

EFFECTIVE FINANCIAL COMMUNICATION — A COMPARATIVE BOOK ANALYSIS

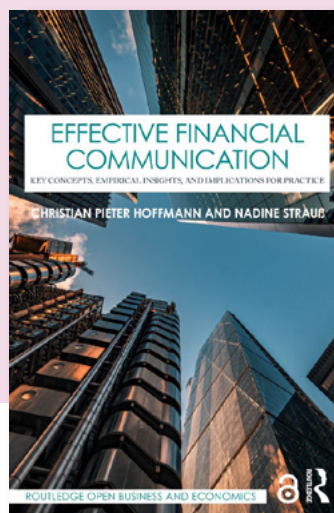
REVIEWERS: KAY BOMMER, GERMAN INVESTOR RELATIONS ASSOCIATION & ALEXANDER LASKIN, QUINNIPIAC UNIVERSITY

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Drawing on research from finance, accounting, economics, psychology, and communication studies, this 318-page book by Christian Hoffmann and Nadine Strauß explores theories and empirical evidence on the effects and effectiveness of financial communication. It's open access and comprised of three main sections, exploring the fundamentals, impact, and management of financial communication and investor relations, offering insights for both academia and professional application.

This review presents two different perspectives on the publication: a practitioner's view by Kay Bommer, a long-time practitioner from Germany, and an academic assessment by Professor Alexander Laskin, USA.



THE PRACTITIONER'S VIEW (KAY BOMMER)

The field of investor relations (IR) has come a long way in recent decades. From a fledgling disclosure function, initially populated by a ragtag group of finance, legal, and PR professionals, IR has evolved into a strategic function with strong professional standards and a major role in creating corporate value. Today's capital markets are highly sophisticated, fast-paced, and internationally intertwined. As a long-time practitioner and managing director of DIRK, the Germany Investor Relations Association, I was thrilled to see that Hoffmann and Strauß, two high-profile investor relations scholars, have published the book *Effective Financial Communication*.

The book is comprised of three main sections. The first explores the foundations of financial communication. It explores the history and roots of IR, explains its key tasks, important tools, and its target audiences. Based on these help-

ful basics, the book then delves into the effects of financial communication, and systematically explores how and why IR contribute to corporate success. In short, it clearly explains the effects of financial communication. The third and final part applies these insights to the management of financial communication, covering the IR and PR department, the role of executives, and topics like digitalization and sustainability.

Financial communication uncovered: theory, evidence, and practical insights

This book may well be the most comprehensive summary of academic research into financial communication and IR to date. It reflects, systematizes, and explains insights from hundreds of studies from research fields as diverse

as communications, accounting, finance, law, sociology, and psychology. The authors' ability to integrate this sheer volume of interdisciplinary research into a compelling and understandable narrative is commendable. Practitioners will likely be surprised by the depth and breadth of the state of research into financial communication.

The book's focus on the effects of financial communication is of particular interest to practice. Which practitioner hasn't wondered if their work actually has an impact on their business, and why. While the various explanations of how financial communication affects capital markets, public discourse, individual investors, and corporate value may at times be quite academic, it's thrilling to see the richness of evidence on the impact of our profession. The authors dive deeply into psychological, economic, and sociological theoretical accounts of financial communication effects. However, each chapter ends on a helpful bullet-point summary of insights for practice, which is both concise and insightful.

Similarly, the third section of the book focusing on the management of the financial communication function is of significant interest to practice. The authors have themselves contributed much to the state of research on these matters. Accordingly, the book offers unique insights into how financial communication can and should be optimized for effectiveness across departments and management levels. Many of the insights offered in this section challenge the state of practice which is often shaped by resource constraints, legal requirements, and ad-hoc problem solving. From the perspective of the German Investor Relations Association, it would be great if we could contribute to making the book's recommendations common practice in our field.

Effective Financial Communication is less of a primer on IR, meant to help novices gain a footing in the field, but rather it offers rich and deep insights into how communication shapes capital markets and corporate value that will be of particular interest to more experienced practitioners. Those wondering about the impact of their work and seeking a sound understanding of the effects of investor relations will find an engaging scholarly account in this book. Beyond practice, I'm sure it will also be tremendously helpful to students and researchers interested in financial communication as it offers a unique summary of the state of research.

A challenging but inspiring read

Effective Financial Communication is a challenging, but inspiring and enlightening read for those seeking a sound understanding of the financial communication function and its impacts. Practitioners entering the field will benefit particularly from the initial section of this book. More experienced colleagues will enjoy the depth of reflection on financial communication effects and effectiveness in its subsequent sections. As noted, this book will likely be a must-read for those studying and research IR in the future.

THE RESEARCHER'S VIEW (ALEXANDER LASKIN)

In today's intricate financial landscape, effective communication is paramount. *Effective Financial Communication* by Hoffmann and Strauß addresses this crucial need, exploring the multifaceted nature of financial communication and investor relations. Given that both authors are European professors, based in Germany and Switzerland respectively, the book provides what is arguably the most comprehensive and insightful account of the financial communication profession in Europe, reflecting the specific regulatory and cultural contexts of the region. Drawing on insights from diverse disciplines, the book aims to bridge the gap between theory and practice. My review examines the book from an academic perspective, focusing on its theoretical underpinnings and contributions to research in this field.

Boundary spanning theory as a key asset

A key strength of the book is its interdisciplinary approach, integrating insights from finance, accounting, economics, psychology, and communication studies. This comprehensive perspective provides a nuanced understanding of the complexities of financial communication. The authors effectively synthesize existing research on topics like stakeholder capitalism, narrative construction, and agenda setting within the context of financial markets. The

historical overview of financial communication also offers valuable context. The detailed exploration of the role of narratives and equity storytelling is particularly insightful and offers practical guidance for crafting compelling corporate narratives. As a product of the authors' deep engagement with the European academic landscape (Germany and Switzerland), this work stands as a uniquely comprehensive analysis of the financial communication field in Europe and all over the world.

A significant contribution of the book lies in its application of boundary spanning theory to financial communication. The authors effectively explain how financial communication professionals act as boundary spanners, bridging the gap between organizations and their financial stakeholders. They highlight the tensions inherent in this role, such as the potential for conflicting loyalties and the need for cognitive and cultural alignment with both internal and external networks. The book's discussion of how boundary spanning facilitates information flow, reduces information asymmetry, and contributes to better alignment between organizational performance and stakeholder expectations is particularly insightful. The authors' exploration of the role of relationship quality in boundary spanning, drawing on concepts like social capital and network theory, adds another layer of depth to the analysis. They effectively illustrate how strong relationships can facilitate the exchange of valuable information and contribute to more effective financial communication. ns inherent in this role, such as the potential for conflicting loyalties and the need for cognitive and cultural alignment with both internal and external networks. The book's discussion of how boundary spanning facilitates information flow, reduces information asymmetry, and contributes to better alignment between organizational performance and stakeholder expectations is particularly insightful. The authors' exploration of the role of relationship quality in boundary spanning, drawing on concepts like social capital and network theory, adds another layer of depth to the analysis. They effectively illustrate how strong relationships can facilitate the exchange of valuable information and contribute to more effective financial communication.

However, while the book touches upon various aspects of digital evolution, a deeper exploration of the digital landscape and its influence on financial communication would have been beneficial. For example, the book fails to address the new financial instrument such as cryptocurrency and cryptocurrencies and what they bring to the area of financial communication. The profound impact of decentralized finance (DeFi), blockchain technology, and the increasing prevalence of cryptocurrencies like Bitcoin and Ethereum make such discussion a necessity. This omission is particularly striking given the growing interest in and market capitalization of these digital assets. For example, the book could have examined how traditional financial communication strategies need to be adapted to engage with crypto-native audiences and how companies are navigating the complex interplay between traditional finance and the decentralized world.

Additionally, the book addresses relationship management with an impressive level of detail but further discussion of the ethical considerations involved in building and maintaining trust with financial stakeholders would be valuable, especially in the context of emerging technologies and the potential for market manipulation with deepfakes and the synthetic media. Finally, while the book effectively integrates various theoretical frameworks, a more explicit articulation of a unifying theoretical model for financial communication could have strengthened the analysis.

Overall, the book contributes significantly to the corporate communication field by providing a structured framework for understanding and analyzing financial communication. Its focus on empirical evidence and practical implications makes it a valuable resource for both academics and practitioners.

A valuable resource

Effective Financial Communication is a valuable resource for academics, students, and practitioners seeking a comprehensive understanding of this dynamic field, whether in Europe or in other parts of the world. I highly recommend it for those interested in the strategic role and impact of financial communication in today's capital markets.

REVIEWERS



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ABOUT THE BOOK

Hoffmann, C. P., & Strauß, N. (2024). *Effective financial communication. Key Concepts, empirical insights, and implications for practice*. Routledge. 318 pages. The book is available in hardback (ISBN 9781032222585) and paperback (ISBN 9781032222592) versions at <https://www.routledge.com/p/book/9781032222585>. A free open-access version (eBook) can be downloaded at <https://doi.org/10.4324/9781003271826>.