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Review

An exploratory literature review into a series of related factors affecting the use of the internet for investor relations

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Corporate governance is a primary concern for both investors and managers. Within the corporate governance literature there is a new stream of research that has to do with the use of the Internet for investor relations (IR). However, this research has focused primarily on descriptive studies. The main objective in this paper is to conduct an extensive literature review into a series of related factors affecting the use of the internet for investor relations. In addition, some valuable propositions are developed which can be tested in future studies.

Keywords: Investor relations, ethical leadership, corporate governance, culture, agency costs

INTRODUCTION

As a research topic, corporate governance has received great attention, especially after the financial disasters exemplified by companies like Enron and Tyco International. Case in point, Schleifer and Vishny (1997) provide an extensive survey of corporate governance. Within the corporate governance literature, agency costs and problems associated with it are often considered a major concern (Fama, 1980). The agency costs refer to the money that investors have to incur in assuring that managers properly use their money. Investors and managers sign contracts that specify how their funds will be used and some control rights are established which lead investors to make decisions in cases not fully foreseen by the contract (Grossman and Hart, 1986). The problem is that when there are too many investors, some are not well informed to exercise these control rights (Shleifer and Vishny, 1997). Ethical leadership and integrity play a critical role in corporate governance (Sullivan 2009). Carroll (2003) states that the current environment of fraud and corruption have their roots on the greed and dishonesty of many senior executives, auditors and accountants. Corruption and lack of ethical leadership cost organizations to reduced competition, efficiency, innovation, investments, and employment,

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misallocating scarce resources, and lack of efficient administration and policies (Sullivan 2009). It has been argued that the responsibility of leaders is to provide ethical leadership (Lewis, 2002). However, past experience demonstrates that ethical leadership has become a challenge in today's world (Fulmer, 2004). In the same token, Alewine (1998) argues that in order to improve shareholder value, there is a need to exert strong and credible leadership as well as to communicate steadily with shareholders and the investment community. The preceding literature implies that ethical leaders must be willing to strongly communicate and inform investors about the use of their funds. This critical set of relationships between the firm and its shareholders can be better managed by using a tool known as Investor Relations (IR) (Hamid, 2005). According to Marston and Straker (2001), investor relations are the communication of information relating to the firm to the financial community. Equally important, the increasing use of the Internet has made this medium ideal for investor relations' purposes. In fact, there is an abundance of financial and accounting research regarding financial disclosure over the Internet. For instance, Wertheim (2000) mentions that financial disclosure on the Internet can help individual investors to access the companies' information. He also suggests that going beyond the minimum amount of required disclosure can generate considerable benefits for companies' stocks. Moreover, Chang et al.(2008) found that firms with higher disclosure quality through their investor relations activities have higher analyst following, more active trading and more institutional shareholders. In addition, according to Mahoney and Wessendorf (1996), the Internet makes it easier to retrieve the information by all interested groups to make well informed and timely investment decisions. This attribute, according to Pearce (1998), may reduce the information advantages of institutional investors and information intermediaries. To date, most of the available research has focused primarily on describing how firms in different countries use the Internet for financial reporting (Hamid, 2005; Gowthorpe and Amat, 1999).

The need for this financial information is the focus of this paper. There is still very limited rigorous research which links the use of the Internet for investor relations with some important non-technological factors that may affect it like culture, ethical leadership, and corporate governance. Thus, the purpose and contribution of this paper is to conduct an extensive literature review that assesses the relationships among culture, ethical leadership, corporate governance, the use of the Internet for investor relations and agency costs. In addition, some valuable propositions are developed which can be tested in future research.

LITERATURE REVIEW

Tyco International, Enron, WorldCom, and most recently the Madoff´s case are examples of financial scandals, which have, encouraged research initiatives on corporate governance and investor protection issues. One of these streams of research has to do with investor relations. According to Lev (1992), the continuous share of information on the firm's activities may help to minimize investing uncertainty. Thus, investor relations can be seen as a critical variable that can restore and build shareholders' confidence (Gruner, 2002) and a tool to improve organization's performance in the stock market, shareholder value, corporate reputation (Gibbins et al,. 1990; Hoffman, Tutic, and Wies, 2011), investor loyalty (Helm 2007; Hoffman et al. 2011) and mutually beneficial long-term relationship (Tuominen, 1997; Dolphin, 2004) through effectively and transparently communicating financial and marketing information, and securities law compliance among the company and direct, indirect, current and potential partners (Marston 1996; Dolphin, 2004; Laskin, 2009; NIRI, 2011; Hoffman et al., 2011). In fact, Allen (2002) argues that in the Post-Enron era, investor relations vaults to the top of the corporate agenda and suggests that proactive firms have the chance to distinguish themselves and create a competitive advantage.

Within the investor relations' literature, there is a relatively new area, which has focused on the use of the Internet for financial disclosure. Before the Internet era, banks and the buy-side analysts were two major ways for shareholders to get information about the organization (Claire, 2003). The literature shows that the recognition and importance of Internet as a medium for financial disclosure or financial reporting by organizations has been growing (Wildstrom, 1997; Claire, 2003). Internet allows originations to have better investor relations by providing more transparent, interactive, ubiquitous, and inclusive information flow between the company and the other partners in the investor community at the international level (Claire, 2003; Brønn, 2004; Capriotti and Moreno, 2007). For example, Lymer (1997) and Deller (1997) studied the use of the Internet for corporate reporting and for investor relations. These studies used only firms from a single country. In a similar study by Gowthorpe and Amat (1999), the authors found that firms in Spain still lag behind when compared with firms from other countries in communicating with investors electronically. In another study by Weber et al.(1999), it has been reported that the use of the Internet for investor relations in the U.S. is more common than in the U.K. and Germany. In addition, Marston (2003) found that the majority of the leading firms in Japan have an English website with full annual reports available. As cited by Claire (2003), based on the study of Deller et al. (1999), investor relationship through web sites in US companies is more common and more comprehensive than UK and German companies. Also, Pirchegger and Wagenhofer (1999) found that the quality of Austrian websites increased with firm size. A more recent work by Hamid (2005) suggests that Malaysian companies are not utilizing the full potential of the Internet for investor relations' purposes. Similarly, Khadaroo (2005) showed that firms in Singapore are making better use of the Internet for investor relations than Malaysian firms.

However, all of these preceding studies are primarily descriptive. In contrast, more investigative research has found substantial variation in the quality of the financial reporting practices over the Internet (Ashbaugh et al., 1999). Also, Fisher et al. (2004) suggest that there is significant concern for the auditing profession in relation to the presentation, context and content of the audit report in a web-based environment. Internet has usually been seen as a medium through which investors or interested parties can get financial and marketing information about the organizations (Hassink, Bollen, and Steggink, 2007). However, there are some drawbacks of using the Internet for as such a medium. Two highly common reasons include the standardization of data and asymmetric information. Generally, the Internet sites are in one-way asymmetrical structure. Organizations usually "push" information to the investors (Gowthorpe, 2004; Hassink et al., 2007). On the other hand, two-way symmetrical communication, which allows investors to "pull" any information they require (Gowthorpe, 2004; Hassink et al., 2007) is proven to improve the long-term relationship between the company and investors (Bishop, 2004; Hassink et al., 2007). Organizations recognizing this fact tend to use the Internet for communicating with their investors more effectively. The fact that organizations have the discretion on what to disclose on their web sites create the problem of standardization (Von Westarp et al. 1999; Khadaroo, 2005). Von Westarp et al. (1999) state that organizations need to be cautious regarding the "content, presentation, authenticity and integrity of the data supplied" (p.1). Finally, Xiao and Jones (2002) have predicted how the use of the Internet for financial reporting will change in the future.

Thus, except for these few studies, the literature in this area is dominated by descriptive studies that show an increased use of Internet for financial disclosure. However, there is a lack of rigorous research which links the use of the Internet for investor relations with some factors that may affect it, such as culture, ethical leadership, corporate governance, and agency costs. These attributes are captured in the following supporting literature.

CULTURE AND ETHICAL LEADERSHIP

The concept of culture has been studied by several scholars and usually examined under two categories: organizational and national culture. Deshpande and Webster (1989) and Desphande et al. (1993) define organizational culture as "the pattern of shared values and beliefs that help individuals understand organizational functioning and thus provide them with the norms for behavior in the organization" (p.4). Organizational culture is related to organizational values (Flamholtz, 2005) regarding "treatment of customers, standards of performance, innovation, etc." (Flamholtz, 2001, p.269). On the other hand, Schein (1985) identifies culture as the combination of behaviors, beliefs and values, and underlying assumptions. While behaviors, and beliefs and values can be impacted by corporate culture to some degree, underlying assumptions, which refers to "ways of perceiving, thinking, and evaluating the world, self, and others" (Schneider 1988, p.233) can be affected mainly by the national culture (Laurent 1986; Schneider 1988). National culture has deep impacts on sub-consciousness; therefore, it is more natural and related with human relationships (Hofstede, 1980; Schein, 1985; Laurent 1983; Schneider 1988). Schneider (1988) states that national culture is one of the main determinants of the perception of timeliness, hierarchy, groups, attitudes towards uncertainty and change, active or passive oriented behaviors, perceptions of truth, etc. In this study, we will examine the relationship between ethical behavior and culture from the underlying assumptions perception; therefore national culture rather than corporate culture will be our focus. The term "culture" will refer to national culture for the rest of the paper.

Previous literature has been recognized that culture has a strong impact on leadership behavior and practice. In this sense, Yukl (2006) states that:

"Cultural values and traditions can influence the attitudes and behavior of managers in a number of different ways. The values are likely to be internalized by managers who grow up in a particular culture, and these values will influence their attitudes and behavior in ways that may not be conscious" (p. 431).

In addition, cross-cultural research has found similarities and differences among countries regarding how managers lead, behave and act (Hofstede, 2001; Trompenaars, 1993). Moreover, House et al. (2004) led the Globe Study of 62 Nations and found support for the influence of culture on leadership. Also, according to the Owens' (1983) model of business ethics, the managers and their decisions are affected by their ethical beliefs and codes. Finally, Wines and Napier (1992) theorize that culture may affect both ethics and attitudes, and ultimately behavior.

Within the literature that relates culture with ethical or unethical behavior, there is an important amount of work, which focuses on the relationship between culture and corruption. The majority of available studies use Hofstede's (1980) research to measure culture (Getz and Volkema, 2001; Husted, 1999). Thus, even though many researchers complain about the validity of Hofstede's findings, it is the study that has been the most frequently applied. In fact, according to Husted (1999), a review of Hofstede's work found that these cultural dimensions had been mostly confirmed and validated in several extensions and replications of their study. Moreover, consensus finds that Hofstede's dimensions are a valid measure regarding culture.

To operationalize unethical behavior, we need a proxy that has been used previously, and which reflects how self-interest-seeking managers abuse of their privileged position to act unethically and opportunistic. For this purpose, the concept of corruption can be useful.

Even though some definitions of corruption are restricted to situations where one of the parties is a public official (LaPalombara, 1994), others allow for corrupt practices among private parties as in the case of commercial bribery (Coase, 1979). Moreover, Macrae (1982) uses a definition which involves the use or abuse of a privileged responsibility for private ends. Thus, in all cases, this paper will use corruption as a proxy for unethical behavior. With this parameter established, an examination of the literature is necessary in order to develop the first set of propositions. According to Gets and Volkema (2001), countries that score high in power distance and uncertainty avoidance may have higher levels of corruption. Davis and Ruhe (2003) found that power distance, collectivism and masculinity explain a significant portion of variance in perceived corruption. Robertson and Watson (2004) found that higher levels of corruption were associated with uncertainty avoidance and masculinity. Moreover, Sanyal (2005) found that high power distance and high masculinity in a country are associated with high levels of bribe taking. Likewise and according to Husted (1999), uncertainty avoidance, masculinity and power distance have a high correlation with corruption.

All these findings have a theoretical rationale. For example, according to Hofstede (1997, p. 28), power distance refers to "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally". Moreover, Husted (1999, p. 343) argues that in countries that score high in power distance there is a strong "dependence of subordinates on their superiors in the form of paternalism." Husted (1999) also explained that in this paternalistic system, decisions are not made on the basis of merit or performance, but on the base of subordinate loyalty to superiors. Thus, in these cultures, if a superior is behaving unethically, the loyalty of his or her subordinates may serve as a protection to uncover these practices.

The individualism-collectivism dimension refers to the extent a person's decision-making is affected by personal or group goals. Regarding this cultural dimension, Getz and Volkema (2001) stated that, "in collectivistic cultures there may be a network of friends and family and an orientation toward creating lasting relationships that would facilitate abnormal or illegal transaction. Thus, public officials may be inclined to accept bribes in exchange for favors to members of their own social group" (p. 16). It is then expected that collectivistic cultures will facilitate unethical practices.

According to Davis and Ruhe (2003), "Uncertainty avoidance refers to the extent to which people in a society feel threatened by ambiguous situations by providing greater certainty and predictability" (p. 278). In addition, they argue that societies that score high in uncertainty avoidance have beliefs and norms such as the belief that "experts and authorities are usually correct" (p. 278), and that "conflict should be avoided" (p. 278). Hence, these societies have a high level of anxiety, job stress and resistance to change; in these societies structured order is preferred. Such bureaucratic structures may encourage managers and officials to behave unethically (Davis and Ruhe, 2003). Finally, Rashid (1981) argues that bribery reduces uncertainty in the contracting of utility services in egalitarian least developed countries (LDC's).

Masculinity is a cultural dimension that refers to values such as assertiveness, materialism and lack of concern for others (Davis and Ruhe, 2003). In societies that score high in this dimension, it is very important to achieve success and money. Accordingly, Weaver (2001) suggests that in masculine cultures, there is a high probability of potential corruption situations.

Thus, as a result of these findings, one concludes that the following cultural dimensions are correlated with unethical behavior: high power distance, high uncertainty avoidance, high masculinity and low individualism.

Ethical leadership and corporate governance

Investor trust is a critical factor that managers should build and maintain in order to receive enough investment for their current and future projects (Goczol and Scoubeau, 2003). According to Johnston (2003), leaders should restore principles, ethics and values to rebuild trust. In addition, Sullivan (2009) states that trust require transparency, accountability, fairness, and responsibility. To do so, leaders should promote ethical practices in organizations (Yukl, 2006; p. 424). Unfortunately, some powerful leaders use their authority to advance their own careers and economic gain at the expense of organization members and investors. To be ethical, the leader must intend no harm and respect the rights of all affected parties (Gini, 1998). Consequently, leaders should and must set clear standards and guidelines for dealing with ethical issues. For example, leaders should design and implement an ethical code of organizational conduct. In this sense, Yukl (2006) states that “ethical leaders do not foster distrust or play favorites to gain more power or achieve personal objectives” (p. 437). On the contrary, ethical leaders should set the foundation, commit to institutionalize an ethic program, and lead by example in order to build and disseminate an ethical culture in the organization (Sullivan, 2009). The current business environment of lack of corporate responsibility is not only about failures of legal compliance, but more important are about failures to do the right and ethical thing (Arjoon, 2005).

According to Francis et al. (1996), ethical behavior has important economic and non-economic advantages. The authors mention that ethics give leadership to corporate governance and ultimately may bring financial and reputational benefits to firms. In addition, Verschoor (2006) suggests that the ethics of the leaders play a meaningful role in the way business gets done. Moreover, McCarthy and Puffer (2002), Haniffa and Cooke (2002) and Licht et al.(2001) found that corporate governance practices reflect the country's traditions, values and culture. Mintz (2005) and Buck and Shahrim (2005) argue that corporate governance systems develop as a result of cultural underpinnings. According to Sullivan (2009), “Corporate governance is increasingly emerging not only as a tool that increases efficiency, improves access to capital, and ensures sustainability — it is also emerging as an effective anti-corruption tool“(p.2). Finally, Dorroh (2003) argues that the lack of ethics and integrity will slowly harm the whole enterprise.

Sullivan (2009) by citing Sir Adrian Cadbury from the World Bank report states that "corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals...the aim is to align as nearly as possible the interests of individuals, corporations and society" (p.10). Corporate governance deals with ways in which investors assure themselves of getting a return on their investment and on how investors control managers (Schleifer and Vishny, 1997). Because investors themselves are often too small (figuratively) and poorly informed to exercise their control rights. Schleifer and Vishny (1997) suggest that integrity based corporate governance mechanisms should defend investors' interests. In addition, according to Watson (2003), effective ethical corporate governance particularly assures shareholders that management will make good decisions and prioritizes ownership's fiduciary interests.

Overall, leadership affects organizational forms and practices (House et al, 2001; Verschoor, 2006; Yukl, 2006). Given these implications, ethical leaders may help promote and operationalize sound corporate governance practices.

Corporate governance and the use of the internet for investor relations

According to Yukl (2006), one of the criterions to evaluate ethical leadership is the communication of all relevant information about firm operations. Yukl (2006) argues that the ethical leader “makes a complete and timely disclosure of information about events, problems, and actions” (p. 422). Hernandez and Conejo (2003) argue that there is a global effort to support investor confidence; and that the best way to achieve it is by supplying accurate financial information and transparency in business and corporate practices. Hernandez and Conejo (2003), also assert that this emphasis on transparency and business ethics is known as corporate governance. Finally, Eng and Mak (2003), Chau and Gray (2010) and Wang et al. (2008) found that corporate governance affect voluntary disclosure.

When investors offer their money to finance firms, they normally obtain property rights (La Porta et al., 2000; p. 6). Conversely, minority investors, as stated previously, are often too small and poorly informed to exercise these control rights (Schleifer and Vishny, 1997; p. 741). These considerations and arguments imply that one way by which good corporate governance can defend investors is through information sharing. This effort supports corporate governance, as one of the main goals of effective investor relations. According to Marston (1996), an investor relations effort is to provide complete information to investors such that they can make informed decisions. In fact, Lev (1992) argues that voluntary information disclosure has considerable potential for changing stakeholders' perceptions of the company and minimizing negative impacts on share prices. Alewine (1998) supports Lev's argument by asserting that improved investor confidence and shareholder value occurs through consistent communication with shareholders and the investment community.

Communication is the key element between company and its stakeholders in investor relations. Communication needs to be effective and be built based on detailed work and a robust strategy. Uusi-Rauva and Nurkka (2010) outlines the strategies for effective communication as: a) Morsing and Schultz (2006) categorization of information, which refers to giving one-way information to other partners; response, which refers to a two-way asymmetric communication where company gives or pushes information to influence the other partners; and involvement, which refers to a two-way symmetric communication in which both parties are involved and companies adapts to the needs of their investors; b) Morsing et al. (2008) stating the importance of employees; and c) Nielsen and Thomsen (2009) approach stating that the communication should be build based on the business strategy of the organization and the needs of stakeholders.

Effective and two-way symmetrical communication is essential for a long-term mutual beneficial relationship that is the mile stone of investor relations (Grunig and Grunig, 1992; Hoffman et al., 2011; Waters and Lemanski, 2011). Internet can be used as a medium to eliminate the asymmetrical communication and providing more efficient information sharing as part of investor relations (Gowthorpe, 2000, 2004; Capriotti and Moreno, 2007). Internet can serve various purposes (Capriotti and Moreno, 2007) such as serving as an advertising medium, a way to improve relationship with customers and suppliers (Stuart and Jones, 2004), as "uncertainty-reducing information sources" (Sullivan, 1999, p.194 as cited by Capriotti and Moreno, 2007), as a medium for establishing strategic and flexible (both one-way and two-way) communication with other parties (Clark, 2000; Fjeld, and Molesworth, 2006; Capriotti and Moreno, 2007), reducing cost of traditional disclosure and investor relations, and accessing much wider audiences and potential investor (Khadaroo, 2005) even to international targets (Heldenbergh and Scoubeau, 2005). Meanwhile, Internet can be used as a medium to disclose more variety of information, therefore to complement the annual reports, which is considered as the most important tool that companies use for communicating with their stakeholders (Striukova et al., 2008; Guthrie et al., 2008; Orens et al., 2009; Branco et al., 2011). For example, Branco et al. (2011) states that companies in Portuguese give more importance to disclose information through Internet than annual reports.

In addition, Chiang (2005) argues that firms should prioritize the improvement of information sharing to attract investment. Therefore, according to Gruner (2002), investor relations can be seen as a key factor to restore investors' confidence. In fact, Chang et al.(2006) argue that disclosure via a successful investor relations policy enables companies to attract institutional investors, enhance market exposure, increase analyst coverage, reduce information asymmetry and experience smaller shocks.

As mentioned earlier, Internet can be used for different purposes and one of the critical variables that determine these differences in usage is the culture (Mooij and Hofstede, 2002). Studies on Hofstede's culture dimensions have been used extensively to reveal the relationship between culture and technology including Internet. Even if we have only represented the indirect link between culture and Internet, there is several researchers mention both direct and indirect impact of culture on Internet and its use. For example, people in high power distance cultures tend to be less innovative, less eager to initiate and present original thinking /ideas, less open to changes, less initiative to discuss or accept new ideas and technologies (Herbig and Miller, 1991; Gong, Li, and Stump, 2007) and more open to follow directions and centralized control (Hofstede, 1997; De Mooij and Hofstede, 2002). Therefore, adoption and acceptance of Internet as well as general technology will face more problems in cultures with high power distance (De Mooij and Hofstede, 2002; La Ferle, Edwards, and Yutaka, 2002; Hermeking, 2006; Gong et al., 2007). Characteristics of low uncertainty avoidance cultures such as openness to try new things, innovativeness, and high tolerance to risk makes access and adoption of new technologies and Internet easier and smoother in these types of cultures (La Ferle et al., 2002; Hermeking, 2006; Gong et al., 2007). Internet will be more common and accepted in the cultures of high individualism, in which people feel more comfortable and free to try new things, because of the democratic nature of the Internet (La Ferle et al., 2002; De Mooij, 2004; Hermeking, 2006; Gong et al., 2007). Finally, although the hypotheses and findings did not match in several studies, the literature states that in more masculine cultures, the adoption of Internet will be much less than the feminine cultures (De Mooij and Hofstede, 2002; Gong et al., 2007). In more masculine cultures, people will work for getting recognition and spend less time on leisure activities or even in education (De Mooij and Hofstede, 2002). However in feminine cultures, people will be more willing to spend time for enjoying their lives and spend time on Internet for personal reasons. In addition, the democratic and less centralized structure of Internet will be accepted by feminine cultures easier than masculine cultures (De Mooij, 2004; Hermeking, 2006).

In summary, investor relations (IR) are a critical part of corporate governance (Hamid, 2005). In this regard, the increasing use of the Internet for global communication has extended the role of this medium to become an instrument for investor related communication (Gruner, 2002). This trend implies that the Internet can be considered as a medium not only to increase communication among shareholders and the firm, but also as a tool that may enhance corporate governance practices.

In fact, Kelton and Yang (2008) found that corporate governance mechanisms influence a firm's Internet disclosure behavior. Byard and Weintrop (2006), and Dimitropoulos and Asteriou (2010) have shown that the quality of financial information is associated with the quality of corporate governance.

These extensive literature review lead us to conclude that factors such as culture, ethical leadership and corporate governance will affect, individually or combined, the use of the Internet for investor relations, a development which support the following proposition:

P1: Culture, ethical leadership and corporate governance may affect the use of the Internet for *investor relations*

Use of the internet for investor relations and agency costs

According to Jensen and Meckling (1976), "an agency relationship is defined as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent." (p. 308). The agency contract will normally specify what the manager will do with the investors' money, and how the returns will be divided between the manager and the investors. However, even though the intention is to offer a very detailed and complete contract, most future contingencies are almost impossible to foresee (Schleifer and Vishny, 1997; p. 741). Because of these contingencies in designing the contract, both the principal and the agent have to allocate residual control rights (Schleifer and Vishny, 1997; p. 741).

Agency costs arise because some investors, especially small investors, are too poorly informed even to exercise their own control rights. As a result, managers end up with significant control rights (discretion) over how to use the investors' money. This increase of discretion on the managers' side may favor managerial opportunism (Schleifer and Vishny, 1997; p. 743). Such behavior can be manifested in the form of fund misallocation or expropriation. Equally important, managerial opportunism is in fact an agency problem, which may reduce the amount of money that the principal is willing to put in the firm (Grossman and Hart, 1986).

The resultant loss of confidence on the investors' side is a critical issue that managers face all the time. Therefore, managers should find ways to increase investors' confidence. In this sense, Lev (1992) argues that ongoing information sharing with shareholders minimizes uncertainty among them. Also, Gruner (2002) suggests that investor relations' activities are an essential factor in restoring investors' confidence.

Moreover, agency theory implies that the role of accounting information gathering and sharing is to supervise managerial behavior to reduce agency costs (Jensen and Meckling, 1976). Eisenhardt (1989) supports this view and proposes that, "when the principal has information to verify agent behavior, the agent is more likely to behave in the interests of the principal" (p. 60). In addition, Eisenhardt (1989) argues that in the case of unobservable behavior, the investors can discover the managers' behavior by investing in information systems such as reporting procedures.

According to Kuperman (2001), the Internet has a significant impact on IR practices and can substantially change how a firm communicates with investors. The increasing use of the Internet for investor relations can help contain agency costs by reducing the information asymmetry that exists between investors and managers (Chang et al. 2006; Chang et al. 2008). Investors can benefit from Internet in order to access to timely and accurate information about the company. Unlike in traditional communication channels, investor relations can be accomplished through two-way symmetrical communication over Internet. Symmetrical communication over Internet is different from traditional asymmetric communication in the following ways (Hassink et al., 2007): a) symmetric communication begins with the request of information to the company by the investor; b) symmetric communication is ideally timely and this timeliness is measured with the response time to the request of information; c) the report, which is prepared as a response to the investors is based on unique preferences or questions of the investors rather than a fixed-structure report such as generic annual reports. An embedded feedback loop can also improve the efficiency of two-way communication (Grunig and Grunig, 1992; Waters and Lemanski, 2011). This type of symmetric communication with stakeholders help companies to have better understanding of what the investors really want and need as well as establishing more stable long-term relationships (Hassink et al., 2007). Case in point, Deller et al.(1999) argue that the Internet will help to reduce the information asymmetry advantages normally enjoyed by institutional investors. Furthermore, Gunther and Otterbein (1996; 394, as cited by Deller et al. 1999) state, "from a principal-agent theoretical viewpoint, investor relations activities may lead to a reduction of agency costs by reducing information asymmetry between principals and agents" (p. 352). Moreover, Gowthorpe (2004) mentions, "Internet reporting offers the potential to eliminate at least some elements of asymmetry" (p. 285). Finally, Cormier et al. (2010) found that this voluntary disclosure reduces information asymmetry between managers and investors. In addition, the benefits of using Internet and a detailed web site have been well recognized in academia, studies reveal that in some cases organizations are not able to fully benefit from the Internet. According to Hassink et al. (2007) it may be too early to expect every stakeholder take full benefit of Internet because of the difficulty in breaking the current long-lasting structure of traditional reporting, being companies afraid of losing the dominant role in communicating with stakeholders, and privacy concerns. Deciding how to communicate with stakeholders and how much information to post on web site is a difficult task and is part of strategic decision and these decisions should be based on the decision of "how involved they want external stakeholders to be with organizational actions and decisions" (Waters and Lemanski, 2011, p.163 by citing Kent et al. (2003)). These assertions and observations support the following proposition:

P2: The use of the Internet for investor relations may *affect agency costs*

Implications, limitations and future research

This literature review is a preliminary attempt to link the use of the Internet for investor relations to some other key influential non-technological variables. These same moderators may also impact the use of this technology for financial disclosure purposes. Consequently, the scope of this paper does not include a comprehensive review of the key factors that may facilitate or impede the use of the Internet for investor relations. For example, it is a logical assumption that culture may also influence the usage of the Internet technology. Additionally, this paper does not intend to be all inclusive of the critical factors that may affect ethical leadership, corporate governance or agency costs.

Despite these limitations, this literature review is a good starting point to expand upon this stream of research. And to address the preceding limitations, future research should further expand the scope of this review. Besides, additional work needs to be done to operationalize the proposed constructs as well as to develop instruments for empirical testing. Furthermore, more emphasis should be placed on definition and explication of the main non-technological determinants of the use of the Internet for investor relations (IR). Similarly, another interesting area of research may be to empirically test if the financial disclosure over the Internet is being accurate, complete and updated.

The practical implications are conjectures until the research propositions are tested. However, the proposed relationships are both logical and supported by existing theory. Therefore, several research and practical implications can be drawn from this study. For managers, this review provides a useful guide for decision-making. For instance, investors can use it as one of their financial allocation decision tools, especially if these investors prefer to put their money in foreign markets. For governments, the review may also be a useful tool that serves as a reference to enforce the laws that protect investor's interests. Finally, for a board of directors of any company that invests abroad and wishes to hire foreign executives, this study may give some insights about necessary ethical conduct, and most importantly, to predict if the individuals are willing to share financial information with the public.

This paper contributes to research progress by giving an initial step for building theory on a stream that has been dominated by descriptive studies. The previous lack of rigorous work has impeded progress in this research field. Therefore, this extensive review will serve as a building block to further develop relevant literature and theory.

CONCLUSION

The objective of this study is to conduct an exploratory literature review, which helps identify some of the non-technological factors that may affect the use of the Internet for investor relations (IR). More specifically, the focus is on how culture, ethical leadership and corporate governance affect the use of the Internet for investor relations (IR), as well as on how this variable impact agency costs. Hence, the theoretical rationale and companion propositions, give some insights on these questions.

It has been argued that information sharing between the firm and its shareholders may contribute to increase shareholder value (Alewine, 1998). However, the recent ethical and financial scandals have caused an environment that demands the use of practices that help increase investor's trust (Corbett, 2004). As a result, there has been a call for reform in corporate governance, focused on increasing ethical practices that delivers benefits to each organizational stakeholder (Watson, 2003).

Gruner (2002) argues that investor relation activities are critical to increase investor's trust and confidence. This assertion implies that corporate governance reforms should promote the use of investor relations in order to reduce investor's uncertainty. Lev (1992) argues that ongoing information to shareholders minimizes uncertainty among them. Thus, investor relations should focus on information sharing and financial disclosure. According to Gruner (2002), the increasing use of the Internet for global communication has extended the role of this medium to become an instrument for investor related communication.

As shown in this study, the Internet can be a useful tool to help firms enhance its financial information sharing as well as to improve shareholder's confidence. In this regard, some factors like culture, ethical leadership and corporate governance play a critical role to use this medium as an investor's communication tool.

Moreover, if firms decide to act unethically and not share information with shareholders, this may cause several consequences. According to Dorroh (2003), this lack of ethics and integrity will slowly harm the whole enterprise. As Grossman and Hart (1986) mention, the firm will be harmed because investors will reduce the amount of money they are willing to put on it due to agency problems. These agency problems may ultimately increase agency costs because shareholders will be forced to increase the investment to monitor managers' behavior (Eisenhardt, 1989).

The main contribution of this paper is that it presents an extensive literature review which allows assessing the cost effectiveness of investor relations: specifically, for costs related to agency problems.

Most of the literature that deals with the use of the Internet for investor relations (IR) is mainly descriptive. This lack of rigorous studies may impede the development of this stream of research. Hence, to help develop this research area, this study provides some interesting building blocks that may serve as a guide for future research.

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