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Financial Communication Inside Companies

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Abstract

Financial communication is a critical instrument that enables a company to manage its external interactions by utilizing accounting and financial data. This is critical because it enables management to construct a linked external environment. In terms of financial communication, it entails establishing certain objectives and how to use resources, developing strategies, making choices, and initiating activities.

Financial communication, from newspapers to social media, plays an important role in disseminating information about financial markets to a wide range of people. Financial reporting is experiencing tremendous change as a result of new digital processing and delivery systems, while the need for increasingly diversified information grows. The purpose of this essay is to study and compare the manner in which communication is conducted with various professional organizations in the economic sphere.

Key words: financial communication, instrument, information
J.E.L. classification: A11, F64, Q56

1. Introduction

Financial communication is a careful balance between providing excellent information to investors and communicating sensitive information to competition, especially when it comes to the company's industrial strategy choices. Financial communication refers to the development of trust in order to increase the company's efficiency, while also contributing to the generation of long-term value.

Human capital, structural capital and client capital are the three components of intangible capital. Companies can increase the usefulness of traditional accounting information by disseminating information about this issue. Some companies create external reporting systems that include narrative information, as well as indicator tables dedicated to the three intangible components of capital. These companies consider it essential to provide this information.

2. Theoretical background

Communication is the most important measure in preventing demands from participants in various activities. The statement, written by Charles E. Osgood in the book A Vocabulary for Talking about Communication (1987), is the most thorough description in my opinion stating that a system impacts a recipient by numerous signals that can be conveyed across the connecting channel.Given this notion, we may acknowledge that in communication science, information is what is conveyed in one or more of the various languages (Niculae, T. et al., 2006).

According to Rogers and Agarwala-Rogers, communication's function is to be a "harmonizer" of the organization, an orchestrator of its pieces (1976). Financial communication is a process that involves the exchange of information related to financial issues. This process is accomplished by using different sources and methods. Information provided to the public is usually related to the objectives and operations of an entity.

The importance of the existence of a comprehensive and accurate financial information system is highlighted by the fact that it serves as a final destination for various actors in economic life. This type of communication must also be integrated with other types of business communication, such as commercial, internal and corporate, but must be emphasized as the most significant form of communication for an entity, serving as a basis for institutional communication. (Avram & Avram, 2014). It is important to note that this mode of communication is very new, appearing between 1980 and 1990 (during the period of market globalization and economic privatization), when shareholders grew rapidly (Cammack & Cammack, J., 2012).

Prior to the financial communication, the financial information that indicates a previous statement of the company and at the same time shows the potential for forecasting in the future must be discussed. Financial communication is associated in particular with listed corporations and represents the distribution of public information between them and the general public. As a result, we deal with two types of financial communication: the financial communication of the GMS (General Meeting of Shareholders) and the financial communication by market segments (Adorisio, 2015).

3. Research methodology

The research method is analytical in nature, focusing primarily on the research of the literature on financial communication and information management and consists of methods and techniques of selection and processing of data available in the research field, to allow for documented opinions and conclusions. .

4. Findings

4.1. Communication from an economic perspective

Financial communication is a vital tool that allows an entity to manage its external relations through the information provided by accounting and financial data. This is very important because it allows management to create an interconnected external environment. The function of financial communication is very important for a company to attract potential investors. It is also used to increase its notoriety and credibility, which are two important factors in the eyes of potential investors.

Market participants, owners, investors, and creditors require clear knowledge about every occurrence that may have an impact on company and the value of an investment. As a result, it is critical to offer relevant and reliable information to both capital markets and regulators. Before mergers and acquisitions, frequent stakeholder analyses and analyses of the political climate are also required.

The financial communication process begins within the organization. The continuous exchange of internal information provides reliable and accurate statistics on organizational performance, while informing employees about past results and future plans. Thus, the root and the decisive factor for the efficiency of financial communication is the quality of internal communication. Approaching the exchange of information within the organization improves internal performance and promotes the company's image among external observers.

In terms of financial communication, it entails establishing certain objectives and how to use resources, developing strategies, making choices, and initiating activities. Factors such as the existence of a variety of purposes, different interests, the ambiguity of situations, and the unanticipated environmental reactions influence plans and transform decisions. Managers must use the coordination function to connect and harmonize the time and space of activities, wishes, and realities. In this instance, the management process must have the cohesiveness, continuity, and dynamism that allow for the attainment of certain goals. As a result, we may conclude that communication is a fundamental component of the coordinating function.

Due to the entity's interaction with the environment, managers are required to track the relationships between data:

- external - shipped and purchased through the actions of supply, sales, advertising and marketing, etc.
- internal - circulating in the entity through formal channels and occasional communication.

Departmental collaboration and data exchange should be standardized and integrated into day-to-day operations. This is especially important when discussing intangible assets.

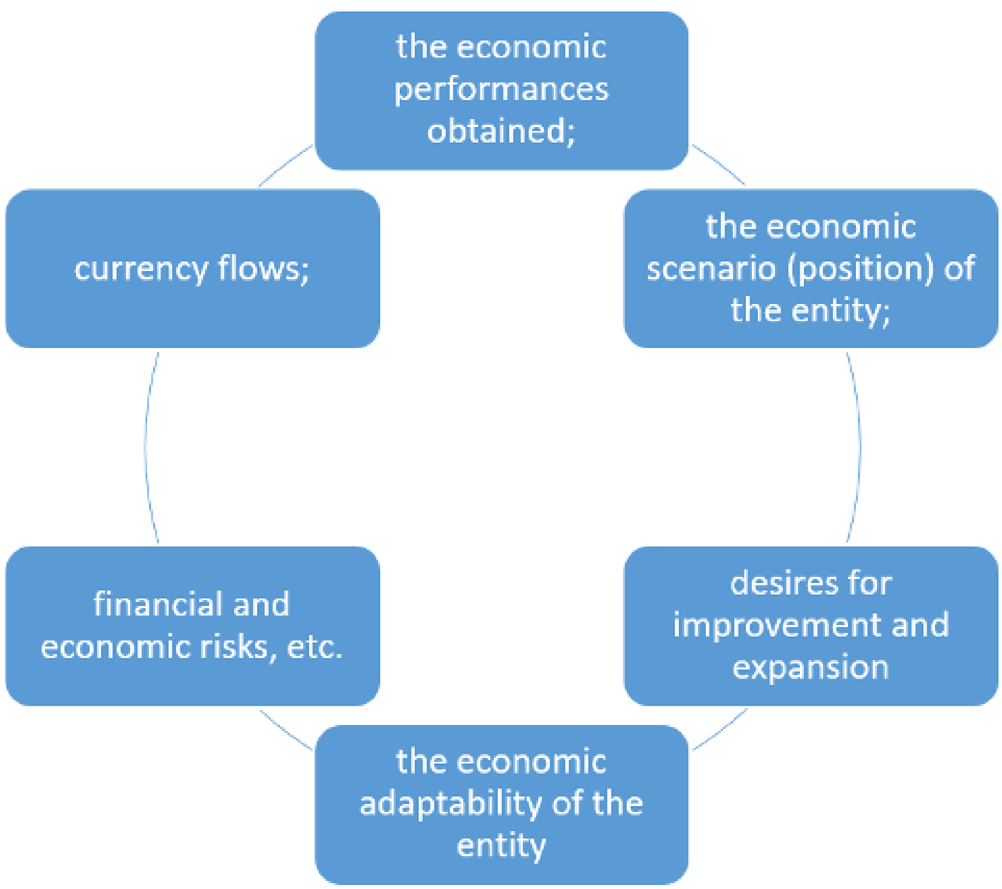
For example, if a company does not share data between its human and financial resources departments, it may not include information about training initiatives or seniority in its annual report. In addition, a company that does not combine its internal data is less likely to engage its employees in commercial activities.

Employees who do not take into account the successes, failures, strengths and weaknesses of their company are less motivated and loyal to their boss. Many studies have found that a sense of involvement increases employee motivation. As a result, communication mechanisms must be implemented at all levels of the organization. The data must be transmitted voluntarily by the operational crew, rather than being sought exclusively by management. The higher the intensity of internal interactions, the more comprehensive the market information provided.

The results of the facts regarding the general performance are observed in the profit and loss account. Also, data on personal liquidity or attracting external sources are observed in currency flows.

Economic entities talk financially with their universe through economic reviews. Figure no. 1 *Grouping the data provided by the economic reports* shows how economic reporting provides customers with segmented facts with the most data specifically associated with:

Figure no. 1. Grouping the data provided by the economic reports



Source: International Accounting Standards Board (2010). Conceptual Framework for Financial Reporting

In general, financial communication is a reflection of the company's culture insofar as it goes beyond simply obligatory objective facts, emphasizing certain themes over others. By doing so, the organization pursues defined goals that can only be seen in the long term and might change over time (Guimard, 1997). The annual report is one of the most effective tools in this financial communication plan due to the huge number of potential consumers. As a result, some concerns, such as environmental or social data, could be seen in its content. Initially, thematic information is information that the company publishes freely. However, the importance of the issue for the company's operations may require a separate report. This is especially true for environmental data.

4.2. The role of financial analysts in the financial communication chain

With the advent of institutional investors, financial analysts began to have a considerable effect on market information. Interpretations and analyzes of data released by corporations influence the decisions of investors, especially professionals, which account for most of the value in capital markets.

The analyst community is divided into two groups: purchasing analysts and sales analysts. Sales analysts work for investment banks, while purchasing analysts work for portfolio management firms. Sales analysts are becoming more widespread and anticipating great attention from Investor Relations executives.

The opinions offered by sales analysts could have a significant impact on decisions made by individual shareholders, especially institutional investors. Because meeting the information requirements of analysts is in the interest of the entire organization.

Purchasing analysts have a less crucial role because their judgments have less influence on market reactions. They are also employed by an institution. The evaluations only affect the judgments of this institution.

Sales analysts interact with traders and portfolio managers to provide analysis results and their buying or selling suggestions in response to market events (publishing results, news about the business being pursued, unfavorable market weather, and so on). Analysts and portfolio managers have long-term goals, and their recommendations change less often.

The trust between the company and the sales analysts is essential for excellent forecasts and the opening of the company on the market. Analysts sometimes compare their projections to the company's forecasts before publishing them. From a normative point of view, this method is not totally acceptable because the law requires equitable access to information. However, it helps reduce stock market price volatility caused by analysts' misjudgments. This is especially true for small businesses. Analysts appreciate any useful information, such as a conference number or a date. They want to be updated by email on any significant progress because speed of data access is critical in their business. on the other hand, they are willing to invest a significant amount of time in in-depth analysis. It is designed to provide unbiased and quantifiable information.

5. Conclusions

Communication at the level of financial elements is constantly redefining itself. The current authoritative climate is portrayed by financial, social, educational changes that expect associations to adjust to stay ambitious, observing new hierarchical recipes and vital choices intended to expand their abilities and openings.

Financial communication on intangible assets is an extremely complicated issue at the intersection of finance, communication and psychology. Good communication in this issue involves knowing the financial indicators, understanding how the stock market works, appreciating the importance of material wealth and, finally, mastering communication tactics. The message communicated to the financial market must not only be correctly expressed and articulated, but must also have substance of interest to the financial community. Economic entities want to engage in activities with the external environment in which they operate, and at the same time with the internal environment, and these relationships generate a chain of desired objectives. Fulfilling these desires requires the development of relevant, objective, accurate and beneficial actions that must reach the right place at the right time.

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