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Corporate marketing in the stock market

The impact of company identification on individuals' investment behaviour

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Abstract

Purpose – The purpose of this paper is to contribute to the corporate marketing literature by examining how an individual's identification with a company influences their willingness to invest in the company's shares.

Design/methodology/approach – A set of hypotheses was developed, based on theory, and survey data were obtained from 440 individuals in order to test the hypotheses. The data pertained to the individuals' recent decisions to invest in particular companies' shares, and to the degree of their identification with the companies' identities. The analysis method was PLS path modelling.

Findings – First, an individual's identification with a company was found to have a positive effect on their determination to invest in the company's shares rather than in other companies' shares that have approximately similar expected financial returns/risks. Second, company identification was found to elicit preparedness to invest in the company's shares with lower financial returns expected from the shares than from other shares. Both influences were partly mediated by the individual's willingness to give support to a company with which they identify.

Research limitations/implications – The study pertains to company identification of individual investors; institutional (and professional) investors are beyond the scope of the paper. Also, the sample focuses on investors in a single country (Finland), and the data may involve some self-reporting and retrospection biases.

Practical implications – Considering corporate marketing in the stock markets, individuals who identify with the company are identified as worthwhile targets when the company seeks to attract new investors.

Originality/value – The paper provides theoretical grounding for and empirical evidence of the positive influence of company identification on individuals' willingness to invest in companies' shares. It is a novel finding for corporate marketing literature that individuals express their identification with a corporate brand also through investing in its shares.

Keywords Company identification, Organisational identification, Investment behaviour, Individual investors, Corporate marketing, Corporate identity, Corporate branding, Finland

Paper type Research paper

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Introduction

Corporate-level marketing – if understood as the broad managerial philosophy whereby the corporate image, identity, and/or brand of a company are seen to be central anchors or drivers for its strategies and management – has attracted considerable interest in recent years. The growing interest has been manifest not only in the marketing discipline (e.g. Balmer and Greyser, 2005; Bick *et al.*, 2003; He, 2008; Melewar and Karaosmanoglu, 2006a; Powell *et al.*, 2007; Powell, 2007) but increasingly also in the disciplines of general management and strategy (e.g. Balmer, 2009; Balmer *et al.*, 2009b; Cornelissen *et al.*, 2007; He and Balmer, 2007; Melewar *et al.*, 2005; Mukherjee and Balmer, 2007; Rodrigues and Child, 2008), human resources management (Martin, 2009; McGuire *et al.*, 2007), corporate communications (Balmer and Greyser, 2005; Balmer *et al.*, 2009a; Einwiller and Will, 2002; Powell and Dodd, 2007; Stuart, 1999), and even business ethics (Borgerson *et al.*, 2009; Fukukawa *et al.*, 2007; Balmer *et al.*, 2007).

What these corporate marketing-related perspectives share as a basic assumption is the notion that the various constituencies or stakeholders of a company essentially orient their behaviours towards the company according to what they perceive about the company's identity and how they evaluate it – that is, according to perceived corporate (brand) identity/image (see, for example, Balmer, 2009; Brown *et al.*, 2006). Notably, consistent with the inter-disciplinary work in the area, the role of the perceived corporate identity as a driver of stakeholders' behaviours is seen to be the case not only with the company's customers but also with other classes of stakeholders, such as prospective and current employees, suppliers, business partners, etc.

Under scrutiny in the present article is the corporate marketing literature's claim that among other stakeholders, also *investors* orient their behaviours towards companies according to perceived corporate images or identities (Balmer and Gray, 2003; Balmer *et al.*, 2009b; Brown *et al.*, 2006; Dowling, 2004; Hatch and Schultz, 2003; Melewar *et al.*, 2005). For instance, Hatch and Schultz (2003) note that the perception of a corporate brand identity may affect various decisions and behaviours of external constituencies, including decisions to invest in the company. Relatedly, also marketing researchers in general (Lovett and MacDonald, 2005; Schoenbachler *et al.*, 2004; Aspara, 2009; Aspara *et al.*, 2009), as well as researchers in (behavioural) finance (Frieder and Subrahmanyam, 2005; Aspara and Tikkanen, 2008b), have recently shown interest in the effects of individuals' perceptions of companies' brand images on their investment behaviour.

However, while corporate marketing literature has made the broad claim that perceived corporate identity could also attract investors, why exactly this would be the case (and to what extent) has not been carefully scrutinised so far, neither theoretically nor empirically. Therefore, the purpose of this article is to fill this research gap by explicating theoretically as well as examining empirically how a company's corporate identity may influence individual investors' willingness to invest in the company in the stock market.

Being informed by the recent turn in the corporate marketing literature, whereby theoretisations are linked to fundamental social psychological notions of individuals' (social) identities (Balmer, 2008; Balmer and Liao, 2007; Cornelissen *et al.*, 2007, He and Balmer, 2007a, b; He and Mukherjee, 2009; Simoes *et al.*, 2005), we base our hypotheses especially on the theoretical notion of (social) identification. Indeed, we theorise that what may especially drive individual investors' behaviours is their identification with a company's corporate identity – particularly their perception of the company's identity being congruent with one's own identity or self-image (see Ahearne *et al.*, 2005; Bhattacharya and Sen, 2003; Cardador and Pratt, 2006; He and Mukherjee, 2009; Scott and Lane, 2000). Besides the extant corporate marketing literature, we enrich our theoretisation with recent notions from behavioural finance literature on investment psychology. Consequent on theoretically explicating the potential influence of company identification on individuals' willingness to invest in companies' shares, we test our hypotheses through examination of survey data collected from 400 individual investors, investing in the Finnish stock market.

As to our results, we identify and find evidence of two ways in which an individual's identification with a company may contribute to their decisions to invest in the company's shares. First, an individual's identification with a company is found to have positive impact on the individual's determination to invest in the company's shares rather than in other companies' shares that have approximately similar expected financial returns/risks. Second, company identification is even found to elicit preparedness to invest in the company's shares with lower financial returns expected from the shares than from other shares. Both influences are found to be partly mediated by the individual's willingness to give support to the company they identify with.

In sum, our findings concerning individual investors provide important clues about how corporations can be better marketed in the stock market. While institutional (and professional) investors are outside the scope of the present article, the significance of insights to individual investors, especially, is increasing due to the fact that participation by individuals and households in stock markets is growing in many countries (e.g. Guiso *et al.*, 2003; Wärneryd, 2001, p. 4)[1]. Moreover, individuals' direct investments in the stock market have become increasingly convenient since the 1990s due to the technological development – particularly the internet and the virtual online marketplaces – and the proliferation of an entertainment-driven 24-hour business media. An important point here is that in the virtualised, global marketplaces, the number of companies available for direct share investment becomes enormous – meaning also that corporate identities may become increasingly elusive, and individual investors' identifications with particular companies, at the same time, increasingly significant. All in all, our results suggest that individuals who identify with a company are worthwhile targets for corporate marketing in the stock market, when the company seeks to attract new investors or investments.

The rest of the paper is organised as follows. In the following section, we develop the theoretical arguments and hypotheses concerning individuals' decisions to invest in the shares of companies with which they identify. Next, we describe the method and data used in our study and, thereafter, present the results addressing our hypotheses. Finally, we conclude with a summary and a brief discussion.

Theory and hypotheses

The link of corporate marketing literature to investor behaviour

> I certainly believe in the importance of marketing ourselves to investors and I believe most companies also do. A strong corporate image is vital in attracting investment [. . .]" (a marketing executive, cited in Melewar *et al.*, 2005, p. 75).

As Melewar *et al.*'s (2005) recent interview study suggests, the idea of marketing the company not only among customers and product markets but also among investors and the stock market is not strange to companies' marketing and other executives. Furthermore, their study also suggests that at the heart of corporate marketing towards investors is, indeed, the concept of corporate identity/image (see also Aspara and Tikkanen, 2008a, for evidence of managers' interest in corporate brand identity among investors).

Concerning the underlying logic of potential identity-based corporate marketing towards investors, it has been widely argued in corporate marketing and branding literatures that all the external constituencies and stakeholders of a company – including investors – essentially orient their behaviours towards the company according to how they perceive the company and evaluate it, i.e. its perceived corporate image or reputation (Balmer and Gray, 2003; Balmer *et al.*, 2009b; Brown *et al.*, 2006; Dowling, 2004; Hatch and Schultz, 2003; Melewar *et al.*, 2005; Melewar and Karaosmanoglu, 2006b). Fombrun and Shanley (1990), for example, have noted earlier that a strong corporate identity and, thereby, positive corporate image or reputation help companies recruit investors among other important stakeholders (see also Simoes *et al.*, 2005). In a similar vein, Hatch and Schultz (2003) later claimed that the perception of a corporate brand may create attraction that affects the decisions and behaviours of external constituencies – *inter alia*, decisions to invest in the company. Also Balmer's (2006) "6C's of corporate marketing" present "constituencies" as one of the C's: specifically, Balmer considers it necessary for a corporation to appeal to many organisational constituencies or stakeholder groups, and investors are mentioned as one of those groups. Furthermore, Dowling (2004) suggests that a company's corporate image is constructed as more or less appealing from a certain stakeholder's – such as an investor's – subjective perspective and implies that the personal values of an individual stakeholder determine how attractive a particular company is perceived to be from their perspective.

While these corporate marketing literature references generally imply that investors (among other stakeholders) are attracted by a company's corporate identity or image, it is important to further examine the underlying links between corporate identity and investor behaviour. Implicitly, there seem to be three kinds of potential links implied in the corporate marketing literature, concerning the relationships between corporate identity and investor behaviour. First of all, it is possible that a positive overall image or evaluation that an investor holds of a company (or its corporate brand identity) is partly generated by the investor's expectations of favourable financial returns (earnings and dividend yield) of the company (e.g. Fombrun and Shanley, 1990; Melewar *et al.*, 2005). Such a link would, self-evidently, make an investor's willingness to invest in a company correlate with the positiveness of their evaluation of the company – since according to traditional finance research, investors select investments primarily based on their expected financial returns (Clark-Murphy and Soutar, 2004; Wärneryd, 2001). Second, as recent behavioural finance literature suggests (Statman *et al.*, 2008), a positive overall image or evaluation that an investor holds of a company – whatever the source of this positive image or evaluation – may actually have positive influence on their expectations about the financial returns of the company. Also this link would make an investor's willingness to invest in a company correlate to some extent with the positiveness of their evaluation of the company image.

While the previously mentioned phenomena are indeed likely to occur, we are in the present research mainly interested in a third kind of possible link between corporate identity and investor behaviour – one related to the direct influence of corporate identity on an investor's behaviour, over and beyond the expected financial returns that they expect from the company. For this third link, we are informed by the recent corporate marketing literature (Balmer, 2008; Balmer and Liao, 2007; Cornelissen *et al.*, 2007, He and Balmer, 2007a, He and Mukherjee, 2009; Simoes *et al.*, 2005) which attempts to link corporate identity to fundamental social psychological notions of individuals' (social) identities and, especially, individuals' identification with companies. This recent literature evokes the notion that an individual stakeholder's identification with a company – their perception that the company's identity is congruent with their own identity – can be a significant factor attracting the individual towards the company (He and Balmer, 2007a; He and Mukherjee, 2009; Simoes *et al.*, 2005), beyond any rational economic considerations (Balmer, 2008). Based on the underlying social identification theories (e.g. Tajfel and Turner, 1986; Albert and Whetten, 1985; Scott and Lane, 2000), we elaborate in the following section, how an individual investor's identification with a company can indeed have positive influence on their willingness to invest in the company, beyond the expected financial returns.

Notably, studying the influence of company identification on investment willingness beyond expected financial returns is also relevant from the perspective of recent behavioural finance research on investment psychology, which acknowledges that some – perhaps most – investors have preferences that go beyond expected financial returns and risk" (Fisher and Statman, 1997, p. 48). This research has increasingly questioned the traditional finance utility functions that incorporate only financial risk and return for explaining investor behaviour and ignore the multiplicity of human needs, and the heterogeneity between individuals in satisfying these needs (Fisher and Statman, 1997; Hoffmann *et al.*, 2006).

Identification with companies and share investments

According to social identity theory (Tajfel and Turner, 1986), an individual's self-definition is an amalgam of not only personal, idiosyncratic attributes but also social identities perceived as being relevant by the individual. The concepts of organisational identity and company/corporate identity, in turn, have been linked to social identity theory so as to provide understanding on the process whereby individuals identify with organisations – be it as consumers or customers (Ahearne *et al.*, 2005; Bhattacharya and Sen, 2003; Fournier, 1998), employees (Cardador and Pratt, 2006; Pratt, 1998), or stakeholders in general (including shareholders/investors; see Scott and Lane, 2000; Balmer, 2008; Balmer and Liao, 2007).

By definition, an individual identifies with a company to the extent that they perceive an overlap between the company's organisational attributes and their own individual attributes (Dutton *et al.*, 1994; Marin and Ruiz, 2007; Scott and Lane, 2000). In Dowling's (2004) words, in the corporate brand/reputation context, the question is about how good a fit there is between the individual's personal values and the perceived image (dimensions) of the organisation. In any case, it is presupposed that for company identification to occur, the individual is aware of the company and has a certain perception of its identity, deriving from the (perceived) central, distinctive, and enduring attributes of the company (see Albert and Whetten, 1985) – the conceived identity in Balmer and Greyser's (2002) terms.

Central for the present argument, the strength of an individual's identification with a company is related to the degree to which the individual will – in their behaviour – give preferential and supportive treatment to the company, actively seek to increase its welfare, and/or cooperatively give more of their scarce resources to it (Aspara *et al.*, 2008; Bhattacharya and Sen, 2003; Scott and Lane, 2000). What is especially relevant for the present case, one way through which such preferential and supportive treatment and giving of scarce resources may be pursued is through investment in the company's shares in the stock market. In other words, an individual is likely to exhibit – insofar as they identify with a company – extra willingness to invest in the company's shares, even beyond their expected financial returns/risk. Note that this argument is also supported by recent behavioural finance research that implies that people may obtain emotional or experiential utility (Beal *et al.*, 2005; Cullis *et al.*, 1992; Fama and French, 2004, 2007) and self-expressive benefits (Statman, 2004) from owning companies' shares – beyond their expected financial returns.

Specifically, the positive influence of an individual's identification with a company on their willingness to invest in the company's shares is likely to manifest in two ways:

(1) In the individual's determination to invest in the company's shares rather than other companies' shares that have approximately similar expected financial returns/risks. Namely, in addition to the baseline investment willingness that is due to the "mere" expected financial returns, one will – as explained previously – have increased, extra willingness to invest the shares of the company which one identifies with and, hence, be determined to choose to invest in that company over the others (the total investment willingness being higher for that company).

(2) In the individual's preparedness to invest in the company's shares with lower financial returns expected from the shares than from other companies' shares (at a given risk level).

This is evident because it will be the respective, total benefits yielded by the shares of the different companies that will determine one's investment. Thus, insofar as investing in the shares of the company which one identifies with yields self-expressive benefits, one may "accept" lower financial benefits from that company's shares and still obtain the same or higher level of perceived total benefits from those shares than from the shares of other companies.

In sum, our hypotheses are thus:

H1. The stronger an individual's identification with a company, the greater is their determination to invest in/hold the company's shares rather than other companies' shares that have approximately similar expected financial returns/risks.

H2. The stronger an individual's identification with a company, the greater is their preparedness to invest in/hold the company's shares with lower financial returns expected from the shares than from another company's shares (at a given risk level).

Finally, it should be noted that the pursuit of the preferential and supportive treatment and giving of scarce resources to the company through share investment – due to the affection-driven yet cognitive identification (Aspara *et al.*, 2008; Bhattacharya and Sen, 2003; Scott and Lane, 2000) – might be unconscious and/or conscious. Accordingly, we view that the hypothesised effects of company identification may be direct as well as indirect, i.e. manifest directly and/or through the mediating variable of one's increased (and conscious) "willingness to support the company", by investing in its shares. Indeed, including this mediating variable in the analysis enables verification of the very premise – stemming from the identification theory – that the influence of organisational identification on one's behaviour occurs partly through one's desire to give supportive treatment to the organisation.

In any case, note that the support given by any one individual through share investment to a company does not mean so much in objective terms to the company[2] as it does in subjective terms to the individual – by their obtaining the self-expressive feeling that they are supporting, with their investment, the company, which they identify with. Note also that the willingness to support the company arises from one's affect-involving identification and incidental self-expression need therein, when one is selecting which shares to invest in – while not so much reflecting any planned behaviour that would rest on the premise that one actually believes to have great effect on the outcome, i.e. the company's success, by supporting it through one's investment.

Method

Data and sample

Revealing the influence of company identification on individuals' share investment decisions requires data:

- concerning the degree to which individuals identify with specific companies; and
- concerning the individuals' decisions to invest in those companies' shares.

In order to obtain data concerning individuals' real (as opposed to hypothetical) share investment decisions, we decided to seek for such individuals who had recently invested in certain companies' shares to become our study participants. Contacting individuals who had *recently* made investment decisions (i.e. less than two years in the past) was considered important in order to ensure that the individuals would still recall the investment decisions in question as well as the decision making contexts.

As a population of interest we had such people living in (Northern) Europe that might invest some of their savings in shares of publicly traded companies. We approached 300 individuals per four companies from different industries (1200 in total), listed in Helsinki Stock Exchange, Finland: the individuals were randomly sampled from a list of such Finnish shareholders of the companies who had become their shareholders during the past 1.5 years. The lists were provided by the companies. The individuals were sent a survey questionnaire by mail, with a prepaid reply envelope. Of the usable questionnaires, 400 were returned, yielding a fairly good response rate of 36.7 per cent. The eventual sample size was adequate for the main data analysis method used: PLS path modelling (see Chin and Newsted, 1999). We contacted the participants in the summer of 2007. The contacted individuals were informed of a possibility to win small prizes in a lottery (of three prizes in total, with value of approximately 100 euros each), arranged among those who would return the questionnaire.

Overall approach and study design

The overall design used to examine the hypotheses deployed retrospection, involving the subjects to respond to scenarios in which each subject was:

- asked to retrospectively recall the time when they had bought the shares of the company that they currently owned (‘investee company’, i.e. the company from whose shareholder register the contacts of the subject in question had been drawn for mailing the questionnaire);
- presented with the name of another, real stock-exchange-listed company (‘comparison company’);
- requested to respond to questions pertaining to company identification, concerning both the investee company and the comparison company; and
- requested to ponder their investment as if it had been a choice between the investee company and the comparison company.

Specifically, the effect of the difference between the subject’s degrees of identification with the investee company and the comparison company on their relative willingness to invest in the investee company’s shares vs the comparison company’s shares was analysed. Respondents that indicated ownership of not only the investee company but also the comparison company presented to them (approximately 10 per cent of respondents) were screened out from the data, in order to ensure similar comparison scenario among all the respondents included in the analyses.

The investee companies and comparison companies represented different industries, as described in Table I. To enable better generalisability of the results and more varied investee company-comparison company combinations, we manipulated half of the respondents for each investee company to have one comparison company, while the other half to have another comparison company.

As a limitation of the previous overall study design, the response data gathered presents a potential retrospection bias. Yet, we consider the data to be adequately valid for our theoretical purposes, for the following reasons. First, even if people’s

Investee company	Investee company’s industry/ product category	Comparison companies	Comparison companies’ industry/ product categories
A	Gardening and other household tools	F; D	Food products; car and other tires
B	Sports equipment and apparel	E; A	Interior decoration, tableware; gardening and other household tools
C	Biotechnology drugs	D; B	Car and other tires; sports equipment and apparel
D	Car and other tires	E; A	Interior decoration, tableware; gardening and other household tools

Table I.
Industries of the companies studied

"memories" of their past affective states are partly "constructed" in the present, there is also much research suggesting that such memories are fairly accurate – particularly insofar as there has not been change in one's personal goals or self/personality appraisals since the memorised period. In our case, the respondents' unchanged investments in the focal companies' shares since the initial investment (less than two years ago) until the moment of inquiry hints about their unchanged goals in regards to these attitudinal objects. The relatively little time that had elapsed since the initial investment hints, in turn, that the respondents' perceptions of their own personalities had likely remained fairly unchanged.

Second, it has been shown that people's memories of past affective episodes accord often with their affective states at the end of the episode. In our case, since we asked about the respondents' affects towards the companies before and during the time of investment consideration, the memorised affects are likely to pertain to the relevant "end" of this period, i.e. the actual moment of the investment decision.

Third, even if the respondents' recalled affective states concerning the companies might somewhat reflect their current affective states, due to the respondents' (affective, dissonance-reducing) commitment to their particular investment decisions, the data are still adequately valid for our theoretical purposes. Namely, to the extent that this kind of reflection occurs, our data will, in part, reflect the individuals' current motivation to hold their investments in the particular companies' shares (or, the investment choice reasoning they would make currently, based on their current appraisals of the companies) – yet still manifest the very motivational link between one's affective state/identification and one's holding a particular share investment, which we are expressly hypothesising about[3]. In these respects, the fact that the respondents partly reflect their (on-going) affective commitment and reasoning to their initial investments does not seriously undermine the validity of the data in serving the examination of our theoretical hypotheses.

Analysis method and measures

We apply partial least squares (PLS) path modelling (Fornell and Cha, 1994) to test the hypotheses. Specifically, we employ SmartPLS (Ringle *et al.*, 2005), which allows for simultaneous testing of multiple hypotheses while enabling single- and multi-item measurement, as well as the use of both reflective and formative scales (see Fornell and Bookstein, 1982). The structural model shown in Figure 1 contains as latent predictor

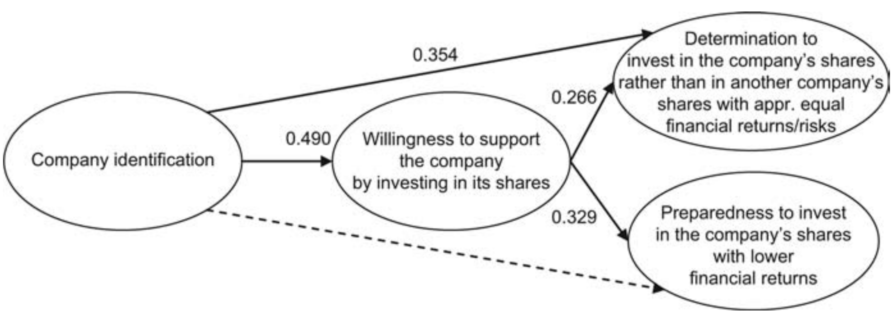

Figure 1.
Simplified structural model of the impact of company identification on an individual's willingness to invest in the company, beyond financial returns/risk (coefficients of significant paths noted)

variable the individual's identification with the company (COMPANY IDENTIFICATION). The dependent variables are:

- the individual's determination to invest in the company's shares rather than another company's shares that have approximately similar expected financial returns/risks (DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS); and
- the individual's preparedness to invest in the company's shares with lower financial returns expected from the shares than from another company's shares (PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS).

In addition, the model contains the mediating variable for an individual's willingness to support the company by investing in its shares (WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING).

We also include a control variable in the model, pertaining to an individual's awareness of the corporation (CORPORATE BRAND AWARENESS), in order to control for the possibility that any found effects are due to individuals' varying familiarities with the companies, their products, and brands. This is because earlier investor behaviour research has found evidence of the fact that familiarity with a company's brand may have positive effect on an individual's preference and proclivity to invest in the company's shares (Frieder and Subrahmanyam, 2005).

In addition, we included indicators of the investee companies and comparison companies into the model, in the form of dummy variables, in order to control the effect of investee-company-specificity and comparison-company-specificity of the results. Furthermore, we included interaction terms of the predictor variables and the company dummy variables, in order to control for moderating effects of the investee-company, and comparison company dummies.

Concerning an individual's willingness to invest in a company's shares beyond its financial returns/risk, DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS was measured with a single-item indicator. The subjects were asked:

> If you had been convinced at the time of buying the [investee company's] shares that the financial returns from the [comparison company's] shares would absolutely certainly be exactly the same as those of the [investee company's], how would you have invested?

The responses were recorded on a bipolar seven-point scale anchored by: 0 = "which share to invest in would have made no difference to me" and 6 = "I would still have invested in [investee company's] shares".

PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS, in turn, was measured by asking the subjects:

> How much higher financial returns (assuming that the investment time horizon and investment risk would have stayed the same) should you have been promised from the [comparison company's] shares, so that you would have invested in [comparison company's] shares instead of [investee company's] shares? Circle a percentage.

The responses were recorded by asking the subjects to choose a percentage out of the following: 1 per cent (higher), 2 per cent (higher), 5 per cent (higher), 10 per cent (higher), 20 per cent (higher), 30 per cent (higher), 50 per cent (higher), 100 per cent (higher).

WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING was measured by asking the subjects: "How strong a desire did you have *to* support [investee company's] business by investing in its shares?". The responses were recorded on a seven-point bipolar scale, anchored by: 0 = "no such desire at all" and 6 = "very strong desire".

Concerning the determinant construct, we measured the predictor variable COMPANY IDENTIFICATION with a reflective two-item scale. The first question asked, "How well did [company X] reflect you as a person?". The responses were recorded on a 7-point bipolar scale anchored by 0 = "not at all" and 6 = "very well". This question was developed to measure company identification as the perceived overall overlap between one's self-concept and the identity of the company, adapting a question used by Bergami and Bagozzi (2000) to a wording more understandable to respondents[4]. The second question was, "How important was [company X] to you personally?". The responses were recorded on a seven-point bipolar scale anchored by 0 = "made no difference" and 6 = "very important". The second item was developed to incorporate the notion that identification with a target calls for the target to be self-important (Reed, 2002).

The control variable CORPORATE BRAND AWARENESS was measured with a single indicator. The subjects were asked "How well do you think you knew [company X] as a company?". The responses to this question were recorded on a seven-point bipolar scale anchored by 0 = "not at all" and 6 = "very well".

The reliability of the reflective, two-item scale of COMPANY IDENTIFICATION was satisfactory. The used scale achieved a satisfactory alpha score of 0.77, average variance extracted of 0.82, and composite reliability of 0.90. Multicollinearity between the main predictor and control variables was not an issue: the correlations among latent variables were less than or equal to 0.5. Finally, note, again, that that the eventual predictor variables (COMPANY IDENTIFICATION and CORPORATE BRAND AWARENESS) that were entered into the model were constituted of differences between each subject's scores for the investee company and his scores for the comparison company. The dependent variable, in contrast, was entered directly as measured, since the measure readily reflected the subject's willingness to invest in the investee company vs. the comparison company. Note also that the questions and items were originally in Finnish – yet, great care was exercised in translating them into English for this article.

Results

Descriptive statistics concerning willingness to invest beyond financial returns

In contrast to the "benchmark" notion of traditional finance, i.e. that only financial returns and risks matter, our hypotheses propose that individuals may have extra willingness to invest in a company's shares, beyond expected financial returns/risk. Examining the distribution of values on the two dependent variables derived, our presumption receives support.

With regard to DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS, only 14.7 per cent of the respondents exhibit the benchmark value (response = 0), indicating that if offered an alternative investment with equal financial returns and risk, they would have been indifferent as to which investment to choose. The rest, 85.3 per cent, exhibited more or less strong determination to invest in the investee company's shares, beyond their expected financial returns/risk. In a similar vein, only 16.7 per cent of the respondents exhibit the benchmark value on PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS, indicating that even a minimal increase (1 per cent) in risk-free financial returns offered from another company's shares would have made them switch investments. The rest, 83.3 per cent, exhibited preparedness to invest in the investee company's shares with more or less lower financial returns offered than from another, comparison company, at a given risk level.

Tests of hypotheses

We list the path coefficients and *t*-values in the Appendix (see Table AI). Figure 1 presents the results in a simplified form, with significant paths noted. The model explains 26.6 per cent of DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS and 30.9 per cent of PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS, respectively. The predictor variable COMPANY IDENTIFICATION has significant ($p < 0.05$), direct and/or indirect effects on both the dependent variables, in support of our hypotheses. In addition, all significant parameters are in the proposed directions, providing general support for our hypotheses.

We find, first of all, a significant ($p < 0.05$) direct path from COMPANY IDENTIFICATION to the dependent variable DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS, with positive correlation. This suggests, as we propose in hypothesis *H1*, that an increase in the degree of identification with a company increases individuals' willingness to invest in the company beyond financial returns: specifically, their determination to invest in the company's shares rather than in other companies' shares that have approximately similar expected financial returns/risks.

While the direct path from COMPANY IDENTIFICATION to the other dependent variable, PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS, is non-significant, we find significant indirect paths with positive effects ($p < 0.05$) from COMPANY IDENTIFICATION to DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS as well as to PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS. The indirect paths are channelled through the mediating variable WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING. That is, company identification increases individuals' (conscious) willingness to support the company by investing in its shares, which, in turn, raises their determination to invest in the company's shares as well as their preparedness to invest in the company's shares with lower financial returns expected from the shares than from another company. In other words, willingness to support the company by investing in its shares partially mediates the positive effect of company identification on determination to invest in the company's shares rather than in other shares with approximately similar expected financial returns, while fully mediating the positive effect of company identification on preparedness to invest in the company's shares with lower financial returns. Thus, both *H1* and *H2* receive support, when it comes to indirect effect by company identification on willingness to invest in the company beyond expected financial returns, through willingness to support the company by investing in its shares.

Note that the directions and significances of the focal parameters reported previously are evident in the model where CORPORATE BRAND AWARENESS is included as a control variable. This being the case, it is established that the positive effect of an individual's identification with a company on their preference to invest in the company's shares is not due to the individual's greater familiarity with the company (see Frieder and Subrahmanyam, 2005). With regard to the independent effect of the control variable, the direct paths from CORPORATE BRAND AWARENESS to DETERMINATION TO INVEST WHEN EQUAL FINANCIAL RETURNS as well as to WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING are non-significant, whereas the direct path to PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS has actually a small, negative coefficient that is significant. This finding may be due to the possibility that individuals do not want their mere high familiarity with a company be "exploited" in the form of lower offered financial returns.

Examining the dummy company variables, we find that some of these variables have direct and/or moderating effects on the dependent variables and the relationships between COMPANY IDENTIFICATION and the dependent variables. This finding indicates that there are likely to be certain company- and/or industry-specific factors unidentified in our model that additionally explain some of individuals' extra willingness to invest in companies' shares beyond financial returns, as well as strengthen or weaken the impact of company identification thereon. As an example, there is a significant negative path from the investee company being A to PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS. This finding might result from respondents' overall preparedness to invest in that company's shares with lowered financial returns being weaker in comparison to the rest of the companies. As another example, the investee company being C is found to have significant, positive moderating effect on the relationship between COMPANY IDENTIFICATION and PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS. This finding may result from the fact that possible company identification with that company had more substantial effect on respondents' preparedness to invest in the company's shares with lower financial returns than was the case with other companies.

Discussion

Contributions

The literature and research on corporate-level marketing has claimed that a company's corporate identity may attract investors among other stakeholders. Recently, the research has been increasingly interested in how an individual's identification with a company, especially, may be a driver of attraction towards a company (Aspara *et al.*, 2008; Balmer, 2008; Balmer and Liao, 2007; Cornelissen *et al.*, 2007, He and Balmer, 2007a, b; He and Mukherjee, 2009; Simoes *et al.*, 2005). However, until the present research, the influence of an individual investor's identification with a company on their willingness to invest in the company has not been scrutinised more closely. The contribution of our research is, hence, in theoretically explicating and finding empirical evidence of investors' attraction to particular companies with which they identify. Specifically, we identify and find evidence of two ways in which an individual's identification with a company may influence their decisions to invest in the company's shares. First, company identification is found to have positive impact on the individual's determination to invest in the company's shares rather than in other companies' shares that have approximately similar expected financial returns/risks. Second, company identification is found to even elicit preparedness to invest in the company's shares with lower financial returns expected from the shares than from other companies' shares. Both the influences are partially or fully mediated by the individual's willingness to give support to a company which they identify with by investing in its shares. In sum, these findings are in line with the suggestion that the degree of identification with a company is related to the degree to which an individual will give preferential and supportive treatment to the company, actively seek to increase its welfare, and cooperatively give more of their scarce resources to it (Aspara *et al.*, 2008; Bhattacharya and Sen, 2003; Scott and Lane, 2000).

By theoretically explicating and finding empirical evidence of investors' attraction to companies with which they identify, our findings essentially extend and corroborate the extant corporate marketing, corporate branding, and corporate identity research (Balmer and Gray, 2003; Brown *et al.*, 2006; Dowling, 2004; Hatch and Schultz, 2003; Melewar and Karaosmanoglu, 2006b; Melewar *et al.*, 2005) which has suggested that a company can and should systematically manage its corporate identity or brand, as this can help in attracting and recruiting external constituencies, including investors. Especially, our findings imply that such individuals who identify with a company are more willing to invest in the company's shares than others. This implication can serve segmentation and targeting when it comes to marketing the company in the financial market (see Melewar *et al.*, 2005), as it makes individuals who identify with the company potentially worthwhile targets when the company seeks to attract new investors – in order to raise capital or to widen its shareholder base and enhance market valuation, for example. It also highlights the importance of coming up with means of identification management or identity-based marketing beyond the company's customers and employees (see Aspara *et al.*, 2008; Balmer, 2008; Balmer and Liao, 2007; Cardador and Pratt, 2006), among individuals who may potentially act as investors for the company.

Finally, it should be noted that our research is a fundamental step into the direction of bringing marketing and consumer views, theories, and techniques closer to the realm of finance. This is something that researchers in both finance (Clark-Murphy and Soutar, 2005; Fama and French, 2004; Statman, 2004; Aspara and Tikkanen, 2008b, n.d.) and marketing (Aspara, 2009; Lovett and MacDonald, 2005; Schoenbachler *et al.*, 2004) have increasingly called for. Particularly, our study is one of the first empirical examinations of individuals' motivations to invest companies' shares beyond their expected financial returns/risks – especially when it comes to examining self-expressive benefits and emotional utility obtained from investments (see Fama and French, 2007; Statman, 2004).

Limitations and further research

It is important to note that despite the evidence of the non-financial, identification-related investment motivations presented in this article, we still maintain that most people's motivations to make investments are mostly financial, i.e. aiming to obtain at least satisfactory (if not absolutely maximal) financial returns on investments. Our arguments and evidence by no means question this, albeit suggesting that individuals' stock investments are influenced also by identity-related, self-expressive motivations. Note also that the present results apply primarily to private, individual investors and are not readily generalisable to professional or institutional investors.

Furthermore, there are certain limitations in the present methodology. The potential retrospection bias is one limitation – even though, as discussed in the Method section, it is unlikely that such a bias would fundamentally undermine the validity of the findings concerning individuals' propensities to hold particular companies' shares rather than others. In any case, further research would benefit from gathering data additionally or alternatively at the time of individuals' investment decisions, when subjects buy shares through, e.g. an Internet trading service. Another limitation of the present study is due to the new measures for the dependent constructs. In principle, the use of single-item scales was justified, as the items were considered as direct reports of the behaviours of interest (rather than as indicators of some kind of latent variables). It was also justified as the present study was exploratory and first in the area. However, further research should further develop these measures and consider potential benefits of using multi-item scales also in behaviour measurement, or measure behaviour directly.

One must also take into account the possibility that a respondent's self-report of their behaviour might not accurately represent what they actually have done or would do. Nevertheless, we find it more likely that people will rather understate the extent to which they deviate from the rational motivation of maximising their financial returns than to overstate it. This actually makes our findings all the more convincing: we found self-reported evidence of the fact that people do not seek merely to maximise their financial returns but also have extra motivations – even if they are in principle likely to understate the existence of any such "irrational" extra motivations.

Regarding further research, replicating our study with different companies from different industries, as well as being listed and having shareholders in different countries, will be worthwhile next steps. A single respondent could be made, in further studies, to reflect on their identification with more than one comparison-company, and their willingness to invest in a chosen company could be contrasted with their willingness (or lack of it) to invest in each of those comparison companies. Ideally, researchers should also try to simulate the situation which people investing in stock markets increasingly face: an abundance of companies available as investment targets in global marketplaces empowered by Internet trading and information channels. In such an overwhelming virtual context, corporate identities may appear increasingly elusive, and individual investors' identifications with particular companies may serve as significant motives to invest in just those companies. Finally, given the recent crises and ethical issues in the financial sector, further research should also explore what relationships there are between investors' company identification and the company's perceived (or communicated) behaviours or values in terms of social responsibility or ethicality (see Powell *et al.*, 2009; Pomering and Johnson, 2009).

Notes

1. For instance in the USA, the UK, and Australia, the stock market participation has rapidly risen, during 1980s-2000s, from about 10 or 20 per cent to even half of the population. In the USA, the share of families owning shares directly or indirectly (through, e.g. various retirement vehicles) went up from 19 per cent in 1983 to 49 per cent by the 2000s (Aizcorbe *et al.*, 2003; ICI (Investment Company Institute) and SCA (Securities Industry Association), 2002) and in the UK from 9 per cent in 1978 to 34 per cent in 2000 (Muñoz, 2006). In Australia, in turn, the share of individuals with direct shareholdings increased from 10 per cent in 1991 to 44 per cent in 2004 (Reserve Bank of Australia, 1997; Australian Stock Exchange, 2005).
2. In some cases, the significance of one individual's support is significant also objectively from the firm perspective – when, e.g. a wealthy individual makes a seed investment in a start-up

company. Also, the "small supports" by single individuals may add up into a significant aggregate effect.

3. Such a link should not exist at all according to the traditional rationality assumptions of mainstream finance – which our hypotheses essentially question – i.e. neither before, during, nor after the stock investment decision-making, and not in self-reports any more than any other kind of data. In other words, any finding of such a positive link in the data are consistent with and in support of our hypotheses.
4. Bergami and Bagozzi's question was, Please indicate to what degree your self-image overlaps with [organisation X's] image, anchored by "not at all" and "very much" on a seven-point scale.

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Appendix

Path	Path coefficient	*t*-value
Direct paths, main variables		
COMPANY IDENTIFICATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.3538	2.4082**
COMPANY IDENTIFICATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.0774	0.7311
Direct paths, control variables		
FAMILIARITY WITH CORPORATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.0289	0.6344
FAMILIARITY WITH CORPORATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.1279	2.1254*
DUMMY: INVESTEE COMPANY A → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.2744	1.3257
DUMMY: INVESTEE COMPANY B → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.0798	0.9843
DUMMY: INVESTEE COMPANY C → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.3123	2.0744*
DUMMY: COMPARISON COMPANY D → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.1772	1.2707
DUMMY: COMPARISON COMPANY E → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.0196	0.2774
DUMMY: COMPARISON COMPANY F → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.0525	0.3796
DUMMY: INVESTEE COMPANY A → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.7141	2.6195**
DUMMY: INVESTEE COMPANY B → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.1057	1.3052
DUMMY: INVESTEE COMPANY C → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.2179	1.3842
DUMMY: COMPARISON COMPANY D → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.0520	0.3897
DUMMY: COMPARISON COMPANY E → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.3336	3.0645**
DUMMY: COMPARISON COMPANY F → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.2331	1.3346
Direct paths, moderator variables		
DUMMY: INVESTEE COMPANY A × COMPANY IDENTIFICATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.2896	1.4930
DUMMY: INVESTEE COMPANY B × COMPANY IDENTIFICATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.0304	0.7440
DUMMY: INVESTEE COMPANY C × COMPANY IDENTIFICATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.1998	1.7612
DUMMY: COMPARISON COMPANY D × COMPANY IDENTIFICATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.2110	1.6119

(continued)

Table AI.
Impact of company identification on willingness to invest in the company's shares, beyond financial returns

Path	Path coefficient	t-value
DUMMY: COMPARISON COMPANY E × COMPANY IDENTIFICATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.0225	0.3929
DUMMY: COMPARISON COMPANY F × COMPANY IDENTIFICATION → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.2104	1.3177
DUMMY: INVESTEE COMPANY A × COMPANY IDENTIFICATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.5952	2.9537**
DUMMY: INVESTEE COMPANY B × COMPANY IDENTIFICATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.0499	1.1216
DUMMY: INVESTEE COMPANY C × COMPANY IDENTIFICATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.4168	3.2071**
DUMMY: COMPARISON COMPANY D × COMPANY IDENTIFICATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.2278	1.9320
DUMMY: COMPARISON COMPANY E × COMPANY IDENTIFICATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.2463	2.9788**
DUMMY: COMPARISON COMPANY F × COMPANY IDENTIFICATION → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.3527	2.2159*
Indirect paths, main variables		
COMPANY IDENTIFICATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.4900	2.9266**
WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.2663	2.3903*
WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.3290	3.1118**
Indirect paths, control variables		
FAMILIARITY WITH CORPORATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	−0.1104	1.7311
DUMMY: INVESTEE COMPANY A → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.0088	0.0835
DUMMY: INVESTEE COMPANY B → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	−0.1276	2.0854*
DUMMY: INVESTEE COMPANY C → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.0102	0.2142
DUMMY: COMPARISON COMPANY D → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.0183	0.2617
DUMMY: COMPARISON COMPANY E → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.0070	0.1724
DUMMY: COMPARISON COMPANY F → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.1481	1.2955

(*continued*)

Table AI.

Path	Path coefficient	*t*-value
Indirect paths, moderator variables		
DUMMY: INVESTEE COMPANY A × COMPANY IDENTIFICATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.1163	0.6620
DUMMY: INVESTEE COMPANY B × COMPANY IDENTIFICATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	0.0439	0.7975
DUMMY: INVESTEE COMPANY C × COMPANY IDENTIFICATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	−0.0226	0.3425
DUMMY: COMPARISON COMPANY D × COMPANY IDENTIFICATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	−0.1644	1.3787
DUMMY: COMPARISON COMPANY E × COMPANY IDENTIFICATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	−0.2215	2.4543*
DUMMY: COMPARISON COMPANY F × COMPANY IDENTIFICATION → WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING	−0.3532	1.6999
DUMMY: INVESTEE COMPANY A × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.4587	1.7411
DUMMY: INVESTEE COMPANY B × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.0667	0.9577
DUMMY: INVESTEE COMPANY C × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.4410	2.6901**
DUMMY: COMPARISON COMPANY D × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.3539	1.9588
DUMMY: COMPARISON COMPANY E × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	0.0192	0.3107
DUMMY: COMPARISON COMPANY F × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → DETERMINATION TO INVEST WHEN EQUAL FINANCIAL EXPECTATIONS	−0.2194	1.2201
DUMMY: INVESTEE COMPANY A × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.2001	0.8332

(*continued*)

Table AI.

Path	Path coefficient	t-value
DUMMY: INVESTEE COMPANY B × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.1753	2.1049*
DUMMY: INVESTEE COMPANY C × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	−0.1242	0.8160
DUMMY: COMPARISON COMPANY D × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.1101	0.7049
DUMMY: COMPARISON COMPANY E × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.0947	1.2341
DUMMY: COMPARISON COMPANY F × WILLINGNESS TO SUPPORT THE COMPANY BY INVESTING → PREPAREDNESS TO INVEST WITH LOWER FINANCIAL RETURNS	0.0039	0.0244

Notes: $^{*}p < 0.05$ (two-sided). $^{**}p < 0.01$ (two-sided). The t-values were calculated through a bootstrapping routine with 358 cases and 500 samples

Table AI.

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