



**Impacts of Investment Relations Service Quality on
Corporate Information Transparency and Intangible Value:
The Moderating Role of Competitive Intensity**

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Abstract:	

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Structural Abstract

Methodology

This study employs a proprietary dataset on voting records of an annual investment relations (IR) awards event and the corresponding company-level archival data for analysis. Regression analysis is used to test hypotheses.

Purpose

This study aims at proposing and testing a model delineating how and when the quality of a special B2B professional service, investment relations (IR), would drive corporate intangible value.

Findings

IR service quality not only directly enhances corporate intangible value, but also indirectly boosts it via information transparency. While competitive intensity does not moderate the relationship between IR service quality and corporate intangible value, its moderating effect on the relationship between information transparency and this value is negative.

Limitations/Research Implications

The findings advance academic understanding of the mechanism and boundary conditions underlying the complex and dynamic relationships among IR service quality, information transparency, corporate intangible value and competitive intensity. Future research endeavors to verify the present findings in other service and/or geographic settings would help establish their external validity.

Practical Implications

The findings advise companies to expand the traditional role of IR by taking it as a powerful communication and relationship marketing tool to improve their visibility and attract investors.

Social Implications

The findings suggest that superior IR service would strengthen the company's social bonding with institutional investors and effectively signal to them its commitment to good corporate governance practices.

Originality

Matching a proprietary dataset on IR voting records with the corresponding company-level archival data over a five-year period to investigate the performance implications of IR service quality within the Hong Kong context rectifies methodological limitation and geographic confinement of prior IR research.

Keywords: Investment relations, information transparency, corporate intangible value, competitive intensity

Introduction

Facing mounting competition in business-to-business ('B2B') markets over the past couple of decades, business marketers have increasingly emphasized the importance of effectively managing relationships with their salient stakeholders to acquire competitive advantages (Arslanagic-Kalajdzic et al., 2020). Despite this emphasis, better understanding of relationship marketing practices is still considered as one of the most relevant issues for future B2B marketing research, particularly in the fast-growing B2B professional service sector (Lindgreen and Di Benedetto, 2017).

Being a vital catalyst for the knowledge economy, B2B professional services have experienced significant growth recently (Pemer, 2021). These services grew from US\$6,024 billion in 2022 to US\$6,383 billion in 2023 at a compound annual growth rate of 6%, and are expected to further grow to US\$7,770 billion in 2027 (The Business Research Company, 2023). Of various B2B professional services, the corporate function of investment relations (IR) has become increasingly popular (Hoffmann et al., 2018). IR is "a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the investment community, and other constituencies, which ultimately contributes to a company's securities achieving fair valuation" (National Investor Relations Institute, 2016). Owing to the recent specialization, professionalization and globalization of capital markets (Hoffmann and Binder-Tietz, 2021), companies today face a growing number of well-informed and demanding investors (Hoffmann et al., 2018). This development has led to the evolution of IR from the routine function of mere regulatory compliance to the strategic role of boundary spanning and relationship management that aim at developing long-term profitable relationships with the investment community (Chapman et al., 2019).

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3 By delivering accurate, timely and relevant information about a company's strategic
4 positioning and developments to investors, IR can help it foster trust and rapport with the
5 investment community and enjoy various competitive benefits (Hoffmann et al., 2018). For
6 instance, Chapman et al. (2019) have found that companies with IR officers enjoy 2.5% lower
7 share price volatility and 1.5% faster share price discovery compared to those without. In sum,
8 this literature suggests the integral role of IR in enhancing a company's intangible value, which
9 is concerned with the financial benefits derived from its intangible resources such as corporate
10 brand equity and relationship networks (Bruhl and Falkheimer, 2023).
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24 Despite the practical significance of IR, research on it is still nascent (Hoffmann et al., 2018).
25 Specifically, the limited number of previous studies on IR have predominantly relied on
26 anecdotal evidence to examine its role as a public relations tool (Laskin, 2006, 2011), or have
27 adopted a descriptive approach to elucidate its functions and evolution (Chapman et al., 2019).
28 Consequently, there is only scant research attention devoted to systematically analyzing the
29 underlying mechanism through which IR enhances corporate performance, particularly in
30 terms of its impact on corporate intangible value. Furthermore, the examination of boundary
31 conditions that affect this mechanism is virtually non-existent. These gaps in the literature call
32 for a more investigation on how and when IR would influence corporate intangible value.
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47 Against this backdrop, this study empirically investigates how a company's IR service quality
48 influences its intangible value in an Asian fast-growing international capital market, Hong
49 Kong (Li, 2018). To this end, it analyzes whether the relationship between IR service quality
50 and intangible value would be mediated by information transparency. In their examination of
51 IR's contribution to corporate performance, Brown et al. (2019) have explicitly highlighted its
52 role in promoting information transparency, which enables investors to make more informed
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3 investment decisions. By actively promoting open and accessible communication, IR helps
4 disseminate sufficient and relevant information to address investors' concerns, enhancing
5 corporate credibility and reputation (Hoffmann and Binder-Tietz, 2021). This analysis echoes
6 prior research on B2B professional services, which highlights the importance of providing
7 customers with adequate product-related information to reduce information asymmetry and
8 perceived risks, and ultimately bolster confidence in the company (Howden and Pressey, 2008).
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10 The analysis of the mediating role of information transparency further distinguishes this study
11 from prior research which focused mainly on the direct impact of IR practices on corporate
12 performance (e.g., Agarwal et al., 2016; Vlittis and Charitou, 2012). In sum, the present study
13 helps enrich the IR literature by advancing understanding of the mechanism that delineates this
14 impact.
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31 In addition, this study explores the moderating effect of competitive intensity on the
32 aforementioned mechanism. Considering the intensifying competition in today's information-
33 intensive services, including IR (Davis, 2022), it is important to investigate whether the degree
34 of competition or competitive intensity plays a significant role in facilitating or inhibiting the
35 mechanism. Competitive intensity, as a major contributor to the hostility of the operating
36 environment (Zahra and Garvis, 2000), has often been treated as a contextual variable that
37 moderates relationships between various strategic elements within the corporate decision-
38 making process (Chan et al., 2022). So far as IR is concerned, increasing competitive intensity
39 is likely to result in a greater number of similar companies vying for external funds from the
40 investment community. This heightened competition for funds underscores the strategic
41 importance of IR to portray a promising corporate outlook to potential investors (Bruhl and
42 Falkheimer, 2023). Despite this, the moderating role of competitive intensity for the
43 performance implications of IR has yet to be empirically examined. Therefore, the present
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3 study contributes to filling this gap by incorporating this important contextual factor into the
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5 analysis.
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10 In the following, a review on the relevant literature and hypothesis development will first be
11 given. After this, the adopted methodology and empirical results will be described. All these
12 will be followed by discussion of the major implications derived from the empirical results,
13 and then concluding remarks.
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21 Literature review

22 *IR service quality*
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24 Although IR has traditionally only attracted scant attention from marketing researchers, a few
25 studies do exist. These studies typically conceptualize IR as an investor relationship marketing
26 tool aimed at managing the communication with various stakeholders to develop a long-term,
27 mutually beneficial relationships between the company and the investment community
28 (Wiesenberg et al., 2020). Although prior studies have advocated the importance of IR to serve
29 the financial needs of the investment community, there has been a lack of explicit reference to
30 the concept of service quality when analyzing its role. This research gap suggests the need to
31 refer to the service literature to advance understanding of the nature of IR service quality.
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47 Despite the relatively long existence of IR functioning as a corporate advisory service to the
48 investment community, a proper definition for IR service quality is still lacking to date.
49 According to Roy et al. (2019, p.52), service quality refers to “the customers’ overall judgment
50 or attitude about the quality of the service.”. As for professional services, quality is often
51 customer-led and focuses on the service provider’s ability to meet the customer’s requirements
52 (Sampson and Chase, 2022). Building upon these premises, IR service quality is defined here
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3 as encompassing all the characteristics and properties of IR services that affect the company's
4 ability to satisfy the needs of its stakeholders in the investment community (Uysal, 2023).
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10 Drawing from Foroughi et al.'s (2019) distinction between 'outcome quality' and 'process
11 quality', it also becomes evident that the investment community's perception of IR service
12 quality hinges not only on the types of information provided (outcome quality), but also on
13 how it is delivered (process quality). This distinction underscores the significance for IR
14 officers to employ appropriate communication modes to effectively disseminate accurate,
15 timely and relevant investment information to the investment community. Given the growing
16 utilization of real-time communication methods (e.g., conference calls) in IR activities and the
17 presence of various regulations governing information disclosure for publicly listed companies
18 (Pizzi et al., 2021), today's IR officers must possess not only excellent communication skills
19 but also sound legal and financial knowledge to effectively fulfill their role in disseminating
20 information (Chapman et al., 2022). Their performance in this capacity significantly influences
21 the quality of their IR services.
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40 *Corporate intangible value*

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42 Company value represents the collective future cash flows of a company, discounted at an
43 appropriate rate (Yao et al., 2019). In simpler terms, it reflects the price that prospective
44 investors are willing to pay to own the company (Li et al., 2019). Company value typically
45 consists of two components: tangible and intangible (Widnyana et al., 2021). Corporate
46 tangible value refers to the net financial benefits derived from the company's physical assets,
47 such as plant and equipment (Mayer, 2021).
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3 In contrast, corporate intangible value represents the net financial benefits derived from the
4 company's intangible resources, exceeding the return on its tangible resources (Clausen and
5 Hirth, 2016). These intangible resources encompass non-physical assets such as organizational
6 culture, corporate brand equity, relationship networks, and various knowledge resources
7 (Widnyana et al., 2021), and are considered key drivers for corporate competitiveness,
8 particularly in the knowledge-based economy (Kang and Gray, 2011). Companies with high
9 corporate intangible value often excel in marketing practices, such as building brand equity
10 and fostering customer loyalty (Ou et al., 2017). Given its strong marketing relevance,
11 corporate intangible value should serve as an appropriate performance indicator to examine the
12 quality of one of the company's most important relationship marketing functions, IR. Despite
13 this, how IR service quality will influence corporate intangible value has yet to be examined in
14 prior research.

31 32 33 *Information transparency*

34 Information transparency has emerged as a significant research area in the realm of corporate
35 governance over the last couple of years (Stein et al., 2017). Focusing on information disclosure,
36 Truong et al. (2022, p. 345) have defined information transparency as "the sufficient and timely
37 disclosure of information contributes to both the informational and allocational efficiency of
38 the market". Key and Challagalla (2020) have recently provided a more comprehensive
39 definition for this concept, namely the visibility and accessibility of corporate information
40 outside the company, achieved through the elimination or reduction of barriers that can impact
41 stakeholders' decision-making. This more comprehensive definition not only focuses on
42 information disclosure, but also on the impact of such disclosure.

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3 Within the context of corporate governance, there is a growing body of literature recognizing
4 the pivotal role of information transparency in helping companies foster a sense of fairness and
5 accountability towards external stakeholders (Nadeem, 2021). Proceeding from this, business
6 researchers have further maintained that information transparency constitutes a source of
7 competitive advantages for companies, especially those operating in a B2B setting that requires
8 significant trust and relationship building (Key and Challagalla, 2020). Despite the potential
9 strategic benefits of information transparency, it is important to acknowledge that achieving
10 optimal information transparency is a complex endeavor that depends on various factors,
11 including industry norms, regulatory requirements, organizational culture, and managerial
12 discretion (Shen et al., 2022).
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28 At the most basic level, companies need to consider two important issues in order to achieve
29 information transparency, the information content they want to share and how it is shared
30 (Fisher and Hopp, 2020). This view parallels the concepts of outcome and process quality
31 mentioned earlier. It also highlights the vital role of IR officers, who not only provide accurate,
32 timely, and relevant information to various stakeholders of the investment community, but also
33 dedicate their time to customizing ways of communication to effectively reach out to these
34 stakeholders (Stein et al., 2017). In summary, while previous IR researchers have advocated
35 the strategic communication role of IR in promoting corporate information transparency, most
36 of their premises are still based on insights derived from anecdotal evidence (e.g., Krajewski
37 and Hoffmann, 2019), or small-scale interviews (e.g., Bruhl and Falkheimer, 2023). The lack
38 of systematic investigation into the influence of IR service quality on information transparency,
39 and the performance implications of information transparency, calls for more academic
40 inquiries in this area.
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Competitive intensity

As mentioned, competitive intensity is concerned with an operating environment where competition is intense, primarily due to the presence of numerous rivals and limited opportunities for further growth (Zahra and Garvis, 2000). It encompasses the level of competition companies face within their industry and is widely recognized as a significant determinant of environmental hostility, influencing the interplay between various strategic variables throughout the entire strategic planning process (Chan et al., 2022). In the realm of IR, an increase in competitive intensity leads to a greater number of companies competing for external funds from the investment community. This would, in turn, further amplify the strategic significance of IR in attracting potential investors (Bruhl and Falkheimer, 2023). Despite this, how competitive intensity would further influence the performance implications of IR remains an unexplored area empirically.

Hypothesis development

Theoretical foundation

The theoretical foundation of this research draws upon Hoffmann et al.'s (2011) IR conceptual framework (referred to as the 'IR quality-outcome-value framework' hereafter). This framework delineates the relationships between IR quality, various IR-related outcomes, and corporate value. It is, in turn, grounded in Srivastava et al.'s (1998) relationship marketing paradigm, which conceptualizes IR quality as market-based assets in managing the company-investor dyad. These assets play a crucial role in enhancing corporate value through various IR outcomes (Hoffmann et al., 2011).

Relating specifically to IR outcomes, the framework suggests that they encompass favorable capital market outcomes, such as improved stock liquidity and analyst coverage (Bhagat et al.,

2004). These outcomes are particularly concerned with a company's information transparency, or the extent to which corporate information is visible and accessible to the investment community (Hoffman et al., 2011). By enhancing information transparency through quality IR practices, companies can mitigate the information asymmetry and thus information risk they face (Laskin, 2011). In short, the IR quality-outcome-value framework provides theoretical support for the direct effect of IR quality on corporate transparency.

Moreover, with improved information transparency, investors are better equipped to improve their forecasts of the company's future earnings potential (Hoffman et al., 2011). This, in turn, contributes to their enhanced trust and relationship with the company, as well as their more favorable valuation of its stock (Botosan, 2006). Based on these premises, this study thus proposes that IR service quality will enhance corporate intangible value through information transparency.

Building upon this framework and the previously discussed rationale for including competitive intensity as a moderator for analysis, the study puts forward several hypotheses for empirical testing. Figure 1 graphically presents the research model outlining these hypotheses. Detailed justifications for each hypothesis are discussed below.

(Place Figure 1 about here)

Direct effect of IR service quality on corporate intangible value

Services marketing researchers have long maintained that service quality serves as a key driver for customers to differentiate the focal brand from other competing brands (Furrer et al., 2020). Based on this notion, researchers have conceived service quality as an important and direct antecedent of corporate intangible value, particularly brand equity (Jahanzeb et al., 2013) and

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3 customer satisfaction (Aksoy et al., 2008). Moreover, prior marketing research has empirically
4 demonstrated a positive direct impact of service quality on brand equity (He and Li, 2011).
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10 Relating specifically to IR research, several scholars have conceptualized a company's ability
11 to manage relationships with the investment community as a valuable resource that enables the
12 development of dynamic and forward-looking engagement activities to enhance its corporate
13 brand equity (Hoffmann and Binder-Tietz, 2021). In short, while the foregoing literature
14 suggests that IR service quality will directly enhance corporate intangible value, this
15 relationship has yet to be empirically examined. To fill this gap, the following hypothesis is
16 thus developed for testing:
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26 H₁: A company's IR service quality positively influences its intangible value.
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31 *Mediating effect of information transparency*

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33 In addition to hypothesizing a direct influence of IR service quality on corporate intangible
34 value, the present study postulates that this influence will be mediated by information
35 transparency. The postulation distinguishes this study from prior research that often focused
36 solely on the direct influence of IR practices on corporate performance (e.g., Vlittis and
37 Charitou, 2012). To better understand the potential mediating role of information transparency,
38 the following two relationships are examined:
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47 *Effect of IR service quality on information transparency relationship.* Despite variations in
48 their analytical focuses, previous studies generally agree that IR practices can promote effective
49 communication with the investment community (Bruhl and Falkheimer, 2023). As discussed
50 earlier, IR scholars have long believed that high-quality IR services contribute positively to a
51 company's information transparency (Hoffman et al., 2018). By providing clear and
52 comprehensive information to investors, IR helps address the disadvantages of information
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3 asymmetry and information risk that they face (Laskin, 2011). Quality IR practices,
4 characterized by effective communication, timely and accurate disclosures, and proactive
5 engagement with stakeholders, can also help investors better understand the company's
6 financial outlook and strategic moves, enabling them to make more accurate assessments of its
7 corporate value (Hoffman et al., 2011).
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17 While companies nowadays are legally obliged to disclose a considerable amount of corporate
18 information to the investment community, this extensive disclosure may have the backfire
19 effect of overloading investors' processing capabilities (Hirshleifer and Teoh, 2003). In view
20 of this, Chapman et al. (2019) have specifically pointed out that IR officers today shoulder ever
21 heavier responsibilities to ensure effective information assimilation to the investment
22 community. To discharge their responsibilities, IR officers need to communicate regularly with
23 financial analysts and institutional investors, helping them interpret corporate disclosures,
24 advancing corporate narratives, and sharing feedback with company management (National
25 Investor Relations Institute, 2004).
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40 With the advancement of information and communication technologies, discussions on online
41 platforms and social media regarding corporate performance and activities have become
42 increasingly prevalent (Dong et al., 2018). These platforms provide financial analysts and
43 investors with opportunities to challenge and comment on corporate announcements, assertions,
44 and strategies (Chapman et al., 2019). To address the potential negative impacts of unvetted e-
45 opinions (Lee et al., 2015), IR officers are now required to engage in more robust and
46 customized discussions with stakeholders (Brown et al., 2019). They achieve this by
47 synthesizing information, correcting misinformation, and providing clarifications (Chapman et
48 al., 2019). Based on this analysis and considering the competence of IR in reducing information
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3 asymmetry for external stakeholders (Key and Challagalla, 2020), it is likely that the quality
4 of a company's IR practices, particularly its communication activities, will significantly
5 influence the visibility and accessibility of corporate information for the investment community.
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10 This leads to the following hypothesis:

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12 H₂: A company's IR service quality positively influences its information transparency.
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17 *Effect of information transparency on corporate tangible value.* Previous IR researchers
18 in the discipline of communication have advocated that effective IR communication and the
19 resulting information transparency will increase the company's reputation within the
20 investment community, thus enabling it to stimulate interest and demand among investors more
21 effectively (Laskin, 2006, 2011). Alongside this, finance researchers have also demonstrated
22 that improving the quality of corporate social responsibility disclosure would lower companies'
23 cost of equity capital (Li and Liu, 2018). Indeed, all these previous communication and finance
24 studies echo well the relationship marketing perspective, which suggests that communication
25 effectiveness enhances customers' relationship commitment (Abrar et al., 2020), and serves as
26 "the glue that holds industrial marketing relationships together" (Coote et al., 2003, p. 597). As
27 these marketing relationships become stronger, the company will be more able to garner
28 support from stakeholders for its strategic initiatives, thus protecting itself against the growing
29 public scrutiny in the era of stakeholder activism (Hoffmann and Fieseler, 2018).
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49 In sum, the foregoing discussion highlights that information transparency could be a powerful
50 tool for creating intangible value such as corporate credibility, brand equity, stakeholder
51 engagement, and consequently, turn the company into a choice of investment in the capital
52 market. This reputational and relational advantages not only lower the company's costs of
53 capital, but also reduces its share price volatility through enhanced investor loyalty (Chapman
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3 et al., 2019). Prior empirical research also demonstrated that fostering relationships with
4 investors through two-way symmetrical communication would generate competitive benefits
5 for companies (Laskin, 2006). Proceeding from this, the following hypothesis is proposed:
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10 H₃: A company's information transparency positively influences its intangible value.
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15 Based on H₂ and H₃ above, it is logical to infer that information transparency will serve as a
16 mediator for the influence of IR service quality on corporate intangible value. To verify this
17 inference, the following hypothesis is offered:
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22 H₄: The positive influence of a company's IR service quality on its intangible value is mediated
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24 by its information transparency.
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27 28 *Moderating effect of competitive intensity*

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31 As mentioned, competitive intensity refers to the degree of competition that a company faces
32 within its industry (Chan et al., 2022). Strategy and marketing scholars have long advocated
33 that under a situation of low competitive intensity, a company may not experience significant
34 deterioration in performance, even if it does not fully meet customer requirements. This is
35 because customers have limited alternatives and are more likely to stick with the company's
36 offerings (Cadogan et al., 2003). Conversely, in a market with high competitive intensity,
37 customers have more freedom to change their suppliers. Therefore, a company that better
38 satisfies customers than its rivals in this market is likely to significantly boost its performance.
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40 This suggests that companies in a market with high competitive intensity would enjoy higher
41 performance if they could better satisfy customers, compared to those operating in a market
42 with low competitive intensity (Murray et al., 2011). This further implies that competitive
43 intensity positively moderates (strengthens) the relationship between customer-oriented
44 measures and corporate performance.
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6 Taking stakeholders of the financial community as a special group of customers for the
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8 company's investment products, superior IR service quality and the resultant enhanced
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10 information transparency could be regarded as some essential customer-oriented measures to
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12 appeal them. By effectively addressing their investment concerns and assisting them to make
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14 more informed investment decisions, these measures would boost the company's performance
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16 in terms of attracting more investors and more positive stock valuation (Chapman et al., 2019).
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21 Therefore, alongside the foregoing discussion on the positive moderating effect of competitive
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23 intensity, this improved performance is expected to be more pronounced when the company
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25 faces high rather than low competition. This analysis leads to the following hypotheses:

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27 H₅: Competitive intensity strengthens the positive influence of a company's IR service
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29 quality on its intangible value.
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33 H₆: Competitive intensity strengthens the positive influence of a company's information
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35 transparency on its intangible value.
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40 **Methodology**

41 *Data*

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43 This study employed archival data to test the hypotheses. Specifically, it utilized a proprietary
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45 dataset on voting records of an annual IR Awards event organized by the Hong Kong Investor
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47 Relations Association (HKIRA) to create a measure of IR service quality. According to its
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49 official website (<http://www.hkira.com/en/global/index.php>), HKIRA is a non-profit
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51 association comprising IR practitioners and corporate officers responsible for communication
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53 between corporate management and the investment community. Being the only IR professional
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55 body in Hong Kong, HKIRA aims to set international standards in IR education, advance the
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3 best IR practices and meet the professional development needs of those interested in pursuing
4 the IR profession. Furthermore, it is worth noting that previous researchers have utilized these
5 voting records, albeit covering a shorter period, as a proxy to examine the impact of third-party
6 recognition on companies' stock performance (Cheng et al., 2021).
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14 HKIRA's Awards event was first launched in 2015, providing eligible voters with the
15 opportunity to recognize the superior IR service performance of publicly listed companies in
16 Hong Kong. The eligible voters were professionally qualified financial analysts working in
17 government-approved financial and investment institutions, and were officially entrusted with
18 the responsibility of investing in stock markets. Moreover, they held job titles such as 'buy-
19 side analyst', 'sell-side analyst', or 'fund manager'. The voters were also required to provide
20 information about their positions and affiliated departments and institutions, and to use their
21 corporate email accounts to vote through a designated online platform. This information
22 allowed HKIRA to subsequently verify their voting eligibility (Cheng et al., 2021). Given their
23 job responsibilities, they represent the most salient stakeholders of the financial community,
24 who are regularly approached by IR officers of publicly listed companies to disseminate the
25 companies' latest developments and investment opportunities. During the voting process, each
26 professional analyst was allowed to select three publicly listed companies for the Best IR
27 Company Award based on a set of criteria, such as corporate structure and policies conducive
28 to best IR practices, and evidence of maintaining good relationships with stakeholders and
29 responding to their needs and concerns.
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53 While utilizing the voting preferences of professional analysts to assess companies' IR service
54 quality may raise concerns about potential biases associated with this measure, it is important
55 to note that these analysts themselves are recipients of IR services. Their first-hand experience,
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3 coupled with their professional expertise (Cheng et al., 2021), lends credibility to their
4 assessment of the services. Moreover, to address potential biases in the assessment, the voting
5 preferences of participating professional analysts were kept strictly confidential. The
6 anonymous nature of this opinion-seeking process helps further minimize any undue influence
7 and enhances the validity of the adopted measure (Morrel-Samuels, 2002).
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17 This study utilized the voting data provided by HKIRA for the years 2015-2019 to test the
18 hypotheses. Due to the potential data irregularity caused by the Covid-19-triggered lockdown
19 between 2020 and 2023, the voting data covered the period from the launch of the award until
20 the year immediately preceding the lockdown imposed in Hong Kong. These voting data were
21 further matched with the corresponding archival financial data of the companies extracted from
22 Datastream, one of the world's most comprehensive financial time-series databases widely
23 used in financial research (Bakry et al., 2022).
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35 To ensure data quality, a two-stage data cleaning procedure was adopted. The first stage
36 involved HKIRA staff checking for voting eligibility, ensuring that all the votes were cast by
37 qualified voters. In the second stage, two authors of the research team reviewed the merged
38 dataset to ensure proper matching between the voting and financial data for each company, and
39 to identify and remove outliers. Overall, the dataset consisted of 11,194 company-year events
40 or observations spanning from 2015 to 2019. Throughout this period, 1,092 voters participated
41 in the Awards event, resulting in a total of 8,398 votes and an average of 13.29 votes per
42 company with a standard deviation of 12.31. The companies included for investigation spanned
43 across 29 business sectors or industries, based on Datastream's Refinitiv Business
44 Classification.
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3 In terms of the chosen research setting, Hong Kong is recognized as a highly internationalized
4 capital market and has emerged as one of the world's leaders in equity funding, particularly in
5 attracting initial public offerings (KPMG, 2021). Currently, out of the more than 2,300
6 companies listed in Hong Kong, 700 have dedicated staff specifically assigned to handle IR
7 matters. This signifies a significant increase compared to less than 200 companies that did so
8 a decade ago (HKET, 2019). The selection of Hong Kong as the research setting addresses the
9 geographical concentration of prior IR research, which predominantly focused on Western
10 mature capital markets such as the US and UK (Hoffmann et al., 2018).
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24 **Measurements**

25 *IR service quality*

26 As mentioned, this study utilized the judgement of professional analysts to develop a measure
27 for IR service quality. This distinguishes it from some prior IR research that relied on less direct
28 proxies, such as the presence of an in-house IR officer or the number of IR-initiated site visits
29 to clients (e.g., Chapman et al., 2019). By involving professional analysts who possess
30 extensive knowledge and experience in the field, the judgmental measure enables a more
31 nuanced understanding and comprehensive assessment of IR service quality. Indeed, several
32 prior IR studies also used professionals' judgment to derive measures for the quality of IR
33 practices (e.g., Agarwal et al., 2016).
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49 From another perspective, it is acknowledged that the measure employed in this study, like
50 other perceptual ones, may still be prone to raters' subjective judgments. However, given that
51 the professional analysts or raters participating in the voting process are the target recipients of
52 IR services, it is reasonable to assert that their actual perception of these services should matter
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3 the most for companies' ongoing improvement of their IR practices, regardless of any inherent
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5 subjectivity (Agarwal et al., 2016).
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10 The natural logarithm of one plus the total number of votes or award nominations which a
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12 company received in a year was employed to measure its IR service quality in that year. The
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14 logarithm transformation was aimed at removing skewness from the variable (Wowak et al.,
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16 2015). One problem with taking the logarithm is its inability to handle zero-valued observations,
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18 such as companies with no votes. To address this, this study followed MaCurdy and Pencavel
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20 (1986) by adding one to the total number of votes before the logarithm transformation. This
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22 allows for assigning a zero value to a company if it received no votes.
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28 *Information transparency*

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30 Amihud's (2002) stock illiquidity formula was employed to derive the measure of information
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32 transparency. This proxy is considered appropriate since companies with a less transparent
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34 information environment often exhibit larger stock illiquidity due to less trading activities
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36 (Boone and White, 2015). The illiquidity formula is represented by the average ratio of daily
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38 absolute stock returns to daily dollar volume. The ratio, which is often small in magnitude, was
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40 multiplied by 1,000,000 to facilitate the interpretation (Goyenko et al., 2009). To further
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42 enhance interpretation, this study followed Bonsall et al.'s (2017) approach of multiplying the
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44 ratio by minus one. This ensures that a higher ratio denotes high information transparency, and
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46 vice versa.
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53 *Corporate intangible value*

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55 Following the widely accepted approach (Kumar, 2010), Tobin's q was used to assess corporate
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57 intangible value. Tobin's q is the ratio of the market value of a company to the replacement
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3 cost of its assets. A ratio of greater than one indicates that the company has intangible resources
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5 (Simon and Sullivan, 1993).
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10 *Competitive intensity*

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12 The Herfindahl-Hirschman Index was adapted to capture competitive intensity (Krishnan et al.,
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14 2004). The index is defined as the sum of the squared market shares of all the companies
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16 operating in the market or industry (Martin, 1998). A small index denotes a low level of market
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18 concentration, or in other words, a high level of competitive intensity. To enhance
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20 interpretation, this study again followed Bonsall et al.'s (2017) approach of multiplying the
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22 index by minus one to ensure that a higher index denotes high competitive intensity, and vice
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24 versa.
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30 *Control variables (Covariates)*

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32 Business researchers generally believe that corporate performance, including corporate
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34 intangible value, is likely to be influenced by various company-specific characteristics such as
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36 marketing efforts (Ptok et al., 2018), debt obligations (Wu et al., 2012), liquidity condition
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38 (Jensen, 2022), and company size (Tsai et al., 2012). In light of this, four corresponding proxies,
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40 namely the ratio of selling, general, and administrative expenses to total assets, leverage ratio,
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42 cash ratio, and natural logarithm of total assets, were incorporated into the analysis for
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44 controlling purposes. Relating specifically to the relationship between a company's IR
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46 practices and performance, finance researchers have further suggested the potential
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48 confounding effects of its information asymmetry (Cheng et al., 2021), and access to capital
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50 markets (Bushee and Millier, 2012). As such, two additional corresponding proxies were
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52 included as control variables: the ratio of closely held shares, and a dummy for equity issuance.
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56 Finally, as this study involved data across five years and 29 industries, it followed the common
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3 practice of prior business research to include four year-dummies and 28 industry-dummies as
4 control variables (Chan et al., 2011).
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10 Table 1 below shows the summary statistics of the major variables under investigation.
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12 **(Place Table 1 about here)**
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17 **Hypothesis testing results**

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19 The hypotheses were tested using regression analysis in SPSS and Hayes' (2018) PROCESS
20 macro (model #15 with 5,000 bootstrapping). The independent variable was IR service quality,
21 the mediator was information transparency, and the moderator was competitive intensity.
22 Moreover, all the aforementioned covariates were entered in the analysis for controlling
23 purposes. In the analysis, all the computed variance inflation factors (VIFs) were below the
24 threshold of 3.3, suggesting little threat of multicollinearity (Cenfetelli and Bassellier, 2009).
25 Given the unique nature of financial data, the findings in these tables were rounded to four
26 decimal places to facilitate more precise interpretation.
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40 To summarize, the results indicated that the overall moderated mediation model was significant
41 (index = -0.0109, BootSE =0.0024, BootCI: [-0.0161, -0.0065]). Bootstrapping confidence
42 intervals shown in Table 2 further revealed that the conditional indirect effect of IR service
43 quality on corporate intangible value (i.e., IR service quality→information
44 transparency→corporate intangible value) was significant for the low, medium and high levels
45 of competitive intensity. Overall, these results provided support for the research model
46 proposed in Figure 1.
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3 Tables 3 and 4 were further constructed to test individual hypotheses. Specifically, while Table
4
5 3 summarized the results pertaining to the paths of IR service quality → corporate intangible
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7 value, and information transparency → corporate intangible value in the presence of the
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9 moderator of competitive intensity, Table 4 presented the results concerning the path of IR
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11 service quality → information transparency. As shown in Table 3, IR service quality exerted a
12
13 significant direct influence on corporate intangible value ($\beta = 0.0942, p < 0.01$), thus supporting
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15 H_1 . Moreover, Tables 3 and 4 respectively revealed that the paths of information transparency
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17 → corporate intangible value ($\beta = 0.3534$), and the IR service quality → information
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19 transparency ($\beta = 0.0170$) were both significant at $p < 0.01$. Taken together, all these results
20
21 supported H_2 and H_3 , as well as H_4 concerning the mediating effect of information transparency.
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30 Table 3 further revealed that competitive intensity exerted no significant moderating effect on
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32 the path of IR service quality → corporate intangible value ($\beta = -0.0157, p = 0.8664$), thus
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34 rendering no support for H_5 . Besides, although competitive intensity significantly moderated
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36 the path of information transparency → corporate intangible value ($\beta = -0.6411, p < 0.01$), its
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38 sign was negative instead of positive as hypothesized. As graphically depicted in Figure 2, the
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40 finding suggested that the positive influence of information transparency on corporate
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42 intangible value would be weakened rather than strengthened when competitive intensity
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44 increased. Overall, the finding contradicted H_6 and rendered no support for it.
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48 **(Place Tables 3 and 4 about here)**

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50 **(Place Figure 2 about here)**
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55 **Implications**

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57 Using archival data, this study proposes and empirically tests a model delineating how and
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59 when IR service quality would influence corporate intangible value. In support of H_1 to H_4 ,
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3 analyses of these data have revealed that IR service quality not only directly enhances this
4 value but also indirectly boosts it through the mediator of information transparency. However,
5 the analyses do not support H₅ and H₆, which hypothesize a positive moderating effect of
6 competitive intensity. Specifically, while competitive intensity does not moderate the
7 relationship between IR service quality and corporate intangible value, its moderating effect
8 on the relationship between information transparency and corporate intangible value is negative
9 rather than positive. The theoretical and practical implications of these findings are discussed
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24 *Theoretical implications*

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26 While research on the performance implications of service quality in business-to-consumer
27 (B2C) markets abounds, research on fast-growing B2B, and particularly, professional service
28 contexts, is still limited (Madhavaram and Hunt, 2017). By empirically demonstrating how IR
29 service quality influences corporate intangible value, this study helps bridge an obvious gap in
30 the extant services marketing literature by enriching it with empirical findings derived from a
31 unique B2B professional service context, IR. Moreover, as prior IR research is mainly confined
32 to Western capital markets (Hoffmann et al., 2018), little is known about IR practices in their
33 Asian counterparts that are characterized by different cultures and degrees of maturity
34 (Niedziolka, 2007). By investigating these practices in a rapidly emerging Asian capital market,
35 Hong Kong, the present study contributes to rectifying this geographic concentration of prior
36 IR research.
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54 The present findings reveal the direct and positive impact of IR service quality on corporate
55 intangible value. These highlight the significance of IR as a driver of net financial benefits
56 derived from a company's intangible resources. From a relationship marketing perspective, the
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3 findings align with prior research that underscores the role of IR as essential market-based
4 assets for cultivating mutually beneficial relationships with key stakeholders in the financial
5 community (Hoffmann and Binder-Tietz, 2021). By strengthening social bonds with
6 stakeholders and signaling commitment to good corporate governance practices, these assets
7 enhance corporate intangible value, including brand equity, relationship network, and stock
8 valuation (Hoffman et al., 2018). In sum, the findings underscore that service quality is not
9 only an important marketing tool for cultivating profitable relationships with traditional
10 customers, but also serves as a value-generating tool for IR professionals in meeting the
11 investment needs of institutional investors.
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26 Additionally, the study reveals that IR service quality indirectly enhances corporate intangible
27 value through information transparency. This finding addresses the challenge of information
28 asymmetry often encountered by customers of B2B professional services (Patterson, 2016).
29 Information transparency rectifies information asymmetry and helps these customers address
30 this challenging issue. In doing so, it also provides companies with a competitive advantage
31 for building customer satisfaction and loyalty in today's knowledge-based economy (Key and
32 Challagalla, 2020). The mediation finding enriches the existing IR literature, which primarily
33 focuses on examining IR's direct influence on corporate performance (Vlittis and Charitou,
34 2012). It also provides insights into how superior IR services could be translated into favorable
35 market performance for companies, and offer empirical support for the strategic value of IR in
36 fostering effective marketing communication with external stakeholders (Hoffmann and
37 Fieseler, 2018).
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56 Contrary to expectations, the moderation analysis indicates that competitive intensity does not
57 moderate the positive impact of IR service quality on corporate intangible value. Although this
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3 finding renders no support for H5, it highlights the strategic significance of superior IR services
4 for today's companies, regardless of the competitive landscape they face. This also echoes the
5 contemporary view on the invariably important role of IR in enhancing corporate reputation
6 and brand equity among the financial public (Bruhl and Falkheimer, 2023).
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14 Furthermore, the moderation analysis reveals that competitive intensity significantly moderates
15 the positive impact of information transparency on corporate intangible value, but in a negative
16 direction. As competitive intensity increases, this positive impact weakens rather than
17 strengthens. This finding challenges the original hypothesis and suggests that the effectiveness
18 of information transparency in creating corporate intangible value is hindered under conditions
19 of high competition. One plausible explanation is that higher competitive intensity indicates
20 the presence of more competitors in the marketplace who mimic the marketing efforts of the
21 focal company, including those aimed at promoting information transparency (Chan et al.,
22 2022). Consequently, the mimetic actions of numerous competitors may dilute the positive
23 performance impact derived from the focal company's efforts to enhance information
24 transparency. This explanation, although plausible, requires further verification in future
25 research. In sum, the finding advances understanding of how competition could affect the
26 effectiveness of companies' relationship building efforts.
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47 *Practical implications*

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49 In practical terms, the identified direct and positive impact of IR service quality on corporate
50 intangible value highlights the strategic importance for publicly listed companies to invest in
51 their IR activities, as these activities directly contribute to corporate performance. To this end,
52 marketing professionals can play a crucial role in cultivating and maintaining strong
53 relationships with key stakeholders in the financial community, ensuring effective
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3 communication at all times. By leveraging relationship marketing skills, these professionals
4 can position IR as a strategic value driver, setting the company apart from competitors. In sum,
5 the present finding enables companies to better envisage today's expanded responsibilities of
6 IR; instead of solely providing advice on disclosure compliance to top management, IR can be
7 regarded as an important marketing function that helps create value for companies through
8 effective communication and relationship management with institutional investors.
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19 Furthermore, the study reveals that information transparency acts as a mediator between IR
20 service quality and corporate intangible value. This finding emphasizes the imperative for
21 companies to prioritize transparency in their communications with institutional investors. To
22 this end, marketing professionals can take the lead in developing communication strategies that
23 underscore accurate and reliable information dissemination. By leveraging their branding and
24 positioning expertise, they can showcase the company's unwavering commitment to
25 transparency, enhancing investor trust and loyalty. Moreover, considering the rapid
26 advancement in information communication technologies, marketing professionals can drive
27 innovation in IR practices by exploring emerging technologies and digital solutions. Through
28 harnessing the power of data analytics and IR management systems, they can gain valuable
29 insights into investor behavior, preferences, and sentiment. This, in turn, enhances the
30 efficiency and effectiveness of IR practices, and provides an engaging and rewarding
31 experience for institutional investors.
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51 Moreover, it is crucial to recognize the broader societal impacts of enhanced IR service quality
52 and transparency. Marketing professionals can highlight how effective IR practices foster trust
53 and confidence in companies, contributing to the healthy development and integrity of the
54 entire stock market ecosystem. By emphasizing the societal benefits of transparent and reliable
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3 communication, they can promote investor participation and bolster market efficiency. This, in
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5 turn, can enhance corporate reputation and equity amidst the public's ever-rising awareness of
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7 corporate social responsibility.
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12 Lastly, the moderation analysis reveals that competitive intensity does not diminish the positive
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14 impact of IR service quality on corporate intangible value. This finding underscores the
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16 robustness of IR service quality's direct impact on corporate intangible value, irrespective of
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18 competitive conditions. Marketing professionals can leverage this insight to emphasize the
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20 strategic advantages of investing in IR service quality as a means to attract investors and
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22 achieve favorable stock valuation. By positioning superior IR service quality as a reliable and
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24 promising marketing tool for fulfilling corporate funding needs, they can help companies
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26 navigate the challenges of improving visibility and attracting investors in the fiercely
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28 competitive landscape of securing funding from the investment community.
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34 35 **Conclusion, limitations and future directions** 36

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38 To supplement the limited body of prior IR research that often relied on cross-sectional surveys
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40 for investigation in Western developed countries, this study employs archival data over a five-
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42 year period to empirically examine how and when IR service quality affects corporate
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44 intangible value within the Hong Kong context. Through regression analysis, the study reveals
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46 that IR service quality not only directly enhances corporate intangible value but also does so
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48 indirectly via information transparency. The subsequent moderation analysis further highlights
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50 the robustness of the direct enhancement effect of IR service quality on corporate intangible
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52 value, regardless of competitive intensity. It also reveals that the positive impact of information
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54 transparency on this value will be attenuated as competitive intensity increases. Academically,
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56 the present findings advance understanding of the mechanism and boundary conditions that
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3 underlie the complex and dynamic relationships among IR service quality, information
4 transparency, corporate intangible value, and competitive intensity. Practically, they remind
5 companies of the strategic importance of improving their IR services and associated
6 information transparency to create corporate intangible value and achieve sustainable corporate
7 growth.
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17 Despite its valuable contributions, this study has a few limitations that warrant attention in
18 future research. Firstly, the present findings are derived from archival data collected within the
19 context of Hong Kong. Consequently, further assessment of their generalizability is necessary,
20 particularly in other more mature Western capital markets. Secondly, this study focuses on IR
21 as the service type for investigation. To enhance the external validity of the findings, services
22 marketing researchers should consider applying the proposed model to explore other types of
23 B2B professional services in future investigations. Thirdly, the observation of a negative rather
24 than positive moderating effect of competitive intensity on the relationship between
25 information transparency and corporate intangible value suggests a need for future research to
26 uncover the underlying reasons behind this finding. Such endeavors will advance
27 understanding of the potentially intricate nature of information transparency (e.g., its degree of
28 imitability) and shed further light on its performance implications under different competitive
29 conditions.
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Table 1 - Summary statistics of major variables under study

Variable	Description of variable	Mean	Standard deviation
<i>Focal variables:</i>			
IRSQ	IR service quality	0.13	0.58
IT	Information transparency	-0.20	0.42
CIV	Corporate intangible value	1.33	0.94
CI	Competitive intensity	-0.17	0.17
<i>Control variables (covariates):</i>			
SGATA	Selling general & administrative expenses/total assets	0.12	0.13
LEV	Leverage ratio	0.21	0.17
CASH	Cash ratio	0.23	0.17
ASSET	Natural log of total assets	15.66	2.18
CLOSE	Ratio of closely held shares	0.52	0.25
ISSUE	Dummy for equity issuance	0.39	0.49

Table 2 – Conditional indirect effect of IR service quality on corporate intangible value

Indirect effect: IR service quality → Information transparency → Corporate intangible value

Moderator: Competitive intensity	Effect	BoostSE	BootLLCI	BootULCI
Low = -0.1688	0.0079	0.0014	0.0052	0.0106
Medium = 0.0000	0.0060	0.0011	0.0039	0.0082
High = 0.1408	0.0045	0.0009	0.0027	0.0064

Table 3 – Regression results for the IR service quality→corporate intangible value and information transparency→corporate intangible value paths

Variable	Coefficient	SE	<i>p</i>
IR service quality (IRSQ)	0.0942	0.0146	<0.01
Information transparency (IT)	0.3534	0.0227	<0.01
Competitive intensity (CI)	-0.3239	0.0511	<0.01
IRSQ x CI	-0.0157	0.0933	0.8664
IT x CI	-0.6411	0.1145	<0.01
SGATA	1.7242	0.0735	<0.01
LEV	0.5659	0.0547	<0.01
CASH	0.8312	0.0558	<0.01
ASSET	-0.1081	0.0047	<0.01
CLOSE	-0.1806	0.0349	<0.01
ISSUE	0.1117	0.0177	<0.01

Notes:

Model $R^2 = 0.1981$, $F(11, 9861) = 221.4011$, $p < 0.01$.

SGATA = Selling, general and administrative expenses; LEV =leverage ratio; CASH = Cash ratio; ASSET = Natural logarithm of total assets; CLOSE = Ratio of closely held shares; ISSUE = Dummy for equity issuance.

^a For brevity, 4 year-dummies and 28 industry-dummies are not reported in the Table.

Table 4 – Regression results for the IR service quality→information transparency path

Variable	Coefficient	SE	<i>p</i>
IR service quality	0.0170	0.0064	<0.01
SGATA	-0.0939	0.0327	<0.01
LEV	-0.1042	0.0244	<0.01
CASH	0.1528	0.0249	<0.01
ASSET	0.0734	0.0020	<0.01
CLOSE	-0.0312	0.0156	<0.01
ISSUE	0.0938	0.0078	<0.01

Notes:

Model $R^2 = 0.1651$, $F(7, 9865) = 278.6067$, $p < 0.01$.

SGATA = Selling, general and administrative expenses; LEV =leverage ratio; CASH = Cash ratio; ASSET = Natural logarithm of total assets; CLOSE = Ratio of closely held shares; ISSUE = Dummy for equity issuance.

^a For brevity, 4 year-dummies and 28 industry-dummies are not reported in the Table.

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Figure 1 - The Conceptual Model



