building information.
- Corporate Financial Sites finally offer communication services to fulfill the expectations of various stakeholder groups. Hence most corporate communication websites offer inferior services, as shown in a study of 150 corporate websites [Will/Porak 2001]. The corporate's goal should be to inform all communities of interest about the corporate's activities, its purpose and its strategy as well as to establish a strong corporate brand and to build trust in the company.

Depending on the respective partners, the motivation of the community varies from interest to transaction of information and knowledge. This has to be defined for the respective partnership. Communication also differs in this network: from one-way over bilateral to multilateral information and communication, using pull and push services (see fig. 4 for an example of agents and media in the corporate financial community).

After having defined possible members and media of the financial community as well as their possible motivation to join the community, we can make a step ahead and model the community's organization, consisting of agents' roles and protocols as well as offered services and its logical space.

Agents' Roles and Protocols

Roles define the functions of an agent in terms of rights and duties. In order to communicate properly and in a targeted manner the role definitions of agents have to be as precisely as possible to achieve reliable communication and customization [Porak et al. 2000]. A role is for example "shareholder", "analyst", "corporate communication", etc. Each role defines rights and duties of agents. For example the "corporate communication" role enables to write information to the corporate web site content management system, while "shareholders" could edit their portfolios on broker sites and read financial information on corporate web sites.
The interaction of agents with different roles is described by protocols. Depending on agent's roles the protocols may vary and enable different stage transitions of agents in the same situation.

**Services**

The services offered in a community are also influenced by the agents' roles. Customized information will be delivered depending on role information like the knowledge of an agent (expert, beginner, etc.), on its intention (information, dialogue, etc.), on its rights and duties (security, etc.), on its actions (seeking, clicking, etc.) and on its socio-demographic dimension (male, female, age, etc.). The corporate communication services offered like newsletters, chat, video-conferencing, financial schedule etc. depend also highly on the type of company and its industry. A general definition of basic investor relation services is therefore being left to further research.

![Diagram of Corporate Financial Community](image)

**Logical Space**

To ensure common understanding and quick comprehension the logical space needs to consider requirements of perception and cognition of agents as well as of the corporation which should be applied to all agents alike. The system should adapt dynamically to specific requirements of agents, like individual schemata, cognitive style or interpretation of color depending on cultural backgrounds [Porak et al. 2000]. By means of behavior tracking the sequence and logic of content structure and representation can be adapted according to the schemata, scripts or mental models of the agents. Differences in cognitive style of agents have to be taken into account when displaying information.

A corporate's financial community is communicating or creating financial information about the company as well as finance-related information and information about its community and media. Financial communication of a company embraces all relevant stock information and financial reports, information on shareholder meetings, analyst and press conferences and financial calendars, but also interaction of various agents either directly via video-conferences or in news groups, chats and their comments.
and advice on certain issues. The syntax and semantic of these information allow various agents to communicate with the company and with other agents.

Values in the Financial Community

A community is held together not only by a common language but also by shared values like a common understanding of the world. Some of these values are set by the community through rules describing communication and transaction. Protocols standardize agents' actions for example the flow of communication. Trust is generated by stable and reliable protocols, strong data security, protection of personal data, by information quality and generally by a strong corporate brand [Lechner et al. 1999].

Implementation of the Financial Community

Having defined organization (roles, protocols, services) and communication (logical space and values) of the financial community, the community is ready to be implemented into a channel system with its communication services. As corporate communication needs several communication platforms for different purposes like investor relations, media relations, product communication, etc. we suggested to integrate all communication platforms in corporate media [Porak et al. 2000]. The design of integrated communication media would unify all communication services of a company for all agents and communities. Corporate media create positive frames for interaction within the communication goals of companies.

In further research, the agents and services of the financial community model need to be specified and implemented by defining all its processes, data, logic, and interfaces.

Conclusion

We depicted in the introduction the necessity for corporate communication to rethink its target group paradigm in favor of a community centered design and to consider additional financial information services in the new media environment. Following we introduced the media model and the Media Reference Model as a basis for new media design and especially for community design in new media.

In our research we focused on a general description of a company’s financial community consisting of various agents with special interests in that community and showed how this community could be developed.

The next steps towards implementation of the financial community would be to define all information objects and services, all agent and community roles, as well as the IT-design in order to implement parts of the community in a prototype.

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